



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 10, 2013

[REDACTED]  
Able Health Care Service, Inc.  
1240 Broadcast Plaza  
Merrick, New York 11566

Re: Medicaid Rate Audit #09-1696  
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 Able Health Care Service's (the "Agency") CHHA Medicaid rates for the rate period January 1, 2004 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.

In response to the draft audit report dated December 22, 2011, you identified specific audit findings with which you disagreed. Your comments have been considered; however, no changes have been made to the report as explained on Attachment A. Based on the enclosed audited rates, the Medicaid overpayment currently due is \$1,663,180. 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 on the following page.

**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 #09-1696  
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.

Should you have any questions, please contact [REDACTED] at [REDACTED] or through email at [REDACTED]. Please refer to audit number 09-1696 in all correspondence.

Sincerely,

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

Attachments:

- Attachment A - Facility Draft Report Comments and OMIG Response
- EXHIBIT I - Summary of Per Visit/Hour Impact and Medicaid Overpayment
- EXHIBIT II - Beginning Balance Expense Disallowances/(Allowances)
- EXHIBIT III - NY Public Health Law 3614.8, 3614.9 & 3614.11 Disallowances/(Allowances)
- EXHIBIT IV - Visits/Hours Increases/(Decreases)
- EXHIBIT V - Summary of Audit Adjustments, Audited Stepdown Beginning Balances, and Audited Stepdown – Rate Year 2004
- EXHIBIT VI - Summary of Audit Adjustments, Audited Stepdown Beginning Balances, and Audited Stepdown – Rate Year 2005

- EXHIBIT VII - Summary of Audit Adjustments, Audited Stepdown Beginning Balances, and Audited Stepdown – Rate Year 2006
- EXHIBIT VIII - Summary of Audit Adjustments, Audited Stepdown Beginning Balances, and Audited Stepdown – Rate Year 2007
- EXHIBIT IX - Summary of Audit Adjustments, Audited Stepdown Beginning Balances, and Audited Stepdown – Rate Year 2008

CERTIFIED MAIL # [REDACTED]  
RETURN RECEIPT REQUESTED

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

**NAME AND ADDRESS OF AUDITEE**

Able Health Care Services  
1240 Broadcast Plaza  
Merrick, New York 11566

NPI [REDACTED]  
PROVIDER [REDACTED]

AUDIT #09-1696

AMOUNT DUE: \$1,663,180

AUDIT  
TYPE

PROVIDER  
 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 #09-1696  
Albany, New York 12237-0048

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

[REDACTED]  
CORRECT PROVIDER NUMBER

**ABLE HEATH CARE SERVICES, INC. - AUDIT #09-1696  
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.

**EXHIBIT III COMMENTS**

**Adjustment #4 – NY Public Health Law Sections 3614-8, 3614-9 & 3614-11  
Disallowances/(Allowances)**

**Facility Comment**

Regarding Draft Audit Report, Exhibit III, Recruitment and Retention (R&R) Public Health Law § 3614-8(a)<sup>1</sup> provides:

"The commissioner shall adjust medical assistance rates of payment for services provided by certified home health programs and AIDS home care programs in accordance with this paragraph and paragraph (b) of this subdivision for purposes of improving recruitment and retention of non-supervisory home care services workers or any worker with direct patient care responsibility in the following amounts for services provided on and after December first, two thousand two.

i) rates of payment by governmental agencies for certified home health agency services (including services provided through contracts with licensed home care services agencies) shall be increased by three percent;"

NY CLS Pub Health § 3614

Further, Public Health Law § 3614-8(b)(1) provides:

"Providers which have their rates adjusted pursuant to this subdivision shall use such funds solely for the purposes of recruitment and retention of non-supervisory home care services workers or any worker with direct patient care responsibility. Such purposes shall include the recruitment and retention of non-supervisory home care services workers or any worker with direct patient care responsibility employed in licensed home care services agencies under contract with such providers. Providers are prohibited from using such funds for any other purpose."

NY CLS Pub Health § 3614

As detailed below, Able fully complied with the applicable statutes. Though Draft Audit Report alleges "regulation also requires recoupment", and though providers, including Able, requested guidance regarding the above, no regulation was promulgated implementing or clarifying the above provisions, nor was guidance or further direction issued. Further, recruitment and retention payment often was delayed, in several cases over a year. 2007 Recruitment and Retention was not paid in the provider rate until December, 2008. 2008 Recruitment and Retention was not paid in the provider rate until

October, 2009. Questions also raised were raised as to whether such recruitment and retention would continue. Providers charged with recruiting and retaining staff reasonably accounted for such contingencies and developed budgets to disperse recruitment and retention proceeds over time. This was consistent with both the letter and intent of the statute, was necessitated by the unreliability and timing of disbursement of rate adjustments and was generally accepted practice in the industry, particularly in the absence of any contrary directive, regulation or guidance. The Department of Health knew and understood that given inconsistent timing of rate adjustment, and given that effective and reasonable recruitment and retention requires the employer to adjust compensation predictably, over time, without risk of downward adjustment, providers had to expense recruitment and retention over time and would be unable to expense this in full in the calendar year for which it was issued.

It is undisputed that PHL § 3614 does not, and given the above could not, require expensing of recruitment and retention monies in full in the calendar year for which it was issued. Similarly, no regulation was promulgated mandating such expensing, nor was any guidance or directive issued regarding expense timing. Further, following discussion with the Department on this issue, the Department does not dispute that a reasonable construction of the statute permits expensing such revenue over time. Similarly, it is undisputed PHL § 3614 does not require recognition of recruitment and retention monies before it is expensed. Rather, under GAAP and consistent with both the matching principle and principle of deferred revenue, revenue is recognized when expensed.

As to expense timing, where, as here, revenue is received for a particular purpose and is not to be or cannot be expensed in its entirety presently, the portion of non- expensed revenue appropriately is treated as deferred revenue under GAAP. See, SEC v. Leslie, 2012 US Dist. LEXIS 4659 (ND Cal. Jan. 13, 2012). As detailed in Able financials provided separately to the Department, another copy of which is enclosed herein, this is precisely what Able did. Consistent with GAAP principles, including principles of matching and deferred revenue, Able recognized the portion of recruitment and retention monies it expensed in the year in question, and reported the portion of recruitment and retention monies not expensed in that year as deferred revenue. The

Department has failed to cite any authority requiring, or permitting, otherwise, nor has review revealed any contrary authority.

Rather, the Draft Audit Letter notes that "any funds recorded as revenue earned should have been spent on qualifying expense within the financial reporting period," and argues because Able "reported these 'add-ons' as revenue in its financial statements in the periods received" these 'add-on' should be deemed to have been expensed in the years paid. This is inaccurate. As noted above, and as detailed in the annexed financial statements, Able does not report these 'add-ons' uniformly as revenue. Because Able did not and could not expense recruitment and retention funds in full in the year received, the portion that could be expensed in that year is reported as revenue and the portion to be expensed subsequently is reported as deferred revenue, consistent with GAAP. As R & R revenue is not reported in excess of R & R expenses, there is no basis for the proposed R & R adjustment.

No other basis is cited for adjustment for R & R monies under PHL Sec. 3614-8 or 3614-9. Nonetheless, it also should be noted all of the recruitment and retention revenue received in connection with the audit years and reported per GAAP standards as deferred revenue, subsequently was expensed, and was reported as revenue as it was expensed over the subsequent years.<sup>2</sup> Thus, R & R monies received by Able have been used for the intended purpose and have been reported as revenue as expensed and are and have been expensed fully.

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<sup>2</sup>Any remaining deferred revenue in connection with October 2009 R&R receipts from October, 2009 is expensed this year pursuant to Able's ongoing R&R budget.

Similarly, any presumption that recruitment and retention monies if not expensed on recruitment and retention were expensed on other, non-recruitment and retention items also is without basis. As detailed in the attached financial statements, to the extent monies were not be expensed on recruitment and retention in the year for which these were received, said monies were not expensed. To the extent recruitment and retention funds not expensed were lent to an affiliated agency, see "Assets, Other Assets, Due From Affiliate" on the attached financials, such loans were not expensed, did not impact cost reporting and were secured by accounts receivable well in excess of the loan amounts, as well as a \$3 million credit line, and was repayable on demand.

As detailed above, the ground cited for rate adjustment relative to R & R, i.e. that Able reports this as revenue in the year received is without basis. Only the portion of revenue that is expensed in that year is reported as revenue; the balance is treated as deferred revenue. Similarly, there is no statutory basis for any rate adjustment. Able's reporting and accounting are consistent with the statute and GAAP, and the Draft Audit Letter provides no authority to the contrary. Also, to the extent the Draft Audit Letter cites to or relies on "regulations" in connection with PHL Sec. 3614, no such regulations have been promulgated. Thus, imposition of any rules beyond the statutory language would constitute unauthorized rulemaking in contravention of the State Administrative Procedure Act. In that regard, it is well settled that administrative rules must be promulgated in substantial compliance with the State Administrative Procedure Act (see Matter of Medical Socy. of State of N.Y. v Serio, 100 NY2d 854, 800 NE2d 728, 768 NYS2d 423 [20031]). The State Administrative Procedure Act requires submission of notice of the proposed rulemaking to the Secretary of State for publication in the State Register, followed by a public comment period, a public hearing (where applicable), and the filing and publication of a notice of adoption of the rule (see State Administrative Procedure Act §§ 202, 203). Only after the foregoing is completed is the rule deemed effective. (see State Administrative Procedure Act § 203 [1]). Matter of Kahrman v. Crime Victims Bd., 14 Misc. 3d 545, 548-549 (N.Y. Sup. Ct. 2006). Here, no rules were filed, promulgated or disclosed in connection with PHL Sec. 3614 and there is no statutory or factual basis for the proposed action.

Aurelia Osborn Fox Memorial Hospital v. Axelrod, 103 A.D.2d 509 (3d Dept 1984) in this regard is instructive. In Aurelia Osborn Fox Mem. Hosp., the State sought to disallow a hospital's depreciation of \$200,000 on the ground that the hospital did not place the \$200,000 into a specific restricted account. Though the specific restricted account allegedly was required by Department internal written policy, no regulation was published or issued in this regard. Because the Department policy was an attempt to set a standard for depreciation in Medicaid rate formula, the Court held it was within the rule and regulation requirement of the Constitution. See NY Const. art IV Sec. 8; see Executive Law Sec. 101-a, subd 1, par b. As such, it was required to be filed with the Secretary of State and promulgated in order to be effective and to assure public awareness and compliance. Because it was not, it was without effect. See also, Long Island College Hospital v. Whalen, 68 A.D.2d 274 (4th Dep't 1979)(holding State policy disallowing legal fees and litigation expenses in calculating Medicaid reimbursement rates fell within the rule or regulation filing requirement of the Constitution.)

Here, no rule, regulation or directive was published or promulgated in connection with PHL 3614. Able has complied in all respects with the statute, has used said funds for R & R as intended, has and will have used all funds received for the audited period for R & R, did not improperly expense R & R funds on non-R & R expenses and properly accounts for R & R under GAAP principles. In light of this, the proposed modification for R&R is without factual basis or statutory authority.

Draft Audit Letter similarly improperly adjusts for Accessibility, Quality and Efficiency (AQ&E) received pursuant to PHL Sec. 3614-11. The issues raised above with respect to R&R monies apply similarly to AQ&E and arguments detailed above are incorporated by reference herein as to AQ&E, and are not reiterated in full here. As to AQ&E, PHL Sec. 3614-11 provides:

Notwithstanding any inconsistent provision of law, rule or regulation and subject to the availability of federal financial participation, the commissioner is authorized and directed to implement a program whereby he or she shall adjust medical assistance rates of payment for services provided by certified home health agencies, long term home health care programs, AIDS home care programs and providers of personal care services and/or providers of private duty nursing services under the social services law in accordance with this subdivision for purposes of enhancing the provision, accessibility, quality and/or efficiency of home care services. Such rate adjustments shall be for the purposes of assisting such providers, located in social services districts which do not include a city with a population of over one million persons, in meeting the cost of:

- (i) Increased use of technology in the delivery of services, including telehealth and clinical and administrative management information system;
- (ii) Specialty training of direct service personnel in dementia care, pediatric care and/or the care of other conditions or populations with complex needs;
- (iii) Increased auto and travel expenses associated with rising fuel prices, including the increased cost of providing services in remote areas; and/or
- (iv) Providing enhanced access to care for high need populations;
- (v) Such other purposes related to the provision of quality, accessible home care services as the commissioner may deem appropriate.

NY CLS Pub Health § 3614

Again, rate adjustments were conditional on federal financial participation, timing of payments were unpredictable and delayed and providers such as Able expensed such revenues over time, consistent with statutory language and intent, and practicality of reimbursement. Consistent with GAAP principles, the portion of AQ&E expensed in a year is recognized as revenue in that year. The portion of AQ&E that was expensed subsequently is reported as deferred income. Again, this is entirely appropriate and reasonable accounting treatment, consistent with the statutory language and intent. There is no authority of which we are aware, nor has any been cited, prohibiting such treatment or determining such treatment unreasonable, nor were any regulations, directives or rules published prohibiting such treatment. Citation to matching principles is inopposite, as Able is not reporting AQ&E as revenue until it is expensed. As with R&R, there is no suggestion in the statute or otherwise that AQ&E monies had to be expensed in the financial year received, and the statutory mandates specifying the use to be made of AQ&E monies and the unpredictability and delays in reimbursement precluded this.<sup>3</sup>

Again, to date, all AQ&E funds at issue in this audit were expensed on AQ&E as required by statute and have been reported as revenue. No AQ&E funds were expensed for non-AQ&E items. To the extent AQ&E funds not expensed in the year received were lent to an affiliated agency, see "Assets, Other Assets, Due From Affiliate" on the attached financials, such loans were not expensed, did not impact cost reporting and were secured by accounts receivable well in excess of the loan amounts, as well as a \$3 million credit line, and was repayable on demand. Again, the above is consistent with both GAAP matching and deferred revenue principles and the statutory mandate.

For the foregoing reasons, it respectfully is submitted no adjustment is warranted or permitted in connection with R&R or AQ&E, that R&R and AQ&E funds were used as directed, were accounted for pursuant to GAAP, and that Draft Audit Letter findings and adjustments in that regard are without basis and should be withdrawn.

**OMIG Response**

OMIG Audit #09-1696 is an audit of cost years January 1, 2002 through December 31, 2006 and rate years January 1, 2004 through December 31, 2008. OMIG's analysis of cost reports and rate sheets for the January 1, 2004 through December 31, 2008 audit periods disclosed that the Agency earned and was paid \$3,538,295 via these "add-on" rates during the audit period. The provider was awarded an additional \$622,511 in "add-ons" for rate year 2008, but was not paid this until 2009. Since this sum was not received during the audit period, it was not reviewed with this audit. Of the actual \$3,538,295 "add-ons" received, cost reports and financial statements indicate that the Agency only spent and/or deferred a portion of the proceeds. As of December 31, 2008, OMIG calculated a balance of \$1,478,873 in "add-ons" that the provider took into earned revenue, but had not yet reported as spent or deferred. In addition, the provider could not show that it still retained these sums in any cash or cash equivalent account.

In response to OMIG's February 25, 2009 engagement letter, the Agency submitted audited financial statements specific to the periods under audit. Utilizing these financial statements, along with trial balances and submitted cost report data, OMIG performed certain tests disclosing that the Agency did, in fact, report these "add-ons" as revenue. Further review of the Agency's trial balances and financial statements also disclosed that the provider maintained only limited cash balances in each of the 2004 through 2008 rate years. As of December 31, 2008, the Agency reported a cash balance of only \$268,112. In other words, OMIG concluded that the "add-ons" were paid during the audit period, were received by the provider and taken into the operation as earned revenue, and except for \$268,112 remaining in a cash balance, was spent. The provider could not document that the remainder taken into earned revenue was spent for the mandated purpose.

OMIG provided a written summary of its preliminary conclusions in advance of the Exit Conference. At the Exit Conference, in response to OMIG's written summary, the provider created revised 2004 through 2008 financial statements to support the premise that the "add-ons" were not taken into revenue, but were instead reported in a deferred revenue account. Note that copies of these revised statements were provided to OMIG at the Exit Conference. OMIG advised the provider and its counsel that simply re-creating new financial statements would not eliminate the finding and explained the rationale. OMIG noted that the initial review of the original 2004 through 2007 financial statements disclosed that the provider reported no deferred revenue balances. Although the revised financial statements indicate a reduction in retained earnings and a new current liability account (deferred revenue) on the balance sheet, the cash balance remained unchanged and no other temporary asset accounts were established.

The provider's newly created financial statements indicate deferred revenues that have grown from \$464,581 in 2004 to \$3,073,028 in 2008; however, reporting such funds as deferred revenue does not change the fact that the funds were not placed in a restricted fund account and kept intact for use for the purpose intended. The fact that the provider has no substantive cash balances supports the fact that such monies actually were used by the provider for other purposes (other than that intended). Therefore, the reporting change reflecting a deferred revenue account has no affect on the adjustment. The facts remain that DOH clearly paid these sums to the provider during the rate years under review and that the facility cannot document that these sums are, in fact, held in cash in any account. Furthermore, even if such cash did exist in a separate restricted fund balance (which it does not), the provider would have been under an obligation to use the funds within a year of the end of the cost reporting period in which it was received. Per PRM-1, Section 2305, short term liabilities must be liquidated within one year after the end of the cost reporting period in which the liability is incurred.

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

**ABLE HEALTH CARE SERVICES, INC.**  
**RATE YEARS JANUARY 1, 2004 THROUGH DECEMBER 31, 2008**  
**SUMMARY OF PER VISIT/HOUR IMPACT AND MEDICAID OVERPAYMENT**

<u>RATE PERIOD</u>	<u>DISCIPLINES</u>	<u>ISSUED RATE</u>	<u>FINAL RATE</u>	<u>RATE DECREASE (INCREASE)</u>	<u>MEDICAID VISITS OR HOURS*</u>	<u>MEDICAID OVERPAYMENT (UNDERPAYMENT)</u>
01/01/04 - 12/31/04	Skilled Nursing	\$93.42	\$103.02	(\$9.60)	1,997	\$ (19,171)
	Physical Therapy	90.10	89.22	0.88	10,554	9,288
	Speech Therapy	80.18	77.14	3.04	6,890	20,946
	Occupational Therapy	83.50	80.96	2.54	6,699	17,015
	Home Health Aide	13.00	12.65	0.35	583,235	204,132
01/01/05 - 12/31/05	Skilled Nursing	\$70.63	\$61.25	\$9.38	2,468	\$ 23,150
	Physical Therapy	92.74	89.79	2.95	10,783	31,810
	Speech Therapy	81.01	79.56	1.45	7,091	10,282
	Occupational Therapy	83.55	80.48	3.07	7,323	22,482
	Home Health Aide	14.24	13.77	0.47	592,840	278,635
01/01/06 - 05/31/06	Skilled Nursing	\$79.39	\$51.88	\$27.51	1,568	\$ 43,136
	Physical Therapy	82.16	82.20	(0.04)	4,685	(187)
	Speech Therapy	70.86	70.57	0.29	2,956	857
	Occupational Therapy	81.57	81.35	0.22	3,150	693
	Home Health Aide	14.79	14.88	(0.09)	247,426	(22,268)
06/01/06 - 12/31/06	Skilled Nursing	\$85.49	\$51.88	\$33.61	2,353	\$ 79,084
	Physical Therapy	88.47	82.20	6.27	6,321	39,633
	Speech Therapy	76.30	70.57	5.73	4,147	23,762
	Occupational Therapy	87.83	81.35	6.48	4,137	26,808
	Home Health Aide	15.93	14.48	1.45	376,434	545,829
01/01/07 - 03/31/07	Skilled Nursing	\$124.08	\$120.84	\$3.24	959	\$ 3,107
	Physical Therapy	95.46	92.97	2.49	2,830	7,047
	Speech Therapy	87.40	85.12	2.28	1,829	4,170
	Occupational Therapy	88.47	86.14	2.33	1,772	4,129
	Home Health Aide	16.70	16.37	0.33	158,539	52,318
04/01/07 - 06/30/07	Skilled Nursing	\$120.84	\$120.84	\$0.00	1,062	\$ -
	Physical Therapy	92.97	92.97	-	2,861	-
	Speech Therapy	85.12	85.12	-	1,598	-
	Occupational Therapy	86.16	86.14	0.02	1,921	38
	Home Health Aide	16.26	16.37	(0.11)	162,992	(17,929)
07/01/07 - 12/31/07	Skilled Nursing	\$124.34	\$120.82	\$3.52	2,107	\$ 7,417
	Physical Therapy	95.67	92.96	2.71	5,436	14,732
	Speech Therapy	87.59	85.11	2.48	3,495	8,668
	Occupational Therapy	88.65	86.12	2.53	3,781	9,566
	Home Health Aide	16.73	15.92	0.81	350,628	284,009
01/01/08 - 03/31/08	Skilled Nursing	\$132.83	\$132.80	\$0.03	981	\$ 29
	Physical Therapy	98.01	97.99	0.02	2,850	57
	Speech Therapy	90.54	90.52	0.02	1,658	33
	Occupational Therapy	86.89	86.87	0.02	2,004	40
	Home Health Aide	17.63	17.71	(0.08)	165,467	(13,237)
04/01/08 - 12/31/08	Skilled Nursing	\$128.41	\$128.37	\$0.04	2,870	\$ 115
	Physical Therapy	94.75	94.72	0.03	8,762	263
	Speech Therapy	87.53	87.50	0.03	5,274	158
	Occupational Therapy	84.00	83.98	0.02	5,695	114
	Home Health Aide	17.04	17.11	(0.07)	536,863	(37,580)
<b>TOTAL MEDICAID OVERPAYMENT</b>						<b>\$ 1,663,180</b>

\* Medicaid "Hours" are used in the calculation of Home Health Aide rates. For all other disciplines, "Visits" are used.

**ABLE HEALTH CARE SERVICES, INC.**

RATE PERIOD JANUARY 1, 2004 THROUGH DECEMBER 31, 2008

BEGINNING BALANCE EXPENSE DISALLOWANCES/(ALLOWANCES)

DESCRIPTION	COST CTR	DISALLOWED	RATE YEARS				
			01/01/04 12/31/04	01/01/05 12/31/05	01/01/06 12/31/06	01/01/07 12/31/07	01/01/08 12/31/08
			\$ 5,873,439	\$ 8,077,643	\$ 10,085,550	\$ 10,951,132	\$ 12,227,135

Unaudited Stepdown Beginning Balance Expenses (per Rate Calculation)  
Less Disallowances/(Allowances):

**1. PENALTY EXPENSE DISALLOWANCE**

Penalty expenses specific to Trial Balance Account #9020-200-00 (Penalties) are not deemed allowable and were disallowed.  
Regulations: 10 NYCRR Section 86-1.21(e), PRM-1 Section 2105.10

Admin & General	014	\$ 466				
Admin & General	014	73	73			
Admin & General	014	332				332

**2. GOODWILL EXPENSE DISALLOWANCE**

Goodwill expenses specific to Trial Balance Account #7218-200-00 (Goodwill) were included in reported costs. Allowable costs shall not include expenses or portions of expenses reported by individual residential health care facilities which are determined by the Commissioner not to be reasonably related to the efficient production of service because of either the nature or amount of the particular item. For Medicaid reimbursement purposes, the Commissioner has determined that expense associated with "Goodwill" is not a reimbursable Medicaid expense. Consequently, it was disallowed.

Admin & General	014	2,595				
Admin & General	014	2,492				2,492

Regulation: 10 NYCRR Section 86-1.21(e)

**3. RELATED PARTY DISALLOWANCE**

The provider leases certain property located at 1240 Broadcast Plaza in Merrick, New York from a related party. Accordingly, rent paid to the lessor is not allowable as cost. Related party rent expense is limited to the actual allowable cost of ownership. Since documentation supporting these costs was requested and not received for rate years 2004 and 2005, related party rent costs were disallowed. A partial disallowance was made for rate year 2006.

Capital - Bldg. & Fix.	010	39,998				
Capital - Bldg. & Fix.	010	39,998	39,998			
Capital - Bldg. & Fix.	010	9,159			9,159	

Regulations: 10 NYCRR Section 86-1.28(b), PRM-1 Sections 1011.5 & 2100

Total Disallowance/(Allowance)

	\$ 40,464	\$ 40,071	\$ 11,754	\$ -	\$ 2,824
<b>AUDITED BEGINNING BALANCE EXPENSES FOR ALLOCATION</b>	<b>\$ 5,832,975</b>	<b>\$ 8,037,572</b>	<b>\$ 10,073,796</b>	<b>\$ 10,951,132</b>	<b>\$ 12,224,311</b>

**ABLE HEALTH CARE SERVICES, INC.**  
**RATE PERIOD JANUARY 1, 2004 THROUGH DECEMBER 31, 2008**  
**NY PUBLIC HEALTH LAW SECTIONS 3614-8, 3614-9 & 3614-11 DISALLOWANCES/(ALLOWANCES)**

New York State Public Health Law (NY PHL) Sections 3614-8 and 3614-9 allow for certain rate "add-on" percentages for purposes of improving recruitment, training, and retention of non-supervisory home care service workers or any worker with direct patient care responsibility for services provided on or after December 1, 2002. In addition, NY PHL Section 3614-11 allows for a rate "add-on" percentage for purposes of enhancing the provision, accessibility, quality, and/or efficiency of home care services. Each regulation also requires recoupment of any funds determined to have been used for other than the above noted purposes. An analysis of the submitted cost reports and rate sheets disclosed that the provider earned and was paid \$3,538,295 in such "add-ons" via the 2004 through 2008 promulgated rates.

The rate adjustments below comprise two possible changes. First, the adjustments give effect to both the "Expense Disallowances" on Exhibit II and the "Total Visits/Hours Adjustments" on Exhibit IV. Secondly, the adjustments reflect whether the grant monies were spent for the purposes intended. All facilities are required to report revenues and expenses in accordance with "Generally Accepted Accounting Principles" (GAAP) by NYS regulation. In accordance with the "revenue" and "matching" principles under GAAP, any funds recorded as revenue earned should have been spent on qualifying expense within the financial reporting period. The Facility reported these "add-ons" as revenue in its financial statements in the periods received. Consequently, in accordance with GAAP principles, these "add-ons" were deemed to be expensed in the specific years paid and reported. Specifically, the analysis disclosed that funds totaling \$283,862 in 2004, \$304,685 in 2005, \$844,960 in 2006, \$830,420 in 2007, and \$1,274,368 in 2008 were received through rate "add-ons" and recorded as revenue by the provider. Since the provider only identified and offset a portion of these funds for the purposes intended (via Cost Report Schedule C), the remainder was adjusted via the provider's "add-on" rates. Note that the provider's 2008 deferred balance of \$875,442 was taken into consideration with these adjustments.

**Regulations: NY Public Health Law 3614-8, 3614-9 and 3614-11, 10 NYCRR Section 86-1.5**

**WORKER RECRUITMENT & RETENTION PER VISIT/HOUR ADJUSTMENTS - NY PHL 3614-8**

	RATE PERIODS						
	2004	2005	2006	2006	2007	2008	
	01/01/04 12/31/04	01/01/05 12/31/05	01/01/06 05/31/06	06/01/06 12/31/06	01/01/07 12/31/07	01/01/08 03/31/08	04/01/08 12/31/08
WR&R Per Visit Rates - SN	\$ 2.72	\$ 2.06	\$ 2.31	\$ 2.31	\$ 3.33	\$ 3.56	\$ 3.53
WR&R Per Visit per Audit - SN	3.00	1.78	1.51	1.51	3.33	3.56	3.53
Disallowed/(Allowed)	<u>\$ (0.28)</u>	<u>\$ 0.28</u>	<u>\$ 0.80</u>	<u>\$ 0.80</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
WR&R Per Visit Rates - PT	\$ 2.62	\$ 2.70	\$ 2.39	\$ 2.39	\$ 2.56	\$ 2.63	\$ 2.61
WR&R Per Visit per Audit - PT	2.60	2.62	2.39	2.39	2.56	2.63	2.60
Disallowed/(Allowed)	<u>\$ 0.02</u>	<u>\$ 0.08</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0.01</u>
WR&R Per Visit Rates - ST	\$ 2.34	\$ 2.36	\$ 2.06	\$ 2.06	\$ 2.35	\$ 2.43	\$ 2.41
WR&R Per Visit per Audit - ST	-	2.32	2.06	2.06	2.35	2.43	2.41
Disallowed/(Allowed)	<u>\$ 2.34</u>	<u>\$ 0.04</u>	<u>\$ -</u>				
WR&R Per Visit Rates - OT	\$ 2.43	\$ 2.43	\$ 2.38	\$ 2.38	\$ 2.38	\$ 2.33	\$ 2.31
WR&R Per Visit per Audit - OT	1.25	2.34	2.37	2.37	2.37	2.33	2.31
Disallowed/(Allowed)	<u>\$ 1.18</u>	<u>\$ 0.09</u>	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ -</u>	<u>\$ -</u>
WR&R Per Hour Rates - HHA	\$ 0.38	\$ 0.41	\$ 0.43	\$ 0.43	\$ 0.45	\$ 0.47	\$ 0.47
WR&R Per Hour per Audit - HHA	-	0.18	0.43	0.03	0.45	0.47	0.47
Disallowed/(Allowed)	<u>\$ 0.38</u>	<u>\$ 0.23</u>	<u>\$ -</u>	<u>\$ 0.40</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(cont.)

**ABLE HEALTH CARE SERVICES, INC.**  
**RATE PERIOD JANUARY 1, 2004 THROUGH DECEMBER 31, 2008**  
**NY PUBLIC HEALTH LAW SECTIONS 3614-8, 3614-9 & 3614-11 DISALLOWANCES/(ALLOWANCES)**

**RECRUITMENT TRAINING & RETENTION PER VISIT/HOUR ADJUSTMENTS - NY PHL 3614-9**

	RATE PERIODS									
	2004		2005		2006		2007		2008	
	01/01/04 12/31/04	01/01/05 12/31/05	01/01/06 05/31/06	06/01/06 12/31/06	01/01/07 06/30/07	07/01/07 12/31/07	01/01/08 03/31/08	04/01/08 12/31/08		
RT&R Per Visit Rates - SN	\$ -	\$ -	\$ -	\$ 3.85	\$ 6.46	\$ 6.44	\$ 6.88	\$ 5.29		
RT&R Per Visit per Audit - SN	-	-	-	-	6.46	6.44	6.88	5.28		
Disallowed/(Allowed)	\$ -	\$ -	\$ -	\$ 3.85	\$ -	\$ -	\$ -	\$ 0.01		
RT&R Per Visit Rates - PT	\$ -	\$ -	\$ -	\$ 3.98	\$ 4.97	\$ 4.96	\$ 5.08	\$ 3.90		
RT&R Per Visit per Audit - PT	\$ -	\$ -	\$ -	\$ -	\$ 4.97	\$ 4.96	\$ 5.08	\$ 3.90		
Disallowed/(Allowed)	\$ -	\$ -	\$ -	\$ 3.98	\$ -	\$ -	\$ -	\$ -		
RT&R Per Visit Rates - ST	\$ -	\$ -	\$ -	\$ 3.43	\$ 4.55	\$ 4.54	\$ 4.69	\$ 3.60		
RT&R Per Visit per Audit - ST	\$ -	\$ -	\$ -	\$ -	\$ 4.55	\$ 4.54	\$ 4.69	\$ 3.60		
Disallowed/(Allowed)	\$ -	\$ -	\$ -	\$ 3.43	\$ -	\$ -	\$ -	\$ -		
RT&R Per Visit Rates - OT	\$ -	\$ -	\$ -	\$ 3.95	\$ 4.61	\$ 4.59	\$ 4.50	\$ 3.46		
RT&R Per Visit per Audit - OT	\$ -	\$ -	\$ -	\$ -	\$ 4.61	\$ 4.59	\$ 4.50	\$ 3.46		
Disallowed/(Allowed)	\$ -	\$ -	\$ -	\$ 3.95	\$ -	\$ -	\$ -	\$ -		
RT&R Per Hour Rates - HHA	\$ -	\$ -	\$ -	\$ 0.72	\$ 0.87	\$ 0.87	\$ 0.91	\$ 0.70		
RT&R Per Hour per Audit - HHA	\$ -	\$ -	\$ -	\$ -	\$ 0.88	\$ 0.43	\$ 0.92	\$ 0.70		
Disallowed/(Allowed)	\$ -	\$ -	\$ -	\$ 0.72	\$ (0.01)	\$ 0.44	\$ (0.01)	\$ -		

**ACCESSIBILITY, QUALITY & EFFICIENCY PER VISIT/HOUR ADJUSTMENTS - NY PHL 3614-11**

	RATE PERIODS									
	2004		2005		2006		2007		2008	
	01/01/04 12/31/04	01/01/05 12/31/05	01/01/06 05/31/06	06/01/06 12/31/06	01/01/07 03/31/07	04/01/07 06/30/07	07/01/07 12/31/07	01/01/08 03/31/08	04/01/08 12/31/08	
AQ&E Per Visit Rates - SN	\$ -	\$ -	\$ -	\$ 2.25	\$ 3.24	\$ -	\$ 3.52	\$ 3.76	\$ 1.88	
AQ&E Per Visit per Audit - SN	-	-	-	-	-	-	-	3.76	1.88	
Disallowed/(Allowed)	\$ -	\$ -	\$ -	\$ 2.25	\$ 3.24	\$ -	\$ 3.52	\$ -	\$ -	
AQ&E Per Visit Rates - PT	\$ -	\$ -	\$ -	\$ 2.33	\$ 2.49	\$ -	\$ 2.71	\$ 2.77	\$ 1.39	
AQ&E Per Visit per Audit - PT	-	-	-	-	-	-	-	2.77	1.39	
Disallowed/(Allowed)	\$ -	\$ -	\$ -	\$ 2.33	\$ 2.49	\$ -	\$ 2.71	\$ -	\$ -	
AQ&E Per Visit Rates - ST	\$ -	\$ -	\$ -	\$ 2.01	\$ 2.28	\$ -	\$ 2.48	\$ 2.56	\$ 1.28	
AQ&E Per Visit per Audit - ST	-	-	-	-	-	-	-	2.56	1.28	
Disallowed/(Allowed)	\$ -	\$ -	\$ -	\$ 2.01	\$ 2.28	\$ -	\$ 2.48	\$ -	\$ -	
AQ&E Per Visit Rates - OT	\$ -	\$ -	\$ -	\$ 2.31	\$ 2.31	\$ -	\$ 2.51	\$ 2.46	\$ 1.23	
AQ&E Per Visit per Audit - OT	-	-	-	-	-	-	-	2.46	1.23	
Disallowed/(Allowed)	\$ -	\$ -	\$ -	\$ 2.31	\$ 2.31	\$ -	\$ 2.51	\$ -	\$ -	
AQ&E Per Hour Rates - HHA	\$ -	\$ -	\$ -	\$ 0.42	\$ 0.44	\$ -	\$ 0.47	\$ 0.50	\$ 0.25	
AQ&E Per Hour per Audit - HHA	-	-	-	-	-	-	-	0.50	0.24	
Disallowed/(Allowed)	\$ -	\$ -	\$ -	\$ 0.42	\$ 0.44	\$ -	\$ 0.47	\$ -	\$ 0.01	

**ABLE HEALTH CARE SERVICES, INC.**  
**RATE PERIOD JANUARY 1, 2004 THROUGH DECEMBER 31, 2008**  
**VISITS/HOURS INCREASES/(DECREASES)**

Adjustments are necessary to update total visits/hours on Cost Report Schedule S-1 to reflect the Facility's supporting visits/hours logs. For the Rate Year 2005 nursing visits, an additional adjustment was necessary as a result of Medicaid visits exceeding total visits.

**Regulation: 10 NYCRR Section 455.48**

	<b>RATE YEARS</b>				
	<u>01/01/04</u> <u>12/31/04</u>	<u>01/01/05</u> <u>12/31/05</u>	<u>01/01/06</u> <u>12/31/06</u>	<u>01/01/07</u> <u>12/31/07</u>	<u>01/01/08</u> <u>12/31/08</u>
Skilled Nursing Visits per Rates	926	1,058	1,491	2,500	4,030
Audited Skilled Nursing Visits	834	1,214	2,279	2,500	4,030
Increase/(Decrease)	<u>(92)</u>	<u>156</u>	<u>788</u>	<u>-</u>	<u>-</u>
Physical Therapy Visits per Rates	8,174	10,604	11,942	11,569	11,566
Audited Physical Therapy Visits	8,198	10,899	11,921	11,569	11,566
Increase/(Decrease)	<u>24</u>	<u>295</u>	<u>(21)</u>	<u>-</u>	<u>-</u>
Speech Therapy Visits per Rates	5,450	6,689	8,071	7,763	7,843
Audited Speech Therapy Visits	5,462	6,778	8,095	7,763	7,843
Increase/(Decrease)	<u>12</u>	<u>89</u>	<u>24</u>	<u>-</u>	<u>-</u>
Occupational Therapy Visits per Rates	5,777	7,066	8,059	7,796	7,751
Audited Occupational Therapy Visits	5,835	7,298	8,071	7,797	7,751
Increase/(Decrease)	<u>58</u>	<u>232</u>	<u>12</u>	<u>1</u>	<u>-</u>
Home Health Aides Hours per Rates	350,515	461,434	593,922	601,977	633,397
Audited Home Health Aides Hours	347,303	467,516	589,891	597,834	630,445
Increase/(Decrease)	<u>(3,212)</u>	<u>6,082</u>	<u>(4,031)</u>	<u>(4,143)</u>	<u>(2,952)</u>

ABLE HEALTH CARE SERVICES, INC.

RATE YEAR JANUARY 1, 2004 THROUGH DECEMBER 31, 2004

SUMMARY OF AUDIT ADJUSTMENTS, AUDITED STEPDOWN BEGINNING BALANCES, AND AUDITED STEPDOWN

SUMMARY OF AUDIT ADJUSTMENTS AND AUDITED STEPDOWN BEGINNING BALANCES

Cost Centers	Unaudited Stepdown Beginning Balances	Exh. II, Adj. #1 Admin. & Gen. Expense Disallowance	Exh. II, Adj. #3 Capital B&F Expense Disallowance	Audited Stepdown Beginning Balances
Capital - Building & Fixtures	\$ 85,308		\$ (39,998)	\$ 45,310
Capital - Major Movable Eq.	43,242			43,242
Plant Operations	19,506			19,506
Transportation	-			-
Administrative & General	1,257,155	\$ (466)		1,256,689
Skilled Nursing	61,348			61,348
Physical Therapy	522,279			522,279
Occupational Therapy	342,076			342,076
Speech Therapy	309,876			309,876
Home Health Aides	3,232,479			3,232,479
Medical Social Service	170			170
DME & Supplies	-			-
AIDS Nursing	-			-
Non Reimbursable	-			-
Extra	-			-
<b>Totals</b>	<b>\$ 5,873,439</b>	<b>\$ (466)</b>	<b>\$ (39,998)</b>	<b>\$ 5,832,975</b>

AUDITED STEPDOWN CALCULATION

Cost Centers	Audited Stepdown Beginning Balances	Capital B&F	Capital MME	Plant Oper. & Maint.	Transport.	A&G	Ending Stepdown Balances	POST STEPDOWN ADJUSTMENT			Audited Rate Sheet Totals	
								Medical	Soc. Svc.	Reclass		
Capital - Building & Fixtures	\$ 45,310	\$ (45,310)										
Capital - Major Movable Eq.	43,242	-	\$ (43,242)									
Plant Operations	19,506	-		\$ (19,506)								
Transportation	-											
Administrative & General	1,256,689	45,310	43,242	19,506		\$ (1,364,747)	\$ 80,086	\$ 10	\$ 80,096			
Skilled Nursing	61,348	-	-	-			18,738	90	681,891			
Physical Therapy	522,279	-	-	-			159,522	63	446,621			
Occupational Therapy	342,076	-	-	-			104,482	60	404,583			
Speech Therapy	309,876	-	-	-			94,647	-	4,219,787			
Home Health Aides	3,232,479	-	-	-			987,308	(222)	-			
Medical Social Service	170	-	-	-			52	-	-			
DME & Supplies	-	-	-	-			-	-	-			
AIDS Nursing	-	-	-	-			-	-	-			
Non Reimbursable	-	-	-	-			-	-	-			
Extra	-	-	-	-			-	-	-			
<b>Totals</b>	<b>\$ 5,832,975</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,832,975</b>	<b>(2)</b>	<b>(1)</b>	<b>\$ -</b>	<b>\$ 5,832,975</b>	<b>(3)</b>

ABLE HEALTH CARE SERVICES, INC.  
RATE YEAR JANUARY 1, 2005 THROUGH DECEMBER 31, 2005

SUMMARY OF AUDIT ADJUSTMENTS, AUDITED STEPDOWN BEGINNING BALANCES, AND AUDITED STEPDOWN

SUMMARY OF AUDIT ADJUSTMENTS AND AUDITED STEPDOWN BEGINNING BALANCES

Cost Centers	Unaudited Stepdown Balances	Exh. II, Adj. #1 Admin. & Gen. Expense Disallowance	Exh. II, Adj. #3 Capital B&F Expense Disallowance	Audited	
				Beginning Balances	Stepdown Balances
Capital - Building & Fixtures	\$ 127,008			\$ 87,010	
Capital - Major Movable Eq.	46,222			46,222	
Plant Operations	4,758			4,758	
Transportation	-			-	
Administrative & General	1,653,251	\$ (73)		1,653,178	
Skilled Nursing	53,142			53,142	
Physical Therapy	699,942			699,942	
Occupational Therapy	421,097			421,097	
Speech Therapy	385,728			385,728	
Home Health Aides	4,686,495			4,686,495	
Medical Social Service	-			-	
DME & Supplies	-			-	
AIDS Nursing	-			-	
Non Reimbursable	-			-	
Extra	-			-	
<b>Totals</b>	<b>\$ 8,077,643</b>	<b>\$ (73)</b>	<b>\$ (39,998)</b>	<b>\$ 8,037,572</b>	

AUDITED STEPDOWN CALCULATION

Cost Centers	Audited Stepdown Beginning Balances	Capital B&F	Capital MME	Plant Oper. & Maint	Transport	A&G	Ending Stepdown Balances	POST STEPDOWN ADJUSTMENTS			Audited Rate Sheet Totals
								Medical Soc. Svc. Reclass	Provider's HR&R Disallowance		
Capital - Building & Fixtures	\$ 87,010	\$ (87,010)									\$ 68,381
Capital - Major Movable Eq.	46,222		(46,222)								899,957
Plant Operations	4,758			(4,758)							540,234
Transportation	-										495,875
Administrative & General	1,653,178	87,010	46,222	4,758		(1,791,168)	68,381				6,016,321
Skilled Nursing	53,142					15,239	900,652			(695)	899,957
Physical Therapy	699,942					200,710	541,847			(1,613)	540,234
Occupational Therapy	421,097					120,750	496,336			(461)	495,875
Speech Therapy	385,728					110,608	6,030,356			(14,035)	6,016,321
Home Health Aides	4,686,495										
Medical Social Service	-										
DME & Supplies	-										
AIDS Nursing	-										
Non Reimbursable	-										
Extra	-										
<b>Totals</b>	<b>\$ 8,037,572</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,037,572</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (16,804)</b>	<b>\$ 8,020,768</b>

**ABLE HEALTH CARE SERVICES, INC.**  
**RATE YEAR JANUARY 1, 2006 THROUGH DECEMBER 31, 2006**

**SUMMARY OF AUDIT ADJUSTMENTS, AUDITED STEPDOWN BEGINNING BALANCES, AND AUDITED STEPDOWN**

**SUMMARY OF AUDIT ADJUSTMENTS AND AUDITED STEPDOWN BEGINNING BALANCES**

	Unaudited Stepdown Beginning Balances	Exh. II, Adj. #1 Admin. & Gen. Expense Disallowance	Exh. II, Adj. #3 Capital B&F Expense Disallowance	Audited Stepdown Beginning Balances
<b>Cost Centers</b>				
Capital - Building & Fixtures	\$ 128,726		\$ (9,159)	\$ 119,567
Capital - Major Movable Eq.	47,310			47,310
Plant Operations	14,767			14,767
Transportation	-			-
Administrative & General	1,685,051	\$ (2,595)		1,682,456
Skilled Nursing	94,607			94,607
Physical Therapy	721,758			721,758
Occupational Therapy	483,535			483,535
Speech Therapy	420,717			420,717
Home Health Aides	6,488,855			6,488,855
Medical Social Service	224			224
DME & Supplies	-			-
AIDS Nursing	-			-
Non Reimbursable	-			-
Extra	-			-
<b>Totals</b>	<b>\$ 10,085,550</b>	<b>\$ (2,595)</b>	<b>\$ (9,159)</b>	<b>\$ 10,073,796</b>

**AUDITED STEPDOWN CALCULATION**

Cost Centers	Audited Stepdown Beginning Balances	Capital B&F (119,567)	Capital MME (47,310)	Plant Oper. & Maint. (14,767)	Transport	A&G	Ending Stepdown Balances	POST STEPDOWN ADJUSTMENTS			Audited Rate Sheet Totals
								Medical Soc. Svc. Reclass	Provider's HR&R Disallowance		
Capital - Building & Fixtures	\$ 119,567	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 116,089	\$ 14	\$ -	\$ -	\$ 106,858
Capital - Major Movable Eq.	47,310	-	(47,310)	(14,767)	-	-	885,641	111	(9,245)	-	885,752
Plant Operations	14,767	-	-	-	-	-	593,327	75	-	-	593,402
Transportation	-	-	-	-	-	-	516,245	75	-	-	516,320
Administrative & General	1,682,456	119,567	47,310	14,767	-\$ (1,864,100)	-	7,962,219	(275)	(28,770)	-	7,933,449
Skilled Nursing	94,607	-	-	-	-	-	275	-	-	-	-
Physical Therapy	721,758	-	-	-	-	-	-	-	-	-	-
Occupational Therapy	483,535	-	-	-	-	-	-	-	-	-	-
Speech Therapy	420,717	-	-	-	-	-	-	-	-	-	-
Home Health Aides	6,488,855	-	-	-	-	-	-	-	-	-	-
Medical Social Service	224	-	-	-	-	-	-	-	-	-	-
DME & Supplies	-	-	-	-	-	-	-	-	-	-	-
AIDS Nursing	-	-	-	-	-	-	-	-	-	-	-
Non Reimbursable	-	-	-	-	-	-	-	-	-	-	-
Extra	-	-	-	-	-	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 10,073,796</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,073,796</b>	<b>\$ -</b>	<b>\$ (38,015)</b>	<b>\$ -</b>	<b>\$ 10,035,781</b>

ABLE HEALTH CARE SERVICES, INC.

RATE YEAR JANUARY 1, 2007 THROUGH DECEMBER 31, 2007

SUMMARY OF AUDIT ADJUSTMENTS, AUDITED STEPDOWN BEGINNING BALANCES, AND AUDITED STEPDOWN

SUMMARY OF AUDIT ADJUSTMENTS AND AUDITED STEPDOWN BEGINNING BALANCES

Cost Centers	Unaudited		Audited	
	Stepdown Beginning Balances	Capital B&F Expense Disallowance	Stepdown Beginning Balances	Stepdown Beginning Balances
Capital - Building & Fixtures	\$ 113,541	\$ -	\$ 113,541	
Capital - Major Movable Eq.	45,466		45,466	
Plant Operations	14,386		14,386	
Transportation	-		-	
Administrative & General	2,154,456		2,154,456	
Skilled Nursing	205,258		205,258	
Physical Therapy	730,839		730,839	
Occupational Therapy	456,359		456,359	
Speech Therapy	448,979		448,979	
Home Health Aides	6,781,848		6,781,848	
Medical Social Service	-		-	
DME & Supplies	-		-	
AIDS Nursing	-		-	
Non Reimbursable	-		-	
Extra	-		-	
Totals	\$ 10,951,132	\$ -	\$ 10,951,132	

AUDITED STEPDOWN CALCULATION

Cost Centers	Audited Stepdown Beginning Balances	Capital B&F (113,541)	Capital MME (45,466)	Plant Oper. & Maint. (14,386)	Transport.	A&G	POST STEPDOWN ADJUSTMENTS			
							Ending Stepdown Balances	Medical Soc. Svc. Reclass	Provider's HR&R Disallowance	Audited Rate Sheet Totals
Capital - Building & Fixtures	\$ 113,541	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 260,667
Capital - Major Movable Eq.	45,466	-	(45,466)	-	-	-	-	-	-	928,128
Plant Operations	14,386	-	-	(14,386)	-	-	-	-	-	579,553
Transportation	-	-	-	-	-	-	-	-	-	570,181
Administrative & General	2,154,456	113,541	45,466	14,386	-	(2,327,849)	55,409	-	-	8,443,409
Skilled Nursing	205,258	-	-	-	-	-	197,289	-	-	-
Physical Therapy	730,839	-	-	-	-	-	123,194	-	-	-
Occupational Therapy	456,359	-	-	-	-	-	121,202	-	-	-
Speech Therapy	448,979	-	-	-	-	-	1,830,755	-	(169,194)	-
Home Health Aides	6,781,848	-	-	-	-	-	-	-	-	-
Medical Social Service	-	-	-	-	-	-	-	-	-	-
DME & Supplies	-	-	-	-	-	-	-	-	-	-
AIDS Nursing	-	-	-	-	-	-	-	-	-	-
Non Reimbursable	-	-	-	-	-	-	-	-	-	-
Extra	-	-	-	-	-	-	-	-	-	-
Rounding	-	-	-	-	-	-	-	-	-	-
Totals	\$ 10,951,132	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,951,132	\$ -	\$ (169,194)	\$ 10,781,938

ABLE HEALTH CARE SERVICES, INC.  
 RATE YEAR JANUARY 1, 2008 THROUGH DECEMBER 31, 2008  
 SUMMARY OF AUDIT ADJUSTMENTS, AUDITED STEPDOWN BEGINNING BALANCES, AND AUDITED STEPDOWN

SUMMARY OF AUDIT ADJUSTMENTS AND AUDITED STEPDOWN BEGINNING BALANCES

	Unaudited Stepdown Beginning Balances	Exh. II, Adj. #1 Admin. Expense Disallowance	Exh. II, Adj. #2 Admin. & Gen. Expense Disallowance	Audited Stepdown Beginning Balances
Cost Centers				
Capital - Building & Fixtures	\$ 131,642			\$ 131,642
Capital - Major Movable Eq.	23,508			23,508
Plant Operations	15,913			15,913
Transportation	-			-
Administrative & General	2,540,975	\$ (332)	\$ (2,492)	2,538,151
Skilled Nursing	368,261			368,261
Physical Therapy	748,210			748,210
Occupational Therapy	444,189			444,189
Speech Therapy	467,819			467,819
Home Health Aides	7,486,618			7,486,618
Medical Social Service	-			-
DME & Supplies	-			-
AIDS Nursing	-			-
Non Reimbursable	-			-
Extra	-			-
<b>Totals</b>	<b>\$ 12,227,135</b>	<b>\$ (332)</b>	<b>\$ (2,492)</b>	<b>\$ 12,224,311</b>

AUDITED STEPDOWN CALCULATION

Cost Centers	Audited Stepdown Beginning Balances	Capital			Plant Oper. & Maint.	A&G	Ending Stepdown Balances	POST STEPDOWN ADJUSTMENTS			Audited Rate Sheet Totals
		B&F	MME	Capital				Medical Soc. Svc. Reclass	Provider's HR&R Disallowance		
Capital - Building & Fixtures	\$ 131,642	\$ (131,642)									\$ 453,174
Capital - Major Movable Eq.	23,508			(23,508)							959,680
Plant Operations	15,913				(15,913)						570,191
Transportation	-										601,177
Administrative & General	2,538,151	60,765	10,851	10,851	7,345	2,617,112	471,184			(18,010)	9,454,948
Skilled Nursing	368,261	1,257	224	224	152	369,894	959,680				959,680
Physical Therapy	748,210	4,368	780	780	528	753,886	570,191				570,191
Occupational Therapy	444,189	2,947	526	526	356	448,138	601,177				601,177
Speech Therapy	467,819	3,605	644	644	436	472,504	9,622,078			(167,130)	9,454,948
Home Health Aides	7,486,618	58,700	10,482	10,482	7,096	7,573,376					
Medical Social Service	-										
DME & Supplies	-										
AIDS Nursing	-										
Non Reimbursable	-										
Extra	-										
<b>Rounding</b>	<b>\$ 12,224,311</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,224,311</b>	<b>\$ -</b>	<b>\$ (185,140)</b>	<b>\$ -</b>	<b>\$ 12,039,171</b>