



STATE OF NEW YORK  
OFFICE OF THE MEDICAID INSPECTOR GENERAL

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Rochester, New York 14607

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ANDREW M. CUOMO  
GOVERNOR

JAMES C. COX  
MEDICAID INSPECTOR GENERAL

December 11, 2012

[REDACTED]  
Rochester General Hospital  
c/o Hill Haven RGH Nursing Home  
1425 Portland Avenue  
Rochester, NY 14621

Re: Medicaid Rate Audit #11-3422  
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 Hill Haven RGH 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 audit report represents the OMIG's final determination on issues raised in the draft audit report.

In response to the draft audit report dated July 18, 2012, you identified specific audit findings with which you disagreed. Your comments have been considered (see Attachment A) and the report has been either revised accordingly and/or amended to address your comments (see Attachment B). Consideration of your comments resulted in an overall reduction of \$4,988 to the total Medicaid overpayment shown in 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. Based on the enclosed audited rates calculated by the Bureau of Long Term Care Reimbursement, the Medicaid overpayment currently due is \$388,242. 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.

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

**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 #11-3422  
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 [REDACTED]  
of 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. If you have any questions regarding the above, please contact me at [REDACTED]

Sincerely,

[REDACTED]  
Principal Medical Facilities Auditor  
Division of Medicaid Audit  
Bureau of Rate Audit  
Office of the Medicaid Inspector General

cc: [REDACTED]

Attachments:

Attachment A – FACILITY DRAFT REPORT COMMENTS AND OMIG RESPONSE  
Attachment B – SUMMARY OF CHANGES FROM DRAFT TO FINAL REPORT  
EXHIBIT I – SUMMARY OF PER DIEM IMPACT AND MEDICAID OVERPAYMENT  
EXHIBIT II – SUMMARY OF MEDICAID RATES AUDITED  
EXHIBIT III – PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)  
EXHIBIT IV – RETURN OF AND RETURN ON REAL PROPERTY EQUITY DISALLOWANCES  
EXHIBIT V – RETURN ON AVERAGE EQUITY DISALLOWANCES/(ALLOWANCES)  
EXHIBIT VI – CORRECTION OF PATIENT DAYS

CERTIFIED MAIL RECEIPT # [REDACTED]  
RETURN RECEIPT REQUESTED

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

Hill Haven RGH Nursing Home  
1550 Empire Blvd.  
Webster, NY 14580

NPI #: [REDACTED]  
PROVIDER #: [REDACTED]

AUDIT #11-3422

AMOUNT DUE: \$388,242

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 #11-3422  
Albany, New York 12237-0048

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

CORRECT PROVIDER NUMBER

**HILL HAVEN RGH NURSING HOME - AUDIT #11-3422  
FACILITY DRAFT REPORT COMMENTS AND OMIG RESPONSE**

All OMIG adjustments were accepted by the Facility except for those shown below. The following details the disposition of final report adjustments after consideration of the Facility's draft audit report response comments. See Attachment B for adjustment changes included in the final audit report.

**EXHIBIT III COMMENTS**

**Adjustment #1 (b) – Return Of and Return On Real Property Equity Disallowances**

**Facility Comment**

The auditors have disallowed \$7,720 of costs related to asset No. 1096 for Environment Modifications. Based on the attached capital request, this was for a new system that was put into Hill Haven; it was not a repair of a system. This asset included installing magnetic locks on stairwell doors, key switches, constant pressure buttons, and emergency override keypads with a wander alert system. These were all installed to prevent cognitively impaired residents from wandering into hazardous areas. Again, attached is the signed capital request form that backs up Asset No. 1096 and explains the above. These are allowable capital costs and should not be disallowed as a leasehold improvement.

In addition, please make sure that the remaining assets disallowed for purposes of the Return of and on Equity Calculation are added to allowable operating costs in the event that these periods are utilized as a base period.

**OMIG Response**

Based on the information the Facility provided, the \$7,720 asset was allowed as a capital cost, and was included in the return of and return on equity calculations. With regards to the request that disallowed assets be allowed as operating costs in the event these years are used as a base period, such an action is unnecessary. The years covered in this audit (2006 through 2008) have not been used as base years for the Facility's operating rates, and as of January 1, 2012, operating rates no longer utilize base year costs to derive the operating per diems.

**Disposition:** The draft report disallowances to return of and return on equity pertaining to the above allowed asset cost is eliminated.

**Adjustment #2 - Adjustments to Return on Average Equity**

**Facility Comment**

The auditors have disallowed \$36,196 of costs related to the intangible pension asset for rate year 2007. There is nothing specific listed in the Medicaid Regulations that would disallow pension costs. This is an allowable cost and should not be disallowed as part of the average equity and returns on average equity.

**OMIG Response**

A proprietary residential health care facility is entitled to a reasonable return on average equity for equity associated with necessary and proper patient care activities. The Commissioner has determined that goodwill and intangible assets are not reimbursable for Medicaid. Therefore, the intangible pension asset in question was properly eliminated from the return on average equity calculation.

**Disposition:** The draft report disallowance remains the same

HILL HAVEN RGH NURSING HOME**SUMMARY OF CHANGES FROM DRAFT AUDIT REPORT TO FINAL AUDIT REPORT - AUDIT #11-3422**

<u>EXHIBIT III - PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)</u>		<u>Rate</u>	<u>Draft</u>	<u>Final</u>
		<u>Period</u>	<u>Disallowance</u>	<u>Disallowance</u>
			<u>(Allowed)</u>	<u>(Allowance)</u>
			<u>Change</u>	
1.	RETURN OF AND RETURN ON REAL PROPERTY EQUITY DISALLOWANCES			
(a)	As a Result of Prior Years Audit Adjustments	Ret of Equity 2006	\$ 203,305	\$ - \$ 203,305
		Ret of Equity 2007	203,305	- 203,305
		Ret of Equity 2008	203,305	- 203,305
		Ret on Equity 2006	31,665	- 31,665
		Ret on Equity 2007	24,791	- 24,791
		Ret on Equity 2008	13,911	- 13,911
(b)	As a Result of Asset Addition Disallowances In This Audit	Ret of Equity 2006	2,324	(1,930) 394
		Ret of Equity 2007	5,392	(1,930) 3,462
		Ret of Equity 2008	9,444	(1,930) 7,514
		Ret on Equity 2006	362	(301) 61
		Ret on Equity 2007	774	(236) 538
		Ret on Equity 2008	1,024	(135) 889
2.	ADJUSTMENTS TO RETURN ON AVERAGE EQUITY			
(a)	As a Result of Audit Adjustments Noted In Adjustment #1 Above	2007	(26,453)	245 (26,208)
		2008	(13,371)	122 (13,249)
(b)	As a Result of Audit Disallowances To Nonreimbursable Balance Sheet Assets	2008	18,191	- 18,191
3.	PROPERTY INSURANCE ALLOWANCES	2006	(6,819)	- (6,819)
		2007	(610)	- (610)
		2008	(1,363)	- (1,363)
4.	PROPERTY INSURANCE DISALLOWANCES	2006	2,089	- 2,089
		2007	1,683	- 1,683
		2008	1,478	- 1,478
5.	AUTO INSURANCE DISALLOWANCES	2006	2,634	- 2,634
		2007	8,572	- 8,572
		2008	3,032	- 3,032
6.	MOVABLE EQUIPMENT DEPRECIATION ALLOWANCE	2006	(181,211)	- (181,211)
7.	DEPRECIATION DISALLOWANCES DUE TO PRIOR YEARS' AUDIT ASSET DISALLOWANCES	2006	26,811	- 26,811
		2007	3,148	- 3,148
		2008	845	- 845
8.	MOVABLE EQUIPMENT DEPRECIATION DISALLOWANCES	2006	194	- 194
		2007	547	- 547
		2008	866	- 866
9.	SALES TAX DISALLOWANCES	2006	6,603	- 6,603
		2007	5,532	- 5,532
		2008	5,633	- 5,633

**HILL HAVEN RGH NURSING HOME**  
**RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008**  
**SUMMARY OF PER DIEM IMPACT AND MEDICAID OVERPAYMENT**

<u>RATE PERIOD</u>	<u>ISSUED PART B &amp; D NON-ELIGIBLE RATES*</u>	<u>FINAL PART B &amp; D NON-ELIGIBLE RATES</u>	<u>RATE DECREASE (INCREASE)</u>	<u>MEDICAID DAYS</u>	<u>MEDICAID OVERPAYMENT</u>
01/01/06 - 02/28/06	\$159.79	\$159.07	\$ 0.72	13,553	\$ 9,758
03/01/06 - 03/31/06	160.22	159.50	0.72	7,013	5,049
04/01/06 - 05/31/06	159.85	159.13	0.72	13,937	10,035
06/01/06 - 08/31/06	163.44	162.72	0.72	20,804	14,979
09/01/06 - 11/30/06	161.84	161.12	0.72	19,945	14,360
12/01/06 - 12/31/06	167.29	166.57	0.72	6,584	4,740
01/01/07 - 03/31/07	181.33	179.42	1.91	20,081	38,355
04/01/07 - 06/30/07	180.35	178.44	1.91	20,380	38,926
07/01/07 - 08/31/07	177.88	175.97	1.91	13,945	26,635
09/01/07 - 12/31/07	177.88	175.97	1.91	27,930	53,346
01/01/08 - 03/31/08	183.93	181.91	2.02	20,720	41,854
04/01/08 - 06/30/08	180.36	178.34	2.02	20,514	41,438
07/01/08 - 12/31/08	184.26	182.24	2.02	43,944	<u>88,767</u>
<b>TOTAL MEDICAID OVERPAYMENT</b>					<b><u>\$ 388,242</u></b>

\* Any differences between these rates and the rates listed in Exhibit II of this 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.

**HILL HAVEN RGH NURSING HOME**  
**RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008**  
**SUMMARY OF MEDICAID RATES AUDITED**

The Facility's Medicaid utilization was approximately 70 percent 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 report represent rate changes made subsequent to our audit. These changes remain open to future audit by the OMIG.

<u>RATE PERIOD</u>	<u>Issued Medicare Part B &amp; D Non-Eligible Rates *</u>
01/01/06 - 02/28/06	\$ 161.12
03/01/06 - 03/31/06	161.55
04/01/06 - 05/31/06	161.19
06/01/06 - 08/31/06	164.72
09/01/06 - 11/30/06	163.15
12/01/06 - 12/31/06	168.52
01/01/07 - 03/31/07	182.28
04/01/07 - 06/30/07	181.28
07/01/07 - 08/31/07	178.81
09/01/07 - 12/31/07	178.81
01/01/08 - 03/31/08	184.93
04/01/08 - 06/30/08	181.33
07/01/08 - 12/31/08	185.23

\* 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.

HILL HAVEN RGH NURSING HOME  
RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008  
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS	
				2006	2007
				\$ 752,957	\$ 1,177,608
					\$ 1,285,155

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

1. RETURN OF AND RETURN ON REAL

PROPERTY EQUITY DISALLOWANCES

(a) The real property historical costs and accumulated real property reimbursement were adjusted to reflect adjustments from prior audits (audits #03-M04-1011 and #06-7363). These adjustments resulted in reductions to the return of and return on real property equity. See Exhibit IV for calculation.

Regulations: 10 NYCRR Sections 86-2.17(a)&(d), and 86-2.21  
18 NYCRR Section 517.14

(b) Certain real property asset additions reviewed in the current audit were incorrectly capitalized because they should have been expensed as operating expenses. These asset costs were disallowed from the return of and return on real property equity calculations. See Exhibit IV for calculation.

Regulations: 10 NYCRR Sections 86-2.4, 86-2.21, 451.181, and 451.230, Bureau of Long Term Care(BLTCR) Rate Methodology

2. ADJUSTMENTS TO RETURN ON AVERAGE EQUITY

Facilities are entitled to a return on average equity for equity invested in necessary and proper patient care activities. The following audit adjustments resulted in revisions to the Facility's average equity as follows:

(a) Audit reductions to real property net investments (see adjustment #1 above) resulted in increases to average equity, and to the returns on average equity. See Exhibit V for calculation.

Regulations: 10 NYCRR Sections 86-2.17(a)&(d), 86-2.21, and 86-2.28

(b) According to the regulations cited below, certain balance sheet asset accounts did not qualify for a return on average equity in the 2008 rate calculation. Therefore, these assets were disallowed from the audited return on average equity calculation. See Exhibit V for calculation.

Regulations: 10 NYCRR Sections 86-2.17(a)&(d), 86-2.28, PRM-1 Section 1218

DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	2006	2007	2008
Return Of Equity	001	203,305	99.86%	203,020		
Return Of Equity	001	203,305	99.86%		203,020	
Return Of Equity	001	203,305	99.86%			203,020
Return On Equity	001	31,665	99.86%	31,621		
Return On Equity	001	24,791	99.86%		24,756	
Return On Equity	001	13,911	99.86%			13,892
Return Of Equity	001	394	99.86%	393		
Return Of Equity	001	3,462	99.86%		3,457	
Return Of Equity	001	7,514	99.86%			7,503
Return On Equity	001	61	99.86%	61		
Return On Equity	001	538	99.86%		537	
Return On Equity	001	889	99.86%			888
Ret. On Aver. Eq.	001	(26,208)	99.86%		(26,171)	
Ret. On Aver. Eq.	001	(13,249)	99.86%			(13,230)
Ret. On Aver. Eq.	001	18,191	99.86%			18,166

**HILL HAVEN RGH NURSING HOME**  
**RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008**  
**PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)**

	DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS	
					2006	2007
<b>3. PROPERTY INSURANCE ALLOWANCES</b>						
The Facility reported allowable property insurance expenses in the 2004 through 2006 RHCf-4 cost reports that were not allowed in the rates. Consequently, these expenses were allowed on audit. <b>Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Section 2102.2</b>						
	Property Ins.	005	(6,819)	99.96%	(6,816)	
	Property Ins.	005	(610)	99.96%		(610)
	Property Ins.	005	(1,363)	99.96%		(1,362)
<b>4. PROPERTY INSURANCE DISALLOWANCES</b>						
The Facility's rates included insurance premiums for business income/interruption insurance. This type of insurance does not relate to the loss of or damage to the Facility's physical property and consequently is only includable in the operating component of the rate. Since this insurance premium is not allowable as a property insurance cost, it was disallowed. <b>Regulations: 10 NYCRR Sections 86-2.10(g), 86-2.17(a)&amp;(d), PRM-1 Sections 2161 and 2806.2</b>						
	Property Ins.	005	2,089	99.96%	2,088	
	Property Ins.	005	1,683	99.96%		1,682
	Property Ins.	005	1,478	99.96%		1,477
<b>5. AUTO INSURANCE DISALLOWANCES</b>						
Auto insurance reported on the RHCf-4 included amounts for an excess liability insurance policy, and amounts above the cost to cover the vehicles used by the Facility. Consequently, disallowances were made to property reflect the allowable auto insurance costs for the Facility's vehicles. <b>Regulations: 10 NYCRR Sections 86-2.17(a)&amp;(d), PRM-1 Sections 2161, 2300, and 2806.2</b>						
	Auto Ins.	005	2,634	99.86%	2,630	
	Auto Ins.	005	8,572	99.96%		8,569
	Auto Ins.	005	3,032	99.96%		3,031
<b>6. MOVABLE EQUIPMENT DEPRECIATION ALLOWANCE</b>						
The Facility reported allowable movable equipment depreciation expense in the 2004 RHCf-4 cost report which was not reimbursed in the 2006 rates. Consequently, this expense was allowed on audit. <b>Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Section 2102.2</b>						
	ME Depr.	002	(181,211)	99.86%	(180,957)	

**HILL HAVEN RGH NURSING HOME**  
**RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008**  
**PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)**

	DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS		
					2006	2007	
<b>7. DEPRECIATION DISALLOWANCES DUE TO PRIOR YEARS' AUDIT ASSET DISALLOWANCES</b>							
Certain movable equipment costs were disallowed in prior years' audits (#03-M04-1011 and #06-7363). Accordingly, the depreciation expense applicable to these costs was disallowed. Regulations: 10 NYCRR Sections 86-2.17(a)&(d), and 86-2.22(a), 18 NYCRR Section 517.14							
	ME Depr.	002	26,811	99.86%	26,773		
	ME Depr.	002	3,148	99.86%		3,144	
	ME Depr.	002	845	99.86%		844	
<b>8. MOVABLE EQUIPMENT DEPRECIATION DISALLOWANCES</b>							
The provider incorrectly capitalized costs that should have been expensed as operating costs because they were for repairs, inventory, or supplies. These expenditures should have been expensed in accordance with generally accepted accounting principles and the guidelines and definitions included in the RHCf Accounting and Reporting Manual. In addition, certain asset additions were made for luxury accommodations which were not properly chargeable to Medicaid patient care. Accordingly, the depreciation expenses applicable to these costs were disallowed. Regulations: 10 NYCRR Sections 86-2.4, 86-2.17(a), (c), (d), & (h), 86-2.18(a), and 86-2.22(a), PRM-1 Sections 2102 and 2104.3, RHCf Accounting and Reporting Manual							
	ME Depr.	002	194	99.86%	194		
	ME Depr.	002	547	99.86%		546	
	ME Depr.	002	866	99.86%		865	
<b>9. SALES TAX DISALLOWANCES</b>							
Reported sales tax expenses included taxes on cafeteria and gift shop revenues, which were activities not related to patient care. These sales taxes represented a liability associated with and paid from those revenues, and were not allowable as patient care expenses. Consequently, the cafeteria and gift shop sales taxes were disallowed. Regulations: 10 NYCRR Sections 86-2.4, 86-2.17(a)&(d), and 86-2.18, PRM-1 Sections 2102.3 and 2400							
	Sales Tax	005	6,603	99.96%	6,600		
	Sales Tax	005	5,532	99.96%		5,530	
	Sales Tax	005	5,633	99.96%		5,631	
					<b>\$ 85,607</b>	<b>\$ 224,460</b>	<b>\$ 240,725</b>
<b>Property Expense Disallowances/(Allowances)</b>							
<b>AUDITED PROPERTY EXPENSE</b>					<b>\$ 667,350</b>	<b>\$ 953,148</b>	<b>\$ 1,044,430</b>

**HILL HAVEN RGH NURSING HOME**  
**RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008**  
**RETURN OF AND RETURN ON REAL PROPERTY EQUITY DISALLOWANCES**

	RATE PERIODS		
	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b><u>Return of Equity Calculation</u></b>			
Real Property Historical Cost Per Rates(HE-12B)	\$ 7,992,243	\$ 8,037,447	\$ 8,124,988
Audit Historical Cost Disallowances:			
• Previous Audits Asset Disallowances	1,831,711	1,831,711	1,831,711
• Current Audit Asset Disallowances	1,575	10,782	18,884
Total Audit Historical Cost Disallowances	<u>\$ 1,833,286</u>	<u>\$ 1,842,493</u>	<u>\$ 1,850,595</u>
Audited Historical Cost	\$ 6,158,957	\$ 6,194,954	\$ 6,274,393
Less: Audited Accumulated Reimbursement	<u>5,362,867</u>	<u>5,561,890</u>	<u>5,772,911</u>
Audited Net Equity	\$ 796,090	\$ 633,064	\$ 501,482
Remaining Useful Life	<u>4</u>	<u>3</u>	<u>2</u>
Current Year Audited Return of Equity	\$ 199,023	\$ 211,022	\$ 250,741
Return of Equity Per Rates(HE-12B)	<u>402,722</u>	<u>417,789</u>	<u>461,560</u>
<b>Total Return of Equity Audit Disallowances</b>	<b><u>\$ 203,699</u></b>	<b><u>\$ 206,767</u></b>	<b><u>\$ 210,819</u></b>
<b><u>Breakdown of Return of Equity Audit Disallowances</u></b>			
- Previous Audits Asset Disallowances - EXHIBIT III, Adj. #1(a)	\$ 203,305	\$ 203,305	\$ 203,305
- Current Audit Asset Disallowances - EXHIBIT III Adj. #1(b)	394	3,462	7,514
<b>Total Return of Equity Audit Disallowances</b>	<b><u>\$ 203,699</u></b>	<b><u>\$ 206,767</u></b>	<b><u>\$ 210,819</u></b>
<b><u>Return on Equity Calculation</u></b>			
Audited Net Equity (see above)	\$ 796,090	\$ 633,064	\$ 501,482
Less: ½ Current Year Audited Return of Equity (see above)	<u>99,512</u>	<u>105,511</u>	<u>125,371</u>
Audited Net Investment	\$ 696,578	\$ 527,553	\$ 376,111
Rate of Return	<u>4.45%</u>	<u>4.90%</u>	<u>4.68%</u>
Audited Return on Equity	\$ 30,998	\$ 25,850	\$ 17,602
Return on Equity Per Rates(HE-12B)	<u>62,724</u>	<u>51,179</u>	<u>32,402</u>
<b>Total Return on Equity Audit Disallowances</b>	<b><u>\$ 31,726</u></b>	<b><u>\$ 25,329</u></b>	<b><u>\$ 14,800</u></b>
<b><u>Breakdown of Return on Equity Audit Disallowances</u></b>			
- Previous Audits Asset Disallowances - EXHIBIT III, Adj. #1(a)	\$ 31,665	\$ 24,791	\$ 13,911
- Current Audit Asset Disallowances - EXHIBIT III Adj. #1(b)	61	538	889
<b>Total Return on Equity Audit Disallowances</b>	<b><u>\$ 31,726</u></b>	<b><u>\$ 25,329</u></b>	<b><u>\$ 14,800</u></b>

**HILL HAVEN RGH NURSING HOME**  
**RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008**  
**RETURN ON AVERAGE EQUITY DISALLOWANCES/(ALLOWANCES)**

	<u>RATE PERIODS</u>	
	<u>2007</u>	<u>2008</u>
<b><u>Return on Average Equity Calculation</u></b>		
Average Equity Per HE-12B	\$ 1,165,243	\$ 1,901,219
Audit Disallowances:		
• Workers Compensation Self Insurance Fund	-	326,199
• Miscellaneous Nonallowable Assets	-	107,973
Audited Average Equity	\$ 1,165,243	\$ 1,467,047
Less: Audited Real Property Net Investment (see Exhibit IV)	<u>527,553</u>	<u>376,111</u>
Audited Remaining Equity	\$ 637,690	\$ 1,090,936
Rate of Return	<u>5.07%</u>	<u>4.19%</u>
Return on Average Equity Per Audit	\$ 32,331	\$ 45,710
Return on Average Equity Per Rates(HE-12B)	<u>6,123</u>	<u>50,652</u>
<b>Total Return on Average Equity Disallowance/(Allowance)</b>	<b><u><u>\$ (26,208)</u></u></b>	<b><u><u>\$ 4,942</u></u></b>
<b><u>Breakdown of Return on Average Equity Audit Adjustments</u></b>		
- Reductions to Real Property Net Investments - EXHIBIT III, Adj. #1	\$ (26,208)	\$ (13,249)
- Nonallowable Assets In Average Equity Calculation - EXHIBIT III Adj. #2(b)	-	18,191
<b>Total Return on Average Equity Audit Adjustments</b>	<b><u><u>\$ (26,208)</u></u></b>	<b><u><u>\$ 4,942</u></u></b>

NOTE: Facility had negative average equity in the 2006 rate calculation

**HILL HAVEN RGH NURSING HOME**  
**RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008**  
**CORRECTION OF PATIENT DAYS**

The audit of patient day statistics disclosed that the patient days reported were understated in rate year 2006 and overstated in rate year 2008. The following adjustments were necessary to include the proper days in the rate calculations.

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

	<b>RATE PERIODS</b>		
	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>
Patient Days in Promulgated Rates	119,719	117,546	118,616
Patient Days per Audit	119,755	117,546	118,597
Understated(Overstated) Patient Days	<u>36</u>	<u>-</u>	<u>(19)</u>