



STATE OF NEW YORK
OFFICE OF THE MEDICAID INSPECTOR GENERAL
800 North Pearl Street
Albany, New York 12204

ANDREW M. CUOMO
GOVERNOR

JAMES C. COX
MEDICAID INSPECTOR GENERAL

June 4, 2013

[REDACTED]
Campbell Hall Rehabilitation Center, Inc.
23 Kiernan Road
Campbell Hall, New York 10916

Re: Medicaid Rate Audit #08-1384
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 Campbell Hall Rehabilitation Center's (the "Facility") Medicaid rates for the rate period November 1, 2001 through December 31, 2007. In accordance with 18 NYCRR Section 517.6, this report represents the OMIG's final determination on issues raised in the draft audit report.

In response to the draft audit report dated December 14, 2012, 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 \$389,823 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 \$1,231,247. This overpayment is subject to Department of Health (the "DOH") and Division of Budget (the "DOB") final approval. While not anticipated, any difference between the calculated overpayment and the final DOH and DOB approved amount will be resolved with the Facility by the OMIG Bureau of Collections Management.

The overpayment does not reflect the impact on rates subsequent to December 31, 2007 that utilized the November 1, 2001 through October 31, 2002 base period for operating expense. Any overpayment resulting from operating expense disallowances in the November 1, 2001 through October 31, 2002 base period report for rates subsequent to December 31, 2007 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:

[REDACTED]
New York State Department of Health
Medicaid Financial Management
GNARESP Corning Tower, Room 2739
File #08-1384
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
[REDACTED]

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 [REDACTED] of the Office of Counsel at [REDACTED].

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] at [REDACTED] or through email at [REDACTED]. Please refer to audit number 08-1384 in all correspondence.

Sincerely,

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

Attachments:

- Attachment A - Facility Draft Report Comments and OMIG Response
- 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)
- EXHIBIT IV - Property Expense Disallowances/(Allowances)
- EXHIBIT V - Return on and Return of Real Property Equity Disallowances/(Allowances)
- EXHIBIT VI - Reduction in Nursing, OBRA, and Gloves Per Diem Add-ons

CERTIFIED MAIL # [REDACTED]
RETURN RECEIPT REQUESTED

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

NAME AND ADDRESS OF AUDITEE

CAMPBELL HALL REHAB. CTR.
23 KIERNAN ROAD
CAMPBELL HALL, NY 10916

NPI [REDACTED]
PROVIDER [REDACTED]

AUDIT #08-1384

AMOUNT DUE: \$1,231,247

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 #08-1384
Albany, New York 12237-0048

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

CORRECT PROVIDER NUMBER

CAMPBELL HALL REHABILITATION CENTER, INC. - AUDIT #08-1384
FACILITY DRAFT REPORT COMMENTS AND OMIG RESPONSE

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

EXHIBIT III COMMENTS

Adjustment #1 – Unsubstantiated Expense Disallowances

Facility Comment

Attached is a schedule that details the various invoices that comprise the basis for the adjustment. The schedule indicates the specific invoices with which we take exception to.

OMIG Response

- **Physical Therapy**: The Facility disputed the entire amount (\$14,038) for unsubstantiated physical therapy costs. The Facility did not provide any invoices relating to these unsubstantiated costs; therefore, the draft report adjustment remains unchanged.
- **Occupational Therapy**: The Facility disputed the entire amount (\$3,450) for unsubstantiated occupational therapy costs. The Facility did not provide any documentation relating to these unsubstantiated costs; therefore, the adjustment remains unchanged.
- **Speech Therapy**: The Facility disputed the majority of this disallowance (\$866 out of \$1,041). The Facility submitted documentation in regard to this disallowance. The documentation was accepted and an adjustment of \$550 (\$287.50 + \$150.00 + \$112.50) has reduced this disallowance to \$491.
- **Pharmacy**: The Facility disputed this adjustment in its entirety (\$1,916). The Facility provided substantial documentation to reduce this adjustment by \$1,034. Accordingly, the disallowance was revised to \$882.
- **Fiscal**: The Facility disputed this portion of the adjustment in its entirety (\$6,000). The Facility has provided the documentation and the draft report adjustment has been removed.
- **Administrative Services**: The Facility disputed this portion of the adjustment in its entirety (\$15,346). The Facility has provided multiple invoices relating to this adjustment which resulted in a decrease of \$12,028, leaving a remaining adjustment of \$3,318.
- **Plant Operation & Maintenance**: The Facility disputed this portion of the adjustment in its entirety (\$4,423). The Facility did not provide documentation; therefore, the draft report adjustment remains unchanged.
- **Medical Directors Office**: The Facility disputed this portion of the adjustment in its entirety (\$1,340). The Facility did not provide documentation; therefore, the draft report adjustment remains unchanged.

Disposition: The Facility's response was partially recognized; the draft report adjustments were revised as shown on the summary of adjustment changes.

Adjustment #2 – Related Company Expense Disallowances

Facility Comment

The facility takes exception to the entire premise of this adjustment. The auditors have taken an incorrect conceptual approach to this adjustment and several others involving this same related party. The auditors have applied the gross profit percentage reported by the entity in the cost report and utilized that percentage to apply adjustments throughout the draft audit report to any items involving the entity. This completely ignores all of the additional costs incurred by the entity to provide the goods to the facility. The correct calculation should utilize the net income of the entity, not the gross profit. This would significantly alter this adjustment and several others all predicated upon this same concept. The net income of the entity as reported in the cost report was \$48,889. The total revenue of the entity as reported in the cost report was \$2,239,315. This would equate to a profit percentage of 2% of sales. This is the appropriate percentage adjustment that should be applied to expenses related to this entity. This adjustment as well as every other adjustment within the audit that utilized the 25% calculation needs to be modified to reflect a 2% adjustment.

OMIG Response

The OMIG allows costs to the Facility at the cost of the related organization as long as the price does not exceed the price if purchased elsewhere. The OMIG requested multiple times a breakdown of the mark-up percentage with back-up (i.e. invoices to related party from suppliers that match items purchased by Facility) and only received a copy of Part III (1) – Related Company Financial Data – Statement of Income as back-up. The OMIG took Gross Profit on Sales ((Total Sales less Cost of Goods Sold) over total Sales) to calculate a Mark-up percentage.

Disposition: The draft report disallowance remains the same.

Adjustment #6 – Non Patient Care Related Disallowance

Facility Comment

This adjustments needs to be eliminated completely. Based upon the documentation received from the auditors the adjustment relates to certain expenses included in a general ledger account that has been removed from allowable costs through the rate setting process already. It has been included on schedule I of our rates under the caption of non-allowable expenses for Administration. It is included in the \$967,758 reflected on our rate sheets.

OMIG Response

The OMIG has reviewed Schedule I and agrees that these expenses were already taken out via a rate setting adjustment.

Disposition: The Facility's response was recognized; the draft report disallowance was removed as shown on the summary of adjustment changes.

EXHIBIT IV COMMENTS

Adjustment #2a – Return on and Return Of Real Property Equity Disallowances
Facility Comment

The Facility agrees with the adjustment of historical cost in the amount of \$400,000, but takes exception to the additional adjustments beyond that figure for the years 2005 through 2007.

OMIG Response

The OMIG has reviewed the Schedule the Facility has submitted for Cost Years 2003 through 2005 (Rate Years 2005 through 2007). The Facility response has been rejected for Cost Year 2003 and accepted for Cost Year 2005. The Facility did not provide the Javonic/Paint House invoice for Cost Year 2003 in the amount of \$3,900.

Disposition: The Facility's response was partially recognized; the draft report disallowance was revised as shown on the summary of adjustment changes.

Adjustment #2c – Return on and Return Of Real Property Equity Disallowances
Facility Comment

The facility takes exception to this adjustment. See the detailed explanation contained above in operating component adjustment #2.

OMIG Response

The OMIG allows costs to the Facility at the cost of the related organization as long as the price does not exceed the price if purchased elsewhere. The OMIG requested multiple times a breakdown of the mark-up percentage with back-up (i.e. invoices to related party from suppliers that match items purchased by Facility) and only received a copy of Part III (1) – Related Company Financial Data – Statement of Income as back-up. The OMIG took Gross Profit on Sales ((Total Sales less Cost of Goods Sold) over total Sales) to calculate a Mark-up percentage.

Disposition: The draft report disallowance remains the same.

Adjustment #3a– Movable Equipment Depreciation Expense Adjustments
Facility Comment

The facility takes exception to the calculation of this adjustment. While the \$400,000 reported as movable equipment was an adjustment as a result of the transfer of ownership on November 1, 2001, the facility did have substantial unreimbursed movable equipment from the prior operator. This depreciation reimbursement on the equipment should then continue into our period of ownership. Attached is a summary of the depreciable assets as of the date of transfer. You will note that the historical cost for moveable equipment plus furniture and fixtures totaled \$1,158,699.09, while the accumulated depreciation totaled \$717,186.34. The result is a net book value (un-depreciated and unreimbursed) of \$441,512.75. We can supply the depreciation schedules on this equipment going forward to determine the annual amount of depreciation that should have been reimbursed on this equipment.

OMIG Response

The OMIG has reviewed the depreciation schedules submitted by the Facility. The historical cost on the depreciation schedules provided by the Facility reconciles to the 2000 RHCF-4 (last full year of ownership for the previous owner); therefore, the depreciation expense is reasonable.

Disposition: The Facility's response was recognized; the draft report disallowance was removed as shown on the summary of adjustment changes.

Adjustment #3b– Movable Equipment Depreciation Expense Adjustments
Facility Comment

The facility takes exception to this adjustment. See the detailed explanation contained above in operating component adjustment #2.

OMIG Response

The OMIG allows costs to the Facility at the cost of the related organization as long as the price does not exceed the price if purchased elsewhere. The OMIG requested multiple times a breakdown of the mark-up percentage with back-up (i.e. invoices to related party from suppliers that match items purchased by Facility) and only received a copy of Part III (1) – Related Company Financial Data – Statement of Income as back-up. The OMIG took Gross Profit on Sales (Total Sales less Cost of Goods Sold) over total Sales to calculate a Mark-up percentage.

Disposition: The draft report disallowance remains the same.

Adjustment #4– Sale/Leaseback Adjustments
Facility Comment

The facility takes exception to a portion of this adjustment. The adjustment does not give any recognition of the interest factor included within the lease. Based upon the data identified by the auditors in their calculations of the adjustment, the interest on the lease for the year 2005 that would flow into the 2007 property component of our rates would be \$12,658. A copy of the amortization schedule is attached. In addition, a portion of the equipment cost has not been recognized based upon the 25% calculation previously identified in operating component adjustment #2 above. This portion should be adjusted as a result of that change and the ensuing impact as it related to this calculation as well should be modified.

OMIG Response

The OMIG has reviewed the documentation submitted by the Facility and additional information is needed regarding the acquisition of the assets involved in the sale/leaseback agreement. The OMIG attempted to contact the Facility twice (via e-mail and telephone) and never heard back from the Facility on how the Facility acquired the assets involved in the Sale/Leaseback originally. The OMIG allows costs to the Facility at the cost of the related organization as long as the price does not exceed the price if purchased elsewhere. The OMIG requested multiple times a breakdown of the mark-up percentage with back-up (i.e. invoices to related party from suppliers that match items purchased by Facility) and only received a copy of Part III (1) – Related Company Financial Data – Statement of Income as back-up. The OMIG took Gross Profit on Sales (Total Sales less Cost of Goods Sold) over total Sales to calculate a Mark-up percentage.

Disposition: The Facility's response was partially recognized; the draft report disallowance was revised as shown on the summary of adjustment changes.

Adjustment #5a– Equipment Rentals Disallowances
Facility Comment

Attached is a schedule that details the various invoices that comprise the basis for this adjustment. The schedule indicates the specific invoices with which we take exception to the adjustment.

OMIG Response

The documentation received from the Facility has been reviewed and accepted. The draft report disallowances for Rent A in the amount of \$2,733 and Rent E in the amount of \$1,307 have been removed for the 11/01/2001 – 12/31/2004 rate years.

Disposition: The Facility's response was recognized; the draft report disallowance was revised as shown on the summary of adjustment changes.

Adjustment #5c– Equipment Rentals Disallowances
Facility Comment

The facility takes exception to this adjustment. See the detailed explanation contained above in operating component adjustment #2.

OMIG Response

The OMIG allows costs to the Facility at the cost of the related organization as long as the price does not exceed the price if purchased elsewhere. The OMIG requested multiple times a breakdown of the mark-up percentage with back-up (i.e. invoices to related party from suppliers that match items purchased by Facility) and only received a copy of Part III (1) – Related Company Financial Data – Statement of Income as back-up. The OMIG took Gross Profit on Sales ((Total Sales less Cost of Goods Sold) over total Sales) to calculate a Mark-up percentage.

Disposition: The draft report disallowance remains the same.

Adjustment #5f– Equipment Rentals Disallowances
Facility Comment

The facility takes exception to the adjustment related to the 2006 rate year.

OMIG Response

The Facility did not provide a detailed explanation or supporting documentation to support their position.

Disposition: The draft report disallowance remains the same.

Adjustment #5g– Equipment Rentals Disallowances
Facility Comment

While we agree the adjustment to the property costs is appropriate, we do however feel that the charges incurred within the base period should be reclassified as an operating expense of the base period.

OMIG Response

The OMIG will allow the late charges into the Indirect Component of the rate under the Administrative Service cost center for the base period (See Exhibit III Adjustment 6).

Disposition: The Facility's response was recognized; Exhibit III was revised as shown on the summary of adjustment changes.

Adjustment #6a– Sales Tax Disallowances
Facility Comment

The facility takes exception to this adjustment in it's entirety. The amount reported was the quarterly sales and use tax paid on purchases made either from out of State vendors. A copy of the quarterly returns are attached. The expense should be completely reimbursable.

OMIG Response

The Facility was reimbursed in the operating portion of the rate (Admin Services) for this expense. Allowing it as a property expense, would result in duplicate reimbursement.

Disposition: The draft report disallowance remains the same.

Adjustment #6b– Sales Tax Disallowances
Facility Comment

The facility takes exception to this adjustment. See the detailed explanation contained above in operating component adjustment #2.

OMIG Response

The OMIG allows costs to the Facility at the cost of the related organization as long as the price does not exceed the price if purchased elsewhere. The OMIG requested multiple times a breakdown of the mark-up percentage with back-up (i.e. invoices to related party from suppliers that match items purchased by Facility) and only received a copy of Part III (1) – Related Company Financial Data – Statement of Income as back-up. The OMIG took Gross Profit on Sales ((Total Sales less Cost of Goods Sold) over total Sales) to calculate a Mark-up percentage.

Disposition: The draft report disallowance remains the same.

Adjustment #7a– Working Capital Interest Expense Disallowances
Facility Comment

The facility wishes to take exception to this adjustment in it's entirety.

OMIG Response

The OMIG reviewed the documentation submitted by the Facility and has reduced the disallowance by \$325 to \$569.

Disposition: The Facility's response was partially recognized; the draft report disallowance was revised as shown on the summary of adjustment changes.

Adjustment #8– Investment Income Offset

Facility Comment

The facility wishes to take exception to this adjustment in its entirety. The income offset has already been reflected on schedule I of our rates under income offsets Administrative Services in the amount of \$2,806.

OMIG Response

The OMIG agrees that the adjustment should be eliminated since it was already included in the operating component of the rate.

Disposition: The Facility's response was recognized; the offset was removed as shown on the summary of adjustment changes.

CAMPBELL HALL REHABILITATION CENTER, INC.
SUMMARY OF CHANGES FROM DRAFT REPORT TO FINAL REPORT - AUDIT #08-1384

		Rate	Draft	Change	Final	
		Period	Disallowance		Disallowance	
			(Allowance)		(Allowance)	
<u>EXHIBIT III - OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES)</u>						
1.	UNSUBSTANTIATED EXPENSE DISALLOWANCES	Physical Ther.	Base Year	\$ 14,038	\$ -	\$ 14,038
		Occup. Ther.	Base Year	3,450	-	3,450
		Speech Ther.	Base Year	1,041	550	491
		Pharmacy	Base Year	1,916	1,034	882
		Fiscal	Base Year	6,000	6,000	-
		Admin. Services	Base Year	15,346	12,028	3,318
		Plant Oper.	Base Year	4,423	-	4,423
		Med. Director	Base Year	1,340	-	1,340
2.	RELATED COMPANY EXPENSE DISALLOWANCES	Physical Ther.	Base Year	363	-	363
		Occup. Ther.	Base Year	544	-	544
		Pharmacy	Base Year	1,404	-	1,404
		Central Svc.	Base Year	28,850	-	28,850
		Fiscal	Base Year	2,000	-	2,000
		Plant Oper.	Base Year	505	-	505
		Laundry	Base Year	7,486	-	7,486
		Housekeeping	Base Year	1,513	-	1,513
		Patient Food	Base Year	4,756	-	4,756
		Hearing Ther.	Base Year	10	-	10
6.	NON PATIENT CARE RELATED DISALLOWANCE	Admin. Services	Base Year	3,310	3,310	-
6.1	ADMINISTRATIVE SERVICES EXPENSE RECLASSIFICATION ALLOWANCE	Admin. Services	Base Year	\$ -	\$ (181)	\$ (181)
<u>EXHIBIT IV - PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)</u>						
2.	RETURN ON AND RETURN OF REAL PROPERTY EQUITY DISALLOWANCES	a)	2001	17,190	-	17,190
			2002	16,320	-	16,320
			2003	14,640	-	14,640
			2004	5,794	-	5,794
			2005	15,043	-	15,043
			2006	13,567	-	13,567
			2007	15,005	735	14,270
			2007	11,817	612	11,205
		c)	2005	48	-	48
			2006	88	-	88
			2007	97	-	97
			2007	1,069	-	1,069
3.	MOVABLE EQUIPMENT DEPRECIATION EXPENSE ADJUSTMENTS	a)	2001	40,000	40,000	-
			2002	40,000	40,000	-
			2003	40,000	40,000	-
			2004	40,000	40,000	-
			2005	40,000	40,000	-
			2006	40,000	40,000	-
			2007	40,000	40,000	-
		b)	2001	140	-	140
			2002	140	-	140
			2003	140	-	140
			2004	140	-	140
			2005	893	-	893
			2006	1,977	-	1,977
			2007	2,949	-	2,949
4.	SALE/LEASEBACK ADJUSTMENTS		2007	(37,264)	-	(37,264)
			2007	4,388	-	4,388
			2007	3,813	-	3,813
			2007	48,646	-	48,646

CAMPBELL HALL REHABILITATION CENTER, INC.
SUMMARY OF CHANGES FROM DRAFT REPORT TO FINAL REPORT - AUDIT #08-1384

		Rate Period	Draft Disallowance (Allowance)	Change	Final Disallowance (Allowance)
5. EQUIPMENT RENTALS DISALLOWANCES	a)	2001	2,733	2,733	-
		2001	1,307	1,307	-
		2002	2,733	2,733	-
		2002	1,307	1,307	-
		2003	2,733	2,733	-
		2003	1,307	1,307	-
		2004	2,733	2,733	-
		2004	1,307	1,307	-
	c)	2001	8,744	-	8,744
		2002	8,744	-	8,744
		2003	8,744	-	8,744
		2004	8,744	-	8,744
		2005	5,904	-	5,904
		2006	2,052	-	2,052
f)	2006	2,829	-	2,829	
6. SALES TAX DISALLOWANCES	a)	2001	1,001	-	1,001
		2002	1,001	-	1,001
		2003	1,001	-	1,001
		2004	1,001	-	1,001
	b)	2005	4,067	-	4,067
		2006	6,013	-	6,013
		2007	5,792	-	5,792
7. WORKING CAPITAL INTEREST EXPENSE DISALLOWANCES	a)	2001	854	325	529
		2002	854	325	529
		2003	854	325	529
		2004	854	325	529
		2005	682	-	682
8. INVESTMENT INCOME OFFSET		2001	2,806	2,806	-
		2002	2,806	2,806	-
		2003	2,806	2,806	-
		2004	2,806	2,806	-

Note: The above adjustments represent adjustments to which the provider responded. Adjustments not listed above remain the same as the draft audit report.

CAMPBELL HALL REHABILITATION CENTER, INC. - AUDIT #08-1384
RATE PERIODS NOVEMBER 1, 2001 THROUGH DECEMBER 31, 2007
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>
11/01/01 - 12/31/01	\$168.75	\$161.99	\$6.76	5,335	\$ 36,065
01/01/02 - 01/31/02	171.02	165.10	5.92	2,712	16,055
02/01/02 - 03/31/02	169.32	163.44	5.88	4,931	28,994
04/01/02 - 04/30/02	173.48	167.60	5.88	2,473	14,541
05/01/02 - 07/31/02	175.97	170.05	5.92	7,780	46,058
08/01/02 - 10/31/02	172.76	166.88	5.88	7,815	45,952
11/01/02 - 12/31/02	174.48	168.60	5.88	5,140	30,223
01/01/03 - 01/31/03	173.03	166.31	6.72	2,824	18,977
02/01/03 - 04/30/03	173.52	166.77	6.75	7,414	50,045
05/01/03 - 07/31/03	173.92	167.17	6.75	7,843	52,940
08/01/03 - 10/31/03	172.36	165.63	6.73	7,528	50,663
11/01/03 - 12/31/03	175.87	169.10	6.77	5,184	35,096
01/01/04 - 01/31/04	182.13	174.36	7.77	2,699	20,971
02/01/04 - 03/31/04	183.81	175.99	7.82	5,432	42,478
04/01/04 - 04/30/04	183.81	175.99	7.82	2,828	22,115
05/01/04 - 07/31/04	187.01	179.16	7.85	8,130	63,821
08/01/04 - 10/31/04	180.94	173.17	7.77	8,607	66,876
11/01/04 - 12/31/04	183.84	176.00	7.84	5,502	43,136
01/01/05 - 01/31/05	184.61	179.83	4.78	2,518	12,036
02/01/05 - 04/30/05	179.02	174.32	4.70	7,500	35,250
05/01/05 - 06/30/05	175.95	171.27	4.68	5,241	24,528
07/01/05 - 07/31/05	178.11	173.43	4.68	2,757	12,903
08/01/05 - 10/31/05	178.00	173.32	4.68	8,478	39,677
11/01/05 - 12/31/05	178.02	173.34	4.68	5,655	26,465
01/01/06 - 01/31/06	184.72	179.33	5.39	2,939	15,841
02/01/06 - 03/31/06	185.43	180.04	5.39	5,432	29,278
04/01/06 - 04/30/06	185.05	179.67	5.38	2,828	15,215
05/01/06 - 07/31/06	182.30	176.93	5.37	8,315	44,652
08/01/06 - 10/31/06	186.49	181.08	5.41	9,006	48,722
11/01/06 - 12/31/06	187.70	182.27	5.43	5,952	32,319
01/01/07 - 03/31/07	193.62	187.56	6.06	8,571	51,940
04/01/07 - 06/30/07	192.63	186.58	6.05	8,494	51,389
07/01/07 - 12/31/07	189.94	183.89	6.05	17,525	106,026
TOTAL MEDICAID OVERPAYMENT					<u>\$ 1,231,247</u>

* 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.

CAMPBELL HALL REHABILITATION CENTER, INC. - AUDIT #08-1384
RATE PERIODS NOVEMBER 1, 2001 THROUGH DECEMBER 31, 2007
SUMMARY OF MEDICAID RATES AUDITED

The Facility's Medicaid utilization was approximately 67 percent for the period under audit and the Medicaid per diem rates audited are shown below. Any differences between these rates and the "Issued Rates" listed in Exhibit I of this report represent rate changes made subsequent to our audit. These changes remain open to future audit by the OMIG.

<u>RATE PERIOD</u>	<u>Issued Medicare Part B & D Non-Eligible Rates *</u>
11/01/01 - 12/31/01	\$ 168.75
01/01/02 - 01/31/02	171.02
02/01/02 - 03/31/02	169.32
04/01/02 - 04/30/02	173.48
05/01/02 - 07/31/02	175.97
08/01/02 - 10/31/02	172.76
11/01/02 - 12/31/02	174.48
01/01/03 - 01/31/03	173.03
02/01/03 - 04/30/03	173.52
05/01/03 - 07/31/03	173.92
08/01/03 - 10/31/03	172.36
11/01/03 - 12/31/03	175.87
01/01/04 - 01/31/04	182.13
02/01/04 - 04/30/04	183.81
05/01/04 - 07/31/04	187.01
08/01/04 - 10/31/04	180.94
11/01/04 - 12/31/04	183.84
01/01/05 - 01/31/05	184.61
02/01/05 - 04/30/05	179.02
05/01/05 - 06/30/05	175.95
07/01/05 - 07/31/05	178.11
08/01/05 - 10/31/05	178.00
11/01/05 - 12/31/05	178.02
01/01/06 - 01/31/06	184.72
02/01/06 - 03/31/06	185.43
04/01/06 - 04/30/06	185.05
05/01/06 - 07/31/06	182.30
08/01/06 - 10/31/06	186.49
11/01/06 - 12/31/06	187.70
01/01/07 - 03/31/07	193.62
04/01/07 - 06/30/07	192.63
07/01/07 - 12/31/07	189.94

* 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.

CAMPBELL HALL REHABILITATION CENTER, INC. - AUDIT #08-1384
RATE PERIODS NOVEMBER 1, 2001 THROUGH DECEMBER 31, 2007
OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES)

OPERATING EXPENSE COMPONENT				
COST CENTER	DIRECT	INDIRECT	NON-	
			COMP. 11/01/01-12/31/06	NON-COMP. 01/01/07-12/31/07
	\$ 4,379,607	\$ 2,414,229	\$ 310,816	\$ 177,631

Operating Expense Allowed per HE-12B Less Disallowances/(Allowances):

1. UNSUBSTANTIATED 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. Cost data must be current, accurate, and in sufficient detail. The Facility did not provide adequate documentation to substantiate reported expense. Consequently, the unsubstantiated expenses were disallowed.
Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300 & 2304

DESCRIPTION	COST CENTER	DIRECT	INDIRECT	NON-COMP. 11/01/01-12/31/06	NON-COMP. 01/01/07-12/31/07
Physical Ther.	039	14,038			
Occup. Ther.	040	3,450			
Speech Ther.	041	491			
Pharmacy	042	882			
Admin. Services	005		3,318		
Plant Oper.	006		4,423		
Med. Director	017			1,340	1,340

2. RELATED COMPANY EXPENSE DISALLOWANCES

Campbell Hall purchased medical supplies and equipment from Central Healthcare.com, LLC, a related company, at a 25% mark-up. Medicaid regulations state that goods or services furnished to a facility by a related company are includable in the rate at the lower of the cost to the related organization, or the market price of comparable goods or services. Consequently, 25% of the purchased medical supplies and equipment from the related company was disallowed.
Regulations: 10 NYCRR Sections 86-2.16, 86-2.17(a), & 86-2.26, PRM-1 Sections 1002 & 1005

DESCRIPTION	COST CENTER	DIRECT	INDIRECT	NON-COMP. 11/01/01-12/31/06	NON-COMP. 01/01/07-12/31/07
Physical Ther.	039	363			
Occup. Ther.	040	544			
Pharmacy	042	1,404			
Central Svc.	043	28,850			
Fiscal	004		2,000		
Plant Oper.	006		505		
Laundry	009		7,486		
Housekeeping	010		1,513		
Patient Food	011		4,756		
Hearing Ther.	041			10	10

3. ADMINISTRATIVE SERVICES EXPENSE ALLOWANCE

The Bureau of Long Term Care Reimbursement (BLTCR) erroneously adjusted amortization costs out of Administrative Services twice. Consequently, an allowance was necessary.
Regulations: 10 NYCRR Sections 86-2.17 (a) & (d)

Admin. Services	005		(10,423)		
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4. LAB AND RADIOLOGY EXPENSE DISALLOWANCE

Effective April 1, 2001, the Centers for Medicare and Medicaid Services (CMS) policy for consolidated billing required that nursing facilities bill and receive reimbursement under Medicare Part A for the radiology and laboratory "technical component" portion of charges. The actual radiology and laboratory service provider then bills the nursing facility to receive its reimbursement of the technical component. Consequently, inclusion of any such "expenses" in the Medicaid rate would duplicate reimbursement. Additionally, the above transactions do not pertain to Medicaid patients in any way. Since the expense does not pertain to Medicaid patients, it is not reimbursable under the Medicaid program.
Regulations: 10 NYCRR Sections 86-2.17(a) & (d), HCFA Pub. 60B, Transmittal B-00-67 dated Nov. 27, 2000, Subject: Consolidated Billing for SNF Residents

DESCRIPTION	COST CENTER	DIRECT	INDIRECT	NON-COMP. 11/01/01-12/31/06	NON-COMP. 01/01/07-12/31/07
Lab	031			10,629	10,629
Radiology	034			9,042	9,042

CAMPBELL HALL REHABILITATION CENTER, INC. - AUDIT #08-1384
RATE PERIODS NOVEMBER 1, 2001 THROUGH DECEMBER 31, 2007
OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES)

		OPERATING EXPENSE COMPONENT	
		NON-COMP.	NON-COMP.
		11/01/01-12/31/06	01/01/07-12/31/07

DESCRIPTION	COST CENTER	DIRECT	INDIRECT
Admin. Services	005		(707)

5. ADMINISTRATIVE SERVICES EXPENSE RECLASSIFICATION ALLOWANCE
 Rental expenses associated with meter overages are considered an operating expense. Since meter overages were included in rental expense in the promulgated rates, a reclassification from the property component of the rate to the operating component was necessary. See Exhibit IV, Adjustment 5(e).
Regulations: 10 NYCRR Sections 86-2.17 (a) & (d), 86-2.10(g), & 455.5, PRM-1 Section 2102.2

DESCRIPTION	COST CENTER	DIRECT	INDIRECT
Admin. Services	005		(181)

6. NON PATIENT CARE RELATED DISALLOWANCE
 Based on documentation received from the Facility this adjustment has been eliminated.

6.1 ADMINISTRATIVE SERVICES EXPENSE RECLASSIFICATION ALLOWANCE
 Rental expenses associated with meter overages are considered an operating expense. Since meter overages were included in rental expense in the promulgated rates, a reclassification from the property component of the rate to the operating component was necessary. (Refer to Exhibit IV, Adjustment 5(g))
Regulations: 10 NYCRR Sections 86-2.17 (a) & (d), 86-2.10(g), & 455.5, PRM-1 Section 2102.2

	\$	50,022	\$	12,690	\$	21,021	\$	21,021
	\$	4,329,585	\$	2,401,539	\$	289,795	\$	156,610

Total Disallowances/(Allowances) to November 1, 2001 through December 31, 2004 Operating Expenses
AUDITED OPERATING EXPENSES FOR NOVEMBER 1, 2001 THROUGH DECEMBER 31, 2004 RATES

DESCRIPTION	COST CENTER	DIRECT	INDIRECT
Nursing Admin.	013	37	
Activities	014	346	
Social Service	021	81	
Physical Ther.	039	149	
Occup. Ther.	040	161	
Central Svc.	043	7,159	
RHCF	051	2,063	
Fiscal	004		103
Admin. Services	005		870
Plant Oper.	006		2,057
Laundry	009		2,018
Housekeeping	010		3,083
Patient Food	011		4,349
Medical Records	019		205
Hearing Ther.	041		70
Utilities	106		4,227

7. ELIMINATION OF DUPLICATE SALES TAX
 For rate years January 1, 2005 through December 31, 2007, the Facility reported and was reimbursed for all sales tax expense in the property portion of the rate. Since sales tax is included in Facility's November 1, 2001 thru October 31, 2002 base year and since this year is also the basis for the operating portion of the January 1, 2005 through December 31, 2007 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, 2005 through December 31, 2007 rates were necessary.
Regulations: 10 NYCRR Sections 86-2.17(a) & (d)

	\$	9,996	\$	12,685	\$	4,297	\$	4,297
	\$	4,319,589	\$	2,388,854	\$	285,498	\$	152,313

Total Disallowances/(Allowances) to January 1, 2005 through December 31, 2007 Operating Expenses
AUDITED OPERATING EXPENSES FOR JANUARY 1, 2005 THROUGH DECEMBER 31, 2007 RATES

RATE PERIODS

DESCRIPTION	COST CTR.	RATE PERIODS							
		11/01/01-12/31/01	2002	2003	2004	2005	01/01/06-03/31/06	04/01/06-12/31/06	2007
ME Depr.	002	140	140	140	140	140	1,977	1,977	2,949
ME Depr.	002								(2,308)
ME Depr.	002								(37,264)
ME Depr.	002								4,388
ME Depr.	002								3,813
Rent C	010								48,646
Rent F	051								535
Rent B	010	181,473	181,473	181,473	181,473	181,473	181,473	181,473	

3. MOVABLE EQUIPMENT DEPRECIATION EXPENSE ADJUSTMENTS

- a) Based on documentation received from the Facility, this adjustment has been eliminated.
- b) Additionally, assets were purchased from Central Healthcare.com, LLC at a 25% mark-up. Medicaid regulations state that goods or services furnished to a facility by a related company are includable in the rate at the lower of the cost to the related organization, or the market price of comparable goods or services. Consequently, the depreciation associated with the 25% mark-up on assets purchased from the related company was disallowed.
Regulations: 10 NYCRR Sections 86-2.16, 86-2.17(a) & (d), 86-2.22 & 86-2.26, PRM-1 Sections 1002, 1005, 2102.3 & 2300
- c) The BLTCR erroneously omitted related company movable equipment depreciation in rate year 2005. Consequently, an allowance was necessary for that year.
Regulations: 10 NYCRR Sections 86-2.17(a) & (d)

4. SALE/LEASEBACK ADJUSTMENTS

The Facility was reimbursed lease payments in the promulgated rates on equipment that was sold by the Facility and then leased back. Only the cost of ownership is allowable in sale/leaseback transactions. Consequently, adjustments were necessary.
Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Section 110

5. EQUIPMENT RENTALS DISALLOWANCES

- a) Providers receiving payment on the basis of reimbursable costs are required to provide adequate cost data based on financial and statistical records that can be verified on audit. The cost information must be current, accurate, and in sufficient detail. The Facility did not provide support for all reported rentals in all years. Equipment rentals were allowed to the extent adequate support documentation was provided. Consequently, disallowances were necessary.
Regulations: 10 NYCRR Sections 86-2.17(a) & (d), PRM-1 Sections 2300 & 2304
- b) From 11/1/2001 through rate year 2004, the Facility received reimbursement for lease payments made to Tasco Industries within the equipment rental expense cost center. However, the Facility also received reimbursement through the interest and amortization cost centers. This amounts to duplicate reimbursement. Consequently, disallowances were necessary.
Regulations: 10 NYCRR Sections 86-2.17(a) & (d), PRM-1 Sections 2300 & 2304

RATE PERIODS

DESCRIPTION	COST CTR	RATE PERIODS							
		11/01/01-12/31/01	2002	2003	2004	2005	01/01/06-03/31/06	04/01/06-12/31/06	2007
<p>5. EQUIPMENT RENTALS DISALLOWANCES (CONT.)</p> <p>c) Campbell Hall leased equipment from Central Healthcare.com, LLC at a 25% mark-up. Medicaid regulations state that goods or services furnished to a facility by a related company are includable in the rate at the lower of the cost to the related organization, or the market price of comparable goods or services. Consequently, 25% of the rental expense for equipment leased from the related company was disallowed. Regulations: 10 NYCRR Sections 86-2.16, 86-2.17(a) & (d) & 86-2.26, PRM-1 Sections 1002 & 1005</p>									
Rent E	051	8,744	8,744	8,744	8,744	5,904	2,052	2,052	
Rent D	051								
Rent A	005					12,776	18,072	18,072	22,036
<p>d) Costs not related to patient care are costs that are not appropriate or necessary and proper in developing and maintaining the operation of patient care facilities and activities. Only costs properly chargeable to necessary patient care are allowable. Costs pertaining to a luxury automobile are not related to patient care and were disallowed. Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.3 & 2105.9</p>									
Rent A	005					707	707	707	691
<p>e) Rental expenses associated with meter overages are considered operating expenses and should not be included in the property component of the rate. Consequently, meter overages were disallowed from property and allowed it in the operating portion of the rate. Regulations: 10 NYCRR Sections 86-2.17 (a) & (d), 86-2.10(g) & 455.5, PRM-1 Section 2102.2</p>									
Rent A	005					707	707	707	691
Rent D	051								
Rent A	005					835	835	835	2,829
<p>f) Facilities 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. In addition, the cost data is required to be current, accurate, and in sufficient detail. Equipment rental expense determined per audit varied from the expenses allowed in the promulgated rates resulting in disallowances. Regulations: 10 NYCRR Sections 86-2.17(a) & 86-2.10(g), PRM-1 Sections 2300 & 2304</p>									
Rent A	005					835	835	835	2,829
Rent D	051								
Rent A	005					181	181	181	42
Rent E	051								
<p>g) The allowable facility specific capital component of the rate shall include allowable capital costs. Included with reported equipment rental expenses were late fees. Late fees are not an allowable property expense and were consequently disallowed. Regulations: 10 NYCRR Sections 86-2.10(g) & 2.17(a), PRM-1 Section 2103</p>									
Rent A	005					167	42	42	88
Rent E	051					15			

RATE PERIODS

COST	11/01/01-		01/01/06-		04/01/06	
	CTR.	12/31/01	03/31/06	12/31/06	2007	

6. SALES TAX DISALLOWANCES

a) From 11/1/01 to 12/31/2004, the Facility correctly allocated quarterly sales and use tax to the operating component of the rate. However, sales tax was also reported in the property component of the rate. This amounts to duplicate reimbursement. Consequently, disallowances were necessary to eliminate this duplicate reimbursement.

Regulations: 10 NYCRR Sections 86-2.17(a) & (d), PRM-1 Sections 2300 & 2304

b) In rate years 2005 through 2007, the Facility reported sales tax on medical supplies and equipment purchased from Central Healthcare.com, LLC at a 25% mark-up. Medicaid regulations state that goods or services furnished to a facility by a related company are includable in the rate at the lower of the cost to the related organization, or the market price of comparable goods or services. Consequently, the sales tax associated with 25% mark-up of supplies and equipment purchased from the related company was disallowed.

Regulations: 10 NYCRR Sections 86-2.16, 86-2.17(a) & (d), & 86-2.26, PRM-1 Sections 1002, 1005, 2300 & 2304

7. WORKING CAPITAL INTEREST EXPENSE DISALLOWANCES

a) Providers receiving payment on the basis of reimbursable costs are required to provide adequate cost data based on financial and statistical records that can be verified on audit. Furthermore, the cost information must be current, accurate, and in sufficient detail. The Facility was unable to adequately substantiate reported working capital interest expense. Consequently, disallowances were necessary.

Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300 & 2304

b) In rate year 2006, the BLTCR erroneously allowed working capital interest for loans from Joe Jordano, Martha Habermann and North Fork Bank, all non-working capital loans. The interest on these loans was disallowed. In addition, effective April 1, 2006 and thereafter, rates shall not contain a payment factor for working capital interest if the RHC-4 Report utilized to determine such payment factor also shows a positive net income. The Facility had a positive net income for cost year 2004. Consequently, working capital interest expense was disallowed.

Regulations: 10 NYCRR Section 86-2.17(d), Public Health Law, Section 2808, Paragraph 22-a

8. INVESTMENT INCOME OFFSET

Based on documentation received from the Facility this adjustment has been eliminated.

DESCRIPTION	2002	2003	2004	2005	2006	2007
Sales Tax	1,001	1,001	1,001	4,067	6,013	5,792

DESCRIPTION	2005	2006	2007
WC Interest	529	529	682

DESCRIPTION	2005	2006	2007
WC Interest	18,090	18,090	18,090

Total Disallowances/(Allowances)

TOTAL AUDITED PROPERTY EXPENSE

\$ 216,530	\$ 175,068	\$ 213,130	\$ 204,554	\$ 42,447	\$ 67,871	\$ 86,794
\$ 1,014,731	\$ 999,718	\$ 844,203	\$ 852,779	\$ 858,181	\$ 877,039	\$ 986,818

CAMPBELL HALL REHABILITATION CENTER, INC. - AUDIT #08-1384
RATE PERIODS NOVEMBER 1, 2001 THROUGH DECEMBER 31, 2007
RETURN ON AND RETURN OF REAL PROPERTY EQUITY DISALLOWANCES/(ALLOWANCES)

	RATE PERIODS							
	<u>11/1/01- 12/31/01</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>01/1/06- 03/31/06</u>	<u>04/1/06- 12/31/06</u>	<u>2007</u>
<u>Return of Equity Calculation</u>								
Real Property Historical Cost per HE-12B	\$ 7,128,440	\$ 7,515,879	\$ 7,515,879	\$ 7,515,879	\$ 7,530,363	\$ 7,604,080	\$ 7,604,080	\$ 7,654,090
Audit Disallowances/(Allowances)	400,000	400,000	400,000	400,000	404,872	406,840	406,840	406,840
Audited Historical Cost	\$ 6,728,440	\$ 7,115,879	\$ 7,115,879	\$ 7,115,879	\$ 7,125,491	\$ 7,197,240	\$ 7,197,240	\$ 7,247,250
Less: Accum. Reimb./Orig. Mortgage	4,724,454	4,724,454	3,939,454	3,939,454	3,939,454	3,939,454	3,939,454	6,086,773
Audited Net Equity	\$ 2,003,986	\$ 2,391,425	\$ 3,176,425	\$ 3,176,425	\$ 3,186,037	\$ 3,257,786	\$ 3,257,786	\$ 1,160,477
Remaining Useful Life								25
Audited Return of Equity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,419
Promulgated Return of Equity	-	-	-	-	-	-	-	62,693
Disallowance/(Allowance)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,274
<u>Return on Equity Calculation</u>								
Audited Net Equity	\$ 2,003,986	\$ 2,391,425	\$ 3,176,425	\$ 3,176,425	\$ 3,186,037	\$ 3,257,786	\$ 3,257,786	\$ 1,160,477
Less: 1/2 Current Return of Equity	-	-	-	-	-	-	-	23,210
Audited Net Investment	\$ 2,003,986	\$ 2,391,425	\$ 3,176,425	\$ 3,176,425	\$ 3,186,037	\$ 3,257,786	\$ 3,257,786	\$ 1,137,267
Rate of Return	5.73%	5.44%	4.88%	5.15%	4.95%	4.45%	4.45%	4.90%
Audited Return on Equity	\$ 114,828	\$ 130,094	\$ 155,010	\$ 163,586	\$ 157,709	\$ 144,971	\$ 144,971	\$ 55,726
Promulgated Return on Equity	137,748	151,854	174,530	174,530	177,750	163,076	163,076	75,263
Disallowance/(Allowance)	\$ 22,920	\$ 21,760	\$ 19,520	\$ 10,944	\$ 20,041	\$ 18,105	\$ 18,105	\$ 19,537

CAMPBELL HALL REHABILITATION CENTER, INC. - AUDIT #08-1384

RATE PERIOD NOVEMBER 1, 2001 THROUGH DECEMBER 31, 2007

PER DIEM DISALLOWANCES

REDUCTION IN NURSING, OBRA, AND GLOVES PER DIEM ADD-ONS

The Facility received Nursing, OBRA, and Gloves per diem add-ons in its 11/1/2001 through 12/31/2007 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 covered 11/1/01 through 10/31/02, 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 should only have replaced amounts that were cut by direct cost ceiling limitations in the applicable rate calculations. Since the Facility's direct costs were not held to a ceiling the per diem add ons were not necessary. Consequently, the Nursing, OBRA, and Gloves per diem add-ons were eliminated.

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

	RATE PERIODS							
	11/1/01- 12/31/01	2002	2003	2004	2005	2006	01/1/07- 03/31/07	04/1/07- 12/31/07
Nursing Per Diem Adjustment	\$ -	\$ -	\$ -	\$ 1.14	\$ 1.17	\$ 1.22	\$ 1.26	\$ 1.25
OBRA Per Diem Adjustment	0.51	0.52	0.53	0.54	0.55	0.57	0.59	0.59
Gloves Per Diem Adjustment	0.23	0.24	0.24	0.24	0.26	0.27	0.28	0.28
Total Per Diem Add-Ons	\$ 0.74	\$ 0.76	\$ 0.77	\$ 1.92	\$ 1.98	\$ 2.06	\$ 2.13	\$ 2.12
Direct Cost Ceiling Per Diem Reduction	-	-	-	-	-	-	-	-
Disallowance to Per Diem Add-Ons	\$ 0.74	\$ 0.76	\$ 0.77	\$ 1.92	\$ 1.98	\$ 2.06	\$ 2.13	\$ 2.12