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

January 29, 2013

[redacted]
Westhampton Care Center
78 Old Country Road
Westhampton, New York 11977

Re: Medicaid Rate Audit #07-4478
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 Westhampton Care Center's (the "Facility") Medicaid rates for the rate period October 22, 1995 through December 31, 2006. In accordance with 18 NYCRR Section 517.6, this report represents the OMIG's final determination on issues raised in the draft audit report.

In response to the draft audit report dated October 11, 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 $263,504 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 $1,658,957. 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, 2006 that utilized the October 22, 1995 through October 20, 1996 base period for operating expense. Any overpayment resulting from operating expense disallowances in the October 22, 1995 through October 20, 1996 base period report for rates subsequent to December 31, 2006 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:

New York State Department of Health
Medicaid Financial Management
GNARESP Corning Tower, Room 2739
File #07-4478
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

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 of 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 07-4478 in all correspondence.

Sincerely,

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

Attachments:

Attachment A - Facility Draft Report Comments and OMIG Response
Attachment B - Summary of Changes from Draft Report to Final Report
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 - Correction of Patient Days

CERTIFIED MAIL #
RETURN RECEIPT REQUESTED
Ver-16.0

NEW YORK STATE
OFFICE OF THE MEDICAID INSPECTOR GENERAL
REMITTANCE ADVICE

NAME AND ADDRESS OF AUDITEE

WESTHAMPTON CARE CENTER
78 OLD COUNTRY ROAD
WESTHAMPTON, NY 11977

AMOUNT DUE: $1,658,957

NPI [redacted]
PROVIDER [redacted]

AUDIT #07-4478

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 #07-4478
Albany, New York 12237-0048

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

CORRECT PROVIDER NUMBER

WESTHAMPTON CARE CENTER - AUDIT #07-4478
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 last page of this attachment for adjustment changes for final report.

EXHIBIT III COMMENTS

Adjustment #1 – Out of Period Expense Disallowances

Facility Comment
There were a number of expenses that OMIG disallowed on the basis that such expenditures pertained to a period prior to the base period of October 22, 1995 through October 20, 1996.

Fiscal: Of the total amount of $756 disallowed by OMIG, the Facility has documentation that $131 was paid to an independent contractor (billing clerk) for work incurred on December 10, 1995, which is within the base period. See Exhibit B for the invoice and canceled check for this work.

OMIG Response
The documentation provided for Fiscal service in the amount of $131 was accepted since the expense was within the base period.

Disposition: The draft audit report adjustment #1 was revised accordingly.

Facility Comment
Plant Operation: Of the total amount of $6,390.13 disallowed by OMIG, there is documentation that $2,451.21 should not have been disallowed as these costs occurred within the base period. Exhibit C contains copies of each check (totaling to $6,390.13) and a reconciliation showing whether an amount was in the base year or not.

OMIG Response
The documentation provided for Plant Operation was partially allowed. It was determined the reconciliation conducted by the Facility (Exhibit C of draft response) pertained to account number [redacted]. The majority of the out of period expenses determined on audit belonged to account number [redacted].

Account Number	Check #	Amount	Total
[redacted]			
	3102	$ 291.10	
	3100	111.30	
	3101	274.31	
			$ 676.71

Account Number	Check #	Amount	Total
[redacted]			
	3198	$ 271.25	
	3343	1,556.98	
	3151	2,256.71	
	2944	653.17	
	3258	428.52	
			$ 5,166.63

Account Number	Total
[redacted]	$ 676.71
	5,166.63
Total	$ 5,843.34

This resulted in a reduction of $556 to the adjustment.

Disposition: The draft audit report adjustment #1 was revised accordingly.

Facility Comment:
Grounds Expense: The entire amount of $1,608 disallowed by the OMIG should be allowed. The Facility entered into a multi-year contract dated February 24, 1995 with Chip's Evergreen Landscape and Lawn Care. See Exhibit D. The contract explicitly states: "On or about April 15th and November 15th of each year of this contract...." (emphasis added). Therefore the contract was in effect during the entire base period and the entire yearly amount of the contract ($19,300) should be allowed. Instead, the OMIG disallowed one monthly invoice as an expenditure out of the base period and four monthly invoices as unsubstantiated, for a total of $8,042 (see #2 below related to Unsubstantiated Expense Disallowances). Although we are unable to tell which checks OMIG disallowed, we have included in Exhibit D the canceled checks that we have found related to this contract. **Please note** that certain records were lost during a tornado which hit the area around Fort Smith, Arkansas where the records were stored in April 2004. The tornado ripped off the roof of the storage facility resulting in a loss of records due to win water damage.

OMIG Response
The documentation provided for Grounds in the amount of $1,608 was accepted since the expense was within the base period.

Disposition: The draft audit report adjustment #1 was revised accordingly.

Adjustment #2 – Unsubstantiated Expense Disallowances

Facility Comment
Fiscal: The entire amount of $5,920 disallowed by the OMIG should be allowed. These expenses were paid to Medical Holdings for the services of [redacted]. A notarized statement from [redacted] attesting that [redacted] performed services during the period in question, along with canceled checks for the expenses is included in Exhibit E. Please note that the canceled checks add up to $6,232.04. The difference between that amount and the amount of $5,920 for fiscal expenses (i.e., $312.04) is for [redacted] health insurance that was paid for by Westhampton Care Center.

OMIG Response
The documentation provided for Fiscal services was accepted in full.

Disposition: The draft audit report adjustment #2 was revised accordingly.

Facility Comment
Plant Operation: Of the $3,287 disallowed by the OMIG, $2,886 should be allowed. This amount is supported by documentation included in Exhibit F, which contains a summary sheet (circled amounts represent amounts that should be allowed), along with the canceled checks and invoices.

OMIG Response
The documentation provided for Plant Operation and Maintenance was accepted and the adjustment was reduced to $401.

Disposition: The draft audit report adjustment #2 was revised accordingly.

Facility Comment
Grounds Expense: See explanation under Grounds Expense in #1 above. The $6,433 disallowed by the OMIG should be allowed.

OMIG Response
The documentation provided for Grounds expense was accepted in full.

Disposition: The draft audit report adjustment #2 was revised accordingly.

Adjustment #3 – Fiscal Service Discount Offset Against Expense

Facility Comment
Fiscal: The "discount" amount of $10,146 disallowed by the OMIG should not be disallowed. The discount was already taken – i.e., expenses were already reduced by $10,146. See Exhibit G for a reconciliation of the amount and copies of canceled checks.

OMIG Response
The Facility had two General Ledgers for the based period (1995 GL and 1996 GL). The Facility also provided Base Period Trial Balance Detail for all accounts. The account in question, [redacted], shows $101,750 for the entire base period ($22,454 for 1995 and $79,296 for 1996). The $79,296 was verified on audit and two invoices that were included in the $79,296 received a 40% discount after the base period. This discount should have been offset against the base year expense and was taken on audit.

Disposition: The draft audit report adjustment #3 remains the same.

Adjustment #8 – Elimination of Duplicate Sales Tax
Disposition: The decrease to the disallowance of Plant, Operation and Maintenance in adjustments 1 and 2 has caused an increase to the elimination of sales tax adjustment for the January 1, 2005 through December 31, 2006 operating rates.

EXHIBIT IV COMMENTS

Adjustment #1 – Equipment Rental

Facility Comment
Disallowance of $75,054 not contested; however, auto rental expense of $11,553 should not have been disallowed. The car was used to attend conferences, for other work travel and for picking up staff in snowstorms. If it were known that this expense would not be reimbursed, the amount would have been included in the Administrator's salary, which would have been reimbursable.

OMIG Response
Only costs that are documented and properly chargeable to necessary patient care are allowable. Costs pertaining to an automobile used for personal use are not related to patient care and were disallowed as a property expense. While such expense could be allowable as additional compensation to the Administrator in an operating base period, the Facility was already significantly over the Administrator's ceiling and would have no impact on the rate.

Disposition: The draft audit report adjustment #1 remains the same.

Adjustment #2 – Auto Insurance

Facility Comment
Disallowance of $35,734 not contested; however, $788 was insurance for administrator's car. Same rationale as in #1 above, if it were known that this expense would not be reimbursed, the amount for car rental and insurance would have been included in the Administrator's salary, which would have been reimbursable.

OMIG Response
Only costs that are documented and properly chargeable to necessary patient care are allowable. Auto insurance expense on vehicles that were used exclusively by Administrators was disallowed since this expense was not directly related to patient care. While such expense could be allowable as additional compensation to the Administrator in an operating base period, the Facility was already significantly over the Administrator's ceiling and would have no impact on the rate.

Disposition: Draft Report Adjustment #2 remains the same.

Adjustment #5 – Movable Equipment Depreciation

Disposition: Based on the Facility's response and documentation provided, this adjustment has been eliminated.

Adjustment #6 – Related Company investment income offsets:

Facility Comment
The amounts of $165,712 and $1,990 should not have been disallowed. The draft audit report states the disallowance is due to there being a related party. However, there were no related parties. The operator of the nursing home, East End Holdings, Inc. d/b/a Westhampton Care Center was solely owned by James Hightower and now by John Waterman. The nursing home leases the property from Westhampton Property, Inc. which is owned by Thomas Twomey and Steven Creekmore. Steven Creekmore owns Medical Holdings, Ltd, which loaned money to the nursing home. Therefore, there is no common ownership between the facility and the landlord or the facility and the lender. Therefore, there is no related party.

OMIG Response
The Facility filed a part III (Related Company) on their RHCF-4 every year under audit. The related party was listed as either Westhampton Care, Inc or Westhampton Property Inc. The adjustment of $1,990 relates to a correcting an incorrect traceback percentage.

Disposition: The draft audit report adjustment #6 remains the same.

WESTHAMPTON CARE CENTER

SUMMARY OF CHANGES FROM DRAFT REPORT TO FINAL REPORT - AUDIT #07-4478

EXHIBIT III - OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES)

		Rate Period	Draft Disallowance (Allowance)	Change	Final Disallowance (Allowance)
1. OUT OF PERIOD EXPENSE DISALLOWANCES		Operating Base			
	Fiscal	10/22/95-10/20/96	$ 756	$ (131)	$ 625
	Plant Oper.	10/22/95-10/20/96	$ 6,399	$ (556)	$ 5,843
	Grounds	10/22/95-10/20/96	$ 1,608	$ (1,608)	$ -
2. UNSUBSTANTIATED EXPENSE DISALLOWANCES					
	Fiscal	10/22/95-10/20/96	$ 5,920	$ (5,920)	$ -
	Plant Oper.	10/22/95-10/20/96	$ 3,287	$ (2,886)	$ 401
	Grounds	10/22/95-10/20/96	$ 6,433	$ (6,433)	$ -
3. FISCAL SERVICE DISCOUNT OFFSET AGAINST EXPENSE					
	Fiscal	10/22/95-10/20/96	$ 10,146	$ -	$ 10,146
8. ELIMINATION OF DUPLICATE SALES TAX					
	Plant Oper.	10/22/95-10/20/96	2,323	$ 239	2,562

EXHIBIT IV - PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

1. b) EQUIPMENT RENTAL EXPENSE ADJUSTMENTS				
	1995	11,553	-	11,553
	1996	11,553	-	11,553
	1997	11,553	-	11,553
2. a) AUTO INSURANCE EXPENSE DISALLOWANCES				
	1995	778	-	778
	1996	778	-	778
	1997	778	-	778
5. MOVABLE EQUIPMENT DEPRECIATION DISALLOWANCE				
	2001	6,543	(6,543)	-
	2002	8,413	(8,413)	-
	2003	13,677	(13,677)	-
	2004	19,410	(19,410)	-
	2005	23,935	(23,935)	-
	2006	28,723	(28,723)	-
6. RELATED COMPANY INVESTMENT INCOME OFFSETS				
	1995	12,058	-	12,058
	1996	12,058	-	12,058
	1997	12,058	-	12,058
	1998	9,254	-	9,254
	1999	5,975	-	5,975
	2000	13,335	-	13,335
	2001	29,096	-	29,096
	2002	41,810	-	41,810
	2002	2,536	-	2,536
	2003	18,006	-	18,006
	2004	1,990	-	1,990

Note: The adjustments shown above represent only the adjustments to which the Facility responded and the associated changes. All other adjustmens that were not responded to remain the same as the draft audit report.

EXHIBIT I

WESTHAMPTON CARE CENTER
RATE PERIODS OCTOBER 22, 1995 THROUGH DECEMBER 31, 2006
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
10/22/95 - 12/31/95	$175.86	$171.90	$3.96	4,983	$ 19,733
01/01/96 - 03/31/96	179.08	177.59	1.49	8,257	12,303
04/01/96 - 04/30/96	172.32	170.88	1.44	3,106	4,473
05/01/96 - 06/30/96	175.88	174.44	1.44	6,909	9,949
07/01/96 - 09/30/96	177.91	176.47	1.44	11,263	16,219
10/01/96 - 12/31/96	185.15	183.72	1.43	11,969	17,116
01/01/97 - 02/28/97	189.00	186.96	2.04	7,822	15,957
03/01/97 - 03/31/97	186.06	184.02	2.04	4,184	8,535
04/01/97 - 06/30/97	196.38	194.27	2.11	12,235	25,816
07/01/97 - 09/30/97	198.62	196.52	2.10	12,071	25,349
10/01/97 - 12/31/97	198.16	196.06	2.10	11,522	24,196
01/01/98 - 03/31/98	199.43	198.24	1.19	11,195	13,322
04/01/98 - 06/30/98	196.00	194.80	1.20	11,734	14,081
07/01/98 - 09/30/98	197.67	196.48	1.19	11,435	13,608
10/01/98 - 12/31/98	200.72	199.52	1.20	11,985	14,382
01/01/99 - 03/31/99	210.18	204.70	5.48	11,602	63,579
04/01/99 - 06/30/99	206.14	200.61	5.53	11,793	65,215
07/01/99 - 09/30/99	201.30	195.82	5.48	12,141	66,533
10/01/99 - 12/31/99	203.03	197.55	5.48	11,995	65,733
01/01/00 - 03/31/00	201.87	198.83	3.04	11,455	34,823
04/01/00 - 06/30/00	200.08	197.05	3.03	11,669	35,357
07/01/00 - 09/30/00	202.06	199.02	3.04	12,125	36,860
10/01/00 - 12/31/00	200.73	197.69	3.04	12,159	36,963
01/01/01 - 03/31/01	208.95	205.49	3.46	11,749	40,652
04/01/01 - 06/30/01	209.75	206.29	3.46	11,663	40,354
07/01/01 - 09/30/01	212.39	208.93	3.46	12,420	42,973
10/01/01 - 12/31/01	209.18	205.71	3.47	12,010	41,675
01/01/02 - 03/31/02	215.48	211.90	3.58	11,325	40,543
04/01/02 - 06/30/02	221.93	218.35	3.58	11,323	40,536
07/01/02 - 09/30/02	221.72	218.14	3.58	11,745	42,047
10/01/02 - 12/31/02	222.60	219.02	3.58	11,804	42,258
01/01/03 - 03/31/03	220.25	217.14	3.11	12,221	38,007
04/01/03 - 06/30/03	219.14	216.02	3.12	12,022	37,509
07/01/03 - 09/30/03	220.52	217.40	3.12	12,198	38,058
10/01/03 - 12/31/03	214.74	211.63	3.11	12,606	39,205
01/01/04 - 03/31/04	220.85	217.96	2.89	12,112	35,004
04/01/04 - 06/30/04	223.24	220.36	2.88	12,274	35,349
07/01/04 - 09/30/04	225.85	222.97	2.88	12,757	36,740
10/01/04 - 12/31/04	215.80	212.92	2.88	12,750	36,720
01/01/05 - 03/31/05	219.81	215.40	4.41	12,285	54,177
04/01/05 - 06/30/05	222.89	218.49	4.40	12,128	53,363
07/01/05 - 09/30/05	230.13	225.73	4.40	12,140	53,416
10/01/05 - 12/31/05	228.06	223.66	4.40	11,930	52,492
01/01/06 - 03/31/06	240.75	236.89	3.86	11,286	43,564
04/01/06 - 06/30/06	236.37	232.51	3.86	11,743	45,328
07/01/06 - 09/30/06	236.28	232.43	3.85	11,639	44,810
10/01/06 - 12/31/06	236.85	233.00	3.85	11,448	44,075
TOTAL MEDICAID OVERPAYMENT					**$ 1,658,957**

* 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.

EXHIBIT II

WESTHAMPTON CARE CENTER
RATE PERIODS OCTOBER 22, 1995 THROUGH DECEMBER 31, 2006
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.

RATE PERIOD	Issued Medicare Part B & D Non-Eligible Rates *
10/22/95 - 12/31/95	$ 175.86
01/01/96 - 03/31/96	179.08
04/01/96 - 04/30/96	172.32
05/01/96 - 06/30/96	175.88
07/01/96 - 09/30/96	177.91
10/01/96 - 12/31/96	185.15
01/01/97 - 02/28/97	189.00
03/01/97 - 03/31/97	186.06
04/01/97 - 06/30/97	196.38
07/01/97 - 09/30/97	198.62
10/01/97 - 12/31/97	198.16
01/01/98 - 03/31/98	199.43
04/01/98 - 06/30/98	196.00
07/01/98 - 09/30/98	197.67
10/01/98 - 12/31/98	200.72
01/01/99 - 03/31/99	210.18
04/01/99 - 06/30/99	206.14
07/01/99 - 09/30/99	201.30
10/01/99 - 12/31/99	203.03
01/01/00 - 03/31/00	201.87
04/01/00 - 06/30/00	200.08
07/01/00 - 09/30/00	202.06
10/01/00 - 12/31/00	200.73
01/01/01 - 03/31/01	208.95
04/01/01 - 06/30/01	209.75
07/01/01 - 09/30/01	212.39
10/01/01 - 12/31/01	209.18
01/01/02 - 03/31/02	215.48
04/01/02 - 06/30/02	221.93
07/01/02 - 09/30/02	221.72
10/01/02 - 12/31/02	222.60
01/01/03 - 03/31/03	220.25
04/01/03 - 06/30/03	219.14
07/01/03 - 09/30/03	220.52
10/01/03 - 12/31/03	214.74
01/01/04 - 03/31/04	220.85
04/01/04 - 06/30/04	223.24
07/01/04 - 09/30/04	225.85
10/01/04 - 12/31/04	215.80
01/01/05 - 03/31/05	219.81
04/01/05 - 06/30/05	222.89
07/01/05 - 09/30/05	230.13
10/01/05 - 12/31/05	228.06
01/01/06 - 03/31/06	240.75
04/01/06 - 06/30/06	236.37
07/01/06 - 09/30/06	236.28
10/01/06 - 12/31/06	236.85

* 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.

WESTHAMPTON CARE CENTER
RATE PERIODS OCTOBER 22, 1995 THROUGH DECEMBER 31, 2006
OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	OPERATING EXPENSE COMPONENT DIRECT	INDIRECT	NON-COMP.
Operating Expense Allowed per HE-12B					$ 5,424,056	$ 2,908,624	$ 630,235
Less Disallowances/(Allowances):							
1. OUT OF PERIOD EXPENSE DISALLOWANCES							
Expenditures are to be recorded in the period in which they are incurred. Reported base year expense included expenditures pertaining to a prior period. Consequently, disallowances were necessary. **Regulations: 10 NYCRR Sections 86-2.4 & 2.17(a), PRM-1 Sections 2300, 2302.1, & 2304**	Fiscal	004	$625	99.76%		624	
	Plant Oper.	006	5,843	100.00%		5,843	
	Laundry	009	6,109	100.00%		6,109	
	Housekeeping	010	468	100.00%		468	
	Patient Food	011	13,255	100.00%		13,255	
	Utilities	006	2,850	100.00%			2,850
2. UNSUBSTANTIATED EXPENSE DISALLOWANCES							
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 costs varied from the amount reported by the Facility. The Facility did not provide adequate documentation to substantiate reported expense. Consequently, the unsubstantiated expenses were disallowed. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300 & 2304**	Plant Oper.	006	401	100.00%		401	
	Laundry	009	2,374	100.00%		2,374	
3. FISCAL SERVICE DISCOUNT OFFSET AGAINST EXPENSE							
Discounts should be used to reduce the specific costs to which they apply in the accounting period in which the purchase occurs. The audit disclosed an instance where the discount was not used to reduce expense. Consequently, the discount was offset against expense as required. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 802.1, 802.13 & 804**	Fiscal	004	10,146	99.76%		10,122	
4. REAL ESTATE TAXES ADJUSTMENTS							
The Bureau of Long Term Care Reimbursement (BLTCR) erroneously adjusted Real Estate Taxes out of Plant, Operation & Maintenance twice and allowed it as a Non-Comparable expense twice. Consequently, adjustments were necessary. **Regulation: 10 NYCRR Sections 86-2.17 (a) & (d)**	Plant Oper.	006	(807)	100.00%		(807)	
	Utilities	006	807	100.00%			807
5. PLANT OPERATION AND MAINTENANCE EXPENSE DISALLOWANCE							
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. Audit plant Operation and Maintenance expense varied from the expenses allowed in the promulgated rates resulting in a disallowance. **Regulations: 10 NYCRR Sections 86-2.17(a) & 2.19(a), PRM-1 Sections 2300 & 2304**	Plant Oper.	006	3,310	100.00%		3,310	

WESTHAMPTON CARE CENTER
RATE PERIODS OCTOBER 22, 1995 THROUGH DECEMBER 31, 2006
OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	OPERATING EXPENSE COMPONENT DIRECT	INDIRECT	NON-COMP.
6. UTILITIES EXPENSE DISALLOWANCES							
a) 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 reported late charges in the utility expenses during the base year. Late charges are not reimbursable. Consequently, these expenses were disallowed. **Regulations: 10 NYCRR Sections 86-2.17(a) & (d), PRM-1 Sections 202.2, 2102, 2103, & 2300**	Utilities	006	1,021	100.00%			1,021
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 one percent applies 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. **Regulations: PRM-1 Section 2122.2D and TSB-A-90(60)S, Sales and Use-Rate of Tax-Residential Energy Sources-Long Term Treatment Facilities**	Utilities	006	20,032	100.00%			20,032
7. TELEPHONE EXPENSE RECLASSIFICATION ALLOWANCE							
Rental expenses associated with telephone expense are considered an operating expense. Since telephone expenses were included in rental expense in the promulgated rates, a reclassification from the property component of the rate to the operating component was necessary. (See Exhibit IV, Adjustment 5(a)) **Regulations: 10 NYCRR Sections 86-2.17 (a) & (d), 86-2.10(g), & 455.5, PRM-1 Section 2102.2**	Admin Svcs.	005	(14,343)	100.00%		(14,343)	
Total Disallowances/(Allowances) to October 22, 1995 through December 31, 2004 Operating Rates					$ -	$ 27,356	$ 24,710
AUDITED OPERATING EXPENSES FOR OCTOBER 22, 1995 THROUGH DECEMBER 31, 2004 RATES					$ 5,424,056	$ 2,881,268	$ 605,525
ADDITIONAL DISALLOWANCE FOR JANUARY 1, 2005 THROUGH DECEMBER 31, 2006 OPERATING RATES:							
8. ELIMINATION OF DUPLICATE SALES TAX							
For rate years January 1, 2005 through December 31, 2006, the Facility reported and was reimbursed for all sales tax expense in the property portion of the rate. Since sales tax is included in Facility's October 22, 1995 thru October 20, 1996 base year and since this year is also the basis for the operating portion of the January 1, 2005 through December 31, 2006 rates, inclusion of sales tax in the p[roperty portion of the rate resulted in duplicate reimbursement. In order to eliminate the duplication, the following disallowances to the operating component of the January 1, 2005 through December 31, 2006 rates were necessary. **Regulations: 10 NYCRR Sections 86-2.17(a) & (d)**	Fiscal	004	526	99.76%		525	
	Admin. Svcs.	005	570	100.00%		570	
	Plant Oper.	006	2,562	100.00%		2,562	
	Laundry	009	7,675	100.00%		7,675	
	Housekeeping	010	4,402	100.00%		4,402	
	Patient Food	011	3,423	100.00%		3,423	
Total Additional Disallowances/(Allowances) to January 1, 2005 through December 31, 2006 Operating Rates					$ -	$ 19,157	$ -
AUDITED OPERATING EXPENSES FOR JANUARY 1, 2005 THROUGH DECEMBER 31, 2006 RATES					**$ 5,424,056**	**$ 2,862,111**	**$ 605,525**

WESTHAMPTON CARE CENTER
RATE PERIODS OCTOBER 22, 1995 THROUGH DECEMBER 31, 2006
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS 1995	1996	1997	1998	1999	2000
Property Expense Allowed per HE-12B					$ 1,332,012	$ 1,337,021	$ 1,336,872	$ 1,245,341	$ 1,486,846	$ 1,296,012
Less Disallowances/(Allowances):										
1. EQUIPMENT RENTAL EXPENSE ADJUSTMENTS										
a) The Facility reported telephone expense in rent expense that were operating in nature. Telephone expense is not includable in property costs. Consequently, these expenses were disallowed from the property component of the rate. **Regulations: 10 NYCRR Sections 86-2.17 (a), 455.6 & 455.37, PRM-1 Section 2806.2**	Rent B	006	14,343	100.00%	14,343	14,343	14,343			
	Rent B	006	14,197	100.00%				14,197		
	Rent C	006	9,441	100.00%						
	Rent A	006	5,847	100.00%						
	Rent A	006	1,332	100.00%						
	Rent B	006	1,208	100.00%						
b) Costs not related to patient care are costs that are not appropriate or necessary for patient care in developing and maintaining the operation of patient care facilities and activities. Only costs properly chargeable to necessary patient care are allowable. Costs pertaining to an automobile used for personal use are not related to patient care and were disallowed. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.3 & 2105.9**	Rent B	006	11,553	100.00%	11,553	11,553	11,553			
	Rent B	006	10,733	100.00%				10,733		
	Rent A	006	12,916	100.00%					12,916	
	Rent A	006	13,242	100.00%						13,242
	Rent C	006	11,761	100.00%						
	Rent A	006	15,151	100.00%						
	Rent A	006	14,359	100.00%						
	Rent A	006	12,363	100.00%						
	Rent B	006	13,907	100.00%						
	Rent A	006	13,180	100.00%						
c) 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. Audited equipment rental expense varied from the expenses allowed in the promulgated rates resulting in adjustments. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300 & 2304**	Rent A	006	(995)	100.00%					(995)	
	Rent A	006	1,349	100.00%					1,349	
	Rent A	006	344	100.00%						344
	Rent A	006	447	100.00%						
	Rent C	013	111	100.00%						
d) The allowable facility specific property component of the rate shall include allowable property costs. Included with reported rental expenses were late fees. Late fees are not an allowable property expense; therefore, the late fees were disallowed. **Regulations: 10 NYCRR Sections 86-2.10(g) & 2.17(a), PRM-1 Section 2103**	Rent B	013	69	100.00%					69	
	Rent A	006	86	100.00%						86
	Rent C	013	35	100.00%						35
	Rent A	013	138	100.00%						
	Rent C	006	101	100.00%						
	Rent A	006	27	100.00%						
	Rent C	013	41	100.00%						
	Rent C	013	58	100.00%						
	Rent A	006	116	100.00%						
	Rent C	013	21	100.00%						
	Rent D	013	478	100.00%						
	Rent B	006	227	100.00%						
	Rent C	013	242	100.00%						
e) Reported equipment rental expense included excess copy charges. The allowable capital component of the rate shall include allowable capital costs. These expenses are not allowable capital costs. Consequently, disallowances were necessary. **Regulation: 10 NYCRR Section 86-2.10(g)**	Rent A	006	1,386	100.00%						1,386
	Rent C	006	1,991	100.00%						
	Rent A	006	1,264	100.00%						
	Rent A	006	1,251	100.00%						

WESTHAMPTON CARE CENTER
RATE PERIODS OCTOBER 22, 1995 THROUGH DECEMBER 31, 2006
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS 2001	2002	2003	2004	2005	2006
Property Expense Allowed per HE-12B					$ 1,449,509	$ 1,402,006	$ 1,331,680	$ 1,223,463	$ 1,107,728	$ 1,429,573
Less Disallowances/(Allowances):										
1. EQUIPMENT RENTAL EXPENSE ADJUSTMENTS										
a) The Facility reported telephone expense in rent expense that were operating in nature. Telephone expense is not includable in property costs. Consequently, these expenses were disallowed from the property component of the rate. **Regulations: 10 NYCRR Sections 86-2.17 (a), 455.6 & 455.37, PRM-1 Section 2806.2**	Rent B	006	14,343	100.00%						
	Rent B	006	14,197	100.00%						
	Rent C	006	9,441	100.00%	9,441					
	Rent A	006	5,847	100.00%		5,847				
	Rent A	006	1,332	100.00%					1,332	
	Rent B	006	1,208	100.00%						1,208
b) Costs not related to patient care are costs that are not appropriate or necessary for patient care in developing and maintaining the operation of patient care facilities and activities. Only costs properly chargeable to necessary patient care are allowable. Costs pertaining to an automobile used for personal use are not related to patient care and were disallowed. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.3 & 2105.9**	Rent B	006	11,553	100.00%						
	Rent B	006	10,733	100.00%						
	Rent A	006	12,916	100.00%						
	Rent A	006	13,242	100.00%						
	Rent C	006	11,761	100.00%	11,761					
	Rent A	006	15,151	100.00%		15,151				
	Rent A	006	14,359	100.00%			14,359			
	Rent A	006	12,363	100.00%				12,363		
	Rent B	006	13,907	100.00%					13,907	
	Rent A	006	13,180	100.00%						13,180
c) 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. Audited equipment rental expense varied from the expenses allowed in the promulgated rates resulting in adjustments. . **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300 & 2304**	Rent A	006	(995)	100.00%						
	Rent A	006	1,349	100.00%						
	Rent A	006	344	100.00%						
	Rent A	006	447	100.00%			447			
	Rent C	013	111	100.00%				111		
d) The allowable facility specific property component of the rate shall include allowable property costs. Included with reported rental expenses were late fees. Late fees are not an allowable property expense; therefore, the late fees were disallowed. **Regulations: 10 NYCRR Sections 86-2.10(g) & 2.17(a), PRM-1 Section 2103**	Rent B	013	69	100.00%						
	Rent A	006	86	100.00%						
	Rent C	013	35	100.00%						
	Rent A	013	138	100.00%	138					
	Rent C	006	101	100.00%	101					
	Rent A	006	27	100.00%		27				
	Rent C	013	41	100.00%		41				
	Rent C	013	58	100.00%			58			
	Rent A	006	116	100.00%				116		
	Rent C	013	21	100.00%				21		
	Rent D	013	478	100.00%					478	
	Rent B	006	227	100.00%						227
	Rent C	013	242	100.00%						242
e) Reported equipment rental expense included excess copy charges. The allowable capital component of the rate shall include allowable capital costs. These expenses are not allowable capital costs. Consequently, disallowances were necessary. **Regulation: 10 NYCRR Section 86-2.10(g)**	Rent A	006	1,386	100.00%						
	Rent C	006	1,991	100.00%	1,991					
	Rent A	006	1,264	100.00%			1,264			
	Rent A	006	1,251	100.00%					1,251	

WESTHAMPTON CARE CENTER
RATE PERIODS OCTOBER 22, 1995 THROUGH DECEMBER 31, 2006
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS 1995	1996	1997	1998	1999	2000
2. AUTO INSURANCE EXPENSE DISALLOWANCES										
a) 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. Auto insurance expense on vehicles that were used exclusively by Administrators was disallowed since this expense was not directly related to patient care. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.3 & 2105.9**	Auto Ins.	006	778	100.00%	778	778	778			
	Auto Ins.	006	794	100.00%				794		
	Auto Ins.	006	4,566	100.00%					4,566	
	Auto Ins.	006	4,535	100.00%						4,535
	Auto Ins.	006	3,645	100.00%						
	Auto Ins.	006	3,396	100.00%						
	Auto Ins.	006	4,269	100.00%						
	Auto Ins.	006	4,305	100.00%						
	Auto Ins.	006	5,406	100.00%						
	Auto Ins.	006	4,829	100.00%						
b) 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 insurance varied from the insurance expense allowed in the rate resulting in adjustments. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300 & 2304**	Auto Ins.	006	886	100.00%	886	886	886			
	Auto Ins.	006	1,601	100.00%				1,601		
3. NON-CAPITAL COST DISALLOWANCES										
The allowable facility specific property component of the rate shall include allowable property costs. Nurses aide recertification fees and instructors salary are not property costs and are not includable in the property component of the rate. Consequently, the fees and salary were disallowed. **Regulation: 10 NYCRR Section 86-2.32(c)**	Other	013	1,650	100.00%				1,650		
	Other	013	2,280	100.00%						
	Other	013	63,241	100.00%						
4. WORKING CAPITAL INTEREST EXPENSE DISALLOWANCES										
Working capital interest expense allowed in the promulgated rates exceeded the threshold limitation. Consequently disallowances were necessary. **Regulation: 10 NYCRR Section 86-2.20(d)(2)(i)**	WCI Exp.	005	4,725	99.76%				4,714		
	WCI Exp.	005	293,116	99.76%					292,413	
	WCI Exp.	005	121,924	99.76%						121,631
	WCI Exp.	005	19,806	100.00%						
5. MOVABLE EQUIPMENT DEPRECIATION ADJUSTMENTS										
a) 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. Depreciation on vehicles that were used exclusively by Owners was disallowed since this expense is not directly related to patient care. **Regulations: 10 NYCRR Section 86-2.17(a) & PRM-1 Sections 2102.3 &2105.9**	ME Depr.	002	1,693	100.00%	1,693	1,693	1,693			
	ME Depr.	002	2,102	100.00%				2,102		
	ME Depr.	002	1,401	100.00%					1,401	

WESTHAMPTON CARE CENTER
RATE PERIODS OCTOBER 22, 1995 THROUGH DECEMBER 31, 2006
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS 2001	2002	2003	2004	2005	2006
2. AUTO INSURANCE EXPENSE DISALLOWANCES										
a) 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. Auto insurance expense on vehicles that were used exclusively by Administrators was disallowed since this expense was not directly related to patient care. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.3 & 2105.9**	Auto Ins.	006	778	100.00%						
	Auto Ins.	006	794	100.00%						
	Auto Ins.	006	4,566	100.00%						
	Auto Ins.	006	4,535	100.00%						
	Auto Ins.	006	3,645	100.00%	3,645					
	Auto Ins.	006	3,396	100.00%		3,396				
	Auto Ins.	006	4,269	100.00%			4,269			
	Auto Ins.	006	4,305	100.00%				4,305		
	Auto Ins.	006	5,406	100.00%					5,406	
	Auto Ins.	006	4,829	100.00%						4,829
b) 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 insurance varied from the insurance expense allowed in the rate resulting in adjustments. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300 & 2304**	Auto Ins.	006	886	100.00%						
	Auto Ins.	006	1,601	100.00%						
3. NON-CAPITAL COST DISALLOWANCES										
The allowable facility specific property component of the rate shall include allowable property costs. Nurses aide recertification fees and instructors salary are not property costs and are not includable in the property component of the rate. Consequently, the fees and salary were disallowed. **Regulation: 10 NYCRR Section 86-2.32(c)**	Other	013	1,650	100.00%						
	Other	013	2,280	100.00%						2,280
	Other	013	63,241	100.00%					63,241	
4. WORKING CAPITAL INTEREST EXPENSE DISALLOWANCES										
Working capital interest expense allowed in the promulgated rates exceeded the threshold limitation. Consequently disallowances were necessary. **Regulation: 10 NYCRR Section 86-2.20(d)(2)(i)**	WCI Exp.	005	4,725	99.76%						
	WCI Exp.	005	293,116	99.76%						
	WCI Exp.	005	121,924	99.76%						
	WCI Exp.	005	19,806	100.00%						19,806
5. MOVABLE EQUIPMENT DEPRECIATION ADJUSTMENTS										
a) 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. Depreciation on vehicles that were used exclusively by Owners was disallowed since this expense is not directly related to patient care. **Regulations: 10 NYCRR Section 86-2.17(a) & PRM-1 Sections 2102.3 &2105.9**	ME Depr.	002	1,693	100.00%						
	ME Depr.	002	2,102	100.00%						
	ME Depr.	002	1,401	100.00%						

WESTHAMPTON CARE CENTER
RATE PERIODS OCTOBER 22, 1995 THROUGH DECEMBER 31, 2006
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS 1995	1996	1997	1998	1999	2000
5. MOVABLE EQUIPMENT DEPRECIATION ADJUSTMENTS (CON'T)										
b) The Bureau of Long Term Care Reimbursement 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, disallowances were necessary. **Regulation: 10 NYCRR Section 86-2.17(d)**	ME Depr.	002	127	100.00%						
c) The Facility did not receive movable equipment depreciation expense that was associated with related party asset costs. Consequently, allowances were necessary. **Regulations: 10 NYCRR Sections 86-2.17(a) & 86-2.22**	ME Depr.	002	(77,679)	100.00%	(77,679)	(77,679)	(77,679)			
	ME Depr.	002	(110,970)	100.00%				(110,970)	(110,970)	(110,970)
6. RELATED COMPANY INVESTMENT INCOME OFFSETS										
a) The audit disclosed that related company investment income was not offset in the promulgated rates. An audit adjustment was necessary to offset this income. **Regulations: 10 NYCRR Sections 86-2.20(c)(1) & 86-2.26**	Inc. Offset	005	12,058	99.76%	12,029	12,029	12,029			
	Inc. Offset	005	9,254	99.76%				9,232		
	Inc. Offset	005	5,975	99.76%					5,961	
	Inc. Offset	001	13,335	99.76%						13,303
	Inc. Offset	001	29,096	100.00%						
	Inc. Offset	005	9,710	99.76%						
	Inc. Offset	001	41,810	100.00%						
	Inc. Offset	005	2,536	99.76%						
	Inc. Offset	001	18,006	100.00%						
b) Traceback percentages were incorrectly applied to investment income offsets in the promulgated rates for each rate year under audit. The traceback percentages applied to income offsets should match those applied to interest expense. The OMIG has adjusted each traceback percentage accordingly. This resulted in disallowances. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Section 2102.3**	Inc. Offset	001	1,990	100.00%						
Property Expense Disallowances/(Allowances)					$ (36,397)	$ (36,397)	$ (36,397)	$ (65,947)	$ 206,710	$ 43,592
AUDITED PROPERTY EXPENSE					**$ 1,368,409**	**$ 1,373,418**	**$ 1,373,269**	**$ 1,311,288**	**$ 1,280,136**	**$ 1,252,420**

WESTHAMPTON CARE CENTER
RATE PERIODS OCTOBER 22, 1995 THROUGH DECEMBER 31, 2006
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS 2001	2002	2003	2004	2005	2006
5. MOVABLE EQUIPMENT DEPRECIATION ADJUSTMENTS (CON'T)										
b) The Bureau of Long Term Care Reimbursement 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, disallowances were necessary. **Regulation: 10 NYCRR Section 86-2.17(d)**	ME Depr.	002	127	100.00%						127
c) The Facility did not receive movable equipment depreciation expense that was associated with related party asset costs. Consequently, allowances were necessary. **Regulations: 10 NYCRR Sections 86-2.17(a) & 86-2.22**	ME Depr.	002	(77,679)	100.00%						
	ME Depr.	002	(110,970)	100.00%						
6. RELATED COMPANY INVESTMENT INCOME OFFSETS										
a) The audit disclosed that related company investment income was not offset in the promulgated rates. An audit adjustment was necessary to offset this income. **Regulations: 10 NYCRR Sections 86-2.20(c)(1) & 86-2.26**	Inc. Offset	005	12,058	99.76%						
	Inc. Offset	005	9,254	99.76%						
	Inc. Offset	005	5,975	99.76%						
	Inc. Offset	001	13,335	99.76%						
	Inc. Offset	001	29,096	100.00%	29,096					
	Inc. Offset	005	9,710	99.76%	9,687					
	Inc. Offset	001	41,810	100.00%		41,810				
	Inc. Offset	005	2,536	99.76%		2,530				
	Inc. Offset	001	18,006	100.00%			18,006			
b) Traceback percentages were incorrectly applied to investment income offsets in the promulgated rates for each rate year under audit. The traceback percentages applied to income offsets should match those applied to interest expense. The OMIG has adjusted each traceback percentage accordingly. This resulted in disallowances. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Section 2102.3**	Inc. Offset	001	1,990	100.00%				1,990		
Property Expense Disallowances/(Allowances)					$ 65,860	$ 68,802	$ 38,403	$ 18,906	$ 85,615	$ 41,899
AUDITED PROPERTY EXPENSE					**$ 1,383,649**	**$ 1,333,204**	**$ 1,293,277**	**$ 1,204,557**	**$ 1,022,113**	**$ 1,387,674**

WESTHAMPTON CARE CENTER
RATE PERIODS OCTOBER 22, 1995 THROUGH DECEMBER 31, 2006
CORRECTION OF PATIENT DAYS

The audit of patient day statistics disclosed that the patient days reported were understated in rate periods October 22, 1995 through December 31, 1997. The following adjustments were necessary to include the proper days in the rate calculations.
Regulation: 10 NYCRR Section 86-2.8(c)

	RATE PERIODS		
	10/22/95 12/31/95	**01/01/96 12/31/96**	**01/01/97 12/31/97**
Patient Days in Promulgated Rates	59,140	59,140	59,140
Patient Days per Audit	60,463	60,463	60,463
Understated Patient Days	**1,323**	**1,323**	**1,323**