STATE OF NEW YORK
OFFICE OF THE MEDICAID INSPECTOR GENERAL
445 Hamilton Avenue, Suite 506
White Plains, New York 10601

ANDREW M. CUOMO
GOVERNOR

JAMES C. COX
MEDICAID INSPECTOR GENERAL

January 29, 2013

[redacted]
Dutchess Center for Rehabilitation and Healthcare
9 Reservoir Road
Pawling, New York 12564

Re: Medicaid Rate Audit #10-5544
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 Dutchess Center for Rehabilitation and Healthcare's (the "Facility") Medicaid rates for the rate period August 20, 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.

Since you did not respond to our draft audit report dated November 9, 2012, the findings in the final audit report remain identical to 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. The Medicaid overpayment associated with OMIG adjustments was $462,028. However, this audit also processed Bureau of Long Term Care appeals that resulted in an amount due the Facility of $53,929. Consequently, based on the enclosed audited rates calculated by the Bureau of Long Term Care Reimbursement, the Medicaid overpayment currently due is $408,099. 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 2008 that utilized the August 20, 2004 through August 19, 2005 base period for operating expense. Any overpayment resulting from operating expense disallowances in the August 20, 2004 through August 19, 2005 base period report for rates subsequent to 2008 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 #10-5544
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. If you have any questions regarding the above, please contact me at

Sincerely,

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

Attachments:
EXHIBIT I - Summary of Per Diem Impact and Medicaid Overpayment
EXHIBIT II - Summary of Medicaid Rates Audited
EXHIBIT III - Operating Expense Disallowances/(Allowances)
EXHIBIT IV - Property Expense Disallowances/(Allowances)
EXHIBIT V - Return On and Return Of Real Property Equity Disallowances/(Allowances)
EXHIBIT VI - Return On Average Equity Disallowances/(Allowances)

CERTIFIED MAIL #
RETURN RECEIPT REQUESTED

NEW YORK STATE
OFFICE OF THE MEDICAID INSPECTOR GENERAL
REMITTANCE ADVICE

NAME AND ADDRESS OF AUDITEE

DUTCHESS CENTER FOR
REHABILITATION AND
HEALTHCARE
9 RESERVOIR ROAD
PAWLING, NEW YORK, 12564

AMOUNT DUE: $408,099

NPI #: [redacted]
PROVIDER #: [redacted]

AUDIT #10-5544

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 #10-5544
Albany, New York 12237-0048

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

CORRECT PROVIDER NUMBER

EXHIBIT I

DUTCHESS CENTER FOR REHABILITATION AND HEALTHCARE
RATE PERIODS AUGUST 20, 2004 THROUGH DECEMBER 31, 2008
SUMMARY OF PER DIEM IMPACT AND MEDICAID OVERPAYMENT

RATE PERIOD	ISSUED PART B & D NON-ELIGIBLE RATES*	FINAL PART B & D NON-ELIGIBLE RATES	RATE DECREASE (INCREASE)	MEDICAID DAYS	MEDICAID OVERPAYMENT
08/20/04 - 09/30/04	$148.19	$145.64	$2.55	4,157	$ 10,600
10/01/04 - 11/30/04	150.23	147.68	2.55	5,887	15,012
12/01/04 - 12/31/04	160.10	157.52	2.58	2,889	7,454
01/01/05 - 02/28/05	165.48	162.91	2.57	5,376	13,816
03/01/05 - 05/31/05	166.24	163.65	2.59	8,587	22,240
06/01/05 - 06/30/05	160.08	157.49	2.59	3,009	7,793
07/01/05 - 08/31/05	160.08	157.49	2.59	5,942	15,390
09/01/05 - 11/30/05	161.75	159.18	2.57	9,229	23,719
12/01/05 - 12/31/05	163.43	160.84	2.59	2,957	7,659
01/01/06 - 02/28/06	167.26	164.34	2.92	5,346	15,610
03/01/06 - 03/31/06	168.51	165.58	2.93	2,889	8,465
04/01/06 - 05/31/06	167.88	165.00	2.88	5,845	16,834
06/01/06 - 08/31/06	161.82	158.96	2.86	8,680	24,825
09/01/06 - 11/30/06	169.44	166.58	2.86	8,462	24,201
12/01/06 - 12/31/06	167.01	164.12	2.89	2,911	8,413
01/01/07 - 03/31/07	178.61	175.67	2.94	8,661	25,463
04/01/07 - 06/30/07	177.64	174.71	2.93	8,351	24,468
07/01/07 - 08/31/07	174.56	171.63	2.93	5,777	16,927
09/01/07 - 12/31/07	174.56	171.63	2.93	11,105	32,538
01/01/08 - 03/31/08	191.65	188.96	2.69	8,580	23,080
04/01/08 - 05/31/08	188.52	185.83	2.69	5,113	13,754
06/01/08 - 06/30/08	193.59	190.90	2.69	2,438	6,558
07/01/08 - 11/30/08	196.80	194.11	2.69	13,366	35,955
12/01/08 - 12/31/08	198.64	195.95	2.69	2,723	7,325
TOTAL MEDICAID OVERPAYMENT					**$ 408,099**

* 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.

NOTE: Of the total Medicaid impact listed above, the impact associated with the processing of Bureau of Long Term Care open appeals is $53,929 that was due the Facility.

EXHIBIT II

DUTCHESS CENTER FOR REHABILITATION AND HEALTHCARE
RATE PERIODS AUGUST 20, 2004 THROUGH DECEMBER 31, 2008
SUMMARY OF MEDICAID RATES AUDITED

The Facility's Medicaid utilization was approximately 80 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*
08/20/04 - 09/30/04	$ 148.19
10/01/04 - 11/30/04	150.23
12/01/04 - 12/31/04	160.10
01/01/05 - 02/28/05	165.48
03/01/05 - 05/31/05	166.24
06/01/05 - 06/30/05	160.08
07/01/05 - 08/31/05	160.08
09/01/05 - 11/30/05	161.75
12/01/05 - 12/31/05	163.43
01/01/06 - 02/28/06	167.26
03/01/06 - 03/31/06	168.51
04/01/06 - 05/31/06	167.88
06/01/06 - 08/31/06	161.82
09/01/06 - 11/30/06	169.44
12/01/06 - 12/31/06	167.01
01/01/07 - 03/31/07	178.61
04/01/07 - 06/30/07	177.64
07/01/07 - 08/31/07	174.56
09/01/07 - 12/31/07	174.56
01/01/08 - 03/31/08	191.65
04/01/08 - 05/31/08	188.52
06/01/08 - 06/30/08	193.59
07/01/08 - 11/30/08	196.80
12/01/08 - 12/31/08	198.64

* 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.

EXHIBIT III

DUTCHESS CENTER FOR REHABILITATION AND HEALTHCARE
RATE PERIODS AUGUST 20, 2004 THROUGH DECEMBER 31, 2008
OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES)

			OPERATING EXPENSE COMPONENT			
	DESCRIPTION	COST CTR.	DIRECT	INDIRECT	NON-COMP. 08/20/04-12/31/06	NON-COMP. 01/01/07-12/31/08
Operating Expense Allowed per HE-12B			$ 4,307,975	$ 2,273,801	$ 536,503	$ 399,745
Less Disallowances/(Allowances):						
1. RECLASSIFICATION OF IMPROPERLY CATEGORIZED EXPENSES						
a) Oxygen and maintenance expenses were included in the property component. An adjustment was necessary to reclassify these expenses to the operating component. See corresponding property adjustment #5b. **Regulations: 10 NYCRR Sections 86-2.10, 86-2.17(a), 455.4, 455.14 and 455.35, PRM-1 Section 2806.1**	Fiscal Central Svc Activities	004 043 014	 (16,180) (1,493)	(795)		
b) The Facility reported depreciation expense on telephone equipment. It is the Commissioner's determination that telephone expense is an operating expense for residential health care facilities. Since this 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, the telephone depreciation expense was disallowed from the capital component and base year telephone depreciation expense was reclassified to the operating component. See corresponding property adjustment #4a. **Regulation: 10 NYCRR Section 86-2.17(d)**	Admin	005		(2,377)		
2. DISALLOWANCE OF OUT OF PERIOD EXPENSE						
Reported utilities expense included out of period charges that were not related to the base period under audit. Consequently, these expenses were disallowed. **Regulations: 10 NYCRR Sections 86-2.4 and 86-2.17(a)**	Utilities	106			1,267	1,267
3. DISALLOWANCE OF UNDOCUMENTED EXPENSES						
The Facility was unable to provide documentation to support certain expenses reported in various expense accounts. Facilities are required to provide adequate cost data that can be verified on audit. The undocumented expenses were disallowed. **Regulations: 10 NYCRR Sections 86-2.7 and 86-2.17(a), PRM-1 Section 2300**	Utilities Dental	106 037			15,030 14,687	15,030 14,687
4. DISALLOWANCE OF UNSUBSTANTIATED EXPENSE						
The Facility was unable to substantiate the relationship to patient care of certain charges reported as utilities expense. Facilities are required to provide adequate cost data that can be verified. As a result, the unsubstantiated expense was disallowed. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300 and 2304**	Utilities	106			3,144	3,144
Operating Expense Disallowances/(Allowances)			$ (17,673)	$ (3,172)	$ 34,128	$ 34,128
TOTAL AUDITED OPERATING EXPENSE BY COMPONENT			**$ 4,325,648**	**$ 2,276,973**	**$ 502,375**	**$ 365,617**

DUTCHESS CENTER FOR REHABILITATION AND HEALTHCARE
RATE PERIODS AUGUST 20, 2004 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CENTER	RATE PERIODS 08/20/04-12/31/04	2005	01/01/06-03/31/06	04/01/06-12/31/06	2007	2008
Property Expense Allowed per HE-12B			$ 380,227	$ 375,893	$ 370,644	$ 360,046	$ 496,324	$ 1,055,428
Less Disallowances/(Allowances):								
Disallowances/(Allowances) Related to Processing of Bureau of Long Term Care (BLTCR) Open Appeals								
1. RETURN ON AND RETURN OF REAL PROPERTY EQUITY ADJUSTMENTS								
The audit of return on and return of equity disclosed the following adjustments to the real property historical cost:	Ret. on Eq.	001	(8,304)	(7,707)	(6,269)	(6,269)	(8,836)	564
	Ret. of Eq.	001	(14,020)	(14,828)	(14,828)	(14,828)	(14,828)	1,608
a. Additions omitted from the original rate calculation were audited and allowed on audit as requested by the Facility in appeal #729206.								
b. Operating expenses included in additions were disallowed.								
c. Certain additions to historical cost were reported twice. The duplicated additions were disallowed.								
d. Reported additions varied from those verified on audit. Adjustments were made to reflect audited figures.								
In addition, accumulated reimbursement was adjusted to the amounts verified on audit. As detailed to the Facility during the course of the audit, the adjustments to real property historical cost and accumulated reimbursement resulted in changes to the return on and return of equity.								
The Facility, in a letter dated December 3, 2012 has rescinded its outstanding appeal #729206 filed with the Bureau of Long Term Care Reimbursement (BLTCR). See Exhibit V for calculation of the audited return on and return of equity. **Regulation: 10 NYCRR Section 86-2.21**								
2. RETURN ON AVERAGE EQUITY DISALLOWANCES								
A proprietary residential health care facility is entitled to a reasonable return on average equity for equity associated with necessary and proper patient care activities. Audit adjustments to historical cost additions resulted in adjustments to net investment. See Exhibit VI for calculation of the audited return on average equity. **Regulation: 10 NYCRR Section 86-2.28**	Ret. on Av. Eq.	001			1,498	1,498	4,113	
BLTCR Open Appeals Disallowances/(Allowances)			$ (22,324)	$ (22,535)	$ (19,599)	$ (19,599)	$ (19,551)	$ 2,172
Subtotal Property Expense			$ 402,551	$ 398,428	$ 390,243	$ 379,645	$ 515,875	$ 1,053,256
Other OMIG Audit Disallowances/(Allowances)								
3. MORTGAGE INTEREST EXPENSE DISALLOWANCE								
Audited rate year interest expense varied from the mortgage interest allowed in the promulgated rates, resulting in a disallowance. **Regulations: 10 NYCRR Sections 86-2.17(d) and 86-2.20(a)**	Mort. Interest	003						19,131

DUTCHESS CENTER FOR REHABILITATION AND HEALTHCARE
RATE PERIODS AUGUST 20, 2004 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CENTER	RATE PERIODS 08/20/04-12/31/04	2005	01/01/06-03/31/06	04/01/06-12/31/06	2007	2008
4. MOVEABLE EQUIPMENT DEPRECIATION EXPENSE DISALLOWANCES								
a) The Facility reported depreciation expense on telephone equipment. It is the Commissioner's determination that telephone expense is an operating expense for residential health care facilities. Since this 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, the telephone depreciation expense was disallowed from the capital component and base year telephone depreciation expense was reclassified to the operating component. See corresponding operating adjustment #1b. **Regulation: 10 NYCRR Section 86-2.17(d)**	ME Depr.	002	2,377	2,377	2,377	2,377	2,377	2,377
b) The Facility could not fully document moveable equipment additions. Facilities receiving payment on the basis of reimbursable costs are required to provide adequate cost data that can be verified on audit. The cost information must be current, accurate, and in sufficient detail. Consequently a disallowance was necessary. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300 and 2304**	ME Depr.	002						1,035
c) The Facility depreciated television expenses. Costs of items or services such as telephone, television, and radio, which are located in patient accommodations and which are furnished solely for the personal comfort of the patients are not includable in allowable costs. Consequently, these expenses were disallowed. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Section 2106.1, Medicare Benefit Policy Manual, Chap. 16-80**	ME Depr.	002						1,686
5. EQUIPMENT RENTAL EXPENSE ADJUSTMENTS								
a) The Facility reported the purchase of televisions through a lease, as rental expense. The costs of items or services such as telephone, television, and radio which are located in patient accommodations and which are furnished solely for the personal comfort of the patients are not includable in allowable costs of providers. Consequently, these expenses were disallowed. **Regulations: 10 NYCRR Sections 86-2.10(g) and 86-2.17(a), PRM-1 Section 2106.1**	Rent A	002						34,136
b) The Facility included the cost of oxygen, supplies, and maintenance agreements in rental expense. These costs are operating expenses and should not be reimbursed as property costs. Consequently, they were disallowed as rentals and included in the operating component for the base year only. See corresponding operating adjustment #1a. **Regulations: 10 NYCRR Sections 86-2.10, 86-2.17(a), 455.4 and 455.35, PRM-1 Section 2806.1**	Rent E	004	795	795	795	795	795	
	Rent C	043	16,180	16,180	16,180	16,180	16,180	
	Rent D	014	1,493	1,493	1,493	1,493	1,493	
	Rent D	043						9,098

DUTCHESS CENTER FOR REHABILITATION AND HEALTHCARE
RATE PERIODS AUGUST 20, 2004 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CENTER	RATE PERIODS 08/20/04-12/31/04	2005	01/01/06-03/31/06	04/01/06-12/31/06	2007	2008
5. EQUIPMENT RENTAL EXPENSE ADJUSTMENTS (CONT.)								
c) Reported base year costs included expenditures pertaining to a prior period. Expenditures are to be recorded in the period in which they are incurred. Consequently, disallowances were necessary. **Regulations: 10 NYCRR Sections 86-2.4 and 86-2.17(a)**	Rent G	004	1,766	1,766	1,766	1,766	1,766	
d) The OMIG's review of rental expense disclosed a lease that continued to be reimbursed after its term had expired. The excess reimbursement was disallowed. **Regulations: 10 NYCRR Sections 86-2.17(a) and (d)**	Rent G	004			10,053	10,053	10,600	
e) The Facility did not provide adequate documentation to substantiate certain rental expenses. 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. Consequently, adjustments were necessary. **Regulations: 10 NYCRR Sections 86-2.7 and 86-2.17(a), PRM-1 Section 2300**	Rent G Rent B	004 004	14,538	14,538	14,538	14,538	14,538	 (10,827)
f) Audited costs varied from the amount reimbursed in the rate. 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. Consequently, the unsubstantiated expenses were adjusted. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300 and 2304**	Rent B Rent D	004 043						15,125 (99)
6. AUTOMOBILE EXPENSE DISALLOWANCES								
a) The Facility reported auto insurance expense that did not pertain to the base period. Expenditures are to be recorded in the period in which they are incurred. Consequently, a disallowance was necessary. **Regulations: 10 NYCRR Sections 86-2.4 and 86-2.17(a)**	Auto Ins.	006						104
b) The Facility did not provide adequate documentation to substantiate reported auto insurance. Additionally, the audited auto insurance expense varied from the amount reported. Providers receiving payments on the basis of reimbursable costs are required to provide adequate cost data that can be verified on audit. Consequently, disallowances were necessary. **Regulations: 10 NYCRR Sections 86-2.7 and 86-2.17(a), PRM-1 Sections 2300 and 2304**	Auto Ins.	006	2,945	2,945	2,945	2,945	2,945	1,509
c) The Facility did not provide sufficient documentation establishing the relationship of certain reported automobile expenses to patient care. Facilities are required to provide adequate cost data that can be verified on audit. Consequently, the automobile expenses were disallowed. **Regulations: 10 NYCRR Sections 86-2.7, 86-2.17(a)&(d), PRM-1 Sections 2102.3, 2105.9, 2300 and 2304**	ME Depr. Rent A Rent A Rent C Auto Ins.	002 006 002 006 006	2,800 16,428 768	2,800 16,428 768	2,800 16,428 768	2,800 16,428 768	2,800 16,428 768	2,800 3,476 10,043 3,013

DUTCHESS CENTER FOR REHABILITATION AND HEALTHCARE
RATE PERIODS AUGUST 20, 2004 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CENTER	RATE PERIODS 08/20/04-12/31/04	2005	01/01/06-03/31/06	04/01/06-12/31/06	2007	2008
7. MORTGAGE AMORTIZATION ALLOWANCE Audited mortgage amortization varied from the amortization allowed in the promulgated rates, resulting in an allowance. **Regulation: 10 NYCRR Section 86-2.17(a)**	Mort. Amort.	001						(40,041)
8. ORGANIZATION/START-UP AMORTIZATION EXPENSE DISALLOWANCES The Facility could not provide supporting documentation for portions of reported organization costs. Facilities receiving payment based on reimbursable costs must provide adequate cost data based on financial and statistical records that can be verified on audit. Consequently, the unsubstantiated charges were disallowed. Audited organization costs were recalculated and allowed ratably over a sixty month period in accordance with regulations. **Regulations: 10 NYCRR Sections 86-2.17(a)&(d), PRM-1 Sections 2132, 2134.2, 2300 and 2304**	Org./Start-Up	005	33,221	33,221	33,221	33,221	33,221	12,581
9. SALES TAX EXPENSE DISALLOWANCE 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 zero 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, a disallowance was necessary. **Regulations: TSB-A-90(60)S, Sales and Use - Rate of Tax - Residential Energy Sources - Long Term Treatment Facilities, 10 NYCRR Section 86-2.17(a), PRM-1 Section 2122.2D**	Sales Tax	005						5,388
10. WORKING CAPITAL INTEREST EXPENSE DISALLOWANCES Audited working capital expense varied from the amount reported by the Facility. Facilities receiving payment on the basis of reimbursable costs are required to provide adequate cost data that can be verified on audit. Cost data must be current, accurate, and in sufficient detail. Consequently, disallowances were necessary. **Regulations: 10 NYCRR Sections 86-2.17(a) and 86-2.20(c), PRM-1 Sections 2300 and 2304**	WCI Expense	003	1,753	1,753	1,753			
Other OMIG Property Expense Disallowances/(Allowances)			$ 95,064	$ 95,064	$ 105,117	$ 103,364	$ 103,911	$ 70,535
TOTAL AUDITED PROPERTY EXPENSE			**$ 307,487**	**$ 303,364**	**$ 285,126**	**$ 276,281**	**$ 411,964**	**$ 982,721**

EXHIBIT V

DUTCHESS CENTER FOR REHABILITATION AND HEALTHCARE
RATE PERIODS AUGUST 20, 2004 THROUGH DECEMBER 31, 2008
RETURN ON AND RETURN OF REAL PROPERTY EQUITY DISALLOWANCES/(ALLOWANCES)

	RATE PERIODS				
Return of Equity Calculation	**08/20/04-08/19/05**	**2005**	**2006**	**2007**	**2008**
Real Property Historical Cost per HE-12B	$ 2,319,827	$ 2,324,724	$ 2,324,724	$ 2,324,724	$ 5,832,092
Audit Disallowances/(Allowances)	(168,247)	(168,247)	(168,247)	(168,247)	(49,402)
Audited Historical Cost	$ 2,488,074	$ 2,492,971	$ 2,492,971	$ 2,492,971	$ 5,881,494
Less: Accumulated Reimbursement	1,490,487	1,564,732	1,649,117	1,733,503	1,817,888
Less: Mortgage Principal					2,745,000
Audited Net Equity	$ 997,587	$ 928,239	$ 843,854	$ 759,468	$ 1,318,606
Remaining Useful Life	12	11	10	9	8
Audited Return of Equity	$ 83,132	$ 84,385	$ 84,385	$ 84,385	$ 164,826
Promulgated Return of Equity	69,112	69,557	69,557	69,557	166,434
Disallowance/(Allowance)	$ (14,020)	$ (14,828)	$ (14,828)	$ (14,828)	$ 1,608
Return on Equity Calculation					
Audited Net Equity	$ 997,587	$ 928,239	$ 843,854	$ 759,468	$ 1,318,606
Less: ½ Current Return of Equity	41,566	42,193	42,193	42,193	82,413
Audited Net Investment	$ 956,021	$ 886,046	$ 801,661	$ 717,275	$ 1,236,193
Rate of Return	5.15%	4.95%	4.45%	4.90%	4.68%
Audited Return on Equity	$ 49,235	$ 43,859	$ 35,674	$ 35,146	$ 57,854
Promulgated Return on Equity	40,931	36,152	29,405	26,310	58,418
Disallowance/(Allowance)	$ (8,304)	$ (7,707)	$ (6,269)	$ (8,836)	$ 564

EXHIBIT VI

DUTCHESS CENTER FOR REHABILITATION AND HEALTHCARE
RATE PERIODS AUGUST 20, 2004 THROUGH DECEMBER 31, 2008
RETURN ON AVERAGE EQUITY DISALLOWANCES/(ALLOWANCES)

	RATE YEARS				
	08/20/04-12/31/04	2005	2006	2007	2008
Return on Average Equity					
Average Equity per HE-12B	$ 700,632	$ 700,632	$ 700,632	$ 700,632	$ (1,974,188)
Audit Disallowances					
Audited Average Equity	$ 700,632	$ 700,632	$ 700,632	$ 700,632	$ (1,974,188)
Less: Audited Net Investment	956,021	886,046	801,661	717,275	1,236,193
Audited Remaining Equity	$ (255,389)	$ (185,414)	$(101,029)	$ (16,643)	$ (3,210,381)
Rate of Return	0.00%	0.00%	3.76%	5.07%	0.00%
Return on Average Equity Per Audit	$ -	$ -	$ -	$ -	$ -
Return on Average Equity Per HE-12B	-	-	1,498	4,113	-
Disallowance/(Allowance)	$ -	$ -	$ 1,498	$ 4,113	$ -