



Office of the
Medicaid Inspector
General

ANDREW M. CUOMO
Governor

THOMAS R. MEYER
Acting Medicaid Inspector General

January 20, 2015

[REDACTED]
New Vanderbilt Rehabilitation and Care Center
135 Vanderbilt Avenue
Staten Island, New York 10304-2604

Re: Medicaid Rate Audit #09-1618
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 New Vanderbilt Rehabilitation and Care Center's (the "Facility") Medicaid rates for the rate period January 1, 2006 through December 31, 2008. In accordance with 18 NYCRR Section 517.6, this audit report represents the OMIG's final determination on issues raised in the draft audit report.

In response to the draft audit report dated October 16, 2014, you identified specific audit findings with which you disagreed. Your comments have been considered (see Attachment A) and the report has been either revised accordingly and/or amended to address your comments (see Attachment B). Consideration of your comments resulted in an overall reduction of \$758 to the total Medicaid overpayment shown in the draft audit report. As previously stated in the draft audit report, the Medicare Part B and D offsets were not within the scope of the review and may be examined as part of a future audit. Based on the enclosed audited rates calculated by the Bureau of Long Term Care Reimbursement, the Medicaid overpayment currently due is \$395,429. This overpayment is subject to Department of Health ("DOH") and Division of Budget ("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 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 #09-1618
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 50% withhold after 20 days until an agreement is established. 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. In addition, if you receive an adjustment in your favor while you owe funds to the State, such adjustment will be applied against any amount owed. If you wish to enter into a repayment agreement, please contact the Bureau of Collections Management within 20 days at the following:

Bureau of Collections Management
New York State Office of the Medicaid Inspector General
800 North Pearl Street
Albany, New York 12204

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 the Office of Counsel at

If a hearing is held, you may have a person represent you or you may represent yourself. If you choose to be represented by someone other than an attorney, you must supply a signed authorization permitting that person to represent you along with your hearing request. At the hearing, you may call witnesses and present documentary evidence on your behalf.

Should you have any questions, please contact [REDACTED] or through email at [REDACTED]. Please refer to audit number 09-1618 in all correspondence.

Sincerely,

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

Enclosure:

- ATTACHMENT A - Facility Draft Audit Report Comments and OMIG Responses
- ATTACHMENT B - Summary of Changes from Draft Report to Final Report
- EXHIBIT I - Summary of Per Diem Impact and Medicaid Overpayment
- EXHIBIT II - Summary of Medicaid Rates Audited
- EXHIBIT III - Operating Expense Disallowances/(Allowances) – Nursing Facility
- EXHIBIT IV - Property Expense Disallowances/(Allowances) – Nursing Facility
- EXHIBIT V - Property Expense Disallowances/(Allowances) – Vent Unit
- EXHIBIT VI - Per Diem Disallowances – Vent Unit
- EXHIBIT VII - Return on and Return of Real Property Equity Disallowances/(Allowances)

CERTIFIED MAIL [REDACTED]
RETURN RECEIPT REQUESTED

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

NAME AND ADDRESS OF AUDITEE

New Vanderbilt Rehabilitation
and Care Center
135 Vanderbilt Avenue
Staten Island, New York 10304-2604

NPI #: [REDACTED]

PROVIDER #: [REDACTED]

AUDIT #09-1618

AMOUNT DUE: \$395,429

AUDIT	<input type="checkbox"/>	PROVIDER
TYPE	<input checked="" type="checkbox"/>	RATE
	<input type="checkbox"/>	PART B
	<input type="checkbox"/>	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 #09-1618
Albany, New York 12237-0048

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

[REDACTED]

CORRECT PROVIDER NUMBER

**NEW VANDERBILT REHABILITATION AND CARE CENTER - AUDIT #09-1618
FACILITY DRAFT AUDIT REPORT COMMENTS AND OMIG RESPONSE**

All OMIG adjustments were accepted by the Facility except for those shown below. The following details the disposition of final report adjustments after consideration of the Facility's draft audit report response comments. See Attachment B for adjustment changes included in the final audit report.

EXHIBIT IV COMMENTS

Adjustment #2 – Automobile Expense Disallowances

Facility Comment

In response to the above captioned draft audit report, the facility respectfully requests that the costs associated with the facility van for 2006, be eliminated from the adjustments. This van was strictly used for the benefit of the patients and their families.

OMIG Response

Based on the Facility's response, the draft audit report disallowances were revised.

Disposition: The draft audit report disallowances were reduced as shown in Attachment B.

NEW VANDERBILT REHABILITATION AND CARE CENTER - AUDIT #09-1618
SUMMARY OF CHANGES FROM DRAFT REPORT TO FINAL REPORT

<u>EXHIBIT IV - PROPERTY EXPENSE</u> <u>DISALLOWANCES/(ALLOWANCES) - NURSING FACILITY</u>	<u>Rate</u> <u>Period</u>	<u>Draft</u> <u>Disallowance</u> <u>(Allowance)</u>	<u>Change</u>	<u>Final</u> <u>Disallowance</u> <u>(Allowance)</u>
2. AUTOMOBILE EXPENSE DISALLOWANCES	2008	\$ 19,421	\$ (2,901)	\$ 16,520

<u>EXHIBIT V - PROPERTY EXPENSE</u> <u>DISALLOWANCES/(ALLOWANCES) - VENTILATOR UNIT</u>	<u>Rate</u> <u>Period</u>	<u>Draft</u> <u>Disallowance</u> <u>(Allowance)</u>	<u>Change</u>	<u>Final</u> <u>Disallowance</u> <u>(Allowance)</u>
2. AUTOMOBILE EXPENSE DISALLOWANCES	2008	\$ 1,130	\$ (169)	\$ 961

NEW VANDERBILT REHABILITATION AND CARE CENTER - AUDIT #09-1618
RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008
SUMMARY OF PER DIEM IMPACT AND MEDICAID OVERPAYMENT

<u>RATE PERIOD</u>	<u>ISSUED PART B & D NON-ELIGIBLE RATES*</u>	<u>FINAL PART B & D NON-ELIGIBLE RATES</u>	<u>RATE DECREASE (INCREASE)</u>	<u>MEDICAID DAYS</u>	<u>MEDICAID OVERPAYMENT</u>
<u>NURSING FACILITY</u>					
01/01/06 - 02/28/06	\$227.76	\$226.44	\$1.32	12,521	\$ 16,528
03/01/06 - 03/31/06	231.40	230.03	1.37	6,744	9,239
04/01/06 - 05/31/06	230.88	229.52	1.36	13,323	18,119
06/01/06 - 08/31/06	229.98	228.62	1.36	19,940	27,118
09/01/06 - 11/30/06	230.62	229.28	1.34	19,271	25,823
12/01/06 - 12/31/06	232.23	230.88	1.35	6,786	9,161
01/01/07 - 03/31/07	235.54	234.49	1.05	20,091	21,096
04/01/07 - 06/30/07	234.21	233.16	1.05	21,160	22,218
07/01/07 - 12/31/07	233.39	232.34	1.05	42,607	44,737
01/01/08 - 03/31/08	240.25	238.58	1.67	20,534	34,292
04/01/08 - 06/30/08	235.48	233.81	1.67	19,872	33,186
07/01/08 - 12/31/08	240.68	239.01	1.67	42,017	<u>70,168</u>
MEDICAID OVERPAYMENT - NURSING FACILITY					<u>\$ 331,685</u>
<u>VENTILATOR UNIT</u>					
01/01/06 - 02/28/06	\$585.57	\$582.32	\$3.25	1,180	\$ 3,835
03/01/06 - 03/31/06	585.33	582.08	3.25	620	2,015
04/01/06 - 05/31/06	584.04	580.79	3.25	1,220	3,965
06/01/06 - 08/31/06	581.82	578.57	3.25	1,840	5,980
09/01/06 - 11/30/06	583.25	580.00	3.25	1,820	5,915
12/01/06 - 12/31/06	583.36	580.11	3.25	620	2,015
01/01/07 - 03/31/07	612.04	609.13	2.91	1,800	5,238
04/01/07 - 06/30/07	608.66	605.75	2.91	1,820	5,296
07/01/07 - 10/31/07	604.82	601.91	2.91	2,460	7,159
11/01/07 - 12/31/07	604.82	601.91	2.91	1,220	3,550
01/01/08 - 03/31/08	618.01	615.43	2.58	1,820	4,696
04/01/08 - 12/31/08	613.55	610.99	2.56	5,500	<u>14,080</u>
MEDICAID OVERPAYMENT - VENTILATOR UNIT					<u>\$ 63,744</u>
TOTAL MEDICAID OVERPAYMENT					<u>\$ 395,429</u>

* Any differences between these rates and the rates listed in Exhibit II of this audit 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.

NEW VANDERBILT REHABILITATION AND CARE CENTER - AUDIT #09-1618
RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008
SUMMARY OF MEDICAID RATES AUDITED

The nursing facility's Medicaid utilization was approximately 79 percent and the ventilator unit's Medicaid utilization was approximately 100 percent 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.

<u>RATE PERIOD</u> <u>NURSING FACILITY</u>	<u>ISSUED MEDICARE</u> <u>PART B & D</u> <u>NON-ELIGIBLE RATES *</u>
01/01/06 - 02/28/06	\$ 227.76
03/01/06 - 03/31/06	231.40
04/01/06 - 05/31/06	230.88
06/01/06 - 08/31/06	229.98
09/01/06 - 11/30/06	230.62
12/01/06 - 12/31/06	232.23
01/01/07 - 03/31/07	235.54
04/01/07 - 06/30/07	234.21
07/01/07 - 12/31/07	233.39
01/01/08 - 03/31/08	240.25
04/01/08 - 06/30/08	235.48
07/01/08 - 12/31/08	240.68
<u>VENTILATOR UNIT</u>	
01/01/06 - 02/28/06	\$585.57
03/01/06 - 03/31/06	585.33
04/01/06 - 05/31/06	584.04
06/01/06 - 08/31/06	581.82
09/01/06 - 11/30/06	583.25
12/01/06 - 12/31/06	583.36
01/01/07 - 03/31/07	612.04
04/01/07 - 06/30/07	608.66
07/01/07 - 10/31/07	604.82
11/01/07 - 12/31/07	604.82
01/01/08 - 03/31/08	618.01
04/01/08 - 12/31/08	613.55

* 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.

NEW VANDERBILT REHABILITATION AND CARE CENTER - AUDIT #09-1618
RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008
OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES) - NURSING FACILITY

	COST	OPERATING EXPENSE COMPONENT					
		DESCRIPTION	CTR.	01/01/06 - 01/01/07 -			
				DIRECT	INDIRECT	12/31/06 NON- COMP.	12/31/08 NON- COMP.
Operating Expense Allowed per HE-12B				\$ 3,288,075	\$ 1,932,729	\$ 352,895	\$ 185,689
Less Disallowances/(Allowances):							
SALES TAX DISALLOWANCE							
For rate years January 1, 2006 through December 31, 2008, the Facility reported and was reimbursed for all sales tax expense in the property portion of the rate. Since sales tax is included in the Facility's 1988 base year and since this year is also the basis for the operating portion of the January 1, 2006 through December 31, 2008 rates, inclusion of sales tax in the capital portion of the rate resulted in duplicate reimbursement. In order to eliminate the duplication, the following disallowances to the operating component of the January 1, 2006 through December 31, 2008 rates were necessary.							
Regulations: 10 NYCRR Sections 86-2.17(a) & (d)							
		Activities	014	256			
		Physical Ther.	039	19			
		Occup. Ther.	040	59			
		Central Svc.	043	10,695			
		Fiscal Svcs.	004		929		
		Plant Oper.	006		1,546		
		Security	008		1,577		
		Laundry	009		14,992		
		Hskpg.	010		3,292		
		Utilities	106			7,618	7,618
Total Disallowances/(Allowances)				\$ 11,029	\$ 22,336	\$ 7,618	\$ 7,618
AUDITED OPERATING EXPENSES BY COMPONENT				\$ 3,277,046	\$ 1,910,393	\$ 345,277	\$ 178,071

NEW VANDERBILT REHABILITATION AND CARE CENTER - AUDIT #09-1618
RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES) - NURSING FACILITY

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE BACK %	RATE PERIODS		
					2006	2007	2008
Property Expense Allowed per HE-12B					\$ 994,346	\$ 1,180,711	\$ 1,419,141
Less Disallowances/(Allowances):							
1. MOVABLE EQUIPMENT DEPRECIATION DISALLOWANCES							
a) Costs not related to patient care are costs that are not appropriate or necessary or proper in developing and maintaining the operation of patient care facilities and activities. Only costs properly chargeable to necessary patient care are allowable. The Facility included an ice machine purchase in movable equipment in 2005, however, the payment was later canceled. Consequently, the associated depreciation expense was disallowed. Regulations: 10 NYCRR Sections 86-2.17(a) & (d), PRM-1 Section 2102.3							
	ME Depr.	002	100	96.29%	.	96	
	ME Depr.	002	200	95.59%			191
b) The Bureau of Long Term Care Reimbursement (BLTCR) has determined the nature of telephone expense to be an operating expense. Since the expense is included in the formula to determine the base, mean, and ceiling prices used to establish the indirect expense corridor, the reimbursement of telephone depreciation expense in the 2007 and 2008 property component amounts to duplicate reimbursement. Consequently, disallowances were necessary. Regulations: 10 NYCRR Sections 86-2.17(a) & (d)							
	ME Depr.	002	805	96.29%		775	
	ME Depr.	002	4,746	95.59%			4,537
2. AUTOMOBILE EXPENSE DISALLOWANCES							
Providers receiving payments on the basis of reimbursable costs are required to provide adequate cost data based on financial and statistical records that can be verified on audit. The cost information must be current, accurate, and in sufficient detail. The Facility did not document all reported auto expenses and was unable to substantiate patient care related use of the automobiles. Consequently, disallowances were necessary. Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.3, 2105.9, 2300, & 2304							
	Auto Ins.	006	5,706	95.31%	5,438		
	Auto Ins.	006	8,926	94.78%		8,460	
	Auto Ins.	006	9,027	94.50%			8,531
	Rent A	006	8,080	95.31%	7,701		
	Rent C	006	8,971	94.78%		8,503	
	Rent C	006	8,454	94.50%			7,989
3. SALES TAX EXPENSE DISALLOWANCES							
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 cost information must be current, accurate, and in sufficient detail. The Facility calculated sales tax on total purchases including certain purchases not subject to sales tax. Audited sales tax expense varied from the expense allowed in the promulgated rates resulting in disallowances. Regulations: 10 NYCRR Sections 86-2.10(a) & 86-2.17(a), PRM-1 Sections 2300 & 2304							
	Sales Tax	005	45,126	87.31%	39,400		
	Sales Tax	005	44,113	82.79%		36,521	
	Sales Tax	005	28,858	81.95%			23,649

NEW VANDERBILT REHABILITATION AND CARE CENTER - AUDIT #09-1618
RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES) - NURSING FACILITY

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE BACK %	RATE PERIODS		
					2006	2007	2008
4. RETURN ON AND RETURN OF EQUITY ADJUSTMENTS							
The real property historical costs and cumulative real property reimbursement that were used to calculate the returns on and of equity in the 2006 through 2008 rates were adjusted to reflect audited amounts. In addition, the useful life reported beginning rate year 2007 was the same as rate year 2006. The useful life was corrected on audit. As a result, the return on and return of real property equity were adjusted accordingly. (See Exhibit VII for calculations).							
	Ret. of Equity	001	4,065	95.08%	3,865		
	Ret. on Equity	001	995	95.08%	946		
	Ret. of Equity	001	(37,217)	94.50%		(35,170)	
	Ret. on Equity	003	3,945	94.50%		3,728	
	Ret. of Equity	001	(51,714)	94.21%			(48,720)
	Ret. on Equity	003	9,233	94.21%			8,698
Regulations: 10 NYCRR Sections 86-2.17(a) & (d) & 86-2.21							
5. WORKING CAPITAL INTEREST EXPENSE DISALLOWANCE							
Allowable costs shall not include any interest charged related to rate determination or penalty imposed by governmental agencies or courts, and the costs of policies obtained solely to insure against the imposition of such a penalty. Interest expense imposed by the New York State Commissioner of Taxation, an assessment by the New York State Department of Labor, and interest due to the Internal Revenue Service were disallowed.							
Regulation: 10 NYCRR Section 86-2.17(g)							
6. PROPERTY INSURANCE EXPENSE ADJUSTMENTS							
a) Providers receiving payments on the basis of reimbursable costs are required to provide adequate cost data based on financial and statistical records that can be verified on audit. Cost data must be current, accurate, and in sufficient detail. Audited boiler insurance expense varied from the expense allowed in the rate resulting in adjustments.							
Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.2, 2300, & 2304							
	Prop. Ins.	005	1,292	87.31%	1,128		
	Prop. Ins.	005	138	82.79%		114	
	Boiler Ins.	005	(1,048)	87.31%	(915)		
b) The Facility's January 1, 2006 through December 31, 2008 rates included insurance premiums for loss of business income. This type of 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. Since this insurance premium is not allowable as a property insurance cost, the expense was disallowed.							
Regulations: 10 NYCRR Sections 86-2.10(g), 86-2.17(a) & (d), & 455.5, PRM-1 Sections 2161 & 2806.2							
	Prop. Ins.	005	11,746	87.31%	10,255		
	Prop. Ins.	005	12,544	82.79%		10,385	
	Prop. Ins.	005	12,580	81.95%			10,309
	Boiler Ins.	005	706	87.31%	618		
	Boiler Ins.	005	721	94.78%		684	
	Boiler Ins.	005	712	94.50%			672
7. MOVEABLE EQUIPMENT RENT EXPENSE DISALLOWANCE							
The Facility's lease agreement for building, furniture, and equipment was determined to be non-arms length and was, therefore, not recognized by the BLTCR. Instead, the Facility received a return on real property equity. As a result, rental payments for furniture and equipment were disallowed in the 2008 rate year.							
Regulations: 10 NYCRR Sections 86-2.21(c), 86-2.26(a), BLTCR Rate Methodology							
	Rent E	051	80,000	100.00%			80,000

NEW VANDERBILT REHABILITATION AND CARE CENTER - AUDIT #09-1618
RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES) - NURSING FACILITY

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE BACK %	RATE PERIODS		
					2006	2007	2008
8. REVERSAL OF INTEREST INCOME OFFSET							
Reported interest income was appropriately offset against working capital interest expense in the 2006 promulgated rate. However, adjustment #5 disallowed all interest expense. Consequently, it was necessary to reverse the offset of interest income in the 2006 rate computation. Regulation: 10 NYCRR Section 86-2.20(c)	WCI Exp.	005	(52)	87.31%	(45)		
Property Expense Disallowances/(Allowances)					\$ 70,440	\$ 34,096	\$ 95,856
TOTAL AUDITED PROPERTY EXPENSE - NURSING FACILITY					\$ 923,906	\$ 1,146,615	\$ 1,323,285

NEW VANDERBILT REHABILITATION AND CARE CENTER - AUDIT #09-1618
RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES) - VENTILATOR UNIT

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE BACK %	RATE PERIODS		
					2006	2007	2008
Property Expense Allowed per HE-12B					\$ 202,590	\$ 338,841	\$ 349,401
Less Disallowances/(Allowances):							
1. MOVABLE EQUIPMENT DEPRECIATION DISALLOWANCES							
a) Costs not related to patient care are costs that are not appropriate or necessary or proper in developing and maintaining the operation of patient care facilities and activities. Only costs properly chargeable to necessary patient care are allowable. The Facility included an ice machine purchase in movable equipment in 2005, however, the payment was later canceled. Consequently, the associated depreciation expense was disallowed. Regulations: 10 NYCRR Sections 86-2.17(a) & (d), PRM-1 Section 2102.3							
	ME Depr.	002	100	3.71%		4	
	ME Depr.	002	200	4.41%			9
b) The BLTCR has determined the nature of telephone expense to be an operating expense. Since the expense is included in the formula to determine the base, mean, and ceiling prices used to establish the indirect expense corridor, the reimbursement of telephone depreciation expense in the 2007 and 2008 property component amounts to duplicate reimbursement. Consequently, disallowances were necessary. Regulations: 10 NYCRR Sections 86-2.17(a) & (d)							
	ME Depr.	002	805	3.71%		30	
	ME Depr.	002	4,746	4.41%			209
2. AUTOMOBILE EXPENSE DISALLOWANCES							
Providers receiving payments on the basis of reimbursable costs are required to provide adequate cost data based on financial and statistical records that can be verified on audit. The cost information must be current, accurate, and in sufficient detail. The Facility did not document all reported auto expenses and was unable to substantiate patient care related use of the automobiles. Consequently, disallowances were necessary. Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.3, 2105.9, 2300, & 2304							
	Auto Ins.	006	5,706	4.69%	268		
	Auto Ins.	006	8,926	5.22%		466	
	Auto Ins.	006	9,027	5.50%			496
	Rent A	006	8,080	4.69%	379		
	Rent C	006	8,971	5.22%		468	
	Rent C	006	8,454	5.50%			465
3. SALES TAX EXPENSE DISALLOWANCES							
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 cost information must be current, accurate, and in sufficient detail. The Facility calculated sales tax on total purchases including certain purchases not subject to sales tax. Audited sales tax expense varied from the expense allowed in the promulgated rates resulting in disallowances. Regulations: 10 NYCRR Sections 86-2.10(a) & 86-2.17(a), PRM-1 Sections 2300 & 2304							
	Sales Tax	005	45,126	12.69%	5,726		
	Sales Tax	005	44,113	17.21%		7,592	
	Sales Tax	005	28,858	18.05%			5,209

NEW VANDERBILT REHABILITATION AND CARE CENTER - AUDIT #09-1618
RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES) - VENTILATOR UNIT

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE BACK %	RATE PERIODS		
					2006	2007	2008
4. RETURN ON AND RETURN OF EQUITY ADJUSTMENTS							
The real property historical costs and cumulative real property reimbursement that were used to calculate the returns on and of equity in the 2006 through 2008 rates were adjusted to reflect audited amounts. In addition, the useful life reported beginning rate year 2007 was the same as rate year 2006. The useful life was corrected on audit. As a result, the return on and return of real property equity were adjusted accordingly. (See Exhibit VII for calculations).	Ret. of Equity	001	4,065	4.92%	200		
	Ret. on Equity	001	995	4.92%	49		
	Ret. of Equity	001	(37,217)	5.50%		(2,047)	
	Ret. on Equity	003	3,945	5.50%		217	
	Ret. of Equity	001	(51,714)	5.79%			(2,994)
	Ret. on Equity	003	9,233	5.79%			535
Regulations: 10 NYCRR Sections 86-2.17(a) & (d) & Section 86-2.21							
5. WORKING CAPITAL INTEREST EXPENSE DISALLOWANCE							
Allowable costs shall not include any interest charged related to rate determination or penalty imposed by governmental agencies or courts, and the costs of policies obtained solely to insure against the imposition of such a penalty. Interest expense imposed by the New York State Commissioner of Taxation, an assessment by the New York State Department of Labor, and interest due to the Internal Revenue Service were disallowed.	WCI Exp.	005	2,349	12.69%	298		
Regulation: 10 NYCRR Section 86-2.17(g)							
6. PROPERTY INSURANCE EXPENSE ADJUSTMENTS							
a) Providers receiving payments on the basis of reimbursable costs are required to provide adequate cost data based on financial and statistical records that can be verified on audit. Cost data must be current, accurate, and in sufficient detail. Audited boiler insurance expense varied from the expense allowed in the rate resulting in adjustments.	Prop. Ins.	005	1,292	12.69%	164		
	Prop. Ins.	005	138	17.21%		24	
	Boiler Ins.	005	(1,048)	12.69%	(133)		
Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.2, 2300, & 2304							
b) The Facility's January 1, 2006 through December 31, 2008 rates included insurance premiums for loss of business income. This type of 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. Since this insurance premium is not allowable as a property insurance cost, the expense was disallowed.	Prop. Ins.	005	11,746	12.69%	1,491		
	Prop. Ins.	005	12,544	17.21%		2,159	
	Prop. Ins.	005	12,580	18.05%			2,271
	Boiler Ins.	005	706	12.69%	90		
	Boiler Ins.	006	721	5.22%		37	
	Boiler Ins.	006	712	5.50%			40
Regulations: 10 NYCRR Sections 86-2.10(g), 86-2.17(a) & (d), & 455.5, PRM-1 Sections 2161 & 2806.2							
c) Schedule VI of the promulgated 2006 ventilator unit rates included the incorrect traceback percentage of zero for boiler insurance. The traceback percentage was revised resulting in an allowance.	Boiler Ins.	005	(1,059)	12.69%	(134)		
Regulations: 10 NYCRR Section 86.2.17(a), PRM-1 Section 2102.2							

NEW VANDERBILT REHABILITATION AND CARE CENTER - AUDIT #09-1618
 RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008
 PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES) - VENTILATOR UNIT

7. REVERSAL OF INTEREST INCOME OFFSET

Reported interest income was appropriately offset against working capital interest expense in the 2006 promulgated rate. However, adjustment #5 disallowed all interest expense. Consequently, it was necessary to reverse the offset of interest income in the 2006 rate computation.
 Regulation: 10 NYCRR Section 86-2.20(c)

<u>DESCRIPTION</u>	<u>COST</u> <u>CTR.</u>	<u>DISALLOWED</u> <u>(ALLOWED)</u>	<u>TRACE</u> <u>BACK %</u>	<u>RATE PERIODS</u>		
				<u>2006</u>	<u>2007</u>	<u>2008</u>
WCI Exp.	005	(52)	12.69%	(7)		
				<u>\$ 8,391</u>	<u>\$ 8,950</u>	<u>\$ 6,240</u>
TOTAL AUDITED PROPERTY EXPENSE - VENTILATOR UNIT				<u>\$ 194,199</u>	<u>\$ 329,891</u>	<u>\$ 343,161</u>

Property Expense Disallowances/(Allowances)
 TOTAL AUDITED PROPERTY EXPENSE - VENTILATOR UNIT

NEW VANDERBILT REHABILITATION AND CARE CENTER - AUDIT #09-1618
RATE PERIOD JANUARY 1, 2006 THROUGH DECEMBER 31, 2008
PER DIEM DISALLOWANCES - VENTILATOR UNIT
REDUCTION IN NURSING AND OBRA PER DIEM ADD-ON ADJUSTMENTS

The Facility received Nursing and OBRA per diem add-ons in their 1/1/06 through 12/31/08 Medicaid rates. The Nursing per diem was added to recognize increases in nursing cost between 1987 and 1988 for facilities with operating base periods prior to 1988. The OBRA per diem was added to recognize various Federally mandated direct expenses for facilities with operating base periods prior to 4/1/91. The Facility's ventilator unit operating base period covered 2/1/02 through 1/31/03. So the increased nursing costs and Federally mandated expenditures were included in its base period direct operating costs. Therefore, the per diem add-ons for this Facility's ventilator unit should only have replaced amounts that were cut by direct cost ceiling limitations in the applicable rate calculations. Since the Facility's ventilator unit direct costs were not held to a ceiling, the per diem add-ons were not necessary. Consequently, the Nursing and OBRA per diem add-ons were disallowed.

Regulations: 10 NYCRR Sections 86-2.10(r), 86-2.10(u), & 86-2.17(a), BLTCR Rate Setting Policy

	RATE PERIODS											
	<u>01/01/06</u>	<u>03/01/06</u>	<u>04/01/06</u>	<u>06/01/06</u>	<u>09/01/06</u>	<u>12/01/06</u>	<u>01/01/07</u>	<u>04/01/07</u>	<u>07/01/07</u>	<u>11/01/07</u>	<u>01/01/08</u>	<u>04/01/08</u>
Nursing Per Diem Adjustment	\$ 0.83	\$ 0.83	\$ 0.83	\$ 0.83	\$ 0.83	\$ 0.83	\$ 0.85	\$ 0.85	\$ 0.85	\$ 0.85	\$ 0.87	\$ 0.86
OBRA Per Diem Adjustment	0.81	0.81	0.81	0.81	0.81	0.81	0.83	0.83	0.83	0.83	0.85	0.84
Total Per Diem Add-Ons	<u>\$ 1.64</u>	<u>\$ 1.68</u>	<u>\$ 1.68</u>	<u>\$ 1.68</u>	<u>\$ 1.68</u>	<u>\$ 1.72</u>	<u>\$ 1.70</u>					
Direct Cost Ceiling Per Diem Reduction	-	-	-	-	-	-	-	-	-	-	-	-
Disallowance to Per Diem Add-Ons	<u>\$ 1.64</u>	<u>\$ 1.68</u>	<u>\$ 1.68</u>	<u>\$ 1.68</u>	<u>\$ 1.68</u>	<u>\$ 1.72</u>	<u>\$ 1.70</u>					

NEW VANDERBILT REHABILITATION AND CARE CENTER - AUDIT #09-1618
RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008
RETURN ON AND RETURN OF REAL PROPERTY EQUITY DISALLOWANCES/(ALLOWANCES)

	RATE PERIODS		
	<u>2006</u>	<u>2007</u>	<u>2008</u>
<u>Return of Equity Calculation</u>			
Real Property Historical Cost per HE-12B	\$6,312,551	\$6,391,935	\$7,043,505
Repair & maintenance items	24,393	26,832	32,399
Invoices never paid			58,538
Not paid within twelve months			8,220
Audit Disallowances/(Allowances)	<u>24,393</u>	<u>26,832</u>	<u>99,157</u>
Audited Historical Cost	\$6,288,158	\$6,365,103	\$6,944,348
Less: Accumulated Reimbursement	<u>4,669,359</u>	<u>4,939,159</u>	<u>5,224,348</u>
Audited Net Equity	\$1,618,799	\$1,425,944	\$1,720,000
Remaining Useful Life	<u>6</u>	<u>5</u>	<u>4</u>
Audited Return of Equity	\$ 269,800	\$ 285,189	\$ 430,000
Promulgated Return of Equity	<u>273,865</u>	<u>247,972</u>	<u>378,286</u>
Disallowance/(Allowance)	<u>\$ 4,065</u>	<u>\$ (37,217)</u>	<u>\$ (51,714)</u>
<u>Return on Equity Calculation</u>			
Audited Net Equity	\$1,618,799	\$1,425,944	\$1,720,000
Less: ½ Current Return of Equity	<u>134,900</u>	<u>142,595</u>	<u>215,000</u>
Audited Net Investment	\$1,483,899	\$1,283,349	\$1,505,000
Rate of Return	<u>4.45%</u>	<u>4.90%</u>	<u>4.68%</u>
Audited Return on Equity	\$ 66,034	\$ 62,884	\$ 70,434
Promulgated Return on Equity	<u>67,029</u>	<u>66,829</u>	<u>79,667</u>
Disallowance/(Allowance)	<u>\$ 995</u>	<u>\$ 3,945</u>	<u>\$ 9,233</u>