NEW YORK STATE | Office of the Medicaid Inspector General

ANDREW M. CUOMO
Governor

THOMAS R. MEYER
Acting Medicaid Inspector General

February 26, 2015

[redacted]
Regeis Care Center
3200 Baychester Avenue,
Bronx, New York 10475-1513

Re: Medicaid Rate Audit #11-2005
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 Regeis Care Center's (the "Facility") Medicaid rates for the rate period November 1, 2003 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 January 15, 2015, you identified specific audit findings with which you disagreed. Your comments have been considered (see Attachment A), however, consideration of your comments resulted in no reduction 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 $913,810. This overpayment is subject to Department of Health ("DOH") and Division of Budget ("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 #11-2005
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 50% withhold after 20 days until an agreement is established. 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. In addition, if you receive an adjustment in your favor while you owe funds to the State, such adjustment will be applied against any amount owed. If you wish to enter into a repayment agreement, please contact the Bureau of Collections Management within 20 days at the following:

Bureau of Collections Management
New York State Office of the Medicaid Inspector General
800 North Pearl Street
Albany, New York 12204
Phone #:
Fax #:

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 .

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 at or through email at . Please refer to audit number 11-2005 in all correspondence.

Sincerely,

Bureau of Rate Audit
Division of Medicaid Audit
Office of the Medicaid Inspector General

Attachment
Enclosure

ATTACHMENT A - Facility Draft Audit Report Comments and OMIG Response
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)
EXHIBIT V - Return on and Return of Real Property Equity Disallowances/ (Allowances)
EXHIBIT VI - Return on Average Equity Disallowances/ (Allowances)

CERTIFIED MAIL #
RETURN RECEIPT REQUESTED

NEW YORK STATE
OFFICE OF THE MEDICAID INSPECTOR GENERAL
REMITTANCE ADVICE

NAME AND ADDRESS OF AUDITEE	NPI #: [redacted] PROVIDER #: [redacted]
Regeis Care Center 3200 Baychester Avenue Bronx, New York 10475-1513	AUDIT #11-2005
AMOUNT DUE: $913,810	AUDIT TYPE [ ] PROVIDER [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 #11-2005
Albany, New York 12237-0048

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

CORRECT PROVIDER NUMBER

REGEIS CARE CENTER - AUDIT #11-2005
FACILITY DRAFT AUDIT 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.

EXHIBIT IV COMMENTS

Adjustment #4 – Property Insurance Expense Disallowances

Facility Comment

Business income insurance is currently included in property costs. This insurance protects financial status of the property in case of business interruption. This guarantees that the mortgage on the property will be paid regardless of business interruption. It is no different that mortgage insurance for HUD mortgages which are reimbursed as property by Department of Health.

OMIG Response

Insurance expenses guaranteeing income do not relate to the loss of or damage to the provider's physical property. Consequently, they are only includable in the operating component of the rate. Therefore, there is no change in the OMIG's position.

Disposition: The draft audit report disallowances remain the same.

Adjustment #5 – Return on and Return of Equity Adjustments

Facility Comment

$107,260 of manager's fee was not approved as part of APC #012288 cost. The auditors removed it also from historical cost. This was regular maintenance payroll, not an outside company. It should be restored to historical cost.

OMIG Response

Manager's fees of $107,260 were included in the final cost certification for project #012288; however, the manager's fees were not approved as part of APC #012288 cost. The Department of Health limits overall project costs on which Medicaid capital reimbursement is based to the approved project costs. As the Facility's total project cost without the manager's fees already exceeded the approved project costs, they are not allowable for reimbursement.

Disposition: The draft audit report disallowances remain the same.

Adjustment #6 – Return on Average Equity Adjustments

Facility Comment

The auditors have reduced the equity by non patient security deposits. These security deposits are down payments to vendors like utility companies, long term leases and service contracts. These deposits should be included in equity.

OMIG Response

The Facility has not provided any documentation to substantiate the security deposits are part of assets used for patient care. Therefore, no reduction in the OMIG audit disallowance is warranted.

Disposition: The draft audit report disallowances remain the same.

Adjustment #8 – Automobile Expense Disallowances

Facility Comment

The automobile is an indispensable tool for running a nursing home. Its utility is directly related to patient care. Its benefit manifests itself in all departments. As for personal use, the facility disallowed 50% of the costs for reimbursement.

OMIG Response

The Facility did not provide any documentation that support and distinguish usage of automobiles between patient care and personal use or how the percentage was derived. Therefore, no reduction of the OMIG audit disallowances is warranted.

Disposition: The draft audit report disallowances remain the same.

Adjustment #12 – Working Capital Interest Expense Disallowances

Facility Comment

The purpose of this loan is to provide cash for delinquent and deficient Medicaid accounts receivable. It is disingenuous of the State to disallow interest on a loan that was necessary due to Medicaid late payments. We are experiencing some difficulty in locating documentation on interest payments $18,015.00 made in 2004-2006. We hope to have this shortly.

OMIG Response

No additional documentation was submitted with the response or subsequent to the response. No reduction in the OMIG audit disallowance is warranted.

Disposition: The draft audit report disallowance remains the same.

REGEIS CARE CENTER - AUDIT #11-2005
RATE PERIODS NOVEMBER 1, 2003 THROUGH DECEMBER 31, 2008
SUMMARY OF PER DIEM IMPACT AND MEDICAID OVERPAYMENT

RATE PERIOD	ISSUED PART B & D NON-ELIGIBLE RATES*	FINAL PART B & D NON-ELIGIBLE RATES	RATE DECREASE (INCREASE)	MEDICAID DAYS	MEDICAID OVERPAYMENT
11/01/03 - 11/30/03	$248.85	$248.81	$0.04	4,335	$ 173
12/01/03 - 12/31/03	254.07	254.03	0.04	4,495	180
01/01/04 - 02/29/04	262.97	263.10	(0.13)	8,968	(1,166)
03/01/04 - 03/31/04	262.73	262.86	(0.13)	4,652	(605)
04/01/04 - 05/31/04	262.73	262.86	(0.13)	9,661	(1,256)
06/01/04 - 08/31/04	264.70	264.83	(0.13)	15,433	(2,006)
09/01/04 - 11/30/04	254.97	255.10	(0.13)	15,395	(2,001)
12/01/04 - 12/31/04	259.32	259.45	(0.13)	5,211	(677)
01/01/05 - 02/28/05	269.70	268.23	1.47	9,518	13,991
03/01/05 - 05/31/05	273.28	271.81	1.47	15,106	22,206
06/01/05 - 06/30/05	276.68	275.21	1.47	5,037	7,404
07/01/05 - 08/31/05	276.68	275.21	1.47	10,158	14,932
09/01/05 - 11/30/05	269.88	268.41	1.47	15,519	22,813
12/01/05 - 12/31/05	272.19	270.72	1.47	5,464	8,032
01/01/06 - 02/28/06	279.62	274.70	4.92	10,019	49,293
03/01/06 - 03/31/06	283.06	278.14	4.92	5,187	25,520
04/01/06 - 05/31/06	282.45	277.53	4.92	10,037	49,382
06/01/06 - 08/31/06	287.00	282.06	4.94	14,380	71,037
09/01/06 - 11/30/06	286.59	281.64	4.95	14,099	69,790
12/01/06 - 12/31/06	288.99	284.05	4.94	4,885	24,132
01/01/07 - 03/31/07	300.11	292.94	7.17	13,800	98,946
04/01/07 - 06/30/07	298.53	291.36	7.17	14,301	102,538
07/01/07 - 08/31/07	298.15	290.98	7.17	10,635	76,253
09/01/07 - 12/31/07	298.15	290.98	7.17	22,401	160,615
01/01/08 - 03/31/08	314.18	312.53	1.65	16,483	27,197
04/01/08 - 06/30/08	309.59	307.95	1.64	15,393	25,245
07/01/08 - 12/31/08	314.25	312.61	1.64	31,611	51,842
TOTAL MEDICAID OVERPAYMENT					**$ 913,810**

* 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.

REGEIS CARE CENTER - AUDIT #11-2005
RATE PERIODS NOVEMBER 1, 2003 THROUGH DECEMBER 31, 2008
SUMMARY OF MEDICAID RATES AUDITED

The Facility's Medicaid utilization was approximately 78 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 audit report represent rate changes made subsequent to our audit. These changes remain open to future audit by the OMIG.

RATE PERIOD	ISSUED MEDICARE PART B & D NON-ELIGIBLE RATES *
11/01/03 - 11/30/03	$ 248.33
12/01/03 - 12/31/03	253.51
01/01/04 - 02/29/04	262.40
03/01/04 - 03/31/04	262.16
04/01/04 - 05/31/04	262.16
06/01/04 - 08/31/04	264.13
09/01/04 - 11/30/04	254.42
12/01/04 - 12/31/04	258.77
01/01/05 - 02/28/05	269.12
03/01/05 - 05/31/05	272.68
06/01/05 - 06/30/05	276.08
07/01/05 - 08/31/05	276.08
09/01/05 - 11/30/05	269.30
12/01/05 - 12/31/05	271.61
01/01/06 - 02/28/06	279.02
03/01/06 - 03/31/06	282.44
04/01/06 - 05/31/06	281.81
06/01/06 - 08/31/06	286.34
09/01/06 - 11/30/06	285.93
12/01/06 - 12/31/06	288.33
01/01/07 - 03/31/07	299.45
04/01/07 - 06/30/07	297.87
07/01/07 - 08/31/07	297.37
09/01/07 - 12/31/07	297.37
01/01/08 - 03/31/08	313.52
04/01/08 - 06/30/08	308.81
07/01/08 - 12/31/08	313.47

* 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.

REGEIS CARE CENTER - AUDIT #11-2005
RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008
OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES)

			OPERATING EXPENSE COMPONENT			
	DESCRIPTION	COST CTR.	DIRECT	INDIRECT	NON-COMP. 01/01/06-12/31/06	NON-COMP. 01/01/07-12/31/08
Operating Expense Allowed per HE-12B			$ 1,376,846	$ 842,033	$ 93,580	$ 45,807
Less Base Year Audit Adjustments:			-	9,262	-	-
Operating Expense Allowed per Rollover Rates			$ 1,376,846	$ 832,771	$ 93,580	$ 45,807
Less Disallowances/(Allowances):						
SALES TAX DISALLOWANCES						
For rate years 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 base period (1/1/88 through 6/30/88) and since this is also the basis for the operating portion of the January 1, 2006 through December 31, 2008 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)**	Activities	014	391			
	Social Services	021	26			
	Physical Therapy	039	9			
	Central Svcs.	043	6,270			
	Fiscal Svcs.	004		613		
	Plant Oper.	006		2,277		
	Security	008		15		
	Laundry	009		2,187		
	Housekeeping	010		940		
	Patient Food	011		1,026		
	Utilities	106			2,901	2,901
Total Disallowances/(Allowances)			$ 6,696	$ 7,058	$ 2,901	$ 2,901
TOTAL AUDITED OPERATING EXPENSE BY COMPONENT			**$ 1,370,150**	**$ 825,713**	**$ 90,679**	**$ 42,906**

REGEIS CARE CENTER - AUDIT #11-2005
RATE PERIODS NOVEMBER 1, 2003 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CTR.	RATE PERIODS 11/01/03-12/31/03	2004	2005	01/01/06-03/31/06	04/01/06-12/31/06	2007	2008
Property Expense Allowed per HE-12B			$ 1,340,011	$ 1,443,123	$ 1,839,235	$ 1,951,683	$ 1,951,683	$ 2,544,572	$ 3,317,119
Less Disallowances/(Allowances):									
1. CAPITALIZED LEASE RENT ALLOWANCE									
Reported telephone capitalized lease cost was incorrectly reduced by BLTCR in rate year 2007 moveable equipment rental, but the lease payment related to telephone was not included in 2007 promulgated rates. Therefore, an allowance was necessary. The Facility, in a letter dated March 7, 2014, has rescinded its outstanding appeal. The appeal was filed during the audit, however, an appeal number had not yet been assigned by BLTCR. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.2, 2300, & 2304**	Rent A	002						(11,453)	
2. MORTGAGE INTEREST AND AMORTIZATION DISALLOWANCES									
The related realty company, Jacob's Ladder, LLC, refinanced its mortgage in 2008 which resulted in lower interest and amortization payments than were allowed in the 2008 promulgated rates. Accordingly, 2008 rate year mortgage interest and amortization expense was reduced to reflect amounts that were actually paid. **Regulations: 10 NYCRR Sections 86-2.20 & 86-2.21**	Mort. Int. Mort. Amrt.	003 001							22,199 2,893
3. MORTGAGE EXPENSE AMORTIZATION DISALLOWANCE									
Schedule VI of the 2008 HE-12B rate sheet included reported mortgage expense amortization applicable to the disapproved project costs related to Project #012288. Consequently, a disallowance was necessary. **Regulations: 10 NYCRR Sections 86-2.17(a) & (d)**	Mort. Exp. Amrt.	005							12,558
4. PROPERTY INSURANCE EXPENSE DISALLOWANCES									
The Facility's January 1, 2006 through December 31, 2008 rates included insurance premiums for business income/interruption and crime insurance. These types of insurance do not relate to the loss of or damage to the Facility's physical property and consequently are 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) & (d), PRM-1 Sections 2161 & 2806.2**	Prop. Ins	005				5,090	5,090	4,374	6,600

REGEIS CARE CENTER - AUDIT #11-2005
RATE PERIODS NOVEMBER 1, 2003 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CTR.	RATE PERIODS 11/01/03-12/31/03	2004	2005	01/01/06-03/31/06	04/01/06-12/31/06	2007	2008
5. RETURN ON AND RETURN OF EQUITY ADJUSTMENTS									
The real property historical costs, accumulated real property reimbursement and original mortgage that were used to calculate the return on and of equity in the November 1, 2003 through December 31, 2008 rates were adjusted to reflect audited approved project costs for project #012288. As detailed to the Facility during the audit, these changes resulted in adjustments to the return on and return of real property equity. See Exhibit V for details. **Regulations: 10 NYCRR Sections 86-2.17(d) & 86-2.21**	Ret. on Equity	003	(9,974)	(10,525)	82,857	74,488	74,488	82,020	650
	Ret. of Equity	001							1,323
6. RETURN ON AVERAGE EQUITY ADJUSTMENTS									
Based on the regulations below, 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 average equity calculation was recomputed based on differences in security deposits, intangible assets, and net investments which resulted in adjustments to the return on average equity. See Exhibit VI for details. **Regulations: 10 NYCRR Sections 86-2.17(d) & 86-2.28, PRM-1 Section 1218.4**	Av. Equity	001	11,718	3,027		(43,098)	(43,098)		
7. REAL ESTATE TAX DISALLOWANCE									
Providers receiving payments 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. Cost data must be current, accurate, and in sufficient detail. Audited real estate taxes varied from the real estate taxes allowed in the rate resulting in a disallowance. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.2, 2300, & 2304**	RE Taxes	006						1,648	
8. AUTOMOBILE EXPENSE DISALLOWANCES									
Providers are required to provide adequate cost data that can be verified. Additionally, only costs that are properly chargeable to necessary patient care are allowable. The Facility was unable to provide documentation or demonstrate the relationship to patient care for reported automobile expenses. Consequently, disallowances were necessary. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.3, 2105.9, 2300, & 2304**	Auto Ins.	006				5,842	5,842	3,238	3,222
	Rent A	006				7,351	7,351		
	Rent C	006						1,754	7,187

REGEIS CARE CENTER - AUDIT #11-2005
RATE PERIODS NOVEMBER 1, 2003 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CTR.	RATE PERIODS 11/01/03-12/31/03	2004	2005	01/01/06-03/31/06	04/01/06-12/31/06	2007	2008
9. MOVEABLE EQUIPMENT RENT EXPENSE DISALLOWANCE									
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. In addition, the cost data must be current, accurate, and in sufficient detail. The Facility was unable to provide documentation or demonstrate the relationship to patient care for equipment rental H included in 2008 promulgated rates. Consequently, a disallowance was necessary. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300 & 2304**	Rent H	002							17,579
10. CAPITALIZED LEASE RENT DISALLOWANCES									
a) The Facility reported several capitalized leases for leasehold improvements in its RHCF-4 reports. The promulgated rates included the asset historical cost in the equity calculations, however, the lease payments for these improvements were reimbursed as well, resulting in duplicate reimbursement. Consequently, disallowances were made to eliminate the duplication. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Section 2102.3**	Other Rent A	002 002				17,153	17,153	 22,541	 4,925
b) Facilities 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. Equipment rental expense determined per audit varied from the expense allowed in the promulgated rates resulting in a disallowance. **Regulations: 10 NYCRR Sections 86-2.17(a) & 86-2.10(g), PRM-1 Sections 2300 & 2304**	Rent A	002							3,737
c) The Facility installed a co-generation air conditioning and boiler system per project #3469 and was reimbursed through mortgage interest and amortization. However, the Facility reported the assets as a capitalized lease of movable equipment and was also reimbursed the lease payments. Consequently, the lease payments were disallowed in the rate years 2006 and 2007 in order to eliminate the duplicate reimbursement. **Regulations: 10 NYCRR Sections 86-2.17(a) & (d), PRM-1 Sections 2300 & 2304**	Other Rent A	002 002				242,096	242,096	 242,096	

REGEIS CARE CENTER - AUDIT #11-2005
RATE PERIODS NOVEMBER 1, 2003 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CTR.	RATE PERIODS 11/01/03-12/31/03	2004	2005	01/01/06-03/31/06	04/01/06-12/31/06	2007	2008
11. ORGANIZATION/START-UP COST DISALLOWANCES									
Providers receiving payment based on reimbursable costs must provide adequate cost data based on financial and statistical records that can be verified on audit. The Facility could not provide supporting documentation for portions of reported Organization/Startup costs. Consequently, disallowances were necessary. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300 & 2304**	Org./Start-Up	005			8,282	9,077	9,077	9,077	9,077
12. WORKING CAPITAL INTEREST EXPENSE DISALLOWANCES									
a) Effective April 1, 2006 and thereafter, rates shall not contain a payment factor for working capital interest if the RHCF-4 report utilized to determine such payment factor also shows a withdrawal of equity, a transfer of assets, or a positive net income. The Facility had a positive net income for cost years 2004 and 2005. Consequently, working capital interest expenses were disallowed. **Regulations: 10 NYCRR Section 86-2.17(d), Public Health Law, Section 2808, Paragraph 22(a)**	WC Interest	005					18,015	145,761	
b) 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 Facility was unable to adequately substantiate reported working capital interest expense. Consequently, a disallowance was necessary. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300 & 2304**	WC Interest	005				18,015			
Property Expense Disallowances/(Allowances)			$ 1,744	$ (7,498)	$ 91,139	$ 336,014	$ 336,014	$ 501,056	$ 91,950
TOTAL AUDITED PROPERTY EXPENSE			**$ 1,338,267**	**$ 1,450,621**	**$ 1,748,096**	**$ 1,615,669**	**$ 1,615,669**	**$ 2,043,516**	**$ 3,225,169**

EXHIBIT V

REGEIS CARE CENTER - AUDIT #11-2005
RATE PERIODS NOVEMBER 1, 2003 THROUGH DECEMBER 31, 2008
RETURN ON AND RETURN OF REAL PROPERTY EQUITY DISALLOWANCES/(ALLOWANCES)

	RATE PERIODS					
Return of Equity Calculation	11/01/03-12/31/03	2004	2005	2006	2007	2008
Real Property Historical Cost per HE-12B	$ 7,634,512	$ 7,636,153	$ 9,862,665	$ 9,941,257	$ 11,482,881	$ 16,798,483
Audit Disallowances/(Allowances)	(1,863,714)	(1,863,714)	14,545	14,545	14,545	14,545
Audited Historical Cost	$ 9,498,226	$ 9,499,867	$ 9,848,120	$ 9,926,712	$ 11,468,336	$ 16,783,938
Less: Accumulated Reimbursement						612,006
Less: Mortgage Principal	9,159,339	9,159,339	9,159,339	9,159,339	9,159,339	9,159,339
Audited Net Equity	$ 338,887	$ 340,528	$ 688,781	$ 767,373	$ 2,308,997	$ 7,012,593
Remaining Useful Life						11
Audited Return of Equity	$ -	$ -	$ -	$ -	$ -	$ 637,508
Promulgated Return of Equity	-	-	-	-	-	636,831
Disallowance/(Allowance)	$ -	$ -	$ -	$ -	$ -	$ 1,323
Return on Equity Calculation						
Audited Net Equity	$ 338,887	$ 340,528	$ 688,781	$ 767,373	$ 2,308,997	$ 7,012,593
Less: ½ Current Return of Equity	-	-	-	-	-	318,754
Audited Net Investment	$ 338,887	$ 340,528	$ 688,781	$ 767,373	$ 2,308,997	$ 6,693,839
Rate of Return	4.88%	5.15%	4.95%	4.45%	4.90%	4.68%
Audited Return on Equity	$ 16,538	$ 17,537	$ 34,095	$ 34,148	$ 113,141	$ 313,271
Promulgated Return on Equity	6,564	7,012	116,952	108,636	195,161	313,921
Disallowance/(Allowance)	$ (9,974)	$ (10,525)	$ 82,857	$ 74,488	$ 82,020	$ 650

EXHIBIT VI

REGEIS CARE CENTER - AUDIT #11-2005
RATE PERIODS NOVEMBER 1, 2003 THROUGH DECEMBER 31, 2008
RETURN ON AVERAGE EQUITY DISALLOWANCES/(ALLOWANCES)

	RATE PERIODS					
Return on Average Equity	11/01/03-12/31/03	2004	2005	2006	2007	2008
Average Equity per HE-12B	$ 1,228,264	$ 435,929	$ 488,070	$2,856,972	$(1,421,346)	$ (766,720)
Audit Disallowances/(Allowances):						
- Related Company Average Equity					(176,301)	
- Due From Parent/Affiliate					(9,572)	-
- Due From - Security Deposits	12,394	20,088	29,508	37,403	-	-
- Nursing Facility Intangible Assets	194,850	257,715	145,108	360,213		
- Related Company Intangible Assets	294,331	165,782	153,625	130,079	102,217	74,996
Audited Average Equity	$ 726,689	$ (7,656)	$ 159,829	$2,329,277	$(1,337,690)	$ (841,716)
Less: Audited Net Investment	338,887	340,528	688,781	767,373	2,308,997	6,693,839
Audited Remaining Equity	$ 387,802	$ (348,184)	$ (528,952)	$1,561,904	$(3,646,687)	$(7,535,555)
Rate of Return	1.66%	1.01%		3.76%	5.07%	4.19%
Return on Average Equity Per Audit	$ 6,438	$ -	$ -	$ 58,728	$ -	$ -
Return on Average Equity Per HE-12B	18,156	3,027	-	15,630	-	-
Disallowance/(Allowance)	$ 11,718	$ 3,027	$ -	$ (43,098)	$ -	$ -