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

ANDREW M. CUOMO
GOVERNOR

JAMES G. SHEEHAN
MEDICAID INSPECTOR GENERAL

January 4, 2011

Mr. Claude Ritman
Chief Executive Officer
Saints Joachim and Anne Residence
2720 Surf Avenue
Brooklyn, New York 11224

Re: Medicaid Rate Audit #08-3790
NPI Number: [redacted]
Provider Number: [redacted]

Dear Mr. Ritman:

Enclosed is the final report of the Office of the Medicaid Inspector General's (the "OMIG") audit of Saints Joachim and Anne Residence's (the "Facility") Medicaid rates for the rate period January 1, 2003 through December 31, 2007. In accordance with 18 NYCRR Section 517.6, this report represents the OMIG's final determination on issues raised in the draft report.

The Facility did not respond to our draft report dated January 25, 2010. However, based on OMIG's internal review, and a corresponding change to the Health Recruitment and Retention adjustment, the final findings result in a downward revision of $127,147 to the draft report. Based on the enclosed audited rates calculated by the Bureau of Long Term Care Reimbursement, the Medicaid overpayment currently due is $172,948. This overpayment is subject to Department of Health (the "DOH") and Division of Budget (the "DOB") final approval. While not anticipated, any difference between the calculated overpayment and the final DOH and DOB approved amount will be resolved with the Facility by the OMIG Bureau of Collections Management.

In accordance with 18 NYCRR Part 518 which regulates the collection of overpayments, your repayment options are described below.

OPTION #1: Make full payment by check or money order within 20 days of the date of the final report. The check should be made payable to the New York State Department of Health and be sent with the attached Remittance Advice to:

Mr. Donald Collins
New York State Department of Health
Medicaid Financial Management
GNARESP Corning Tower, Room 1237
File #08-3790
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 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 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
Phone #: (518) 474-5878
Fax#: (518) 408-0593

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 Charlene D. Fleszar, Esq. of the Office of Counsel at (518) 408-5811.

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 Mr. Chandrasheker Pirlamarla at (212) 417-5016.

Sincerely,

George D. Visiocky
Rate Audit Manager
Division of Medicaid Audit
Audit Management and Development
Office of the Medicaid Inspector General

Enclosure
Attachment

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

Certified Mail # 7006 0810 0001 3297 6350
Return Receipt Requested

NEW YORK STATE
OFFICE OF THE MEDICAID INSPECTOR GENERAL
REMITTANCE ADVICE

NAME AND ADDRESS OF AUDITEE

Saints Joachim and Anne Residence
2720 Surf Avenue
Brooklyn, New York 11224

AMOUNT DUE: $172,948

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

AUDIT #08-3790

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:

Mr. Donald Collins
New York State Department of Health
Medicaid Financial Management
GNARESP Corning Tower, Room 1237
File #08-3790
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

SAINTS JOACHIM AND ANNE RESIDENCE

RATE YEARS JANUARY 1, 2006 THROUGH DECEMBER 31, 2007

SUMMARY OF PER DIEM IMPACT AND MEDICAID OVERPAYMENT

RATE PERIOD	ISSUED RATES* Medicare Part B Non-Elig. / Eligible	FINAL RATES Medicare Part B Non-Elig. / Eligible	RATE DECREASE (INCREASE)	MEDICAID DAYS	MEDICAID OVERPAYMENT
01/01/06 - 01/31/06	$ 236.42 / 235.13	$ 235.13 / 233.84	$ 1.29	5,094	$ 6,571
02/01/06 - 03/31/06	240.88 / 239.59	239.59 / 238.30	1.29	9,989	12,886
04/01/06 - 04/30/06	240.40 / 239.11	239.11 / 237.82	1.29	5,168	6,667
05/01/06 - 07/31/06	235.17 / 233.88	233.88 / 232.59	1.29	15,147	19,540
08/01/06 - 10/31/06	236.53 / 235.24	235.24 / 233.95	1.29	14,395	18,570
11/01/06 - 12/31/06	249.86 / 248.57	248.57 / 247.28	1.29	8,828	11,388
01/01/07 - 03/31/07	258.28 / 256.96	256.53 / 255.21	1.75	12,964	22,687
04/01/07 - 06/30/07	257.00 / 255.69	255.25 / 253.94	1.75	13,575	23,756
07/01/07 - 12/31/07	255.63 / 254.32	253.88 / 252.57	1.75	29,076	50,883
Total Medicaid Overpayment					$ 172,948

* Any differences between these rates and the rates listed in Exhibit II of this report represent rate changes made subsequent to our audit. These changes remain open to future audit by the Office of the Medicaid Inspector General.

EXHIBIT II

SAINTS JOACHIM AND ANNE RESIDENCE

RATE YEARS JANUARY 1, 2006 THROUGH DECEMBER 31, 2007

SUMMARY OF MEDICAID RATES AUDITED

The Facility's Medicaid utilization ranged from approximately 81 to 85 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 Office of the Medicaid Inspector General.

	ISSUED RATES	
	Medicare Part B	
RATE PERIOD	Non-Elig.	Eligible
01/01/06 - 01/31/06	$ 236.42	$ 235.13
02/01/06 - 03/31/06	240.88	239.59
04/01/06 - 04/30/06	240.40	239.11
05/01/06 - 07/31/06	235.17	233.88
08/01/06 - 10/31/06	236.53	235.24
11/01/06 - 12/31/06	249.86	248.57
01/01/07 - 03/31/07	258.28	256.96
04/01/07 - 06/30/07	257.00	255.69
07/01/07 - 12/31/07	255.63	254.32

SAINTS JOACHIM AND ANNE RESIDENCE

RATE YEARS JANUARY 1, 2006 THROUGH DECEMBER 31, 2007

PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CENTER	RATE YEAR 2006	RATE YEAR 2007
Expense Allowed on HE-12B			$ 2,763,338	$ 2,746,365
Less Disallowances/(Allowances):				
1. BUILDING / FIXED EQUIPMENT DEPRECIATION ADJUSTMENT				
a) Building and Fixed Equipment depreciation determined by audit varied from the expense allowed in the rate computation process. This resulted in a disallowance to rate year 2006 and an allowance to rate year 2007. **Regulation: 10 NYCRR Section 86-2.17 (a)**	Bldg. Depn.	001	7,873	(20,327)
b) Providers 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. The Facility was unable to provide documentation for certain 2005 building improvement expenses. Consequently, the related unsubstantiated depreciation expenses were disallowed. **Regulations: PRM-1 Sections 2300 & 2304**	Bldg. Depn.	001		1,362
c) Maintenance is defined as the keeping of property at a standard of operating condition. Expenses for maintenance and repairs are considered to be an operating expenditure. The Facility capitalized certain expenses for maintenance and repairs as Building Improvements in 2004 and 2005, resulting in disallowances. **Regulations: 10 NYCRR Section 86-2.17 (d) & Section 451.181**	Bldg. Depn.	001	100	1,046
2. MOVABLE EQUIPMENT DEPRECIATION ADJUSTMENT				
a) The Facility failed to maintain logs recording actual mileage traveled to support the usage of the motor vehicle between personal and business use. Accordingly, depreciation for the motor vehicle was disallowed. **Regulations: 10 NYCRR Section 86-2.17 (a); PRM-1 Sections 2300 & 2304**	ME Depn.	002	4,705	4,705
b) Movable Equipment depreciation expense for 1990 through 1998 determined by audit varied from the expense allowed in the rate computation process for rate year 2006. Consequently, the related depreciation was disallowed. **Regulations: 10 NYCRR Sections 86-2.17 (a) & (d)**	ME Depn.	002	2,296	
c) Depreciation related to unsubstantiated Movable Equipment purchased in 2004 was disallowed. In addition, the Facility capitalized certain expenses for maintenance and repairs as Movable Equipment in 2005 resulting in disallowances. **Regulations: 10 NYCRR Section 451.181; PRM-1 Sections 2300 & 2304**	ME Depn. ME Depn.	002 002	150	301 33
3. PROPERTY INSURANCE DISALLOWANCE				
Cost years 2004 and 2005 reported expenses included the cost of business income insurance which is considered an operating expense. In addition, audited amount varied from the amount used in the rate computation. Consequently, the related expenses were disallowed. **Regulations: 10 NYCRR Section 86-2.17 (d); PRM-1 Sections 2161 (1), 2300 & 2304**	Prop. Insurance	005	6,613	8,063

SAINTS JOACHIM AND ANNE RESIDENCE

RATE YEARS JANUARY 1, 2006 THROUGH DECEMBER 31, 2007

PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CENTER	RATE YEAR 2006	RATE YEAR 2007
4. BOILER INSURANCE DISALLOWANCE				
Boiler insurance expense determined on audit varied from the expense allowed in the rate computation process resulting in a disallowance. **Regulations: 10 NYCRR Section 86-2.17 (d); PRM-1 Sections 2300 & 2304**				230
5. AUTO INSURANCE DISALLOWANCE				
The Facility failed to maintain logs recording actual mileage traveled to support the usage of the motor vehicle between personal and business use. Accordingly, auto insurance for the related motor vehicle was disallowed. **Regulations: 10 NYCRR Section 86-2.17 (a); PRM-1 Sections 2300 & 2304**	Auto Insurance	005	5,779	6,673
6. DISALLOWANCE OF MOVABLE EQUIPMENT RENTALS				
Providers receiving payment on the basis of reimbursable costs are required to provide adequate cost data based on financial and statistical records that can be verified on audit. Furthermore, the cost data is required to be current, accurate and in sufficient detail. Since the Facility was unable to provide sufficient documentation for certain expenses, the unsubstantiated expenses were disallowed. In addition, reported oxygen concentrators rental expense included oxygen expense. Oxygen expense is considered an operating expenditure, resulting in a disallowance. **Regulations: 10 NYCRR Sections 86-2.10(g) & 86-2.17(d); PRM-1 Sections 2300 & 2304**	ME Rent A	005	418	
	ME Rent B	004		851
	ME Rent C	005	198	5,485
	ME Rent D	008		13,284
	ME Rent F	004	418	
	ME Rent F	011		361
	ME Rent G	011	418	
	ME Rent G	051		21,033
	ME Rent H	051	418	
	ME Rent I	004	2,941	
	ME Rent J	008	13,650	
7. DISALLOWANCE OF TELEPHONE RENTAL EXPENSE				
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 rental expense in the property component amounts to duplicate reimbursement. Consequently, telephone rental expense was disallowed. **Regulation: 10 NYCRR Section 86-2.17 (d)**	ME Rent C	005		1,396
8. DISALLOWANCE OF MORTGAGE INSURANCE EXPENSE				
Mortgage insurance expense was reimbursed on a rate year basis in the promulgated rates. Audited rate year mortgage insurance expense varied from the mortgage insurance allowed in the promulgated rates resulting in a disallowance. **Regulations: 10 NYCRR Section 86-2.17 (d); PRM-1 Section 2300**	Mort. Ins.	001	221	23,594

SAINTS JOACHIM AND ANNE RESIDENCE

RATE YEARS JANUARY 1, 2006 THROUGH DECEMBER 31, 2007

PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CENTER	RATE YEAR 2006	RATE YEAR 2007
9. DISALLOWANCE OF MORTGAGE EXPENSE AMORTIZATION				
Amortization of mortgage expense was disallowed because the historical cost of the mortgage expense was included in the final approved project cost (APC# 011044) and reimbursed through the Building/Fixed Equip. depreciation. A disallowance was considered necessary in order to eliminate duplicate reimbursement. **Regulation: 10 NYCRR Section 86-2.17 (d)**	Mort. Exp. Amort.	001	46,933	46,925
10. DISALLOWANCE OF WORKING CAPITAL INTEREST EXPENSE				
The Facility reported interest on loans with Health Care RRG for insurance premium and AICCO, Inc. for workers compensation. The OMIG audit included requests to the Facility for support documentation needed to confirm reported cost; however, the Facility did not provide any support documentation. Consequently, a disallowance was necessary. **Regulations: 10 NYCRR Sections 86-2.17 (a) & (d); PRM-1 Sections 2300 & 2304**	WCI	005		9,962
Total Disallowance			$ 93,131	$ 124,977
AUDITED PROPERTY EXPENSE			$ 2,670,207	$ 2,621,388