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

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ANDREW M. CUOMO
GOVERNOR

JAMES C. COX
ACTING MEDICAID INSPECTOR GENERAL

January 31, 2012

[redacted]
Friedwald Center for Rehabilitation & Nursing, LLC
475 New Hempstead Road
New City, NY 10956

Re: Medicaid Rate Audit #09-4226
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 Friedwald Center for Rehabilitation & Nursing, LLC's (the "Facility") 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 report.

In response to the draft audit report dated July 5, 2011, you identified specific audit findings with which you disagreed. Your comments have been considered and the report has been either revised accordingly and/or amended to address your comments (see Attachment A). Consideration of your comments resulted in no change to the Medicaid overpayment shown in the draft audit report. However, based on the actual rate calculation by the Bureau of Long Term Care Reimbursement, there was an overall reduction of $46,265 to the total estimated Medicaid overpayment shown in the draft audit report. As previously stated in the draft audit report, the Medicare Part B and D offsets were not within the scope of the review and may be examined as part of a future audit. Based on the enclosed audited rates calculated by the Bureau of Long Term Care Reimbursement, the Medicaid overpayment currently due is $679,933. This overpayment is subject to Department of Health (the "DOH") and Division of Budget (the "DOB") final approval. While not anticipated, any difference between the calculated overpayment and the final DOH and DOB approved amount will be resolved with the Facility by the OMIG Bureau of Collections Management.

The overpayment does not reflect the impact on rates subsequent to December 31, 2008 that utilized the January 1, 2004 through December 31, 2004 base period for operating expense. Any overpayment resulting from operating expense disallowances in the January 1, 2004 through December 31, 2004 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 1237
File #09-4226
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,

Division of Medicaid Audit
Audit Management and Development
Office of the Medicaid Inspector General

Attachments:

Attachment A - Facility Draft Report Comments and OMIG Response
EXHIBIT I - Summary of Per Diem Impact and Medicaid Overpayment
EXHIBIT II - Summary of Medicaid Rates Audited
EXHIBIT III - Operating Expense Disallowances/(Allowances) – Nursing Facility
EXHIBIT IV - Operating Expense Disallowances/(Allowances) – Ventilator Unit
EXHIBIT V - Property Expense Disallowances/(Allowances) – Nursing Facility
EXHIBIT VI - Property Expense Disallowances/(Allowances) – Ventilator Unit

CERTIFIED MAIL#
RETURN RECEIPT REQUESTED

NEW YORK STATE
OFFICE OF THE MEDICAID INSPECTOR GENERAL
REMITTANCE ADVICE

NAME AND ADDRESS OF AUDITEE

FRIEDWALD CENTER FOR REHABILITATION & NURSING, LLC
475 NEW HEMPSTEAD ROAD
NEW CITY, NY 10956

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

AUDIT #09-4226

AUDIT TYPE
[ ] PROVIDER
[X] RATE
[ ] PART B
[ ] OTHER:

AMOUNT DUE: $679,933

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 1237
File #09-4226
Albany, New York 12237-0048

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

CORRECT PROVIDER NUMBER

FRIEDWALD CENTER FOR REHABILITATION & NURSING, LLC – AUDIT # 09-4226
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 V and VI COMMENTS

Adjustment #2 – Disallowance Of Rent Expense

Facility Comment
Please be advised that in 2004 and 2005, I am aware that the facility rented an additional building at 489 New Hempstead Road. This building was used to house nurses so that we will always have nurses available to work at the facility. In addition, there was a period where the maintenance person also lived there so he would always be available. We also used the building as a storage for some of our records.

OMIG Response
In accordance with PRM-1, Section 2102.2, necessary and proper costs related to patient care are usually costs which are common and accepted occurrences in the field of the provider's activity. The additional rent expense represents uncommon and unnecessary costs. Incidental use of the dwelling to store records or to house various employees in the past does not establish that the current costs claimed are necessary and proper as they relate to patient care at the Facility.

Disposition: The draft report disallowance remains the same.

Adjustment #3 – Disallowance of Property Insurance Expense

Facility Comment
I am also enclosing a copy of the description of the Hartford policy.

OMIG Response
A review of the Hartford policy disclosed that a portion of the previously undocumented expense was for general liability insurance premiums. According to PRM-1, Section 2161, property insurance covers losses due to the damage to, or destruction of, the provider's physical property. Based on our review of the provider's commercial liability insurance policy, no coverage was provided for their physical property. Therefore, the insurance premiums related to general liability remain disallowed.

Disposition: The draft report disallowance was modified to differentiate between the remaining undocumented charges, Adjustment #3(a), and the charges related to general liability premiums, Adjustment #3 (b). The overall draft report disallowance remains the same.

EXHIBIT V COMMENTS

Adjustment #4 (d)– Disallowance of Equipment Rental Expense

Facility Comment
It appears that you are disallowing a National Standby (page 1 item 4) for $5,687. This item was accrued at the end of 2003 and was reversed 1/1/04 therefore there was no expense taken in 2004.

OMIG Response
A review of the Facility's documents and the HE-12B rate computation sheets indicates that the expense was not reversed out. The expense accrued in 2003 was included in the 2004 base period cost report and reimbursed in the rates. Therefore, the out of period rent expense remains disallowed.

Disposition: The draft report disallowance remains the same.

EXHIBIT I

FRIEDWALD CENTER FOR REHABILITATION & NURSING, LLC
RATE PERIODS JANUARY 1, 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
NURSING FACILITY					
01/01/04 - 02/29/04	$203.14	$199.06	$4.08	6,341	$ 25,871
03/01/04 - 05/31/04	205.68	201.60	4.08	10,012	40,849
06/01/04 - 08/31/04	206.47	202.39	4.08	10,163	41,465
09/01/04 - 11/30/04	201.50	197.44	4.06	10,028	40,714
12/01/04 - 12/31/04	206.22	202.14	4.08	3,492	14,247
01/01/05 - 02/28/05	212.34	208.21	4.13	7,025	29,013
03/01/05 - 05/31/05	211.02	206.88	4.14	9,980	41,317
06/01/05 - 08/31/05	209.52	205.36	4.16	9,519	39,599
09/01/05 - 11/30/05	205.68	201.54	4.14	9,039	37,421
12/01/05 - 12/31/05	205.76	201.62	4.14	2,915	12,068
01/01/06 - 02/28/06	214.49	210.26	4.23	5,787	24,479
03/01/06 - 03/31/06	213.74	209.51	4.23	3,050	12,902
04/01/06 - 05/31/06	212.37	208.73	3.64	5,668	20,632
06/01/06 - 12/31/06	215.37	211.74	3.63	18,575	67,427
01/01/07 - 03/31/07	223.68	224.52	(0.84)	7,731	(6,494)
04/01/07 - 06/30/07	222.45	223.31	(0.86)	7,687	(6,611)
07/01/07 - 12/31/07	221.24	222.10	(0.86)	16,837	(14,480)
01/01/08 - 03/31/08	231.16	227.22	3.94	8,618	33,955
04/01/08 - 06/30/08	226.45	222.52	3.93	8,455	33,228
07/01/08 - 12/31/08	232.50	228.57	3.93	17,817	70,021
TOTAL MEDICAID OVERPAYMENT - NURSING FACILITY					$ 557,623
VENTILATOR UNIT					
01/01/04 - 12/31/04	$452.13	$443.55	$8.58	1,907	$ 16,362
01/01/05 - 12/31/05	466.59	457.78	8.81	2,337	20,589
01/01/06 - 03/31/06	512.94	504.76	8.18	608	4,973
04/01/06 - 12/31/06	511.82	503.67	8.15	2,412	19,658
01/01/07 - 03/31/07	538.27	526.91	11.36	718	8,156
04/01/07 - 06/30/07	535.44	524.14	11.30	758	8,565
07/01/07 - 12/31/07	531.13	519.83	11.30	1,238	13,989
01/01/08 - 03/31/08	533.99	521.93	12.06	545	6,573
04/01/08 - 12/31/08	530.26	518.28	11.98	1,957	23,445
TOTAL MEDICAID OVERPAYMENT - VENTILATOR UNIT					$ 122,310
TOTAL MEDICAID OVERPAYMENT					**$ 679,933**

* 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.

FRIEDWALD CENTER FOR REHABILITATION & NURSING, LLC
RATE PERIODS JANUARY 1, 2004 THROUGH DECEMBER 31, 2008
SUMMARY OF MEDICAID RATES AUDITED

The Medicaid utilization was approximately 66 percent for the Nursing Facility and 61 percent for the ventilator unit, for the period under audit. 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.

NURSING FACILITY RATE PERIOD	Issued Medicare Part B & D Non-Eligible Rates *
01/01/04 - 02/29/04	$ 203.14
03/01/04 - 05/31/04	205.68
06/01/04 - 08/31/04	206.47
09/01/04 - 11/30/04	201.50
12/01/04 - 12/31/04	206.22
01/01/05 - 02/28/05	212.34
03/01/05 - 05/31/05	211.02
06/01/05 - 08/31/05	209.52
09/01/05 - 11/30/05	205.68
12/01/05 - 12/31/05	205.76
01/01/06 - 02/28/06	214.49
03/01/06 - 03/31/06	213.74
04/01/06 - 05/31/06	212.37
06/01/06 - 12/31/06	215.37
01/01/07 - 03/31/07	223.68
04/01/07 - 06/30/07	222.45
07/01/07 - 12/31/07	221.24
01/01/08 - 03/31/08	231.16
04/01/08 - 06/30/08	226.45
07/01/08 - 12/31/08	226.45

VENTILATOR UNIT RATE PERIOD	Issued Medicare Part B & D Non-Eligible Rates *
01/01/04 - 12/31/04	$ 452.13
01/01/05 - 12/31/05	466.59
01/01/06 - 03/31/06	512.94
04/01/06 - 12/31/06	511.82
01/01/07 - 03/31/07	538.27
04/01/07 - 06/30/07	535.44
07/01/07 - 12/31/07	531.13
01/01/08 - 03/31/08	533.99
04/01/08 - 12/31/08	530.26

* 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

FRIEDWALD CENTER FOR REHABILITATION & NURSING, LLC
RATE PERIODS JANUARY 1, 2004 THROUGH DECEMBER 31, 2008
OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES) - NURSING FACILITY

	DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	OPERATING EXPENSE COMPONENT DIRECT	INDIRECT	01/01/04-12/31/06 NON-COMP.	01/01/07-12/31/08 NON-COMP.
Operating Expense Allowed per HE-12B					$ 7,835,734	$ 3,394,337	$ 605,804	$ 419,564
Less Disallowances/(Allowances):								
1. DISALLOWANCE OF EXPENSES NOT RELATED TO PATIENT CARE								
The Facility's utilities expense included late charges paid to Orange & Rockland Utilities. Late charges are not allowable. The expense also included utilities on a house adjacent to the Facility which is not related to patient care at the Facility. These expenses are not properly chargeable to necessary patient care and were disallowed. **Regulations:10 NYCRR Sections 86-2.17(a)&(d), PRM-1 Section 2102.2**	Utilities	106	1,260	87.31%			1,100	1,100
2. DISALLOWANCE OF PRIOR PERIOD EXPENSES								
The Facility's utilities expense included prior period charges that were not related to the base period under audit. These expenses were disallowed. **Regulations: 10 NYCRR Sections 86-2.17(a) and 86-2.4**	Utilities	106	199	87.31%			174	174
3. RADIOLOGY AND LABORATORY SERVICES EXPENSE DISALLOWANCE								
Effective April 1, 2001, the Centers for Medicare and Medicaid Services (CMS) policy for consolidated billing required that nursing facilities bill and receive reimbursement under Medicare Part A for the radiology and laboratory "technical component" portion of charges. The actual radiology and laboratory service provider then bills the nursing facility to receive its reimbursement of the technical component. Consequently, inclusion of any such "expenses" in the Medicaid rate would duplicate reimbursement. Additionally, the above transactions do not pertain to Medicaid patients in any way, therefore it is not reimbursable under the Medicaid program. **Regulations: 10 NYCRR Section 86-2.17d, HCFA Pub. 60B, Transmittal B-00-67 dated Nov. 27, 2000, Subject: Consolidated Billing for SNF Residents.**	Laboratory Radiology	031 034	67,480 30,151	93.33% 75.44%			62,979 22,746	62,979 22,746
4. DISALLOWANCE OF UNDOCUMENTED EXPENSES								
The Facility was unable to provide documentation to support various expenses reported for speech therapy. Providers 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**	Speech	041	18,516	83.15%			15,396	15,396
5. RECLASSIFICATION OF IMPROPERLY CATEGORIZED EXPENSES								
Software maintenance expense was included in the property component. An adjustment was necessary to reclassify this expense to the operating component. See corresponding property adjustment #4. **Regulations: 10 NYCRR Sections 86-2.10(9) and 458.3(c)**	Admin	005	(14,167)	77.96%		(11,045)		
Total Disallowances/(Allowances)					$ -	$ (11,045)	$ 102,395	$ 102,395
AUDITED OPERATING EXPENSE BY COMPONENT					$ 7,835,734	$ 3,405,382	$ 503,409	$ 317,169

EXHIBIT IV

FRIEDWALD CENTER FOR REHABILITATION & NURSING, LLC
RATE PERIODS JANUARY 1, 2004 THROUGH DECEMBER 31, 2008
OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES) - VENTILATOR UNIT

	DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	OPERATING EXPENSE COMPONENT DIRECT *	INDIRECT *	NON-COMP.
Operating Expense Allowed per HE-12B					$ -	$ -	$ 458,600
Less Disallowances/(Allowances):							
RADIOLOGY AND LABORATORY SERVICES EXPENSE DISALLOWANCE Effective April 1, 2001, the Centers for Medicare and Medicaid Services (CMS) policy for consolidated billing required that nursing facilities bill and receive reimbursement under Medicare Part A for the radiology and laboratory "technical component" portion of charges. The actual radiology and laboratory service provider then bills the nursing facility to receive its reimbursement of the technical component. Consequently, inclusion of any such "expenses" in the Medicaid rate would duplicate reimbursement. Additionally, the above transactions do not pertain to Medicaid patients in any way, therefore it is not reimbursable under the Medicaid program. **Regulations: 10 NYCRR Section 86-2.17d, HCFA Pub. 60B, Transmittal B-00-67 dated Nov. 27, 2000, Subject: Consolidated Billing for SNF Residents.**	Laboratory	031	30,000	100.00%			30,000
Total Disallowances/(Allowances)					$ -	$ -	$ 30,000
AUDITED OPERATING EXPENSE BY COMPONENT					$ -	$ -	$ 428,600

* Component held to budgeted per diem

FRIEDWALD CENTER FOR REHABILITATION & NURSING, LLC
RATE PERIODS JANUARY 1, 2004 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES) - NURSING FACILITY

	DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS 01/01/04-03/31/06	04/01/06-12/31/06	2007	2008
Property Expense Allowed per HE-12B					$ 733,023	$ 683,428	$ 830,043	$ 1,191,561
Less Disallowances/(Allowances):								
1. DISALLOWANCE OF BUILDING DEPRECIATION EXPENSE								
The Facility was reimbursed for both building rent and building depreciation in rate year 2007. The Bureau of Long Term Care Reimbursement (BLTCR) has determined that the Facility is allowed lease payments in lieu of depreciation. An adjustment was made on audit to eliminate the duplicate reimbursement. **Regulation: 10 NYCRR Section 86-2.21(c)**	Bldg. Depr.	001	100,123	86.86%			86,967	
2. DISALLOWANCE OF RENT EXPENSE								
The Facility's building rent expense included rental payments for a house adjacent to the Facility which is not related to patient care at the Facility. The portion of rent that relates to the house was disallowed. Rent expense also included costs for off-site self storage that was determined to be unrelated to patient care. These costs were also disallowed. **Regulations: 10 NYCRR Sections 86-2.17(a)&(d), PRM-1, Section 2102.2**	Rent	001	33,680	86.96%	29,288	29,288		
	Rent	001	14,200	86.86%			12,334	
3. DISALLOWANCE OF PROPERTY INSURANCE EXPENSE								
a) The Facility did not provide adequate documentation to substantiate reported property insurance expense for rate year 2007. Facilities receiving payments on the basis of reimbursable costs are required to provide adequate cost data that can be verified on audit. The unsubstantiated portion of the expense was disallowed. **Regulations: 10 NYCRR Sections 86-2.7 and 86-2.17(a), PRM-1 Section 2300**	Prop. Ins.	005	4,601	77.94%			3,586	
b) The Facility included general liability insurance with property insurance expense in rate year 2008. General liability insurance does not relate to the loss of or damage to the Facility's physical property and consequently is only includable in the operating component of the rate. Therefore the general liability insurance expense was disallowed from the property component. **Rebulations: 10 NYCRR Sections 86-2.10(g) and 455.5, PRM-1 Sections 2161 & 2806.2**	Prop. Ins.	005	9,852	77.82%				7,667
4. DISALLOWANCE OF EQUIPMENT RENTAL EXPENSES								
The Facility included the following expenses in equipment rental:								
a) Software Maintenance expense is an indirect cost and was reclassified to operating expense. See corresponding operating adjustment #5 **Regulations: 10 NYCRR Sections 86-2.10(g), PRM-1 Section 2806.2**	Rent A	001	14,167	86.96%	12,320	12,320		
	Rent B	004	16,209	77.82%				12,614
b) Oxygen is a direct expense and is disallowed as rent. Note: The direct component of the rate is in excess of the ceiling therefore no reclassification is necessary. **Regulations: 10 NYCRR Sections 86-2.10(g), 455.35 and 458.5**	Rent A	001	2,071	86.96%	1,801	1,801		
	Rent E	051	11,325	100.00%				11,325
c) Cable television service in patient rooms is not an allowable expense and is therefore disallowed. **Regulations: 10 NYCRR Sections 86-2.17 (a) & (d), PRM-1 Section 2106.1**	Rent A	001	9,713	86.96%	8,446	8,446		
	Rent D	001	33,399	93.58%				31,255
d) The Facility's equipment rental included costs that were outside the audit period. These costs were disallowed. **Regulations: 10 NYCRR Sections 86-2.17(a), 86-2.4**	Rent A	001	7,040	86.96%	6,122	6,122		

FRIEDWALD CENTER FOR REHABILITATION & NURSING, LLC
RATE PERIODS JANUARY 1, 2004 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES) - NURSING FACILITY

	DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS 01/01/04-03/31/06	04/01/06-12/31/06	2007	2008
5. DISALLOWANCE OF UNDOCUMENTED EXPENSE								
The Facility was unable to provide documentation to support various reported rental expenses. Providers are required to provide adequate cost data that can be verified on audit. The undocumented expenses were disallowed.	Rent B	004	766	77.82%				596
Regulations: 10 NYCRR Sections 86-2.7 and 86-2.17(a), PRM-1 Section 2300	Rent D	014	610	93.58%				571
6. DISALLOWANCE OF AUTOMOBILE EXPENSES								
The Facility was unable to provide sufficient documentation to substantiate patient care related use of automobiles. Providers are required to provide adequate cost data that can be verified on audit. The automobile expenses were therefore disallowed.	Other	005	3,016	77.96%	2,351	2,351		
Regulations: 10 NYCRR Sections 86-2.7 and 86-2.17(a), PRM-1 Section 2300	Rent A	002	3,016	55.63%			1,678	
	Rent A	002	3,016	61.99%				1,870
	ME Ins.	005	1,785	77.96%	1,392	1,392		
	ME Ins.	005	1,585	77.94%			1,235	
	ME Ins.	005	2,425	77.82%				1,887
7. UNSUBSTANTIATED ORGANIZATION/START-UP COSTS								
The Facility was unable to document charges for Nyack Hospital and Cicero/Shapiro, that were included in organization/start-up costs. Providers are required to provide adequate cost data that can be verified on audit. The unsubstantiated expenses were disallowed.	Orgn/Strt/Up	001	5,578	86.96%	4,851	4,851		
Regulations: 10 NYCRR Sections 86-2.7 and 86-2.17(a), PRM-1 Section 2300	Orgn/Strt/Up	005	5,798	77.82%				4,512
8. DISALLOWANCE OF SALES TAX ON UTILITIES								
The Facility's reported expense included sales tax on utilities. The NYS Department of Taxation & Finance considers a nursing home to be a residential building, and thus eligible for an exemption from sales tax on electricity and heating. The sales tax on these utilities was therefore disallowed.	Sales Tax	006	11,489	87.31%	10,031	10,031		
Regulations: 10 NYCRR Sections 86-2.17(a)&(d), PRM-1 Section 2122.2	Sales Tax	006	23,170	87.20%			20,204	
	Sales Tax	006	17,989	86.78%				15,611
9. DISALLOWANCE OF WORKING CAPITAL INTEREST								
The Facility reported interest on a ten-year loan as working capital interest. Interest is allowable on current indebtedness, however, in accordance with current regulations and BLTCR rate methodology, a ten-year loan is not considered a working capital loan. The interest related to the ten-year loan was therefore disallowed.	WCI	005	42,423	77.96%	33,073			
Regulations: 10 NYCRR Sections 86-2.17(a)&(d), 86-2.20 and 451.71, PRM-1 Section 202.1								
10. DISALLOWANCE OF AMORTIZATION OF LEASEHOLD IMPROVEMENTS								
The Facility was unable to provide sufficient documentation for additions to leasehold improvements. Providers are required to provide adequate cost data that can be verified on audit. The undocumented portion of the expense was disallowed.	Leasehold Amort	001	420	86.96%	365	365		
Regulations: 10 NYCRR Sections 86-2.7 and 86-2.17(a), PRM-1 Section 2300	Leasehold Amort	001	839	86.85%			729	
	Leasehold Amort	001	1,073	86.45%				928
11. DISALLOWANCE OF MOVEABLE EQUIPMENT DEPRECIATION								
The Facility was unable to provide sufficient documentation for additions to moveable equipment. Providers are required to provide adequate cost data that can be verified on audit. The undocumented portion of the expense was disallowed.	ME Depr.	002	1,561	60.40%	943	943		
Regulations: 10 NYCRR Sections 86-2.7 and 2.17(a), PRM-1 Section 2300	ME Depr.	003	356	55.63%			198	
	ME Depr.	002	2,291	61.99%				1,420

FRIEDWALD CENTER FOR REHABILITATION & NURSING, LLC
RATE PERIODS JANUARY 1, 2004 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES) - NURSING FACILITY

	DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS 01/01/04-03/31/06	04/01/06-12/31/06	2007	2008
12. ALLOWANCE OF AMORTIZATION OF LEASEHOLD IMPROVEMENTS								
The audit disclosed that amortization of leasehold improvements was not reimbursed in rate year 2007. An adjustment was made on audit to include the unreimbursed expense. Regulation: 10 NYCRR Section 86-2.21	Leasehold Amor	001	(115,069)	86.85%			(99,937)	
13. ALLOWANCE OF RENTAL EXPENSE								
The audit disclosed that certain rentals were not reimbursed in rate year 2007. An adjustment was made on audit to include the unreimbursed expenses. Regulation: 10 NYCRR Section 86-2.22	Rent B	004	(27,408)	77.82%			(21,329)	
	Rent C	005	(18,591)	77.82%			(14,468)	
	Rent D	011	(29,447)	83.73%			(24,656)	
	Rent E	014	(270)	96.91%			(262)	
	Rent F	051	(90,449)	100.00%			(90,449)	
14. ALLOWANCE OF MOVEABLE EQUIPMENT DEPRECIATION								
In rate year 2007, capitalized lease depreciation was erroneously removed twice from moveable equipment depreciation. An increase in expense was necessary to correct the error. Regulation: 10 NYCRR Section 86-2.22	ME Depr.	002	(82,794)	55.63%			(46,058)	
15. ALLOWANCE OF START-UP COSTS								
The audit disclosed that start-up costs were not reimbursed in the SNF in rate year 2007. An adjustment was made on audit to include the unreimbursed expense. Regulation: PRM-1 Section 2134.1	Start-up Costs	005	(2,959)	86.86%			(2,570)	
Total Disallowances/(Allowances)					$ 110,983	$ 77,910	$ (172,798)	$ 90,256
AUDITED PROPERTY EXPENSE					$ 622,040	$ 605,516	$ 1,002,841	$ 1,101,305

FRIEDWALD CENTER FOR REHABILITATION & NURSING, LLC
RATE PERIODS JANUARY 1, 2004 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES) - VENTILATOR UNIT

	DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE YEARS 2004-2005 **	01/01/06-12/31/06	2007	2008
Property Expense Allowed per HE-12B					$ -	$ 162,401	$ 215,379	$ 197,048
Less Disallowances/(Allowances):								
1. DISALLOWANCE OF BUILDING DEPRECIATION EXPENSE								
The Facility was reimbursed for both building rent and building depreciation in rate year 2007. The Bureau of Long Term Care Reimbursement (BLTCR) has determined that the Facility is allowed lease payments in lieu of depreciation. An adjustment was made on audit to eliminate the duplicate reimbursement. **Regulation: 10 NYCRR Section 86-2.21(c)**	Bldg. Depr.	001	100,123	6.04%			6,047	
2. DISALLOWANCE OF RENT EXPENSE								
The Facility's building rent expense included rental payments for a house adjacent to the Facility which is not related to patient care at the Facility. The portion of rent that relates to the house was disallowed. Rent expense also included costs for off-site self storage that was determined to be unrelated to patient care. These costs were also disallowed. **Regulations: 10 NYCRR Sections 86-2.17(a)&(d), PRM-1, Section 2102.2**	Rent	001	36,000	6.00%		2,160		
	Rent	001	14,200	6.04%			858	
3. DISALLOWANCE OF PROPERTY INSURANCE EXPENSE								
a) The Facility did not provide adequate documentation to substantiate reported property insurance expense for rate year 2007. Facilities receiving payments on the basis of reimbursable costs are required to provide adequate cost data that can be verified on audit. The unsubstantiated portion of the expense was disallowed. **Regulations: 10 NYCRR Sections 86-2.7 and 86-2.17(a), PRM-1 Section 2300**	Insurance	005	4,601	14.91%			686	
b) The Facility included general liability insurance with property insurance expense in rate year 2008. General liability insurance does not relate to the loss of or damage to the Facility's physical property and consequently is only includable in the operating component of the rate. Therefore, the liability insurance expense was disallowed from the property component. **Rebulations:10 NYCRR Sections 86-2.10(g) and 455.5, PRM-1 Sections 2161 & 2806.2**	Insurance	005	9,852	14.62%				1,440
4. DISALLOWANCE OF MOVEABLE EQUIPMENT DEPRECIATION								
The audit disclosed that the Facility was reimbursed for depreciation and rental payments on capital leases. It is the Commissioner's determination that lease payments be allowed in lieu of depreciation and interest on capitalized leases. An adjustment was made on audit to eliminate the duplicate reimbursement. **Regulation: 10 NYCRR Section 86-2.22**	M/E Depr.	002	153,700	35.26%		54,195		
5. DISALLOWANCE OF MOVEABLE EQUIPMENT DEPRECIATION								
The Facility was unable to provide sufficient documentation for additions to moveable equipment. Providers are required to provide adequate cost data that can be verified on audit. The undocumented portion of the expense was disallowed. **Regulations: 10 NYCRR Sections 86-2.7 and 86-2.17(a), PRM-1 Section 2300**	M/E Depr.	002	356	40.60%			145	
	M/E Depr.	002	2,291	33.92%				777

FRIEDWALD CENTER FOR REHABILITATION & NURSING, LLC
RATE PERIODS JANUARY 1, 2004 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES) - VENTILATOR UNIT

	DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE YEARS 2004-2005 **	01/01/06-12/31/06	2007	2008
6. DISALLOWANCE OF EQUIPMENT RENTAL EXPENSE								
Equipment rental expense included prior period charges that were not related to the base period under audit. These expenses were disallowed. **Regulations: 10 NYCRR Sections 86-2.4 and 86-2.17(a)**	Rent E	001	7,040	6.00%		422		
7. DISALLOWANCE OF AUTOMOBILE EXPENSES								
The Facility was unable to provide sufficient documentation to substantiate patient care related use of automobiles. Providers are required to provide adequate cost data that can be verified on audit. The automobile expenses were therefore disallowed. **Regulations: 10 NYCRR Sections 86-2.7 and 86-2.17(a), PRM-1 Section 2300**	Insurance	005	1,785	14.73%		263		
	Rent A	001	3,016	40.60%			1,224	
	Insurance	005	1,585	14.91%			236	
	Rent A	002	3,016	33.92%				1,023
	Insurance	005	2,425	14.62%				355
8. DISALLOWANCE OF EQUIPMENT RENTAL EXPENSES								
a) Software Maintenance expense is an indirect cost and is not includable in property costs. Since the indirect component of the rate is based on a budgeted per diem, there is no corresponding increase to the operating component of the rate. **Regulations: 10 NYCRR Sections 86-2.10 (g), PRM-1 Section 2806.2**	Other	001	14,167	6.00%		850		
	Rent E	004	16,209	14.91%			2,417	
	Rent B	014	16,209	14.62%				2,370
b) Oxygen is a direct expense and is disallowed as rent. The direct component is in excess of the ceiling therefore no reclassification is necessary. **Regulations: 10 NYCRR Sections 86-2.10(g), 455.35 and 458.5**	Rent D	001	2,071	6.00%		123		
c) Cable television service in patient rooms is not an allowable expense and is therefore disallowed. **Regulations: 10 NYCRR Sections 86-2.17(a) & (d), PRM-1 Section 2106.1**	Rent A	001	9,713	6.00%		583		
	Rent B	014	23,157	3.09%			716	
	Rent D	014	33,399	6.42%				2,144
d) The Facility was unable to provide sufficient documentation for certain rental expenses. Providers are required to provide adequate cost data that can be verified on audit. The rental expenses were disallowed. **Regulations: 10 NYCRR Sections 86-2.7 and 86-2.17(a), PRM-1 Section 2300**	Rent B	014	766	14.62%				112
	Rent D	014	610	6.42%				39
9. ALLOWANCE OF OTHER CAPITAL LEASES								
The audit disclosed that Capital leases were not reimbursed in rate year 2006. An adjustment was made on audit to include the unreimbursed expense. **Regulation: 10 NYCRR Section 86-2.22**	Other	035	(62,449)	100.00%		(62,449)		
	Other	005	(9,987)	14.73%		(1,471)		
10. UNSUBSTANTIATED ORGANIZATION/START-UP COSTS								
The Facility was unable to document charges for Nyack Hospital and Cicero/Shapiro, that were included in organization/start-up costs. Providers are required to provide adequate cost data that can be verified on audit. The unsubstantiated expenses were disallowed. **Regulations: 10 NYCRR Sections 86-2.7 and 86-2.17(a), PRM-1 Section 2300**	Start-up Costs	001	5,578	6.00%		335		
	Start-up Costs	001	5,688	14.91%			848	
	Start-up Costs	001	5,798	14.62%				848

FRIEDWALD CENTER FOR REHABILITATION & NURSING, LLC
RATE PERIODS JANUARY 1, 2004 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES) - VENTILATOR UNIT

	DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE YEARS 2004-2005 **	01/01/06-12/31/06	2007	2008
11. DISALLOWANCE OF SALES TAX ON UTILITIES								
The Facility's sales tax expense included sales tax on utilities. The NYS Department of Taxation & Finance considers a nursing home to be a residential building, and thus eligible for an exemption from sales tax on electricity and heating. The sales tax on these utilities was therefore disallowed.	Sales Tax	006	11,489	5.66%		650		
	Sales Tax	006	23,170	5.70%			1,321	
	Sales Tax	006	17,989	6.06%				1,090
Regulations: 10 NYCRR Sections 86-2.17(a)&(d), PRM-1 Section 2122.2								
12. DISALLOWANCE OF WORKING CAPITAL INTEREST								
The Facility reported interest on a ten-year loan as working capital interest. Interest is allowable on current indebtedness. However, in accordance with current regulations and BLTCR rate methodology, a ten-year loan is not considered a working capital loan. The interest related to the ten-year loan was therefore disallowed.	WCI	005	3,104	14.73%		457		
Regulations: 10 NYCRR Sections 86-2.17(a)&(d), 86-2.20 and 451.71, PRM-1 Section 202.1								
13. ALLOWANCE OF AMORTIZATION OF LEASEHOLD IMPROVEMENTS								
The audit disclosed that amortization of leasehold improvements was not reimbursed in rate year 2007. An adjustment was made on audit to include the unreimbursed expense.	Leasehold Impr.	001	(115,069)	6.04%			(6,950)	
Regulations: 10 NYCRR Section 86-2.21								
14. DISALLOWANCE OF AMORTIZATION OF LEASEHOLD IMPROVEMENTS								
The Facility was unable to provide sufficient documentation for additions to leasehold improvements. Providers are required to provide adequate cost data that can be verified on audit. The undocumented portion of the expense was disallowed	Leasehold Impr.	001	420	6.00%		24		
	Leasehold Impr.	001	839	6.04%			51	
	Leasehold Impr.	001	1,073	6.38%				68
Regulations: 10 NYCRR Sections 86-2.7 and 2.17(a), PRM-1 Section 2300								
Total Disallowances/(Allowances)					$ -	$ (3,858)	$ 7,599	$ 10,266
AUDITED PROPERTY EXPENSE					**$ -**	**$ 166,259**	**$ 207,780**	**$ 186,781**

** Group Average Rates