



STATE OF NEW YORK
OFFICE OF THE MEDICAID INSPECTOR GENERAL
90 Church Street, 14th Floor
New York, New York 10007

ANDREW M. CUOMO
GOVERNOR

JAMES C. COX
MEDICAID INSPECTOR GENERAL

December 19, 2012

[REDACTED]
Verrazano Nursing Home
100 Castleton Avenue
Staten Island, New York 10301-3004

Re: Medicaid Rate Audit #11-3831
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 Verrazano 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 October 17, 2012, the findings in the final audit report remain identical to the draft audit report. However, calculation of the actual overpayment by the Bureau of Long Term Care resulted in an increase of \$874 to the draft audit report estimated overpayment of \$89,041. 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 \$89,915. 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 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 #11-3831
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 [REDACTED] at [REDACTED]

Sincerely,

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

Enclosure

- EXHIBIT I - Summary of Per Diem Impact and Medicaid Overpayment
- EXHIBIT II - Summary of Medicaid Rates Audited
- EXHIBIT III - Operating Expense Disallowances/ (Allowances)
- EXHIBIT IV - Property Expense Disallowances/ (Allowances)

Certified Mail # [REDACTED]
Return Receipt Requested

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

NAME AND ADDRESS OF AUDITEE

Verrazano Nursing Home
100 Castleton Avenue
Staten Island, New York 10301

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

AUDIT #11-3831

AMOUNT DUE: \$89,915

AUDIT	[] PROVIDER
TYPE	[X] RATE
	[] PART B
	[] 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 #11-3831
Albany, New York 12237-0048

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

[REDACTED]

CORRECT PROVIDER NUMBER

VERRAZANO NURSING HOME - AUDIT #11-3831
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 & D NON-ELIGIBLE RATES*</u>	<u>FINAL PART B & D NON-ELIGIBLE RATES</u>	<u>RATE DECREASE (INCREASE)</u>	<u>MEDICAID DAYS</u>	<u>MEDICAID OVERPAYMENT</u>
01/01/06 - 03/31/06	\$190.11	\$189.33	\$0.78	8,751	\$ 6,826
04/01/06 - 06/30/06	195.46	194.67	0.79	8,461	6,684
07/01/06 - 09/30/06	188.56	187.78	0.78	8,379	6,536
10/01/06 - 12/31/06	195.46	194.67	0.79	8,978	7,093
01/01/07 - 03/31/07	201.70	200.72	0.98	8,835	8,658
04/01/07 - 06/30/07	200.59	199.60	0.99	9,059	8,968
07/01/07 - 08/31/07	199.42	198.43	0.99	6,143	6,082
09/01/07 - 12/31/07	199.42	198.43	0.99	12,842	12,714
01/01/08 - 03/31/08	204.02	203.33	0.69	9,629	6,644
04/01/08 - 06/30/08	200.35	199.67	0.68	9,576	6,512
07/01/08 - 12/31/08	204.36	203.68	0.68	19,409	13,198
TOTAL MEDICAID OVERPAYMENT					<u>\$ 89,915</u>

* 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.

VERRAZANO NURSING HOME - AUDIT #11-3831
RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008
SUMMARY OF MEDICAID RATES AUDITED

The Facility's Medicaid utilization was approximately 88 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 & D Non-Eligible Rates *</u>
01/01/06 - 03/31/06	\$190.19
04/01/06 - 06/30/06	195.54
07/01/06 - 09/30/06	188.65
10/01/06 - 12/31/06	195.54
01/01/06 - 03/31/07	201.81
04/01/06 - 06/30/07	200.70
07/01/07 - 08/31/07	199.53
09/01/07 - 12/31/07	199.53
01/01/08 - 03/31/08	204.14
04/01/08 - 06/30/08	200.47
07/01/08 - 12/31/08	204.47

- * 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.

VERRAZANO NURSING HOME - AUDIT #11-3831
RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008
OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES)

		OPERATING EXPENSE COMPONENT			
COST CENTER	DESCRIPTION	DIRECT	INDIRECT	NON-	NON-
				COMP. 01/01/06-12/31/06	COMP. 01/01/07-12/31/08
		\$ 1,322,605	\$ 1,032,255	\$ 207,194	\$ 125,203

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

SALES TAX DISALLOWANCE

Beginning with the 2005 rates, the Facility reported and was reimbursed for all sales tax expense in the property portion of the rate. Prior to 2005, the sales tax expense associated with operating expense was included in the appropriate operating expense category and reimbursed in the operating per diem. By reporting all sales tax in property, the Facility is being reimbursed for sales tax in both the operating and property per diems. In order to eliminate the duplication, sales tax expense was excluded from the base period (01/01/1983 - 12/31/1983) operating expense for the 2006 through 2008 rates.

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

Utilities	006			3,770	3,770
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	\$	-	\$	-	\$	3,770	\$	3,770
Total Operating Expense Disallowances/(Allowances)	\$	1,322,605	\$	1,032,255	\$	203,424	\$	121,433

TOTAL AUDITED OPERATING EXPENSE BY COMPONENT

VERRAZANO NURSING HOME - AUDIT #11-3831
RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

COST CENTER	RATE PERIODS		
	2006	2007	2008
	\$ 305,866	\$ 431,218	\$ 423,447

DESCRIPTION	COST CENTER	2006	2007	2008
Prop. Ins.	005	8,205	8,842	7,183
Auto Ins.	006	9,858	19,139	8,893
Rent A	006	6,000		
Rent C	006		4,057	3,957
Rent C	043	603		
Rent D	043		2,051	482

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

1. PROPERTY INSURANCE DISALLOWANCES

Reported property insurance expenses included amounts that could not be reconciled to the paid insurance premiums. In addition, a portion of the insurance premiums were related to business interruption insurance which is an operating expense and is not allowable as a property cost. Property insurance expenses were adjusted to agree with the paid insurance premiums and to eliminate the expenses associated with the business interruption coverages from the property component of the rate.

Regulations: 10 NYCRR Sections 86-2.7 & 86-2.17(a), PRM-1 Sections 2300 & 2304

2. AUTO INSURANCE DISALLOWANCES

Providers who receive payments on the basis of reimbursable cost must provide adequate cost data based on financial and statistical records that can be verified on audit. Furthermore, the cost information be current, accurate, and in sufficient detail. Reported auto insurance expense was based on 50% auto usage for nursing home business. The Facility was unable to provide adequate documentation to substantiate the 50% vehicles usage. Only documented nursing home business use is allowable in the property component. Consequently, disallowances were necessary.

Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.3, 2105.9, 2300 & 2304

3. EQUIPMENT RENTAL DISALLOWANCES

a) Providers receiving payment on the basis of reimbursable costs are required to provide adequate cost data based on financial and statistical records that can be verified on audit. Furthermore, the cost information must be current, accurate, and in sufficient detail. The movable equipment rental expense included lease payments on vehicle rentals. The Facility was unable to provide adequate documentation to substantiate the 50% vehicles usage for nursing home business. Only documented nursing home business use is allowable in the property component. Consequently, disallowances were necessary.

Regulations: 10 NYCRR Sections 86-2.17 (a) & (d), PRM-1 Sections 2102.3 & 2105.9

b) Rental expenses associated with supplies are considered operating expenses and should not be included in the property component of the rate. Additionally, reported rental expenses for oxygen concentrators included amounts for oxygen. Oxygen is also considered an operating expenditure. Disallowances were necessary to remove these amounts.

Regulations: 10 NYCRR Sections 86-2.17 (a) & (d) & 86-2.10(g), PRM-1 Section 2102.2, RHC Accounting and Reporting Manual Expense Classifications

Total Disallowances/(Allowances)

TOTAL AUDITED PROPERTY EXPENSE

\$ 24,666	\$ 34,089	\$ 20,515
\$ 281,200	\$ 397,129	\$ 402,932