



STATE OF NEW YORK  
OFFICE OF THE MEDICAID INSPECTOR GENERAL  
800 North Pearl Street  
Albany, New York 12204

ANDREW M. CUOMO  
GOVERNOR

JAMES C. COX  
MEDICAID INSPECTOR GENERAL

August 9, 2013

[REDACTED]  
Resort Nursing Home  
430 Beach 68<sup>th</sup> Street  
Arverne, New York 11692

Re: Medicaid Rate Audit #11-3838  
NPI Number: [REDACTED]  
Provider Number: [REDACTED]

Dear [REDACTED]:

Enclosed is the final audit report of the Office of the Medicaid Inspector General's (the "OMIG") audit of Resort Nursing Home's (the "Facility") Medicaid rates for the rate period January 1, 2006 through December 31, 2008. In accordance with 18 NYCRR Section 517.6, this report represents the OMIG's final determination on issues raised in the draft audit report.

Since you did not respond to our draft audit report dated May 23, 2013, the findings in the final audit report remain identical to the draft audit report. As previously stated in the draft audit report, the Medicare Part B and D offsets were not within the scope of the review and may be examined as part of a future audit. The Medicaid overpayment associated with OMIG adjustments was \$96,795. However, this audit also processed part of Bureau of Long Term Care appeal #634915 that resulted in an amount due the Facility of \$23,601. Consequently, based on the enclosed audited rates calculated by the Bureau of Long Term Care Reimbursement, the Medicaid overpayment currently due is \$73,194. This overpayment is subject to Department of Health (the "DOH") and Division of Budget (the "DOB") final approval. While not anticipated, any difference between the calculated overpayment and the final DOH and DOB approved amount will be resolved with the Facility by the OMIG Bureau of Collections Management.

The overpayment does not reflect the impact on rates subsequent to December 31, 2008 that utilized the January 1, 1983 through December 31, 1983 base period for operating expense. Any overpayment resulting from operating expense disallowances in the January 1, 1983 through December 31, 1983 base period report for rates subsequent to December 31, 2008 will be addressed in the future.

In accordance with 18 NYCRR Part 518 which regulates the collection of overpayments, your repayment options are described below.

**OPTION #1:** Make full payment by check or money order within 20 days of the date of the final audit report. The check should be made payable to the New York State Department of Health and be sent with the attached Remittance Advice to:

[REDACTED]  
New York State Department of Health  
Medicaid Financial Management  
GNARESP Corning Tower, Room 2739  
File #11-3838  
Albany, New York 12237-0048

**OPTION #2:** Enter into a repayment agreement with the Office of the Medicaid Inspector General. If your repayment terms exceed 90 days from the date of the final audit report, recoveries of amounts due are subject to interest charges at the prime rate plus 2%. If the process of establishing the repayment agreement exceeds 20 days from the date of the final audit report, the OMIG will impose a 15% withhold after 20 days until the agreement is established. The OMIG may require financial information from you to establish the terms of the repayment agreement. If additional information is requested, the OMIG must receive the information within 30 days of the request or a 50% withhold will be imposed. OMIG acceptance of the repayment agreement is based on your repaying the Medicaid overpayment as agreed. The OMIG will adjust the rate of recovery, or require payment in full, if your unpaid balance is not being repaid as agreed. The OMIG will notify you no later than 5 days after initiating such action. If you wish to enter into a repayment agreement, you must forward your written request within 20 days to the following:

Bureau of Collections Management  
New York State Office of the Medicaid Inspector General  
800 North Pearl Street  
Albany, New York 12204  
[REDACTED]

If within 20 days, you fail to make full payment or contact the OMIG to make repayment arrangements, the OMIG will establish a withhold equal to 50% of your Medicaid billings to secure payment and liquidate the overpayment amount, interest and/or penalty, not barring any other remedy allowed by law. The OMIG will provide notice to you no later than 5 days after the withholding of any funds.

In addition, if you receive an adjustment in your favor while you owe funds to the State, such adjustment will be applied against the amount owed.

You have the right to challenge this action and determination by requesting an administrative hearing within sixty (60) days of the date of this notice. You may not request a hearing to raise issues related to rate setting or rate setting methodology. In addition, you may not raise any issue that was raised or could have been raised at a rate appeal with your rate setting agency. You may only request a hearing to challenge specific audit adjustments which you challenged in a response to the draft audit report.

If you wish to request a hearing, the request must be submitted in writing to:

General Counsel  
Office of Counsel  
New York State Office of the Medicaid Inspector General  
800 North Pearl Street  
Albany, New York 12204

Questions regarding the request for a hearing should be directed to the Office of Counsel at [REDACTED]

If a hearing is held, you may have a person represent you or you may represent yourself. If you choose to be represented by someone other than an attorney, you must supply a signed authorization permitting that person to represent you along with your hearing request. At the hearing, you may call witnesses and present documentary evidence on your behalf.

Should you have any questions, please contact [REDACTED] or through email at [REDACTED]. Please refer to audit number 11-3838 in all correspondence.

Sincerely,

[REDACTED]  
Bureau of Rate Audit  
Division of Medicaid Audit  
Office of the Medicaid Inspector General

Attachments:

- EXHIBIT I - Summary of Per Diem Impact and Medicaid Overpayment/(Underpayment)
- EXHIBIT II - Summary of Medicaid Rates Audited
- EXHIBIT III - Operating Expense Disallowances/(Allowances) – Nursing Facility
- EXHIBIT IV - Operating Expense Disallowances/(Allowances) – Ventilator Unit
- EXHIBIT V - Property Expense Disallowances/(Allowances) – Nursing Facility
- EXHIBIT VI - Property Expense Disallowances/(Allowances) – Ventilator Unit
- EXHIBIT VII - Return on Average Equity Disallowances/(Allowances)
- EXHIBIT VIII - Correction of Patient Days

CERTIFIED MAIL # [REDACTED]  
RETURN RECEIPT REQUESTED

**NEW YORK STATE  
OFFICE OF THE MEDICAID INSPECTOR GENERAL  
REMITTANCE ADVICE**

NAME AND ADDRESS OF AUDITEE

RESORT NURSING HOME  
430 BEACH 68<sup>TH</sup> STREET  
ARVERNE, NEW YORK 11692

NPI #: [REDACTED]

PROVIDER #: [REDACTED]

AUDIT #11-3838

AMOUNT DUE: \$73,194

AUDIT	<input type="checkbox"/>	PROVIDER
TYPE	<input checked="" type="checkbox"/>	RATE
	<input type="checkbox"/>	PART B
	<input type="checkbox"/>	OTHER:

**CHECKLIST**

1. To ensure proper credit, please enclose this form with your check.
2. Make checks payable to: *New York State Department of Health*
3. Record the Audit Number on your check.
4. Mail check to:

[REDACTED]  
New York State Department of Health  
Medicaid Financial Management  
GNARESP Corning Tower, Room 2739  
File #11-3838  
Albany, New York 12237-0048

5. If the provider number shown above is incorrect, please enter the correct number below.

[REDACTED]

**CORRECT PROVIDER NUMBER**

**RESORT NURSING HOME - AUDIT #11-3838**  
**RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008**  
**SUMMARY OF PER DIEM IMPACT MEDICAID OVERPAYMENT**

<u>RATE PERIOD</u> <u>NURSING FACILITY</u>	<u>ISSUED</u> <u>PART B &amp; D</u> <u>NON-ELIGIBLE</u> <u>RATES*</u>	<u>FINAL</u> <u>PART B &amp; D</u> <u>NON-ELIGIBLE</u> <u>RATES</u>	<u>RATE</u> <u>DECREASE</u> <u>(INCREASE)</u>	<u>MEDICAID</u> <u>DAYS</u>	<u>MEDICAID</u> <u>OVERPAYMENT</u> <u>(UNDERPAYMENT)</u>
01/01/06 - 03/31/06	\$195.50	\$195.45	\$0.05	15,574	\$ 779
04/01/06 - 12/31/06	195.07	195.01	0.06	48,261	2,896
01/01/07 - 03/31/07	204.19	203.26	0.93	16,408	15,259
04/01/07 - 06/30/07	203.09	202.07	0.92	18,884	17,373
07/01/07 - 08/31/07	202.18	201.26	0.92	14,109	12,980
09/01/07 - 12/31/07	202.18	201.26	0.92	27,663	25,450
01/01/08 - 03/31/08	206.51	205.67	0.84	20,393	17,130
04/01/08 - 06/30/08	202.55	201.72	0.83	20,176	16,746
07/01/08 - 12/31/08	206.94	206.11	0.83	41,972	34,837
<b>MEDICAID OVERPAYMENT - NURSING FACILITY</b>					<b><u>\$ 143,450</u></b>
 <b><u>VENTILATOR UNIT</u></b>					
01/01/06 - 03/31/06	\$610.92	\$633.53	(\$22.61)	883	\$ (19,965)
04/01/06 - 12/31/06	609.51	632.13	(22.62)	2,680	(60,622)
01/01/07 - 03/31/07	646.35	644.80	1.55	811	1,257
04/01/07 - 06/30/07	642.75	641.20	1.55	909	1,409
07/01/07 - 10/31/07	639.35	637.80	1.55	1,228	1,903
11/01/07 - 12/31/07	639.55	637.80	1.55	609	944
01/01/08 - 03/31/08	633.81	632.19	1.42	755	1,072
04/01/08 - 12/31/08	628.88	627.46	1.42	2,638	3,746
<b>MEDICAID UNDERPAYMENT - VENTILATOR UNIT</b>					<b><u>\$ (70,256)</u></b>
<b>TOTAL MEDICAID OVERPAYMENT</b>					<b><u>\$ 73,194</u></b>

\* Any differences between these rates and the rates listed in Exhibit II of this audit report represent rate changes made subsequent to OMIG's audit. These changes remain open to future audit by the OMIG. For the purpose of this Exhibit, the Medicare Part B and D rates are not shown. The rate decrease/(increase) for those rates is the same as shown for the Medicare Part B and D non-eligible rates above.

NOTE: Of the total Medicaid impact listed above, the impact associated with the processing of Bureau of Long Term Care Reimbursement open appeals is \$23,601

**RESORT NURSING HOME - AUDIT #11-3838**  
**RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008**  
**SUMMARY OF MEDICAID RATES AUDITED**

The Facility's Medicaid utilization was approximately 85 percent for the Nursing Facility and 88 percent for the Ventilator Unit for the period under audit and the Medicaid per diem rates audited are shown below. Any differences between these rates and the "Issued Rates" listed in Exhibit I of this audit report represent rate changes made subsequent to our audit. These changes remain open to future audit by the OMIG.

<b><u>RATE PERIOD</u></b> <b><u>NURSING FACILITY</u></b>	<b>ISSUED MEDICARE</b> <b>PART B &amp; D</b> <b><u>NON-ELIGIBLE RATES *</u></b>
01/01/06 - 03/31/06	\$ 195.50
04/01/06 - 12/31/06	195.07
01/01/07 - 03/31/07	204.19
04/01/07 - 06/30/07	203.09
07/01/07 - 08/31/07	202.18
09/01/07 - 12/31/07	202.18
01/01/08 - 03/31/08	206.51
04/01/08 - 06/30/08	202.55
07/01/08 - 12/31/08	206.94
<b><u>VENTILATOR UNIT</u></b>	
01/01/06 - 03/31/06	\$ 610.92
04/01/06 - 12/31/06	609.51
01/01/07 - 03/31/07	646.35
04/01/07 - 06/30/07	642.75
07/01/07 - 10/31/07	639.35
11/01/07 - 12/31/07	639.55
01/01/08 - 03/31/08	633.81
04/01/08 - 12/31/08	628.88

\* The Medicare Part B and D rates are not shown for the purpose of this Exhibit. The Medicare Part B and D offsets were not within the scope of this audit and may be examined as part of a future audit.

**RESORT NURSING HOME - AUDIT #11-3838  
 RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008  
 OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES) - NURSING FACILITY**

DESCRIPTION	CTR.	COST (ALLOWED)	TRACE- BACK %	OPERATING EXPENSE COMPONENT				
				DIRECT	INDIRECT	NON-	NON-	
						COMP.	COMP.	
				01/01/06- 12/31/06	01/01/07- 12/31/08			
		\$ 4,172,278		\$ 2,421,349	\$ 522,986	\$ 327,148		

**Operating Expense Allowed per HE-12B  
 Less Disallowances/(Allowances):**

**SALES TAX DISALLOWANCE**

For rate periods January 1, 2006 through December 31, 2008, the Facility reported and was reimbursed for all sales tax expense in the property portion of the rate. Since sales tax is included in the Facility's 1983 base year, and since this year is also the basis for the operating portion of the January 1, 2006 through December 31, 2008 Nursing Facility rates, inclusion of sales tax in the capital portion of the rate resulted in duplicate reimbursement. In order to eliminate the duplication, disallowances to the operating component of the January 1, 2006 through December 31, 2008 rates were necessary.

**Regulations: 10 NYCRR Sections 86-2.17(a) & (d)**

**Total Disallowances/(Allowances)**

\$	-	\$	-	\$	13,692	\$	13,692
<b>\$</b>	<b>4,172,278</b>	<b>\$</b>	<b>2,421,349</b>	<b>\$</b>	<b>509,294</b>	<b>\$</b>	<b>313,456</b>

**AUDITED OPERATING EXPENSE BY COMPONENT - NURSING FACILITY**

RESORT NURSING HOME - AUDIT #11-3838  
 RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008  
 OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES) - VENTILATOR UNIT

DESCRIPTION	OPERATING EXPENSE COMPONENT				
	CTR.	DISALLOWED	TRACE-BACK %	NON-	
				COMP.	COMP.
				01/01/07-	12/31/08
				01/01/06-	12/31/06
					INDIRECT
					DIRECT
					\$ 1,136,847
					\$ 312,111
					\$ 665,959
					\$ 645,452

Operating Expense Allowed per HE-12B  
 Less Disallowances/(Allowances):

**SALES TAX DISALLOWANCE**

For rate periods January 1, 2006 through December 31, 2008, the Facility reported and was reimbursed for all sales tax expense in the property portion of the rate. Since sales tax is included in the Facility's October 1, 2002 through September 30, 2003 base year and since this year is also the basis for the operating portion of the January 1, 2006 through December 31, 2008 Ventilator Unit rates, inclusion of sales tax in the capital portion of the rate resulted in duplicate reimbursement. In order to eliminate the duplication, disallowances to the operating component of the January 1, 2006 through December 31, 2008 rates were necessary.

**Regulations: 10 NYCRR Sections 86-2.17(a) & (d)**

Utilities 106 \$ 10,949 6.01%

658 658

**Total Disallowances/(Allowances)**

\$	-	\$	-	\$	658	\$	658
\$	1,136,847	\$	312,111	\$	665,301	\$	644,794

**AUDITED OPERATING EXPENSE BY COMPONENT - VENTILATOR UNIT**

**RESORT NURSING HOME - AUDIT #11-3838**  
**RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008**  
**PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES) - NURSING FACILITY**

	RATE PERIODS	
	2006	2007
\$	865,106	\$ 1,278,926
		\$ 1,238,450

DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS	
				2006	2007

L/H Impr. Amort.	001	\$ 138	93.89%	130	
Bldg. Depr.	001	276	94.34%		260
Bldg. Depr.	001	530	94.93%		503

Property Expense Allowed per HE-12B  
Less Disallowances/(Allowances):

**1. BUILDING/FIXED DEPRECIATION DISALLOWANCES**

a) The audit disclosed that building and fixed equipment depreciation included in the promulgated rates was overstated each year when compared to audited building and fixed equipment depreciation. Consequently, disallowances were necessary.

**Regulations: 10 NYCRR Sections 86-2.17(a) & 86-2.19; PRM-1 Section 2102.3**

b) The Bureau of Long Term Care Reimbursement (BLTCR) has determined the nature of telephone expense to be an operating expense. Since the expense is included in the formula to determine the base, mean, and ceiling prices used to establish the indirect expense corridor, the reimbursement of telephone depreciation expense in the property component amounts to duplicate reimbursement. Consequently, a disallowance was necessary.

**Regulation: 10 NYCRR Section 86-2.17(d)**

**2. PROPERTY INSURANCE DISALLOWANCES**

Reported property insurance included insurance premiums for business income insurance. This type of insurance does not relate to the loss of or damage to the Facility's physical property and is only includable in the operating component of the rate. Since these insurance premiums are not allowable as property insurance costs, they were disallowed.

**Regulations: 10 NYCRR Sections 86-2.10(g) & 86-2.17(a); PRM-1 Sections 2161 & 2806.2**

**3. MOVEABLE EQUIPMENT RENTALS DISALLOWANCES**

a) Providers receiving payment on the basis of reimbursable costs must provide adequate cost data based on financial and statistical records that can be verified on audit. In addition, the cost data is required to be current, accurate, and in sufficient detail. The Facility did not provide documentation for reported equipment rentals. Consequently, a disallowance was necessary.

**Regulations: 10 NYCRR Section 86-2.17(a); PRM-1 Sections 2300 & 2304**

b) Costs not related to patient care are costs that are not appropriate or necessary and proper in developing and maintaining the operation of patient care facilities and activities. Only costs properly chargeable to necessary patient care are allowable. Lease payments pertaining to vehicles unrelated to patient care of the nursing facility are not allowable. Consequently, a disallowance was necessary.

**Regulations: 10 NYCRR Section 86-2.17(a); PRM-1 Sections 2102.3 & 2105.9**

Bldg. Depr.	001	750	94.93%	712	
Prop. Ins.	006	3,164	93.98%	2,974	
Prop. Ins.	006	2,296	94.44%		2,168
Prop. Ins.	005	4,553	85.80%		3,906
Rent C	004	774	86.60%	670	
Rent C	005	9,150	86.30%		7,896

**RESORT NURSING HOME - AUDIT #11-3838**  
**RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008**  
**PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES) - NURSING FACILITY**

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS		
					2006	2007	2008
<b>4. REAL ESTATE TAXES DISALLOWANCE</b>							
Providers receiving payment on the basis of reimbursable costs must provide adequate cost data based on financial and statistical records that can be verified on audit. In addition, the cost data is required to be current, accurate, and in sufficient detail. Audited real estate tax expense varied from the expenses allowed in the promulgated rates, resulting in a disallowance. <b>Regulations: 10 NYCRR Section 86-2.17(a); PRM-1 Sections 2300 &amp; 2304</b>	RE Taxes	006	37,796	94.44%		35,695	
<b>5. ORGANIZATION/START-UP COSTS DISALLOWANCES</b>							
The Facility amortized planning costs related to the expansion of the Ventilator Unit. These costs should be deferred until completion of the project, at which point they may be capitalized along with other project costs. The project was not completed during the period under audit. Further, these costs are solely attributable to the vent unit, and are not allowable as costs of the nursing facility. Therefore, disallowances were necessary. <b>Regulations: 10 NYCRR Section 86-2.17(a); PRM-1 Section 2154</b>	Org./Start-Up	005	1,932	86.60%	1,673		
	Org./Start-Up	005	4,759	86.30%		4,107	
	Org./Start-Up	005	4,759	85.80%			4,083
<b>6. SALES TAX DISALLOWANCES</b>							
Certain products and services associated with energy sources provided to long-term care facilities are exempt from New York State sales tax if the facilities are considered to be residential. The reduced sales tax rate of 4.125 percent applied to energy sources and services purchased for use at any long-term care facility which falls within the definition of a health related facility or nursing home as defined by public health law. Taxes for which there is an exemption available are not allowable for reimbursement purposes. Consequently, disallowances were necessary. <b>Regulations: 10 NYCRR Section 86-2.17(a); PRM-1 Section 2122.2D; TSB-A-90(60)S, Sales and Use - Rate of Tax - Residential Energy Sources - Long Term Treatment Facilities</b>	Sales Tax	005	12,540	86.60%	10,860		
	Sales Tax	005	5,426	86.30%		4,683	
	Sales Tax	005	3,045	85.80%			2,613
<b>7. RETURN ON AVERAGE EQUITY ALLOWANCE</b>							
The Facility received returns on average equity in the promulgated rates. However, it was determined that the Facility erroneously understated average equity. The return on average equity was recalculated to reflect this adjustment. Consequently, an allowance was necessary. (Refer to Exhibit VII) <b>Regulation: 10 NYCRR Section 86-2.28</b>	Ret. On Av. Eq.	003	(6,553)	94.92%			(6,220)
<b>8. DISALLOWANCE OF NON-TRENDED OTHER</b>							
The allowable facility specific capital component of the rate shall include allowable capital costs. Nurses aide recertification fees are not a property cost and are not includable in the property component of the rate. Consequently, the fees were disallowed. <b>Regulations: 10 NYCRR Sections 86-2.17(a) &amp; 86-2.32(c)</b>	Other	013	2,880	92.80%	2,673		

**RESORT NURSING HOME - AUDIT #11-3838**  
**RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008**  
**PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES) - NURSING FACILITY**

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS	
					2006	2007
<b>9. INVESTMENT INCOME OFFSET ALLOWANCE</b>						
Reported investment income was offset against expense in the 2006 promulgated rate. However, no interest expense was reimbursed in the 2006 rate year. Consequently, it was necessary to reverse the offset of investment income in the 2006 rates.	Inv. Inc. Offset	003	(9,268)	93.88%	(8,701)	
<b>Regulation: 10 NYCRR Section 86-2.20(c)</b>						
<b>10. RENTAL INCOME OFFSET</b>						
Expenses shall be reduced by the cost of services and activities which are not properly chargeable to patient care. In the event that it is not practicable to establish the cost of such services and activities, the income derived from them may be substituted for their cost. Therefore, the rental income derived from the lease of physician office space was offset as a recovery of expense.	Income Offset	001	44,000	94.93%		41,769
<b>Regulation: 10 NYCRR Section 86-2.18(a)(7)</b>						
<b>Property Expense Disallowances/(Allowances)</b>					\$ 10,279	\$ 54,809
<b>TOTAL AUDITED PROPERTY EXPENSE - NURSING FACILITY</b>					<b>\$ 854,827</b>	<b>\$ 1,224,117</b>
						<b>\$ 47,366</b>
						<b>\$ 1,191,084</b>

**RESORT NURSING HOME - AUDIT #11-3838**  
**RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008**  
**PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES) - VENTILATOR UNIT**

DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS		
				2006	2007	2008
		\$ 65,590	\$ 165,407	\$ 100,184		

Property Expense Allowed per HE-12B  
Less Disallowances/(Allowances):

**1. BUILDING/FIXED DEPRECIATION DISALLOWANCES**

a) The audit disclosed that building and fixed equipment depreciation included in the promulgated rates was overstated each year when compared to audited building and fixed equipment depreciation. Consequently, disallowances were necessary.

**Regulations: 10 NYCRR Sections 86-2.17(a) & 86-2.19; PRM-1 Section 2102.3**

b) The Bureau of Long Term Care Reimbursement (BLTCR) has determined the nature of telephone expense to be an operating expense. Since the expense is included in the formula to determine the base, mean, and ceiling prices used to establish the indirect expense corridor, the reimbursement of telephone depreciation expense in the property component amounts to duplicate reimbursement. Consequently, a disallowance was necessary.  
**Regulation: 10 NYCRR Section 86-2.17(d)**

**2. PROPERTY INSURANCE DISALLOWANCES**

Reported property insurance included insurance premiums for business income insurance. This type of insurance does not relate to the loss of or damage to the Facility's physical property and is only includable in the operating component of the rate. Since these insurance premiums are not allowable as property insurance costs, they were disallowed.

**Regulations: 10 NYCRR Sections 86-2.10(g) & 86-2.17(a); PRM-1 Sections 2161 & 2806.2**

**3. MOVEABLE EQUIPMENT RENTALS DISALLOWANCES**

a) Providers receiving payment on the basis of reimbursable costs must provide adequate cost data based on financial and statistical records that can be verified on audit. In addition, the cost data is required to be current, accurate, and in sufficient detail. The Facility did not provide documentation for reported equipment rentals. Consequently, a disallowance was necessary.

**Regulations: 10 NYCRR Section 86-2.17(a); PRM-1 Sections 2300 & 2304**

b) Costs not related to patient care are costs that are not appropriate or necessary and proper in developing and maintaining the operation of patient care facilities and activities. Only costs properly chargeable to necessary patient care are allowable. Lease payments pertaining to vehicles which were used in a manner unrelated to patient care of the nursing facility are not allowable. Consequently, a disallowance was necessary.

**Regulations: 10 NYCRR Section 86-2.17(a); PRM-1 Sections 2102.3 & 2105.9**

DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS		
				2006	2007	2008
L/H Impr. Amort.	001	\$ 138	6.11%	8		
Bldg. Depr.	001	276	5.66%		16	
Bldg. Depr.	001	530	5.07%			27
Bldg. Depr.	001	750	5.07%			38
Prop. Ins.	006	3,164	6.02%	190		
Prop. Ins.	006	2,296	5.56%		128	
Prop. Ins.	005	4,553	14.20%			647
Rent C	004	774	13.40%	104		
Rent C	005	9,150	13.67%			1,251

**RESORT NURSING HOME - AUDIT #11-3838**  
**RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008**  
**PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES) - VENTILATOR UNIT**

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS			
					2006	2007	2008	
<b>3. MOVEABLE EQUIPMENT RENTALS DISALLOWANCES (CONT.)</b>								
c) Providers receiving payment on the basis of reimbursable costs must provide adequate cost data based on financial and statistical records that can be verified on audit. In addition, the cost data is required to be current, accurate, and in sufficient detail. Audited equipment rental expense varied from the expenses allowed in the promulgated rates, resulting in a disallowance. <b>Regulations: 10 NYCRR Section 86-2.17(a); PRM-1 Sections 2300 &amp; 2304</b>	Rent D	074	692	100.00%			692	
<b>4. REAL ESTATE TAXES DISALLOWANCE</b>								
Providers receiving payment on the basis of reimbursable costs must provide adequate cost data based on financial and statistical records that can be verified on audit. In addition, the cost data is required to be current, accurate, and in sufficient detail. Audited real estate tax expense varied from the expenses allowed in the promulgated rates, resulting in a disallowance. <b>Regulations: 10 NYCRR Section 86-2.17(a); PRM-1 Sections 2300 &amp; 2304</b>	RE Taxes	006	37,796	5.56%		2,101		
<b>5. ORGANIZATION/START-UP COSTS ADJUSTMENTS</b>								
The Facility amortized planning costs related to the expansion of the Ventilator Unit. These costs should be deferred until completion of the project, at which point they may be capitalized along with other project costs. The project was not completed during the period under audit. Therefore, disallowances were necessary. <b>Regulations: 10 NYCRR Section 86-2.17(a); PRM-1 Section 2154</b>	Org./Start-Up	005	1,932	13.40%	259			
	Org./Start-Up	005	4,759	13.70%		652		
	Org./Start-Up	005	4,759	14.20%			676	
<b>6. SALES TAX DISALLOWANCES</b>								
Certain products and services associated with energy sources provided to long-term care facilities are exempt from New York State sales tax if the facilities are considered to be residential. The reduced sales tax rate of 4.125 percent applied to energy sources and services purchased for use at any long-term care facility which falls within the definition of a health related facility or nursing home as defined by public health law. Taxes for which there is an exemption available are not allowable for reimbursement purposes. Consequently, disallowances were necessary. <b>Regulations: 10 NYCRR Section 86-2.17(a); PRM-1 Section 2122.2D; TSB-A-90(60)S, Sales and Use - Rate of Tax - Residential Energy Sources - Long Term Treatment Facilities</b>	Sales Tax	005	12,540	13.40%	1,680			
	Sales Tax	005	5,426	13.67%		742		
	Sales Tax	005	3,045	14.20%			432	
<b>7. RETURN ON AVERAGE EQUITY ALLOWANCE</b>								
The Facility received returns on average equity in the promulgated rates. However, it was discovered that the Facility erroneously understated average equity. The return on average equity was recalculated to reflect this adjustment. This resulted in an allowance. (Refer to Exhibit VII) <b>Regulation: 10 NYCRR Section 86-2.28</b>	Ret. On Av. Eq.	003	(6,553)	5.08%				(333)

**RESORT NURSING HOME - AUDIT #11-3838  
RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008  
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES) - VENTILATOR UNIT**

DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS	
				2006	2008

**8. DISALLOWANCE OF NON-TRENDED OTHER**

The allowable facility specific capital component of the rate shall include allowable capital costs. Nurses aide recertification fees are not a property cost and are not includable in the property component of the rate. Consequently, the fees were disallowed.

**Regulations: 10 NYCRR Sections 86-2.17(a) & 86-2.32(c)**

**9. INVESTMENT INCOME OFFSET ALLOWANCE**

Reported investment income was offset against expense in the 2006 promulgated rate. However, no interest expense was reimbursed in the 2006 rate year. Consequently, it was necessary to reverse the offset of investment income in the 2006 rates.

**Regulation: 10 NYCRR 86-2.20(c)**

**10. RENTAL INCOME OFFSET**

Expenses shall be reduced by the cost of services and activities which are not properly chargeable to patient care. In the event that it is not practicable to establish the cost of such services and activities, the income derived from them may be substituted for their cost. Therefore, the rental income derived from the lease of physician office space was offset as a recovery of expense.

**Regulation: 10 NYCRR Section 86-2.18(a)(7)**

**11. VENTILATOR EQUIPMENT RENTAL ALLOWANCE**

Reported ventilator equipment rental expense was not allowed in the rate computation process. The OMIG determined the expense to be proper. A traceback percentage of 100% is applied as the equipment pertained entirely to the Ventilator Unit. Consequently, an allowance was necessary.

**Regulations: 10 NYCRR Section 86-2.17(a); PRM-1 Section 2102.3**

DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS	
				2006	2008
Other	013	2,880	7.20%	207	
Inv. Inc. Offset	003	(9,268)	6.12%	(567)	
Income Offset	001	44,000	5.07%		2,231
Rent G	053	\$ (84,632)	100.00%	(84,632)	
				<b>\$ (82,751)</b>	<b>\$ 4,890</b>
				<b>\$ 148,341</b>	<b>\$ 95,774</b>

Property Expense Disallowances/(Allowances)

**TOTAL AUDITED PROPERTY EXPENSE - VENTILATOR UNIT**

**RESORT NURSING HOME - AUDIT #11-3838**  
**RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008**  
**RETURN ON AVERAGE EQUITY DISALLOWANCES/(ALLOWANCES)**

	<b><u>RATE PERIOD</u></b> <b><u>2003</u></b>
Average Equity per HE-12B	\$ 2,048,596
Audit Adjustments:	
• Correction of Schedule 13 Reporting Errors	(156,384)
Audited Average Equity	<u>\$ 2,204,980</u>
Less: Audited Net Investment	<u>-</u>
Audited Remaining Equity	\$ 2,204,980
Rate of Return	<u>4.19%</u>
Return on Average Equity Per Audit	\$ 92,389
Return on Average Equity Per HE-12B	<u>85,836</u>
<b>Disallowance/(Allowance)</b>	<b><u><u>\$ (6,553)</u></u></b>

**RESORT NURSING HOME - AUDIT #11-3838**  
**RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008**  
**CORRECTION OF PATIENT DAYS**

The audit of patient day statistics disclosed that the patient days in the promulgated rates were overstated. The following adjustments were necessary to include the proper days in the rate calculations. In a letter dated June 3, 2013 to the Bureau of Long Term Care Reimbursement, the Facility has withdraw this specific item from rate appeal #634915

**Regulation: 10 NYCRR Section 86-2.8(c)**

	<b><u>RATE YEAR</u></b>
	<b><u>2006</u></b>
Patient Days in Promulgated Rates	91,980
Patient Days per Audit (366 days)	<u>88,938</u>
Overstated Patient Days	<u><u>3,042</u></u>