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

ANDREW M. CUOMO
GOVERNOR

JAMES C. COX
MEDICAID INSPECTOR GENERAL

June 26, 2012

[redacted]
Fieldston Lodge Care Center
666 Kappock Street
Bronx, NY 10463

Re: Medicaid Rate Audit #09-4131
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 Fieldston Lodge Care Center's (the "Facility") Medicaid rates for the rate period September 1, 2003 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 June 6, 2011 and the amendment letter to draft audit report dated October 4, 2011, 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 $476,412 to the total Medicaid overpayment shown in the draft audit report. Your response also identified issues concerning the understatement of a benefit time accrual and workers compensation costs, which were not raised in the draft audit report. In accordance with 18 NYCRR Section 517.5, objections may be raised only to the specific items contained in the draft audit report. Consequently, this issue was not considered. 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 $3,544,871. 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 September 1, 2003 through August 30, 2004 base period for operating expense. Any overpayment resulting from operating expense disallowances in the September 1, 2003 through August 30, 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 2266
File #09-4131
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, White Plains
Bureau of Rate Audit
Office of the Medicaid Inspector General

Enclosure

Attachments:
ATTACHMENT A - Facility Draft Report Comments and OMIG Response
ATTACHMENT B - Summary of Changes from Draft Audit Report to Final Audit 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 - Operating Expense Disallowances/(Allowances) – Ventilator Unit
EXHIBIT V - Property Expense Disallowances/(Allowances) – Nursing Facility
EXHIBIT VI - Property Expense Disallowances/(Allowances) – Ventilator Unit
EXHIBIT VII - Per Diem Disallowances
EXHIBIT VIII - Correction of Patient Days

EXHIBIT IX - Return on and Return of Real Property Equity Disallowances/(Allowances) – Nursing Facility
EXHIBIT X - Return on and Return of Real Property Equity Disallowances/(Allowances) – Ventilator Unit

CERTIFIED MAIL # [redacted]
RETURN RECEIPT REQUESTED

Ver-16.0

NEW YORK STATE
OFFICE OF THE MEDICAID INSPECTOR GENERAL
REMITTANCE ADVICE

NAME AND ADDRESS OF AUDITEE	NPI #: [redacted] PROVIDER #: [redacted]
FIELDSTON LODGE CARE CENTER 666 KAPPOCK STREET BRONX, NEW YORK 10463	AUDIT #09-4131
AMOUNT DUE: $3,544,871	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 2266
File #09-1431
Albany, New York 12237-0048

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

CORRECT PROVIDER NUMBER

FIELDSTON LODGE CARE CENTER - AUDIT #09-4131
OMIG RESPONSE TO PROVIDER DRAFT REPORT COMMENTS

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 for the final audit report.

EXHIBIT III & IV COMMENTS

Adjustment #2/NF/Vent – Disallowance of Unsubstantiated Expense

Facility Comment
The Facility wishes to take exception to portions of the adjustment based upon unsubstantiated expenses. A detailed schedule with documentation is attached indicating the specific portions of the adjustment which we take exception to.

OMIG Response
The documentation provided by the Facility substantiated only portions of the disallowed expenses. The OMIG has determined that the substantiated charges are related to patient care and, therefore, allowable. It was also determined that some of the substantiated expenses were improperly classified. These charges were reclassified to the proper cost center. In an amendment letter to the draft audit report dated October 4, 2011, the facility was notified of the reclassifications. The Facility responded to the amendment letter on November 8, 2011 and indicated that they had no objection to the reclassifications. The reclassifications were addressed in operating adjustments #11/NF, #10/Vent of the final audit report.

Disposition: The draft report disallowances were reduced.

Adjustment #3/NF – Disallowance of Laboratory and Radiology Expense

Facility Comment
The adjustment to Radiology and Laboratory in the amount of $15,789 and $2,996 respectively is based upon the premise that the expense did not apply to Medicaid patients and should therefore be disallowed. We disagree with the adjustment. The expense was properly reported and verified by the auditors. To attempt to distinguish specifically which residents received these services is contrary to the rate setting methodology. The costs reported were necessary and appropriate and should be allowable.

OMIG Response
The Bureau of Long Term Care Reimbursement does, in fact, make distinctions based on recipient eligibility in determining reimbursement rate methodology. The HE-12B rate computation sheet clearly indicates the ancillary services for which the Facility is authorized by the Department of Health to claim reimbursement from the Medicaid program. In this case, radiology and laboratory expenses are specifically excluded from the Medicaid rate. In addition, as stated in the draft report, the "expenses" recorded were for the lab and radiology Medicare Part A "technical component" portion of the charges. Payment to the third party lab or radiologist is merely a pass through of the Medicare technical component income (billed and received by the Facility) that is payable to the lab/radiologist. Consequently, it is not truly an expense incurred by the Facility.

Disposition: The draft report disallowance remains the same.

Adjustment #4/NF, #3/Vent – Expense not Applicable to Base Period

Facility Comment
The Facility wishes to take exception to a portion of the adjustment related to expenses not related to the base period. Attached is a detailed schedule indicating the specific portions of the adjustment we take exception to.

(Additional comment following a conference call with OMIG auditors)
The Facility wishes Reliable Health System purchased prior to the base period to be reclassified to the movable equipment account and to receive the depreciation.

OMIG Response
The Reliable Health System purchase was an expense of the prior owner. The Facility is not entitled to depreciation on equipment it did not purchase.

Disposition: The draft report disallowance remains the same.

Adjustment #5/NF, #4/Vent – Expense Not Related to Patient Care

Facility Comment
The Facility wishes to take exception to a portion of the adjustment related to expenses not related to patient care. Attached is a detail schedule indicating the specific portions of the adjustment we take exception to.

OMIG Response
The documentation provided by the Facility substantiated that portions of the disallowed expenses are related to patient care. The draft report disallowances were adjusted accordingly.

Disposition: The draft report disallowance was reduced.

Adjustment #6/NF, #5/Vent – Disallowance of Expense Not Paid

Facility Comment
The Facility wishes to take exception to portions of the adjustment based upon lack of documented payment. A detail schedule with documentation is attached indicating the specific portions of the adjustment which we take exception to.

OMIG Response
The documentation provided by the Facility substantiated that portions of the disallowed expenses were paid. The draft report disallowances were adjusted accordingly.

Disposition: The draft report disallowance was reduced.

Adjustment #8/NF, #7/Vent – Offset of Income and Discounts

Facility Comment
The Facility wishes to take exception to a portion of the adjustment related to income offsets and or discounts. The auditors have incorrectly assumed that figures included in our pharmacy invoice were reductions of the invoices not recorded. The reality is that these amounts which are indicated on the invoices for Emergency box charges and Stock medication charges are not credits. A detail schedule is attached for your reference.

OMIG Response
The Facility received a 30% retroactive discount of $234,409 on total ChemRx Pharmacy purchases for the base period September 1, 2003 through August 31, 2004. Only $214,711 of the discount was applied to the base period expenses. The disallowance of $19,698 represents the difference.

Disposition: The draft report disallowance remains the same.

Adjustment #10/NF, #9/Vent – Disallowance of Worker's Compensation Expense

Facility Comment
The Facility wishes to take exception to this adjustment in its entirety. The workers compensation expenses reported by the facility were correct. Attached is documentation to support this claim.

(Additional comment in response to the amendment letter to the draft audit report)
We are trying to locate the documentation in regards to the workers compensation expense along with the additional audit that was performed. We will forward this documentation under an additional cover.

OMIG Response
There was no documentation attached to the Facility's response for this adjustment. At a later date, the Facility provided one invoice for an expense that was not included in the reported expense. Therefore, no reduction in the OMIG audit disallowance is warranted.

Disposition: The draft report disallowance remains the same.

Adjustment #11/NF, #10/Vent – Reclassification of Expense

Facility Comment
None

OMIG Response
The documentation provided by the Facility for unsubstantiated expenses disallowed in operating adjustment #2 revealed that certain expenses were improperly classified. Charges for maintenance supplies were reclassified to the Plant Operations and Maintenance cost center (006). Charges for movable equipment were capitalized. The depreciation allowance is reflected in property adjustments #2(b)/NF, #9/Vent.

Disposition: The draft report reclassifications increased.

EXHIBIT V & VI COMMENTS

Adjustment #1c/NF/Vent – Rental Expense

Facility Comment
The Facility wishes to take exception to the adjustment related to a lack of documentation. The Facility has provided the auditors with a copy of the lease in question. The lease was for the equipment and improvements within the building as of the date of transfer of ownership. Should the lease payments not be recognized, the Facility feels at a minimum, the depreciation that would have continued to be reimbursed had there not been a transfer of ownership should then continue.

OMIG Response
The Facility has not provided a lease agreement for the movable equipment in question.

Disposition: The draft report disallowance remains the same.

Adjustment #1d/NF/Vent – Rental Expense

Facility Comment
The Facility wishes to take exception to this adjustment. The rental payments were audited and verified by the auditors. They were also reported in the correct time periods as verified by the auditors. The reimbursement system needs to simply flow from there. This adjustment is attempting to disallow reimbursement essentially to correct what the auditors perceive as a flaw in the reimbursement system. No attempt was made by the auditors to determine if the Facility had properly reported any rental costs in periods prior to the transfer of ownership that were not fully reimbursed. To do the opposite is inconsistent with the regulations.

OMIG Response
A review of the Facility's documents and the HE-12B rate computation sheets indicates that the disputed invoices were reported in both the based period (9/1/03-8/31/04) cost report and the 2004 cost report, resulting in duplicate reimbursement in rate year 2006. For this reason, no reduction in the OMIG audit disallowance is warranted.

Disposition: The draft report disallowance remains the same.

Adjustment #1f/NF/Vent – Rental Expense

Facility Comment
The Facility wishes to take exception to a portion of the adjustment related to lack of documentation. Attached is a detail schedule of the portions we wish to take exception to.

OMIG Response
The documentation provided by the Facility substantiated only portions of the disallowed expenses. The OMIG has determined that the substantiated charges are related to patient care and, therefore, allowable. The draft report disallowances were adjusted accordingly.

Disposition: The draft report disallowance was reduced.

Adjustment #1g/NF/Vent – Rental Expense

Facility Comment
The Facility wishes to take exception to this adjustment. The rental payments were audited and verified by the auditors. They were also reported in the correct time periods as verified by the auditors. The reimbursement system needs to simply flow from there. This adjustment is attempting to disallow reimbursement essentially to correct what the auditors perceive as a flaw in the reimbursement system. No attempt was made by the auditors to determine if the Facility had properly reported any rental costs in periods prior to the transfer of ownership that were not fully reimbursed. To do the opposite is inconsistent with the regulations.

OMIG Response
Capital cost reimbursement methodology allows actual capital costs based on a two year lag. However, in the case of a new base period, first year capital costs are typically used for a period of three rate years in order to establish the two year lag required by regulation. In certain instances, this will cause the over reimbursement of expense. As rate methodology regulations allow reimbursement of actual costs incurred, the excess reimbursement is corrected on audit. For this reason, no reduction in the OMIG audit disallowance is warranted.

Disposition: The draft report disallowance remains the same.

Adjustment #5/NF, #4/Vent – Sales Tax Expense

Facility Comment
The Facility wishes to take exception to this adjustment in its entirety. The Facility provided the detail of the amounts reported as sales tax expense to the auditors at the time of the audit. A copy of the detail is attached.

OMIG Response
The documentation provided by the Facility in the response to the draft audit report substantiated disallowed sales tax expense. However, the OMIG determined that the Facility was reimbursed sales tax in both the property per diem and operating per diem of the 2006 through 2008 rates, resulting in duplicate reimbursement. In an amendment letter to the draft audit report dated October 4, 2011, the Facility was notified of the adjustments to eliminate the duplicate reimbursement. The Facility responded to the amendment letter on November 8, 2011 and indicated that they had no objection to the revised adjustments. The disallowance of sales tax in the operating component of the rate is reflected in operating adjustments #15/NF and #14/Vent.

Disposition: The draft report disallowance was reduced.

Adjustment #6/NF, #5/Vent – Real Property Depreciation Expense

Facility Comment
The Facility wishes to take exception to portions of this adjustment. Attached is a detail schedule of the portions we wish to take exception to.

OMIG Response
The documentation provided by the Facility properly substantiated real property depreciation for the contested portions of the adjustment. The draft report disallowances were adjusted accordingly.

Disposition: The draft report disallowance was reduced.

EXHIBIT VII COMMENTS

Facility Comment

As we did not receive revised rate sheets with the draft audit report package, the Facility wishes to reserve its right to take exception upon verification of the final rates after any revisions based upon the documentation being provided with this package that the facility is below the ceiling.

OMIG Response

The Facility's rights to contest errors made in the rate calculation process are enumerated in 10 NYCRR Section 86-2.14.

Disposition: The draft report disallowance remains the same.

FIELDSTON LODGE CARE CENTER

SUMMARY OF CHANGES FROM DRAFT REPORT TO FINAL REPORT - AUDIT #09-4131

	Rate Period	Cost Center	Description	Draft Disallowance (Allowance)	Change	Final Disallowance (Allowance)
EXHIBIT III - OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES) - NURSING FACILITY						
2. DISALLOWANCE OF UNSUBSTANTIATED EXPENSE	9/1/03-12/31/08	005	Admin Svc.	$ 4,339	$ (4,339)	$ -
	9/1/03-12/31/08	006	Plant Oper.	43,258	(40,048)	3,210
	9/1/03-12/31/08	011	Patient Food	2,882	(2,882)	-
	9/1/03-12/31/08	013	Nursing Admin.	7,851	-	7,851
	9/1/03-12/31/08	043	Central Svc.	8,267	(6,749)	1,518
5. EXPENSE NOT RELATED TO PATIENT CARE	9/1/03-12/31/08	004	Fiscal Svc.	134	-	134
	9/1/03-12/31/08	005	Admin Svc.	5,029	(755)	4,274
	9/1/03-12/31/08	006	Plant Oper.	282	-	282
	9/1/03-12/31/08	009	Laundry	35	-	35
	9/1/03-12/31/08	010	Housekeeping	678	-	678
	9/1/03-12/31/08	011	Patient Food	1,012	-	1,012
	9/1/03-12/31/08	013	Nursing Admin.	1,737	-	1,737
	9/1/03-12/31/08	014	Activities	262	-	262
	9/1/03-12/31/08	017	Med. Dir. Office	102	-	102
	9/1/03-12/31/08	019	Medical Record	3	-	3
	9/1/03-12/31/08	021	Social Svc.	434	-	434
	9/1/03-12/31/08	039	Physical Ther.	279	-	279
	9/1/03-12/31/08	040	Occup. Ther.	129	-	129
	9/1/03-12/31/08	043	Central Svc.	107	-	107
	9/1/03-12/31/08	051	Nursing Facility	4,957	-	4,957
6. DISALLOWANCE OF EXPENSE NOT PAID	9/1/03-12/31/08	005	Admin Svc.	11,458	(9,247)	2,211
	9/1/03-12/31/08	042	Pharmacy	16,000	-	16,000
7. DISALLOWANCE OF NON-RECURRING EXPENSE	9/1/03-12/31/03	017	Med. Dir. Office	-	11,000	11,000
	1/1/04-8/31/04	017	Med. Dir. Office	-	-	-
	9/1/04-12/31/04	017	Med. Dir. Office	11,000	(11,000)	-
11. RECLASSIFICATION OF EXPENSE	9/1/03-12/31/08	005	Admin Svc.	(3,008)	-	(3,008)
	9/1/03-12/31/08	006	Plant Oper.	17,445	(1,927)	15,518
	9/1/03-12/31/08	011	Patient Food	-	2,394	2,394
	9/1/03-12/31/08	042	Pharmacy	4,000	-	4,000
	9/1/03-12/31/08	043	Central Svc.	10,410	1,927	12,337
15. SALES TAX DISALLOWANCE	1/1/07-12/31/08	004	Fiscal Svc.	-	3,280	3,280
	1/1/07-12/31/08	005	Admin Svc.	-	5,795	5,795
	1/1/07-12/31/08	006	Plant Oper.	-	18,615	18,615
	1/1/07-12/31/08	006	Utilities	-	10,690	10,690
	1/1/07-12/31/08	009	Laundry	-	636	636
	1/1/07-12/31/08	010	Housekeeping	-	13,848	13,848
	1/1/07-12/31/08	011	Patient Food	-	5,328	5,328
	1/1/07-12/31/08	013	Nursing Admin.	-	519	519
	1/1/07-12/31/08	014	Activities	-	127	127
	1/1/07-12/31/08	021	Social Svc.	-	4	4
	1/1/07-12/31/08	043	Central Svc.	-	20,810	20,810

FIELDSTON LODGE CARE CENTER

SUMMARY OF CHANGES FROM DRAFT REPORT TO FINAL REPORT - AUDIT #09-4131

	Rate Period	Cost Center	Description	Draft Disallowance (Allowance)	Change	Final Disallowance (Allowance)
EXHIBIT IV - OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES) - VENTILATOR UNIT						
2. DISALLOWANCE OF UNSUBSTANTIATED EXPENSE	9/1/03-12/31/08	005	Admin Svc.	$ 4,339	$ (4,339)	$ -
	9/1/03-12/31/08	006	Plant Oper.	43,258	(40,048)	3,210
	9/1/03-12/31/08	011	Patient Food	2,882	(2,882)	-
	9/1/03-12/31/08	013	Nursing Admin.	7,851	-	7,851
	9/1/03-12/31/08	043	Central Svc.	8,267	(6,749)	1,518
4. EXPENSE NOT RELATED TO PATIENT CARE	9/1/03-12/31/08	004	Fiscal Svc.	134	-	134
	9/1/03-12/31/08	005	Admin Svc.	5,029	(755)	4,274
	9/1/03-12/31/08	006	Plant Oper.	282	-	282
	9/1/03-12/31/08	009	Laundry	35	-	35
	9/1/03-12/31/08	010	Housekeeping	678	-	678
	9/1/03-12/31/08	011	Patient Food	1,012	-	1,012
	9/1/03-12/31/08	013	Nursing Admin.	1,737	-	1,737
	9/1/03-12/31/08	014	Activities	262	-	262
	9/1/03-12/31/08	017	Med. Dir. Office	102	-	102
	9/1/03-12/31/08	019	Medical Record	3	-	3
	9/1/03-12/31/08	021	Social Svc.	434	-	434
	9/1/03-12/31/08	039	Physical Ther.	279	-	279
	9/1/03-12/31/08	040	Occup. Ther.	129	-	129
	9/1/03-12/31/08	043	Central Svc.	107	-	107
	9/1/03-12/31/08	074	L.T. Vent	641	-	641
5. DISALLOWANCE OF EXPENSE NOT PAID	9/1/03-12/31/08	005	Admin Svc.	11,458	(9,247)	2,211
	9/1/03-12/31/08	042	Pharmacy	16,000	-	16,000
6. DISALLOWANCE OF NON-RECURRING EXPENSE	9/1/03-12/31/03	017	Med. Dir. Office	-	11,000	11,000
	1/1/04-8/31/04	017	Med. Dir. Office	-	-	-
	9/1/04-12/31/04	017	Med. Dir. Office	11,000	(11,000)	-
10. RECLASSIFICATION OF EXPENSE	9/1/03-12/31/08	005	Admin Svc.	(3,008)	-	(3,008)
	9/1/03-12/31/08	006	Plant Oper.	17,445	(1,927)	15,518
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	9/1/03-12/31/08	042	Pharmacy	4,000	-	4,000
	9/1/03-12/31/08	043	Central Svc.	10,410	1,927	12,337
15. SALES TAX DISALLOWANCE	1/1/07-12/31/08	004	Fiscal Svc.	-	3,280	3,280
	1/1/07-12/31/08	005	Admin Svc.	-	5,795	5,795
	1/1/07-12/31/08	006	Plant Oper.	-	18,615	18,615
	1/1/07-12/31/08	006	Utilities	-	10,690	10,690
	1/1/07-12/31/08	009	Laundry	-	636	636
	1/1/07-12/31/08	010	Housekeeping	-	13,848	13,848
	1/1/07-12/31/08	011	Patient Food	-	5,328	5,328
	1/1/07-12/31/08	013	Nursing Admin.	-	519	519
	1/1/07-12/31/08	014	Activities	-	127	127
	1/1/07-12/31/08	021	Social Svc.	-	4	4
	1/1/07-12/31/08	043	Central Svc.	-	20,810	20,810

FIELDSTON LODGE CARE CENTER

SUMMARY OF CHANGES FROM DRAFT REPORT TO FINAL REPORT - AUDIT #09-4131

	Rate Period	Cost Center	Description	Draft Disallowance (Allowance)	Change	Final Disallowance (Allowance)
EXHIBIT V - PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES) - NURSING FACILITY						
1f. RENTAL EXPENSE	2008	004	Rent B	$ 7,311	$ (7,311)	$ -
	2008	005	Rent C	7,134	-	7,134
	2007	006	Rent D	1,185	(1,185)	-
	2008	006	Rent D	5,979	(5,979)	-
	2008	009	Rent E	33,000	(33,000)	-
	2006	039	Rent H	1,520	-	1,520
	2008	043	Rent I	15,875	(15,875)	-
2b. MOVABLE EQUIPMENT DEPRECIATION EXPENSE	9/1/03-12/31/05	002	ME Depr.	-	(120)	(120)
	2006	002	ME Depr.	-	(239)	(239)
	1/1/07-12/31/08	002	ME Depr.	-	(239)	(239)
5. SALES TAX EXPENSE	9/1/03-12/31/05	005	Sales Tax	6,422	(6,422)	-
	2006	005	Sales Tax	18,967	(6,822)	12,145
	2007	005	Sales Tax	96,910	(96,910)	-
	2008	005	Sales Tax	103,338	(103,338)	-
6. REAL PROPERTY DEPRECIATION EXPENSE	2007	001	Bldg. Depr.	46,819	(38,323)	8,496
	2008	001	Bldg. Depr.	54,284	(40,399)	13,885
EXHIBIT VI - PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES) - VENTILATOR UNIT						
1f. RENTAL EXPENSE	2008	004	Rent B	$ 7,311	$ (7,311)	$ -
	2008	005	Rent C	7,134	-	7,134
	2007	006	Rent D	1,185	(1,185)	-
	2008	006	Rent D	5,979	(5,979)	-
	2008	009	Rent E	33,000	(33,000)	-
	2006	035	Rent H	7,684	(550)	7,134
	2007	035	Rent H	26,125	-	26,125
	2006	039	Rent H	1,520	-	1,520
	2006	074	Rent I	79,562	-	79,562
	2008	043	Rent I	15,875	(15,875)	-
4. SALES TAX EXPENSE	9/1/03-12/31/05	005	Sales Tax	6,422	(6,422)	-
	2006	005	Sales Tax	18,967	(6,822)	12,145
	2007	005	Sales Tax	96,910	(96,910)	-
	2008	005	Sales Tax	103,338	(103,338)	-
5. REAL PROPERTY DEPRECIATION EXPENSE	2007	001	Bldg. Depr.	46,819	(38,323)	8,496
	2008	001	Bldg. Depr.	54,284	(40,399)	13,885
9. MOVABLE EQUIPMENT DEPRECIATION EXPENSE	9/1/03-12/31/05	002	ME Depr.	-	(120)	(120)
	2006	002	ME Depr.	-	(239)	(239)
	1/1/07-12/31/08	002	ME Depr.	-	(239)	(239)

FIELDSTON LODGE CARE CENTER
RATE PERIODS SEPTEMBER 1, 2003 THROUGH DECEMBER 31, 2008
SUMMARY OF PER DIEM IMPACT AND MEDICAID OVERPAYMENT

NURSING FACILITY RATE PERIOD	ISSUED PART B & D NON-ELIGIBLE RATES*	FINAL PART B & D NON-ELIGIBLE RATES	RATE DECREASE (INCREASE)	MEDICAID DAYS	MEDICAID OVERPAYMENT
09/01/03 - 09/30/03	$203.15	$197.90	$5.25	4,531	$ 23,788
10/01/03 - 12/31/03	204.87	199.61	5.26	14,515	76,349
01/01/04 - 03/31/04	208.93	203.68	5.25	14,760	77,490
04/01/04 - 06/30/04	211.49	206.18	5.31	14,841	78,806
07/01/04 - 09/30/04	212.28	206.99	5.29	15,201	80,413
10/01/04 - 12/31/04	212.66	207.35	5.31	15,503	82,321
01/01/05 - 03/31/05	217.05	210.89	6.16	13,982	86,129
04/01/05 - 06/30/05	219.62	213.47	6.15	13,206	81,217
07/01/05 - 09/30/05	220.77	214.64	6.13	13,059	80,052
10/01/05 - 12/31/05	219.36	213.24	6.12	13,503	82,638
01/01/06 - 03/31/06	232.18	224.70	7.48	13,909	104,039
04/01/06 - 12/31/06	230.63	223.18	7.45	41,800	311,410
01/01/07 - 03/31/07	236.99	229.59	7.40	14,361	106,271
04/01/07 - 06/30/07	235.67	228.31	7.36	14,836	109,193
07/01/07 - 12/31/07	233.46	226.10	7.36	29,710	218,666
01/01/08 - 03/31/08	243.90	232.36	11.54	15,160	174,946
04/01/08 - 06/30/08	239.49	228.01	11.48	14,420	165,542
07/01/08 - 12/31/08	243.89	232.41	11.48	29,121	334,309
MEDICAID OVERPAYMENT- NURSING FACILITY					$ 2,273,579
VENTILATOR UNIT					
09/01/03 - 09/30/03	$564.42	$511.16	$53.26	286	$ 15,232
10/01/03 - 12/31/03	563.17	510.07	53.10	898	47,684
01/01/04 - 03/31/04	580.45	524.29	56.16	904	50,769
04/01/04 - 09/30/04	579.25	523.27	55.98	1,934	108,265
10/01/04 - 12/31/04	578.22	522.34	55.88	924	51,633
01/01/05 - 12/31/05	597.33	539.44	57.89	3,621	209,620
01/01/06 - 03/31/06	619.90	534.30	85.60	587	50,247
04/01/06 - 12/31/06	618.51	533.05	85.46	2,855	243,988
01/01/07 - 03/31/07	627.75	554.22	73.53	892	65,589
04/01/07 - 06/30/07	624.16	551.00	73.16	804	58,821
07/01/07 - 12/31/07	620.94	547.78	73.16	1,551	113,471
01/01/08 - 03/31/08	646.50	569.53	76.97	720	55,418
04/01/08 - 12/31/08	641.78	565.32	76.46	2,623	200,555
MEDICAID OVERPAYMENT - VENTILATOR UNIT					$ 1,271,292
TOTAL MEDICAID OVERPAYMENT					**$ 3,544,871**

* 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.

FIELDSTON LODGE CARE CENTER
RATE PERIODS SEPTEMBER 1, 2003 THROUGH DECEMBER 31, 2008
SUMMARY OF MEDICAID RATES AUDITED

The nursing facility's Medicaid utilization was approximately 89 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.

RATE PERIOD	Issued Medicare Part B & D Non-Eligible Rates *
NURSING FACILITY	
09/01/03 - 09/30/03	$ 203.15
10/01/03 - 12/31/03	204.87
01/01/04 - 03/31/04	208.93
04/01/04 - 06/30/04	211.49
07/01/04 - 09/30/04	212.28
10/01/04 - 12/31/04	212.66
01/01/05 - 03/31/05	217.05
04/01/05 - 06/30/05	219.62
07/01/05 - 09/30/05	220.77
10/01/05 - 12/31/05	219.36
01/01/06 - 03/31/06	232.18
04/01/06 - 12/31/06	230.63
01/01/07 - 03/31/07	236.99
04/01/07 - 06/30/07	235.67
07/01/07 - 12/31/07	233.46
01/01/08 - 03/31/08	243.90
04/01/08 - 12/31/08	239.49
VENTILATOR UNIT	
09/01/03 - 09/30/03	$ 564.42
10/01/03 - 12/31/03	563.17
01/01/04 - 03/31/04	580.45
04/01/04 - 09/30/04	579.25
10/01/04 - 12/31/04	578.22
01/01/05 - 12/31/05	597.33
01/01/06 - 03/31/06	619.90
04/01/06 - 12/31/06	618.51
01/01/07 - 03/31/07	627.75
04/01/07 - 06/30/07	624.16
07/01/07 - 12/31/07	620.94
01/01/08 - 03/31/08	646.50
04/01/08 - 12/31/08	641.78

* 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.

FIELDSTON LODGE CARE CENTER
RATE PERIODS SEPTEMBER 1, 2003 THROUGH DECEMBER 31, 2008
OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES) - NURSING FACILITY

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	OPERATING EXPENSE COMPONENT 09/01/03-12/31/06 DIRECT	01/01/07-12/31/08 DIRECT	09/01/03-12/31/2006 INDIRECT	01/01/07-12/31/08 INDIRECT	OPERATING EXPENSE COMPONENT 09/01/03-12/31/03 NON-COMP.	01/01/04-12/31/04 NON-COMP.	01/01/05-12/31/06 NON-COMP.	01/01/07-12/31/08 NON-COMP.
Operating Expense Allowed per HE-12B					$ 8,659,437	$ 8,659,437	$ 4,064,760	$ 4,064,760	$ 714,958	$ 714,958	$ 714,958	$ 394,522
Less Disallowances/(Allowances):												
1. DISALLOWANCE OF SALARY ACCRUAL												
An adjusting journal entry made on August 31, 2004 to accrue salaries was overstated as the calculation included an extra day that was not part of the base period. Consequently, the overstated amount was disallowed. **Regulations: 10 NYCRR Sections 86-2.4 and 86-2.17(a)**	Fiscal Svc.	004	326	88.05%			287	287				
	Admin Svc.	005	2,710	88.05%			2,386	2,386				
	Plant Oper.	006	529	97.47%			516	516				
	Housekeeping	010	1,451	93.91%			1,363	1,363				
	Patient Food	011	2,370	98.08%			2,324	2,324				
	Nursing Admin.	013	5,221	91.60%	4,782	4,782						
	Activities	014	370	96.24%	356	356						
	Med. Dir. Office	017	171	90.00%					154	154	154	154
	Social Svc.	021	1,164	82.09%	956	956						
	Physical Ther.	039	605	96.52%	584	584						
	Occup. Ther.	040	665	98.82%	657	657						
	Central Svc.	043	211	90.39%	191	191						
	Nursing Facility	051	11,862	100.00%	11,862	11,862						
2. DISALLOWANCE OF UNSUBSTANTIATED EXPENSE												
The Facility was unable to substantiate charges reported in numerous expense accounts. Facilities are required to provide adequate cost data that can be verified. As a result, the unsubstantiated expenses were disallowed. Certain disallowances were reduced as a result of the Facility's response to the draft audit report. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300 and 2304**	Plant Oper.	006	3,210	97.47%			3,128	3,128				
	Nursing Admin.	013	7,851	91.60%	7,192	7,192						
	Central Svc.	043	1,518	90.39%	1,373	1,373						
3. DISALLOWANCE OF LABORATORY AND RADIOLOGY EXPENSE												
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. Since the expense does not pertain to Medicaid patients, it is not reimbursable under Medicaid program. **Regulations: 10 NYCRR Section 86-2.17(d), HCFA Pub. 60B, Transmittal B-00-67 dated Nov. 27, 2000, Subject: Consolidated Billing for SNF Residents**	Laboratory	031	2,996	100.00%					2,996	2,996	2,996	2,996
	Radiology	034	15,789	100.00%					15,789	15,789	15,789	15,789

FIELDSTON LODGE CARE CENTER
RATE PERIODS SEPTEMBER 1, 2003 THROUGH DECEMBER 31, 2008
OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES) - NURSING FACILITY

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	OPERATING EXPENSE COMPONENT 09/01/03-12/31/06 DIRECT	01/01/07-12/31/08 DIRECT	09/01/03-12/31/2006 INDIRECT	01/01/07-12/31/08 INDIRECT	OPERATING EXPENSE COMPONENT 09/01/03-12/31/03 NON-COMP.	01/01/04-12/31/04 NON-COMP.	01/01/05-12/31/06 NON-COMP.	01/01/07-12/31/08 NON-COMP.
4. EXPENSE NOT APPLICABLE TO BASE PERIOD												
The Facility reported expenses that were not related to the base period used to promulgate the rates under audit. Therefore, the expenses were disallowed. **Regulations: 10 NYCRR Sections 86-2.4 and 2.17(a), PRM-1 Section 2302.1**	Fiscal Svc.	004	2,064	88.05%			1,817	1,817				
	Admin Svc.	005	20,441	88.05%			17,998	17,998				
	Patient Food	011	6,838	98.08%			6,707	6,707				
	Occup. Ther.	040	4,694	98.82%	4,639	4,639						
	Central Svc.	043	5,608	90.39%	5,069	5,069						
5. EXPENSES NOT RELATED TO PATIENT CARE												
Payments to various vendors were verified: however, documentation to substantiate the relationship of these expenses to patient care was not made available. Facilities are required to provide adequate cost data that can be verified, and expenses must be related to patient care. Since the Facility did not substantiate that the expenses were related to patient care, the expenses were disallowed. Certain disallowances were reduced as a result of the Facility's response to the draft audit report. **Regulations: 10 NYCRR Section 86- 2.17(a), PRM-1 Sections 2300 and 2304**	Fiscal Svc.	004	134	88.05%			118	118				
	Admin Svc.	005	4,274	88.05%			3,763	3,763				
	Plant Oper.	006	282	97.47%			275	275				
	Laundry	009	35	94.17%			33	33				
	Housekeeping	010	678	93.91%			637	637				
	Patient Food	011	1,012	98.08%			992	993				
	Nursing Admin.	013	1,737	91.60%	1,591	1,591						
	Activities	014	262	96.24%	252	252						
	Med. Dir. Office	017	102	90.00%					92	92	92	92
	Medical Record	019	3	90.09%			3	3				
	Social Svc.	021	434	82.09%	356	356						
	Physical Ther.	039	279	96.52%	269	269						
	Occup. Ther.	040	129	98.82%	127	127						
	Central Svc.	043	107	90.39%	97	97						
	Nursing Facility	051	4,957	100.00%	4,957	4,957						
6. DISALLOWANCE OF EXPENSES NOT PAID												
Expenses reported in various expense accounts were not paid within one year after the end of the cost reporting period. In fact, there is no evidence that they were ever paid. Consequently, these expenses were disallowed. Certain disallowances were reduced as a result of the Facility's response to the draft audit report. **Regulations: 10 NYCRR Section 86- 2.17(a), PRM-1 Section 2305**	Admin Svc.	005	2,211	88.05%			1,947	1,947				
	Pharmacy	042	16,000	90.04%	14,406	14,406						
7. DISALLOWANCE OF NON-RECURRING EXPENSE												
Medical staff physician expense was reported in the base period. This expense was not incurred in subsequent years. To attain proper reimbursement for the Facility, the expense is allowed in the rate year 2004, the first full calendar year for the period under audit, and disallowed in all previous and subsequent rate periods. **Regulations: 10 NYCRR Section 86- 2.17(d), PRM-1 Section 2102.1**	Med. Dir. Office	017	11,000	90.00%					9,900		9,900	9,900

FIELDSTON LODGE CARE CENTER
RATE PERIODS SEPTEMBER 1, 2003 THROUGH DECEMBER 31, 2008
OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES) - NURSING FACILITY

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	OPERATING EXPENSE COMPONENT 09/01/03-12/31/06 DIRECT	01/01/07-12/31/08 DIRECT	09/01/03-12/31/2006 INDIRECT	01/01/07-12/31/08 INDIRECT	OPERATING EXPENSE COMPONENT 09/01/03-12/31/03 NON-COMP.	01/01/04-12/31/04 NON-COMP.	01/01/05-12/31/06 NON-COMP.	01/01/07-12/31/08 NON-COMP.
8. OFFSET OF INCOME AND DISCOUNTS												
The Facility received a refund for Federal Unemployment Insurance and various other discounts that were not offset against reported expenses. Consequently, the refund and the discounts were offset against the related expense. **Regulations: 10 NYCRR Section 86- 2.18(a), PRM-1 Sections 800 and 802.1**	Fiscal Svc.	004	30	88.05%			27	27				
	Admin Svc.	005	1,067	88.05%			940	940				
	Plant Oper.	006	63	97.47%			61	61				
	Laundry	009	8	94.17%			8	8				
	Housekeeping	010	151	93.91%			142	142				
	Patient Food	011	225	98.08%			221	221				
	Nursing Admin.	013	387	91.60%	354	354						
	Activities	014	58	96.24%	56	56						
	Med. Dir. Office	017	23	90.00%					20	20	20	20
	Medical Record	019	1	90.09%			1	1				
	Social Svc.	021	97	82.09%	80	80						
	Physical Ther.	039	62	96.52%	60	60						
	Occup. Ther.	040	29	98.82%	29	29						
	Central Svc.	043	21,942	90.39%	19,833	19,833						
	Nursing Facility	051	1,105	100.00%	1,105	1,105						
9. DISALLOWANCE OF OTHER NURSING HOME EXPENSES												
The Facility reported costs that were related to another nursing home. Documentation to substantiate the relationship of the cost to this Facility's patient care was not made available. Therefore, this cost was disallowed. **Regulations: 10 NYCRR Sections 86- 2.17(a) & (d), PRM-1 Sections 2300 and 2304**	Admin Svc.	005	11,773	88.05%			10,366	10,366				
10. DISALLOWANCE OF WORKER'S COMPENSATION EXPENSE												
Workers' compensation expense determined per audit varied from the Facility's reported expense, resulting in disallowances in various cost centers. The Facility is required to provide cost data that is current, accurate, and in sufficient detail. Consequently, the overstated expense was disallowed. **Regulation: 10 NYCRR Sections 86- 2.17(a) & (d), PRM-1 Sections 2300 and 2304**	Fiscal Svc.	004	644	88.05%			567	567				
	Admin Svc.	005	1,459	88.05%			1,285	1,285				
	Plant Oper.	006	1,371	97.47%			1,336	1,336				
	Laundry	009	173	94.17%			163	163				
	Housekeeping	010	3,290	93.91%			3,090	3,090				
	Patient Food	011	4,909	98.08%			4,815	4,815				
	Nursing Admin.	013	8,431	91.60%	7,723	7,723						
	Activities	014	1,271	96.24%	1,223	1,223						
	Med. Dir. Office	017	498	90.00%					448	448	448	448
	Medical Record	019	19	90.09%			17	17				
	Social Svc.	021	2,107	82.09%	1,730	1,730						
	Physical Ther.	039	1,353	96.52%	1,306	1,306						
	Occup. Ther.	040	629	98.82%	622	622						
	Central Svc.	043	520	90.39%	470	470						
	Nursing Facility	051	24,059	100.00%	24,059	24,059						

FIELDSTON LODGE CARE CENTER
RATE PERIODS SEPTEMBER 1, 2003 THROUGH DECEMBER 31, 2008
OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES) - NURSING FACILITY

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	OPERATING EXPENSE COMPONENT 09/01/03-12/31/06 DIRECT	OPERATING EXPENSE COMPONENT 01/01/07-12/31/08 DIRECT	OPERATING EXPENSE COMPONENT 09/01/03-12/31/2006 INDIRECT	OPERATING EXPENSE COMPONENT 01/01/07-12/31/08 INDIRECT	OPERATING EXPENSE COMPONENT 09/01/03-12/31/03 NON-COMP.	OPERATING EXPENSE COMPONENT 01/01/04-12/31/04 NON-COMP.	OPERATING EXPENSE COMPONENT 01/01/05-12/31/06 NON-COMP.	OPERATING EXPENSE COMPONENT 01/01/07-12/31/08 NON-COMP.
11. RECLASSIFICATION OF EXPENSE												
The Facility reported rental expense and movable equipment expense as an operating expense in various cost centers. They also reported administrative consulting fees and maintenance supplies as a direct operating expense. Adjustments were made to reclassify the costs to the proper functional reporting cost center. See corresponding property expense Adjustment #1b & 2b. Certain disallowances were adjusted as a result of the Facility's response to the draft audit report. **Regulations: 10 NYCRR Sections 86- 2.10(c), (d) & (g) and 455.6**	Admin Svc.	005	(3,008)	88.05%			(2,649)	(2,649)				
	Plant Oper.	006	15,518	97.47%			15,125	15,125				
	Patient Food	011	2,394	98.08%			2,348	2,348				
	Pharmacy	042	4,000	90.04%	3,602	3,602						
	Central Svc.	043	12,337	90.39%	11,151	11,151						
12. DISALLOWANCE OF DONATION EXPENSE												
The Facility paid donations to various organizations. Costs incurred by facilities for gifts or donations to charitable, civic, educational, medical or political entities are not allowable. Therefore, the reported expenses were disallowed. **Regulations: 10 NYCRR Sections 86- 2.17(a), (d) & (i), PRM-1 Section 2105.7**	Admin Svc.	005	34,000	88.05%			29,937	29,937				
13. DISALLOWANCE OF PENALTY EXPENSE												
The Facility reported expenses for penalties. Since penalties are not an allowable expense and the Facility was unable to substantiate the relationship of the charges to patient care, the reported expenses were disallowed. **Regulations: 10 NYCRR Sections 86- 2.17(a), (d) & (g)**	Admin Svc.	005	31,455	88.05%			27,696	27,696				
14. ALLOWANCE OF APPLICATION OF DISCRETE CEILINGS												
The administrator's salary ceiling allowed on the HE-12B was calculated using the incorrect allocation of salaries between the nursing facility and the ventilator unit. The administrator's ceiling was recalculated resulting in a decrease to the original ceiling disallowance. **Regulation: 10 NYCRR Section 86- 2.10(b)(3)(ii)**	Admin Svc.	005	(10,870)	100.00%			(10,870)	(10,870)				

FIELDSTON LODGE CARE CENTER
RATE PERIODS SEPTEMBER 1, 2003 THROUGH DECEMBER 31, 2008
OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES) - NURSING FACILITY

15. SALES TAX DISALLOWANCE

Non-trendable sales tax reported by the provider for cost years 2005 through 2006 was included in the rate years 2007 and 2008 capital component of the rates. The Facility's base period (09/01/2003-08/31/2004) operating expenses also included sales tax expense. Since this base year is used for the operating portion of the year 2007 and 2008 rates, the inclusion of sales tax in the capital portion of these rates resulted in a duplication of reimbursement. In order to eliminate the duplication, the operating base year sales tax expense was disallowed from the year 2007 and 2008 Medicaid rates.
Regulations: 10 NYCRR Sections 86-2.17(a) & (d), Bureau of Long Term Care Reimbursement (BLTCR) Rate Methodology

				OPERATING EXPENSE COMPONENT				OPERATING EXPENSE COMPONENT			
DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	09/01/03-12/31/06 DIRECT	01/01/07-12/31/08 DIRECT	09/01/03-12/31/2006 INDIRECT	01/01/07-12/31/08 INDIRECT	09/01/03-12/31/03 NON-COMP.	01/01/04-12/31/04 NON-COMP.	01/01/05-12/31/06 NON-COMP.	01/01/07-12/31/08 NON-COMP.
Fiscal Svc.	004	3,280	88.05%				2,888				
Admin Svc.	005	5,795	88.05%				5,102				
Plant Oper.	006	18,615	97.47%				18,144				
Utilities	006	10,690	97.47%								10,420
Laundry	009	636	94.17%				599				
Housekeeping	010	13,848	93.91%				13,005				
Patient Food	011	5,328	98.08%				5,226				
Nursing Admin.	013	519	91.60%		475						
Activities	014	127	96.24%		122						
Social Svc.	021	4	82.09%		3						
Central Svc.	043	20,810	90.39%		18,810						
Total Disallowances/(Allowances)				$ 133,119	$ 152,529	$ 128,920	$ 173,885	$ 29,399	$ 19,499	$ 29,399	$ 39,819
AUDITED OPERATING EXPENSE BY COMPONENT				$ 8,526,318	$ 8,506,908	$ 3,935,840	$ 3,890,875	$ 685,559	$ 695,459	$ 685,559	$ 354,703

FIELDSTON LODGE CARE CENTER
RATE PERIODS SEPTEMBER 1, 2003 THROUGH DECEMBER 31, 2008
OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES)- VENTILATOR UNIT

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	OPERATING EXPENSE COMPONENT 09/01/03-12/31/06 DIRECT	01/01/07-12/31/08 DIRECT	09/01/03-12/31/2006 INDIRECT	01/01/07-12/31/08 INDIRECT	OPERATING EXPENSE COMPONENT 09/01/03-12/31/03 NON-COMP.	01/01/04-12/31/04 NON-COMP.	01/01/05-12/31/06 NON-COMP.	01/01/07-12/31/08 NON-COMP.
Operating Expense Allowed per HE-12B					$ 1,005,667	$ 1,005,667	$ 170,665	$ 170,665	$ 631,273	$ 631,273	$ 631,273	$ 622,956
Less Disallowances/(Allowances):												
1. DISALLOWANCE OF SALARY ACCRUAL												
An adjusting journal entry made on August 31, 2004 to accrue salaries was overstated as the calculation included an extra day that was not part of the base period. Consequently, the overstated amount was disallowed. **Regulations: 10 NYCRR Sections 86-2.4 and 86-2.17(a)**	Fiscal Svc.	004	326	11.95%			39	39				
	Admin Svc.	005	2,710	11.95%			324	324				
	Plant Oper.	006	529	2.53%			13	13				
	Housekeeping	010	1,451	6.09%			89	88				
	Patient Food	011	2,370	1.92%			46	46				
	Nursing Admin.	013	5,221	8.40%	439	439						
	Activities	014	370	3.76%	14	14						
	Med. Dir. Office	017	171	10.00%					17	17	17	17
	Social Svc.	021	1,164	17.91%	208	208						
	Physical Ther.	039	605	3.48%	21	21						
	Occup. Ther.	040	665	1.18%	8	8						
	Central Svc.	043	211	9.61%	20	20						
2. DISALLOWANCE OF UNSUBSTANTIATED EXPENSE												
The Facility was unable to substantiate charges reported in numerous expense accounts. Facilities are required to provide adequate cost data that can be verified. As a result, the unsubstantiated expenses were disallowed. Certain disallowances were reduced as a result of the Facility's response to the draft audit report. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300 and 2304**	Plant Oper.	006	3,210	2.53%			82	82				
	Nursing Admin.	013	7,851	8.40%	659	659						
	Central Svc.	043	1,518	9.61%	146	146						
3. DISALLOWANCE OF EXPENSE NOT APPLICABLE TO BASE PERIOD												
The Facility reported expenses that were not related to the base period used to promulgate the rates under audit. Therefore, the expenses were disallowed. **Regulations: 10 NYCRR Sections 86-2.4 and 2.17(a), PRM-1 Section 2302.1**	Fiscal Svc.	004	2,064	11.95%			247	247				
	Admin Svc.	005	20,441	11.95%			2,443	2,443				
	Patient Food	011	6,838	1.92%			131	131				
	Occup. Ther.	040	4,694	1.18%	55	55						
	Central Svc.	043	5,608	9.61%	539	539						

FIELDSTON LODGE CARE CENTER
RATE PERIODS SEPTEMBER 1, 2003 THROUGH DECEMBER 31, 2008
OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES)- VENTILATOR UNIT

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	OPERATING EXPENSE COMPONENT 09/01/03-12/31/06 DIRECT	OPERATING EXPENSE COMPONENT 01/01/07-12/31/08 DIRECT	OPERATING EXPENSE COMPONENT 09/01/03-12/31/2006 INDIRECT	OPERATING EXPENSE COMPONENT 01/01/07-12/31/08 INDIRECT	OPERATING EXPENSE COMPONENT 09/01/03-12/31/03 NON-COMP.	OPERATING EXPENSE COMPONENT 01/01/04-12/31/04 NON-COMP.	OPERATING EXPENSE COMPONENT 01/01/05-12/31/06 NON-COMP.	OPERATING EXPENSE COMPONENT 01/01/07-12/31/08 NON-COMP.
4. EXPENSES NOT RELATED TO PATIENT CARE												
Payments to various vendors were verified; however, documentation to substantiate the relationship of these expenses to patient care was not made available. Facilities are required to provide adequate cost data that can be verified, and expenses must be related to patient care. Since the Facility did not substantiate that the expenses were related to patient care, the expenses were disallowed. Certain disallowances were reduced as a result of the Facility's response to the draft audit report. **Regulations: 10 NYCRR Sections 86- 2.17(a) & (d), PRM-1 Sections 2300 and 2304**	Fiscal Svc.	004	134	11.95%			16	16				
	Admin Svc.	005	4,274	11.95%			511	511				
	Plant Oper.	006	282	2.53%			7	7				
	Laundry	009	35	5.83%			2	2				
	Housekeeping	010	678	6.09%			41	41				
	Patient Food	011	1,012	1.92%			20	19				
	Nursing Admin.	013	1,737	8.40%	146	146						
	Activities	014	262	3.76%	10	10						
	Med. Dir. Office	017	102	10.00%					10	10	10	10
	Medical Record	019	3	9.91%			-	-				
	Social Svc.	021	434	17.91%	78	78						
	Inhalation Ther.	035	602	100.00%					602	602	602	602
	Physical Ther.	039	279	3.48%	10	10						
	Occup. Ther.	040	129	1.18%	2	2						
	Central Svc.	043	107	9.61%	10	10						
	L.T Vent	074	641	100.00%	641	641						
5. DISALLOWANCE OF EXPENSE NOT PAID												
Expenses reported in various expense accounts were not paid within one year after the end of the cost reporting period. In fact, there is no evidence that they were ever paid. Consequently, these expenses were disallowed. Certain disallowances were reduced as a result of the Facility's response to the draft audit report. **Regulations: 10 NYCRR Section 86- 2.17(a), PRM-1 Section 2305**	Admin Svc.	005	2,211	11.95%			264	264				
	Pharmacy	042	16,000	9.96%	1,594	1,594						
6. DISALLOWANCE OF NON-RECURRING EXPENSE												
Medical staff physician expense was reported in the base year. This expense was not incurred in subsequent years. To attain proper reimbursement for the Facility, the expense is allowed in the rate year 2004, the first full calendar year for the period under audit, and disallowed in all previous and subsequent rate periods. **Regulations: 10 NYCRR Section 86- 2.17(d), PRM-1 Section 2102.1**	Med. Dir. Office	017	11,000	10.00%					1,100		1,100	1,100

FIELDSTON LODGE CARE CENTER
RATE PERIODS SEPTEMBER 1, 2003 THROUGH DECEMBER 31, 2008
OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES)- VENTILATOR UNIT

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	OPERATING EXPENSE COMPONENT 09/01/03-12/31/06 DIRECT	OPERATING EXPENSE COMPONENT 01/01/07-12/31/08 DIRECT	OPERATING EXPENSE COMPONENT 09/01/03-12/31/2006 INDIRECT	OPERATING EXPENSE COMPONENT 01/01/07-12/31/08 INDIRECT	OPERATING EXPENSE COMPONENT 09/01/03-12/31/03 NON-COMP.	OPERATING EXPENSE COMPONENT 01/01/04-12/31/04 NON-COMP.	OPERATING EXPENSE COMPONENT 01/01/05-12/31/06 NON-COMP.	OPERATING EXPENSE COMPONENT 01/01/07-12/31/08 NON-COMP.
7. OFFSET OF INCOME AND DISCOUNTS												
The Facility received a refund for Federal Unemployment Insurance and various other discounts that were not offset against reported expenses. Consequently, the refund and the discounts were offset against the related expense. **Regulations: 10 NYCRR Section 86- 2.18(a), PRM-1 Sections 800 and 802.1**	Fiscal Svc.	004	30	11.95%			3	4				
	Admin Svc.	005	1,067	11.95%			127	128				
	Plant Oper.	006	63	2.53%			2	2				
	Laundry	009	8	5.83%			-	-				
	Housekeeping	010	151	6.09%			9	9				
	Patient Food	011	225	1.92%			4	4				
	Nursing Admin.	013	387	8.40%	33	33						
	Activities	014	58	3.76%	2	2						
	Med. Dir. Office	017	23	10.00%					3	2	3	3
	Medical Record	019	1	9.91%			-	-				
	Social Svc.	021	97	17.91%	17	17						
	Inhalation Ther.	035	134	100.00%					134	134	134	134
	Physical Ther.	039	62	3.48%	2	2						
	Occup. Ther.	040	29	1.18%	-	-						
	Central Svc.	043	21,942	9.61%	2,109	2,109						
	L.T Vent	074	143	100.00%	143	143						
8. DISALLOWANCE OF OTHER NURSING HOME EXPENSES												
The Facility reported costs that were related to another nursing home. Documentation to substantiate the relationship of these costs to the Facility's patient care was not made available. Therefore, these costs are disallowed. **Regulations: 10 NYCRR Sections 86- 2.17(a) & (d), PRM-1 Sections 2300 and 2304**	Admin Svc.	005	11,773	11.95%			1,407	1,407				
9. DISALLOWANCE OF WORKERS COMPENSATION EXPENSE												
Audit workers' compensation expense varied from the Facility's reported expense resulting in disallowances in various cost centers. The Facility is required to provide cost data that is current, accurate, and in sufficient detail. Consequently, the overstated expense was disallowed. **Regulations: 10 NYCRR Sections 86- 2.17(a) & (d), PRM-1 Sections 2300 and 2304**	Fiscal Svc.	004	644	11.95%			77	77				
	Admin Svc.	005	1,459	11.95%			174	174				
	Plant Oper.	006	1,371	2.53%			35	35				
	Laundry	009	173	5.83%			10	10				
	Housekeeping	010	3,290	6.09%			200	200				
	Patient Food	011	4,909	1.92%			94	94				
	Nursing Admin.	013	8,431	8.40%	708	708						
	Activities	014	1,271	3.76%	48	48						
	Med. Dir. Office	017	498	10.00%					50	50	50	50
	Medical Record	019	19	9.91%			2	2				
	Social Svc.	021	2,107	17.91%	377	377						
	Inhalation Ther.	035	2,924	100.00%					2,924	2,924	2,924	2,924
	Physical Ther.	039	1,353	3.48%	47	47						
	Occup. Ther.	040	629	1.18%	7	7						
	Central Svc.	043	520	9.61%	50	50						
	L.T Vent	074	3,109	100.00%	3,109	3,109						

FIELDSTON LODGE CARE CENTER
RATE PERIODS SEPTEMBER 1, 2003 THROUGH DECEMBER 31, 2008
OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES)- VENTILATOR UNIT

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	OPERATING EXPENSE COMPONENT 09/01/03-12/31/06 DIRECT	OPERATING EXPENSE COMPONENT 01/01/07-12/31/08 DIRECT	OPERATING EXPENSE COMPONENT 09/01/03-12/31/2006 INDIRECT	OPERATING EXPENSE COMPONENT 01/01/07-12/31/08 INDIRECT	OPERATING EXPENSE COMPONENT 09/01/03-12/31/03 NON-COMP.	OPERATING EXPENSE COMPONENT 01/01/04-12/31/04 NON-COMP.	OPERATING EXPENSE COMPONENT 01/01/05-12/31/06 NON-COMP.	OPERATING EXPENSE COMPONENT 01/01/07-12/31/08 NON-COMP.
10. RECLASSIFICATION OF EXPENSE												
The Facility reported rental expense and movable equipment expense as an operating expense in various cost centers. They also reported administrative consulting fees and maintenance supplies as a direct operating expense. Adjustments were made to reclassify the costs to the proper functional reporting cost center. See corresponding property expense Adjustment #1b & 9a. Certain disallowances were adjusted as a result of the Facility's response to the draft audit report. **Regulations: 10 NYCRR Sections 86- 2.10(c), (d) & (g) and 455.6**	Admin Svc.	005	(3,008)	11.95%			(359)	(359)				
	Plant Oper.	006	15,518	2.53%			393	393				
	Patient Food	011	2,394	1.92%			46	46				
	Pharmacy	042	4,000	9.96%	398	398						
	Central Svc.	043	12,337	9.61%	1,187	1,186						
11. DISALLOWANCE OF DONATION EXPENSE												
The Facility paid donations to various organizations. Costs incurred by facilities for gifts or donations to charitable, civic, educational, medical or political entities are not allowable. Therefore, the reported expenses were disallowed. **Regulations: 10 NYCRR Section 86- 2.17(a), (d) & (i), PRM 1 Section 2105.7**	Admin Svc.	005	34,000	11.95%			4,063	4,063				
12. DISALLOWANCE OF PENALTY EXPENSE												
The Facility reported expenses for penalties. Since penalties are not an allowable expense and the Facility was unable to substantiate the relationship of the charges to patient care, the reported expenses were disallowed. **Regulations: 10 NYCRR Sections 86- 2.17(a), (d), & (g)**	Admin Svc.	005	31,455	11.95%			3,759	3,759				
13. ALLOWANCE OF APPLICATION OF DISCRETE CEILINGS												
The administrator's salary ceiling allowed on the HE-12B was calculated using the incorrect allocation of salaries between the nursing facility and the ventilator unit. The administrator's ceiling was recalculated resulting in a decrease to the original ceiling disallowance. **Regulation: 10 NYCRR Section 86- 2.10(b)(3)(ii)**	Admin Svc.	005	(51,389)	100.00%			(51,389)	(51,389)				

FIELDSTON LODGE CARE CENTER
RATE PERIODS SEPTEMBER 1, 2003 THROUGH DECEMBER 31, 2008
OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES)- VENTILATOR UNIT

14. SALES TAX DISALLOWANCE

Non-trendable sales tax reported by the provider for cost years 2005 through 2006 was included in the rate years 2007 and 2008 capital component of the rates. The Facility's base period (09/01/2003-08/31/2004) operating expenses also included sales tax expense. Since this base year is used for the operating portion of the year 2007 and 2008 rates, the inclusion of sales tax in the capital portion of these rates resulted in a duplication of reimbursement. In order to eliminate the duplication, the operating base year sales tax expense was disallowed from the year 2007 and 2008 Medicaid rates.

Regulations: 10 NYCRR Sections 86-2.17(a) & (d), Bureau of Long Term Care Reimbursement (BLTCR) Rate Methodology

				OPERATING EXPENSE COMPONENT				OPERATING EXPENSE COMPONENT			
DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	09/01/03-12/31/06 DIRECT	01/01/07-12/31/08 DIRECT	09/01/03-12/31/2006 INDIRECT	01/01/07-12/31/08 INDIRECT	09/01/03-12/31/03 NON-COMP.	01/01/04-12/31/04 NON-COMP.	01/01/05-12/31/06 NON-COMP.	01/01/07-12/31/08 NON-COMP.
Fiscal Svc.	004	3,280	11.95%				392				
Admin Svc.	005	5,795	11.95%				693				
Plant Oper.	006	18,615	2.53%				471				
Utilities	006	10,690	2.53%								270
Laundry	009	636	5.83%				37				
Housekeeping	010	13,848	6.09%				843				
Patient Food	011	5,328	1.92%				102				
Nursing Admin.	013	519	8.40%		44						
Activities	014	127	3.76%		5						
Social Svc.	021	4	17.91%		1						
Central Svc.	043	20,810	9.61%		2,000						
Total Disallowances/(Allowances)				$ 12,837	$ 14,886	$ (37,068)	$ (34,530)	$ 4,840	$ 3,739	$ 4,840	$ 5,110
AUDITED OPERATING EXPENSE BY COMPONENT				**$ 992,830**	**$ 990,781**	**$ 207,733**	**$ 205,195**	**$ 626,433**	**$ 627,534**	**$ 626,433**	**$ 617,846**

FIELDSTON LODGE CARE CENTER
RATE PERIODS SEPTEMBER 1, 2003 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES) - NURSING FACILITY

	DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE YEARS 2003	2004	2005	2006	2007	2008
Property Expense Allowed per HE-12B					$ 342,002	$ 342,002	$ 342,002	$ 479,588	$ 775,975	$ 1,167,768
Less Disallowances/(Allowances):										
1. RENTAL EXPENSE										
a. The Facility reported rental expense for a telephone system. The Bureau of Long Term Care Reimbursement (BLTCR) has determined that telephone expense is 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 represents duplicate reimbursement. Consequently, the telephone rental expense was disallowed. **Regulations: 10 NYCRR Sections 86-2.17(a) & (d)**	Rent C	005	12,736	87.13%					11,097	
	Rent C	005	9,937	86.76%						8,621
b. Rental expense reported in the operating component was reclassified to the property component. See corresponding operating expense adjustment #11. Certain disallowances were adjusted as a result of the Facility's response to the draft audit report. **Regulation: 10 NYCRR Section 86-2.10(g)**	Rent A	005	(992)	88.05%		(873)				
	Rent C	006	(17,445)	97.47%	(17,003)	(17,003)	(17,003)			
c. The Facility did not provide adequate documentation to substantiate reported equipment rental expense. Providers who receive payments on the basis of reimbursable cost must provide adequate cost data based on financial and statistical records that can be verified on audit. Consequently, disallowances were necessary. **Regulations: 10 NYCRR Sections 86-2.17 (a) & (d), PRM-1 Sections 2102.2, 2300 and 2304**	Rent C	006	26,704	97.47%	26,028	26,028	26,028			
	Rent C	006	35,605	97.47%				34,704		
	Rent D	006	35,605	97.25%					34,626	34,626
d. Rental expense was overstated as base period expenses were included in both the base period and the 2004 cost year. Therefore, the duplicate rental expense was disallowed. **Regulations: 10 NYCRR Sections 86-2.17 (a) & (d)**	Rent G	043	1,691	90.39%				1,528		
e. The Facility reported expenses that were not related to the base period under audit. As a result, the expenses were disallowed. **Regulations: 10 NYCRR Sections 86-2.4 and 2.17(a), PRM-1 Section 2302.1**	Rent H	039	1,753	96.52%				1,692		

FIELDSTON LODGE CARE CENTER
RATE PERIODS SEPTEMBER 1, 2003 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES) - NURSING FACILITY

	DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE YEARS 2003	2004	2005	2006	2007	2008
1. RENTAL EXPENSE (CONT.)										
f. The Facility was unable to provide supporting documentation for various equipment rentals. Facilities are required to provide adequate cost data that can be verified. Consequently, the expenses were disallowed. Certain disallowances were reduced as a result of the Facility's response to the draft audit report. **Regulations: 10 NYCRR Section 86-2.7, PRM-1 Sections 2300 and 2304**	Rent C	005	7,134	86.76%						6,190
	Rent H	039	1,520	96.52%				1,467		
g. It was determined that the Facility received excess reimbursement due to the fact that the same base period rental expense on certain leases was allowed in multiple rate years. Excess rental expense reimbursement was disallowed in rate years 2004 through 2007. **Regulations: 10 NYCRR Sections 86-2.17(a) and (d)**	Rent A	005	214	88.05%		188				
	Rent A	005	3,619	88.05%			3,186			
	Rent A	005	3,191	88.05%				2,810		
	Rent C	006	1,270	97.47%		1,237				
	Rent C	006	1,524	97.47%			1,485	1,485		
	Rent D	011	3,659	98.08%			3,589			
	Rent D	011	8,592	98.08%				8,427		
	Rent F	011	5,105	98.08%					5,007	
	Rent H	039	2,065	96.52%				1,993		
2. MOVABLE EQUIPMENT DEPRECIATION EXPENSE										
a. Movable equipment depreciation expense was not included in the Nursing Facility's 2003 through 2006 rates. Asset additions were verified on audit and the proper depreciation expense was allowed. **Regulations: 10 NYCRR Section 86-17(a), PRM-1 Section 2102.2**	ME Depr.	002	(404)	97.50%	(394)	(394)	(394)			
	ME Depr.	002	(1,081)	97.50%				(1,054)		
b. Movable equipment expense reported in the operating component was reclassified to the property component. See corresponding operating expense Adjustment #11. This adjustment was added as a result of the Facility's response to the draft audit report. **Regulation: 10 NYCRR Section 86-2.10(g)**	ME Depr.	002	(120)	97.50%	(117)	(117)	(117)			
	ME Depr.	002	(239)	97.50%				(233)		
	ME Depr.	002	(239)	96.91%					(232)	(232)
3. PROPERTY INSURANCE EXPENSE										
Audited property insurance expense varied from the expense allowed in the rate. Facilities are required to provide adequate cost data that can be verified on audit. Consequently, the differences in the expense were disallowed. **Regulations: 10 NYCRR Sections 86-17(a) & (d), PRM-1 Sections 2300 and 2304**	Prop Ins.	006	3,551	97.47%				3,461		

FIELDSTON LODGE CARE CENTER
RATE PERIODS SEPTEMBER 1, 2003 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES) - NURSING FACILITY

	DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE YEARS 2003	2004	2005	2006	2007	2008
4. WORKING CAPITAL INTEREST										
The Facility reported working capital interest incurred on two loans whose proceeds were used to purchase the Facility. Since the loans were not used for operating purposes, the working capital interest was disallowed. **Regulations: 10 NYCRR Sections 86-17(d), 86-2.20(b) & (d)**	WC Interest	001	27,000	97.16%				26,233		
5. SALES TAX EXPENSE										
The Facility was reimbursed sales tax in both the property per diem and operating per diem of the 2006 through 2008 rates, resulting in duplicate reimbursement. Consequently, the duplicate reimbursement was disallowed. Certain disallowances were reduced as a result of the Facility's response to the draft audit report. **Regulations: 10 NYCRR Section 86-2.7 and 2.17(a)&(d), PRM-1 Sections 2300 and 2304**	Sales Tax	005	12,145	88.05%				10,693		
6. REAL PROPERTY DEPRECIATION EXPENSE										
The Facility did not provide adequate documentation to substantiate reported real property depreciation expense. Providers must provide adequate cost data that can be verified on audit. Consequently, the expense was disallowed. Certain disallowances were reduced as a result of the Facility's response to the draft audit report. **Regulations: 10 NYCRR Section 86-2.7, PRM-1 Section 2300 and 2304**	Bldg. Depr.	001	8,496	96.92%					8,234	
	Bldg. Depr.	001	13,885	96.90%						13,455
7. BUILDING RENT										
The Facility's building lease agreement was determined to be non-arms length and was, therefore, not recognized by the Bureau of Long Term Care Reimbursement. Instead, the Facility received a return on real property equity. As a result, building rent expense allowed in the 2008 rate was disallowed. **Regulations: 10 NYCRR Section 86-2.21(c), 86-2.26(a), BLTCR Rate Methodology**	Bldg. Rent	001	240,000	96.90%						232,560

FIELDSTON LODGE CARE CENTER
RATE PERIODS SEPTEMBER 1, 2003 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES) - NURSING FACILITY

	DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE YEARS 2003	2004	2005	2006	2007	2008
8. RETURN ON EQUITY										
Return on equity and return of equity were recalculated using the Medicaid Allowable Transfer Price (MATP) of the real property and revising the remaining useful life of the building. As a result, allowances to Return on Equity were made. Refer to Exhibit IX for details. **Regulations: 10 NYCRR Sections 86-2.21(e)(4) & (6)**	Ret. On Equity	001	(5,629)	97.16%	(5,469)					
	Ret. On Equity	001	(3,564)	97.16%		(3,463)				
	Ret. On Equity	001	(1,142)	97.16%			(1,110)			
9. RESIDUAL REIMBURSEMENT										
The Facility's residual reimbursement was recalculated due to the change in return on and return of equity. This resulted in an increase to the residual in the rate years 2006 through 2008. Allowances were also made in the 2007 rate because the residual was deducted instead of being added and, in the 2008 rate, the residual was omitted. **Regulation: 10 NYCRR Section 86-2.21(e)**	Dir Assign.	001	(571)	97.16%				(555)		
	Dir Assign.	001	(46,709)	96.92%					(45,270)	
	Dir Assign.	001	(23,640)	96.90%						(22,907)
Total Disallowances/(Allowances)					$ 3,045	$ 5,603	$ 15,664	$ 92,651	$ 13,462	$ 272,313
AUDITED PROPERTY EXPENSE					**$ 338,957**	**$ 336,399**	**$ 326,338**	**$ 386,937**	**$ 762,513**	**$ 895,455**

FIELDSTON LODGE CARE CENTER
RATE PERIODS SEPTEMBER 1, 2003 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES) - VENTILATOR UNIT

	DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE YEARS 2003	2004	2005	2006	2007	2008
Property Expense Allowed per HE-12B					$ 126,693	$ 126,606	$ 126,509	$ 114,367	$ 102,832	$ 147,235
Less Disallowances/(Allowances):										
1. RENTAL EXPENSE										
a. The Facility reported rental expense for a telephone system. The Bureau of Long Term Care Reimbursement (BLTCR) has determined that telephone expense is 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 represents duplicate reimbursement. Consequently, the telephone rental expense was disallowed. **Regulations: 10 NYCRR Sections 86-2.17(a) and (d)**	Rent C	005	12,736	12.87%					1,639	
	Rent C	005	9,937	13.24%						1,316
b. Rental expense reported in the operating component was reclassified to the property component. See corresponding operating expense adjustment #10. Certain disallowances were adjusted as a result of the Facility's response to the draft audit report. **Regulation: 10 NYCRR Section 86-2.10(g)**	Rent A	005	(992)	11.95%		(119)				
	Rent C	006	(17,445)	2.53%	(442)	(442)	(442)			
	Rent I	074	(10,410)	100.00%	(10,410)	(10,410)	(10,410)			
c. The Facility did not provide adequate documentation to substantiate reported equipment rental expense. Providers who receive payments on the basis of reimbursable cost must provide adequate cost data based on financial and statistical records that can be verified on audit. Consequently, disallowances were necessary. **Regulations: 10 NYCRR Sections 86-2.17 (a) and (d), PRM-1 Sections 2102.2, 2300 & 2304**	Rent C	006	26,704	2.53%	676	676	676			
	Rent C	006	35,605	2.53%				901		
	Rent D	006	35,605	2.75%					979	979
d. Rental expense was overstated as base period expenses were included in both the base period and the 2004 cost year. Therefore, the duplicate rental expense was disallowed. **Regulations: 10 NYCRR Sections 86-2.17(a) and (d)**	Rent H	035	17,645	100.00%					17,645	
	Rent G	043	1,691	9.61%				163		
e. The Facility reported expenses that were not related to the period base under audit. Consequently, the expenses were disallowed. **Regulations: 10 NYCRR Sections 86-2.4 and 2.17(a), PRM-1 Section 2302.1**	Rent H	039	1,753	3.48%				61		
	Rent I	074	6,013	100.00%	6,013	6,013	6,013			

FIELDSTON LODGE CARE CENTER
RATE PERIODS SEPTEMBER 1, 2003 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES) - VENTILATOR UNIT

	DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE YEARS 2003	2004	2005	2006	2007	2008
1. RENTAL EXPENSE (CONT.)										
f. The Facility was unable to provide supporting documentation for various equipment rentals. Facilities are required to provide adequate cost data that can be verified. Consequently, the expenses were disallowed. Certain disallowances were reduced as a result of the Facility's response to the draft audit report. **Regulations: 10 NYCRR Section 86-2.7, PRM-1 Section 2300**	Rent C	005	7,134	13.24%						944
	Rent H	035	7,134	100.00%					7,134	
	Rent H	035	26,125	100.00%						26,125
	Rent H	039	1,520	3.48%				53		
	Rent I	074	79,562	100.00%				79,562		
g. It was determined that the Facility received excess reimbursement due to the fact that the same base period rental expense on certain leases was allowed in multiple rate years. Excess rental expense reimbursement was disallowed in rate years 2004 through 2007. **Regulations: 10 NYCRR Sections 86-2.17(a) and (d)**	Rent A	005	214	11.95%		26				
	Rent A	005	3,619	11.95%			432			
	Rent A	005	3,191	11.95%				382		
	Rent C	006	1,270	2.53%		33				
	Rent C	006	1,524	2.53%			40	38		
	Rent D	011	3,659	1.92%			70			
	Rent D	011	8,592	1.92%				165		
	Rent F	011	5,105	1.92%					98	
	Rent H	035	8,420	100.00%					8,420	
	Rent H	035	6,399	100.00%						6,399
	Rent H	039	2,065	3.48%				72		
2. PROPERTY INSURANCE EXPENSE										
Audited property insurance expense varied from the expense allowed in the rate. Facilities are required to provide adequate cost data that can be verified on audit. Consequently, the differences in the expense were disallowed. **Regulations: 10 NYCRR Sections 86-17(a) and (d), PRM-1 Sections 2300 and 2304**	Prop Ins.	006	3,551	2.53%				90		
3. WORKING CAPITAL INTEREST EXPENSE										
The Facility reported working capital interest incurred on two loans whose proceeds were used to purchase the Facility. Since the loans were not used for operating purposes, the working capital interest was disallowed. **Regulations: 10 NYCRR Sections 86-17(d), 86-2.20(b) and (d)**	WC Interest	001	27,000	2.84%				766		
4. SALES TAX EXPENSE										
The Facility was reimbursed sales tax in both the property per diem and operating per diem of the 2006 through 2008 rates, resulting in duplicate reimbursement. Consequently, the duplicate reimbursement was disallowed. Certain disallowances were reduced as a result of the Facility's response to the draft audit report. **Regulations: 10 NYCRR Section 86-2.7 and 2.17(a) & (d), PRM-1 Sections 2300 and 2304**	Sales Tax	005	12,145	11.95%				1,451		

FIELDSTON LODGE CARE CENTER
RATE PERIODS SEPTEMBER 1, 2003 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES) - VENTILATOR UNIT

	DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE YEARS 2003	2004	2005	2006	2007	2008
5. REAL PROPERTY DEPRECIATION EXPENSE										
The Facility did not provide adequate documentation to substantiate reported real property depreciation expense. Providers must provide adequate cost data that can be verified on audit. Consequently, the expense was disallowed. Certain disallowances were reduced as a result of the Facility's response to the draft audit report. **Regulations: 10 NYCRR Section 86-2.7 and 2.17(a)&(d), PRM-1 Section 2300 and 2304**	Bldg. Depr.	001	8,496	3.08%					262	
	Bldg. Depr.	001	13,885	3.10%						430
6. BUILDING RENT										
The Facility's building lease agreement was determined to be non-arms length and was, therefore, not recognized by the Bureau of Long Term Care Reimbursement. Instead, the Facility received a return on real property equity. As a result, building rent expense allowed in the 2008 rate was disallowed. **Regulations: 10 NYCRR Section 86-2.21(c), 86-2.26(a), BLTCR Rate Methodology**	Bldg. Rent	001	240,000	3.10%						7,440
7. RETURN ON EQUITY										
Return on equity and return of equity were recalculated using the Medicaid Allowable Transfer Price (MATP) of the real property and revising the remaining useful life of the building. As a result, adjustments to the return on equity were made. Refer to Exhibit X for details. **Regulations: 10 NYCRR Sections 86-2.21(e)(4) and (6)**	Ret.On Equity	001	834	2.84%	24					
	Ret.On Equity	001	(154)	2.84%		(4)				
	Ret.On Equity	001	(1,142)	2.84%			(32)			
	Ret.On Equity	001	79,877	2.84%				2,269		
8. RESIDUAL REIMBURSEMENT										
The Facility's residual reimbursement was recalculated due to the change in return on and return of equity. This resulted in an increase to the residual in the rate years 2006 through 2008. Allowances were also made in the 2007 rate because the residual was deducted instead of being added and, in the 2008 rate, the residual was omitted. Consequently, allowances to the residual reimbursement were made. **Regulation: 10 NYCRR Section 86-2.21(e)**	Dir Assign.	001	(571)	2.84%				(16)		
	Other	001	(46,709)	3.08%					(1,439)	
	Other	001	(23,640)	3.10%						(733)
9. MOVABLE EQUIPMENT DEPRECIATION EXPENSE										
Movable equipment expense reported in the operating component was reclassified to the property component. See corresponding operating expense Adjustment #10. This adjustment was added as a result of the Facility's response to the draft audit report. **Regulation: 10 NYCRR Section 86-2.10(g)**	ME Depr.	002	(120)	2.50%	(3)	(3)	(3)			
	ME Depr.	002	(239)	2.50%				(6)		
	ME Depr.	002	(239)	3.09%					(7)	(7)
Total Disallowances/(Allowances)					$ (4,142)	$ (4,230)	$ (3,656)	$ 85,951	$ 34,731	$ 42,893
AUDITED PROPERTY EXPENSE					**$ 130,835**	**$ 130,836**	**$ 130,165**	**$ 28,416**	**$ 68,101**	**$ 104,342**

FIELDSTON LODGE CARE CENTER
RATE PERIODS SEPTEMBER 1, 2003 THROUGH DECEMBER 31, 2008
PER DIEM DISALLOWANCES

REDUCTION IN NURSING, OBRA, AND GLOVES PER DIEM ADD-ON ADJUSTMENTS

The Facility received Nursing, OBRA, and Gloves per diem add-ons in its 9/1/2003 through 12/31/2008 Medicaid rates. The Nursing per diem was added to recognize increases in nursing costs 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 Gloves per diem was added to recognize a Federal mandate for glove supplies for facilities with operating base periods prior to 4/1/94.

This facility's operating base period was 9/1/03 through 8/31/04, so the increased nursing costs and Federally mandated expenditures were included in its base period direct operating costs. The per diem add-ons for the Facility should only have replaced amounts that were cut by direct cost ceiling limitations in the applicable rate calculations; however, the Facility did not have ceiling limitations. Consequently, the Nursing, OBRA, and Gloves per diem add-ons were disallowed.

Regulations: 10 NYCRR Sections 86-2.10(r) and (u), 86-2.17(a), Bureau of Long Term Care Reimbursement Rate Setting Policy

	RATE PERIODS						
NURSING FACILITY	**9/1/03**	**1/1/04**	**1/1/05**	**1/1/06**	**1/1/07**	**1/1/08**	**4/1/08**
OBRA Per Diem Adjustment	$ 0.74	$ 0.76	$ 0.78	$ 0.81	$ 0.83	$ 0.85	$ 0.84
Gloves Per Diem Adjustment	0.24	0.25	0.26	0.27	0.28	0.29	0.28
Disallowance to Per Diem Add-Ons	$ 0.98	$ 1.01	$ 1.04	$ 1.08	$ 1.11	$ 1.14	$ 1.12

	RATE PERIODS						
VENTILATOR UNIT	**9/1/03**	**1/1/04**	**1/1/05**	**1/1/06**	**1/1/07**	**1/1/08**	**4/1/08**
Nursing Per Diem Adjustment	$ 0.77	$ 0.79	$ 0.81	$ 0.84	$ 0.86	$ 0.89	$ 0.88
OBRA Per Diem Adjustment	0.74	0.76	0.78	0.81	0.83	0.85	0.84
Disallowance to Per Diem Add-Ons	$ 1.51	$ 1.55	$ 1.59	$ 1.65	$ 1.69	$ 1.74	$ 1.72

FIELDSTON LODGE CARE CENTER
RATE PERIODS SEPTEMBER 1, 2003 THROUGH DECEMBER 31, 2008
CORRECTION OF PATIENT DAYS

The audit of patient day statistics disclosed that reported patient days were not correctly used in the rate periods September 1, 2003 through December 31, 2008. The following adjustments were necessary to include the proper days in the rate calculation.
Regulation: 10 NYCRR Section 86-2.8(c)

NURSING FACILITY

PROPERTY COMPONENT	RATE YEARS 2004	2005	2006
Patient Days in Promulgated Rates	66,555	62,415	64,445
Patient Days per Audit	66,138	66,138	66,555
Increase/(Decrease) in Patient Days	(417)	3,723	2,110

VENTILATOR UNIT

OPERATING COMPONENT	RATE PERIOD 9/1/03- 12/31/08
Patient Days in Promulgated Rates	3,285
Patient Days per Audit	3,680
Increase/(Decrease) in Patient Days	395

PROPERTY COMPONENT	RATE YEARS 2004	2005	2006
Patient Days in Promulgated Rates	3,694	3,688	3,608
Patient Days per Audit	3,680	3,680	3,694
Increase/(Decrease) in Patient Days	(14)	(8)	86

EXHIBIT IX

FIELDSTON LODGE CARE CENTER
RATE PERIODS SEPTEMBER 1, 2003 THROUGH DECEMBER 31, 2008
RETURN ON AND RETURN OF REAL PROPERTY EQUITY DISALLOWANCES/(ALLOWANCES)
NURSING FACILITY

	RATE PERIODS		
Return of Equity Calculation	**2003**	**2004**	**2005**
Real Property Historical Cost per HE-12B	$ 1,794,990	$ 1,794,990	$ 1,794,990
Audit Disallowances/(Allowances)	(50,510)	(50,510)	(50,510)
Audited Historical Cost - MATP	$ 1,845,500	$ 1,845,500	$ 1,845,500
Less: Accumulated Reimbursement	1,707,088	1,753,225	1,799,363
Audited Net Equity	$ 138,412	$ 92,275	$ 46,138
Remaining Useful Life	3	2	1
Audited Return of Equity	$ 46,138	$ 46,138	$ 46,138
Promulgated Return of Equity	46,138	46,138	46,138
Disallowances/(Allowances)	$ -	$ -	$ -
Return on Equity Calculation			
Audited Net Equity	$ 138,412	$ 92,275	$ 46,138
Less: ½ Current Return of Equity	23,069	23,069	23,069
Audited Net Investment	$ 115,343	$ 69,206	$ 23,069
Rate of Return	4.88%	5.15%	4.95%
Audited Return on Equity	$ 5,629	$ 3,564	$ 1,142
Promulgated Return on Equity	-	-	-
Disallowances/(Allowances)	$ (5,629)	$ (3,564)	$ (1,142)

EXHIBIT X

FIELDSTON LODGE CARE CENTER
RATE PERIODS SEPTEMBER 1, 2003 THROUGH DECEMBER 31, 2008
RETURN ON AND RETURN OF REAL PROPERTY EQUITY DISALLOWANCES/(ALLOWANCES)
VENTILATOR UNIT

	RATE PERIODS			
Return of Equity Calculation	**2003**	**2004**	**2005**	**2006**
Real Property Historical Cost per HE-12B	$ 1,794,990	$ 1,794,990	$ 1,794,990	$ 1,794,990
Audit Disallowances/(Allowances)	(50,510)	(50,510)	(50,510)	(50,510)
Audited Historical Cost - MATP	$ 1,845,500	$ 1,845,500	$ 1,845,500	$ 1,845,500
Less: Accumulated Reimbursement	1,707,088	1,753,225	1,799,363	1,845,500
Audited Net Equity	$ 138,412	$ 92,275	$ 46,138	$ -
Remaining Useful Life	3	2	1	0
Audited Return of Equity	$ 46,138	$ 46,138	$ 46,138	$ -
Promulgated Return of Equity	46,138	46,138	46,138	-
Disallowances/(Allowances)	$ -	$ -	$ -	$ -
Return on Equity Calculation				
Audited Net Equity	$ 138,412	$ 92,275	$ 46,138	$ -
Less: ½ Current Return of Equity	23,069	23,069	23,069	-
Audited Net Investment	$ 115,343	$ 69,206	$ 23,069	$ -
Rate of Return	4.88%	5.15%	4.95%	4.45%
Audited Return on Equity	$ 5,629	$ 3,564	$ 1,142	$ -
Promulgated Return on Equity	$ 6,463	$ 3,410	$ -	$ 79,877
Disallowances/(Allowances)	$ 834	$ (154)	$ (1,142)	$ 79,877