



STATE OF NEW YORK  
OFFICE OF THE MEDICAID INSPECTOR GENERAL  
90 Church Street, 14<sup>th</sup> Floor  
New York, New York 10007

ANDREW M. CUOMO  
GOVERNOR

JAMES C. COX  
MEDICAID INSPECTOR GENERAL

June 20, 2013

[REDACTED]  
Brooklyn Queens Nursing Home  
2749 Linden Boulevard  
Brooklyn, New York 11208

Re: Medicaid Rate Audit #09-1982  
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 Brooklyn Queens Nursing Home's (the "Facility") Medicaid rates for the rate period January 1, 2004 through December 31, 2007. In accordance with 18 NYCRR Section 517.6, this audit report represents the OMIG's final determination on issues raised in the draft audit report.

In response to the draft audit report dated September 20, 2012, you identified specific audit findings with which you disagreed. Your comments have been considered (see Attachment A); however, consideration of your comments resulted in no reduction to the total Medicaid overpayment shown in the draft audit report. Calculation of the overpayment by the Bureau of Long Term Care Reimbursement (BLTCR) resulted in an increase of \$31,102 to the total overpayment shown in the draft audit report. The increase reflects the impact of the operating expense adjustments (see Exhibit III) on the direct component of the rates and was not included in the 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. The Medicaid overpayment associated with OMIG adjustments was \$170,217. However, this audit also processed BLTCR appeals that resulted in an amount due the Facility of \$20,032. Consequently, based on the enclosed audited rates calculated by the BLTCR, the Medicaid overpayment currently due is \$150,185. This overpayment is subject to Department of Health (the "DOH") and Division of Budget (the "DOB") final approval. While not anticipated, any difference between the calculated overpayment and the final DOH and DOB approved amount will be resolved with the Facility by the OMIG Bureau of Collections Management.

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

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

[REDACTED]  
New York State Department of Health  
Medicaid Financial Management  
GNARESP Corning Tower, Room 2739  
File #09-1982  
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. If you have any questions regarding the above, please contact [REDACTED] at [REDACTED].

Sincerely,

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

Enclosure:

- Attachment A - Facility Draft Report Comments and OMIG Response
- EXHIBIT I - Summary of Per Diem Impact and Medicaid Overpayment
- EXHIBIT II - Summary of Medicaid Rates Audited
- EXHIBIT III - Operating Expense Disallowances/(Allowances)
- EXHIBIT IV - Property Expense Disallowances/(Allowances)
- EXHIBIT V - Return on and Return of Real Property Equity Disallowances/(Allowances)
- EXHIBIT VI - Return on Average Equity Disallowances/(Allowances)

CERTIFIED MAIL # [REDACTED]  
Return Receipt Requested

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

**NAME AND ADDRESS OF AUDITEE**

Brooklyn Queens Nursing Home  
2749 Linden Boulevard  
Brooklyn, New York 11208

NPI #: [REDACTED]  
PROVIDER #: [REDACTED]

AUDIT #09-1982

AMOUNT DUE: \$150,185

AUDIT	<input type="checkbox"/>	PROVIDER
TYPE	<input checked="" type="checkbox"/>	RATE
	<input type="checkbox"/>	PART B
	<input type="checkbox"/>	OTHER:

**CHECKLIST**

1. To ensure proper credit, please enclose this form with your check.
2. Make checks payable to: *New York State Department of Health*
3. Record the Audit Number on your check.
4. Mail check to:

[REDACTED]  
New York State Department of Health  
Medicaid Financial Management  
GNARESP Corning Tower, Room 2739  
File #09-1982  
Albany, New York 12237-0048

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

**CORRECT PROVIDER NUMBER**

**BROOKLYN QUEENS NURSING HOME – AUDIT #09-1982  
OMIG RESPONSE TO DRAFT REPORT COMMENTS AND OMIG RESPONSE**

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

**EXHIBIT III and IV COMMENTS**

**Capital Adjustment #1 – Sales Tax Disallowances**

**Facility Comment**

Exhibit III includes a calculation of an elimination of Sales Tax Expense from the base period (03/24/88 – 09/30/88). The calculation eliminates sales tax from the Direct, Indirect and Non-Comparable components of the rate. The reasoning for the elimination is disclosed.

"Beginning with the 2004 rates, the Facility reported and was reimbursed for all sales tax expenses in the property portion of the rate. Prior to 2004, the sales tax expense associated with the operating expense was included in the appropriate operating expense category and reimbursed in the operating per diem. By reporting all sales tax in property, the Facility is being reimbursed for sales tax expense in both the operating and property per diem. In order to eliminate the **duplication**, sales tax expense was excluded from the base period operating expense for the 2004 to 2007 rates."

It is quite clear to us that there is nothing wrong with being reimbursed for sales as part of the operating per diem except if it is being also reimbursed as a property per diem. It is the duplication of reimbursement that gives rise to this disallowance. If the sales tax is not reimbursed as a Property per diem there is no basis to disallow it from the operating per diem. Exhibit IV item #8 disallows reimbursement in the property rate of sales tax associated with energy sources and reported as sales tax paid on utilities. The auditors have presented a reasoning to disallow reimbursement in the Property per diem of sales tax charged to Utilities.

The disallowance does not contend that the sales tax was not paid by the facility, but rather the facility should have exercised a little known exemption and refused to pay the utility company for charges sent on their bill!

It seems quite clear to us that if the sales tax on utilities is disallowed from the Property per diem in Exhibit IV item #8, then it must be restored to the Exhibit III disallowance as it no longer is being "DUPLICATED." The audit cannot disallow it in two places!

**OMIG Response**

Based on the NYS Taxation and Finance rule (TSB-A-90(60)S) nursing home facilities are exempt from sales tax on utilities and certain energy sources. To obtain the exemption, the facility had to apply and receive a "residential" classification. This covers both State and County sales tax but not NYC sales tax charge. Since nursing homes are not required to pay this sales tax, the OMIG would disallow any payments of such since it is an expense that should have been avoided or not paid.

As per NYS Taxation and Finance rule (TSB-A-90(60)S), the reduced sales tax rate of zero percent applies to energy sources and services purchased for use at any long-term rehabilitation center which falls within the definition of a health-related facility or nursing home as defined by the Public Health Law. NYS Taxation and Finance further states that, taxes paid before exempt status is recognized are refundable if the organization met the requirement for exemption when the purchases were made. Any organization that is required to amend its documents or change its operations in order to qualify for exemption is not entitled to a refund of taxes paid before the effective date of those changes. Once the facility established organization status, it was entitled to a refund of sales tax it had paid subject to a three year limitation based on the New York State Taxation rule (TSB)-A90(60)S.

The OMIG audit determined that taxes for which there is an exemption available are not allowable for reimbursement. Therefore, the sales tax expense should not have been reimbursed in either the operating or the property per diem.

**Disposition: The draft audit report disallowance remains the same.**

### **Capital Adjustment #7 – Real Estate Tax Expense Disallowance**

#### **Facility Comment**

Exhibit IV item #7 disallows real estate taxes in the amount of \$5,159 as relating to a Health Center, Child Center and Clinic for the property identified as Block 4469-Lot 6. The sole basis for this disallowance is the classification by NYC Property as this property as a Building Class 15 instead of 16. Class 15 is a Health Center, Child Center and Clinic. Class 16 is a Nursing Home. We previously responded that this is an error on the part of NYC Property that had not been corrected. We previously provided a Digital Tax Map (also included with this letter) that clearly identifies Lot 6 as being located at the location of the Nursing Facility. A Health Center, Child Center and Clinic do not exist on Lot 6. As we are sure the OMIG Auditors included a site visit as part of this audit, this should be in their records. We therefore request that this disallowance be restored for reimbursement.

#### **OMIG Response**

The OMIG's position is that the Facility did not provide adequate documentation to substantiate the disallowed real estate tax expenses for a building located on Block 4469-Lot 6. The Facility provided the OMIG with a Digital Tax Map from the NYC Department of Finance which depicts Lot 6 as being adjacent to Lot 10 which is the site of the Nursing Facility. However, the Digital Tax Map does not identify the type of services provided by the building located on Lot 6. Further, the Facility owns and paid real estate taxes on both lots (Lot 6 and Lot 10) that are located on the same Block.

The documentation provided by the Facility indicated that the building located on Lot 6 to be coded as a Building Class 15. According to NYC Property, Class 15 is a Health Center, Child Center and Clinic. The Facility contested that a Health Center, Child Center and Clinic does not exist on Lot 6 and the classification is an error on the part of NYC Property that had not been corrected. The OMIG audit determined that these costs were not related to nursing home patient care and were consequently disallowed.

**Disposition: The draft audit report disallowance remains the same.**

**Recalculation Utilizing Total Patient Days Less Reserved Bed Patient Days**

**Facility Comment**

In accordance with the decision of the New York State Supreme Court, Appellate Division, First Department, dated May 15, 2012, in the case of *Kateri Residence, etc. against Antonio C. Novello M.D., etc.*, this facility requests that any and all adjustments to the rate as a result of this, and any, audits be recalculated utilizing total patient days **less** reserved bed patient days.

**OMIG Response**

Patient day methodology is established by the Bureau of Long Term Care Reimbursement (BLTCR). Consequently, the OMIG does not have the authority to address this issue and must defer to BLTCR regarding any resolution. Therefore, this issue was not considered.

**Disposition: The OMIG cannot address this issue as there was no adjustment made in the draft audit report. The OMIG defers to the Department of Health on this issue. The draft audit report remains the same.**

**BROOKLYN QUEENS NURSING HOME - AUDIT # 09 -1982**  
**RATE PERIOD JANUARY 1, 2004 THROUGH DECEMBER 31, 2007**  
**SUMMARY OF PER DIEM IMPACT AND MEDICAID OVERPAYMENT**

<u>RATE PERIOD</u>	<u>ISSUED PART B &amp; D NON-ELIGIBLE RATES*</u>	<u>FINAL PART B &amp; D NON-ELIGIBLE RATES</u>	<u>RATE DECREASE (INCREASE)</u>	<u>MEDICAID DAYS</u>	<u>MEDICAID OVERPAYMENT</u>
01/01/04 - 03/31/04	\$ 193.61	\$193.41	\$ 0.20	11,699	\$ 2,340
04/01/04 - 06/30/04	192.10	191.91	0.19	11,194	2,127
07/01/04 - 09/30/04	192.68	192.49	0.19	11,305	2,148
10/01/04 - 12/31/04	191.62	191.41	0.21	11,331	2,380
01/01/05 - 03/31/05	197.30	195.88	1.42	11,222	15,935
04/01/05 - 06/30/05	191.20	189.77	1.43	11,264	16,108
07/01/05 - 09/30/05	197.34	195.92	1.42	11,648	16,540
10/01/05 - 12/31/05	194.40	192.97	1.43	11,880	16,988
01/01/06 - 03/31/06	202.66	201.87	0.79	11,173	8,827
04/01/06 - 06/30/06	214.34	213.51	0.83	11,196	9,293
07/01/06 - 09/30/06	213.63	212.82	0.81	11,215	9,084
10/01/06 - 12/31/06	212.96	212.15	0.81	11,317	9,167
01/01/07 - 03/31/07	215.56	214.64	0.92	10,666	9,813
04/01/07 - 06/30/07	214.32	213.41	0.91	10,591	9,638
07/01/07 - 08/31/07	213.42	212.51	0.91	7,520	6,843
09/01/07 - 12/31/07	213.42	212.51	0.91	14,235	<u>12,954</u>
<b>TOTAL MEDICAID OVERPAYMENT</b>					<b><u>\$ 150,185</u></b>

\* 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.

NOTE: Of the total Medicaid impact listed above, the impact associated with the processing of Bureau of Long Term Care open appeals is \$20,032.

**BROOKLYN QUEENS NURSING HOME - AUDIT # 09 -1982**  
**RATE PERIOD JANUARY 1, 2004 THROUGH DECEMBER 31, 2007**  
**SUMMARY OF MEDICAID RATES AUDITED**

The Facility's Medicaid utilization was approximately 95 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 &amp; D NON-ELIGIBLE RATES *</u>
01/01/04 - 03/31/04	\$199.48
04/01/04 - 06/30/04	197.93
07/01/04 - 09/30/04	198.47
10/01/04 - 12/31/04	197.37
01/01/05 - 03/31/05	203.41
04/01/05 - 06/30/05	197.10
07/01/05 - 09/30/05	203.47
10/01/05 - 12/31/05	200.40
01/01/06 - 03/31/06	208.93
04/01/06 - 06/30/06	220.97
07/01/06 - 09/30/06	220.30
10/01/06 - 12/31/06	219.60
01/01/07 - 03/31/07	222.33
04/01/07 - 06/30/07	221.05
07/01/07 - 08/31/07	220.15
09/01/07 - 12/31/07	220.15

\* 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.

**BROOKLYN QUEENS NURSING HOME - AUDIT # 09 -1982**  
**RATE PERIOD JANUARY 1, 2004 THROUGH DECEMBER 31, 2007**  
**OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES)**

COST		OPERATING EXPENSE COMPONENT	
<u>DESCRIPTION CENTER</u>	<u>DIRECT</u>	<u>INDIRECT</u>	<u>NON-COMP.</u>
	\$ 1,866,445	\$ 1,348,327	\$ 183,035

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

**ELIMINATION OF SALES TAX EXPENSE**

Beginning with the 2004 rates, the Facility reported and was reimbursed for all sales tax expenses in the property portion of the rate. Prior to 2004, the sales tax expense associated with operating expense was included in the appropriate operating expense category and reimbursed in the operating per diem. By reporting all sales tax in property, the Facility is being reimbursed for sales tax expense in both the operating and property per diem. In order to eliminate the duplication, sales tax expense was excluded from the base period (3/24/88-9/30/88) operating expense for the 2004 to 2007 rates.

**Regulations: 10 NYCRR Sections 86-2.17(a) and (d)**

Fiscal	004		610	
Admin.	005		5	
Plant	006		1,242	
Laundry	009		2,716	
Housekeeping	010		2,179	
Activities	014	158	-	
Social Services	021	2	-	
OT	040	69	-	
SNF	051	2,269	-	
Utilities	106			6,916

**Total Disallowances/(Allowances)**

**TOTAL AUDITED OPERATING EXPENSE BY COMPONENT**

\$ 2,498	\$ 6,752	\$ 6,916
\$ 1,863,947	\$ 1,341,575	\$ 176,119

**BROOKLYN QUEENS NURSING HOME - AUDIT # 09 -1982**  
**RATE PERIOD JANUARY 1, 2004 THROUGH DECEMBER 31, 2007**  
**PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)**

DESCRIPTION CENTER	COST			RATE PERIODS		
	2004	2005	2006	2007	2006	2007
	\$ 462,055	\$ 266,206	\$ 276,479	\$ 342,491		

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

Disallowances/(Allowances) Related to Processing of Bureau of Long Term Care (BLTCR) Open Appeals

**1. ORGANIZATION COSTS ALLOWANCE**

Organization costs were adjusted to reflect the inclusion of the Facility's organization cost amortization which was erroneously removed from Schedule VI of the Facility's 2004 rate sheet. This allowance was contingent upon the Facility's written withdrawal of this particular item from its outstanding appeal #425305 filed with the Bureau of Long Term Care Reimbursement. The Facility withdrew the item from the appeal in correspondence to BLTCR dated May 3, 2010.  
**Regulations: 10 NYCRR Sections 86-2.17(a) and (d), PRM-1 Sections 2300 & 2304**

Org. Exp. 001 (21,313)

BLTCR Open Appeals Disallowances/(Allowances)  
Subtotal Property Expense

\$ (21,313)	\$ -	\$ -	\$ -
\$ 483,368	\$ 266,206	\$ 276,479	\$ 342,491

Other OMIG Audit Disallowances/(Allowances)

**2. RETURN ON AND RETURN OF EQUITY DISALLOWANCES**

The real property historical costs and cumulative real property reimbursements were used to calculate the return on and of equity in the 2007 rate. The cumulative real property reimbursements were adjusted to reflect audited amounts. As a result, the returns on and of real property equity were adjusted accordingly. (See Exhibit V for calculations)  
**Regulation: 10 NYCRR Section 86-2.21**

Ret. on Eq. 003  
Ret. of Eq. 001

205	322
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**3. EQUIPMENT RENTAL DISALLOWANCES**

The Facility reported cable television service expenses in rent expense. These service expenses are operating in nature and not includable in property costs. Consequently, these expenses were disallowed from the capital component of the rate.  
**Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Section 2806.1(c)**

Rent C 001 1,807

2,728	2,655
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**4. ORGANIZATION COSTS DISALLOWANCES**

a. Providers receiving payment based on reimbursable costs are 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 and provide supporting documentation for the reported organization cost amortization.  
**Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300 & 2304**

Org. Exp. 001 35,136

b. 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 are allowable. Reported organization costs pertaining to legal fees should not be included in the Facility's rate computation. A disallowance was necessary.  
**Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.3, 2103 & 2132**

Org. Exp. 001 1,197

**BROOKLYN QUEENS NURSING HOME - AUDIT # 09 -1982**  
**RATE PERIOD JANUARY 1, 2004 THROUGH DECEMBER 31, 2007**  
**PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)**

	COST	RATE PERIODS			
		2004	2005	2006	2007
<b>5. RETURN ON AVERAGE EQUITY DISALLOWANCE</b>					
Average equity was adjusted to reflect the disallowance of the cost associated with the approval of additional beds, which was reported as an intangible asset, and included in the calculation of the return on average equity. The Commissioner has determined that intangible assets are not reimbursable for Medicaid. Consequently, the changes resulted in a disallowance to the return on average equity. <b>Regulations: 10 NYCRR Sections 86-2.17(d), 86-2.21, 86-2.28 &amp; RHCFC Accounting and Reporting Manual</b>	Ret. on Av. Eq. 003			2,440	
<b>6. SALES TAX DISALLOWANCES</b>					
Certain products and services associated with energy sources provided to long-term care facilities are exempt from New York State sales tax if the facilities are considered to be residential. The reduced sales tax rate of zero percent applies to energy sources and services purchased for use at any long-term care facility which falls within the definition of a health related facility or nursing home as defined by public health law. Taxes for which there is an exemption available are not allowable for reimbursement purposes. Consequently, disallowances were necessary. <b>Regulations: 10 NYCRR Section 86-2.17(a), TSB-A-90(60)S, Sales and Use-Rate of Tax-Residential Energy Sources-Long Term Treatment Facilities &amp; PRM-1 Section 2122.2D</b>	Sales Tax Exp. 005	1,769	1,465	3,733	4,056
<b>7. REAL ESTATE TAX EXPENSE DISALLOWANCE</b>					
Providers who receive payments on the basis of reimbursable costs must provide adequate cost data based on financial and statistical records that can be verified on audit. Reported real estate tax expenses related to a Health Center, Child Center, and Clinic services are not related to patient care of the Nursing Facility (NF), and should not be included in the NF rate computation. The Facility was not certified to provide Health Center, Child Center, Clinic services. A disallowance was necessary. <b>Regulations: 10 NYCRR Sections 86-2.17(a) and (d), PRM-1 Sections 2102.2, 2102.3</b>	RE Taxes 006				5,159
<b>Total Other OMIG Property Expense Disallowances/(Allowances)</b>		\$ 3,576	\$ 39,336	\$ 8,901	\$ 12,397
<b>AUDITED PROPERTY EXPENSE</b>		\$ 479,792	\$ 226,870	\$ 267,578	\$ 330,094

BROOKLYN QUEENS NURSING HOME - AUDIT # 09 -1982

RATE PERIOD JANUARY 1, 2004 THROUGH DECEMBER 31, 2007

## RETURN ON AND RETURN OF REAL PROPERTY EQUITY DISALLOWANCES/(ALLOWANCES)

<u>Return of Equity Calculation</u>	<u>RATE PERIODS</u>			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Real Property Historical Cost per HE-12B	\$ 2,467,543	\$ 2,602,798	\$ 2,722,181	\$ 2,734,956
Audit Disallowances/(Allowances)	<u>2,167,855</u>	<u>2,467,543</u>	<u>2,472,052</u>	<u>2,489,918</u>
Audited Historical Cost	\$ 299,688	\$ 135,255	\$ 250,129	\$ 245,038
Less: Accumulated Reimbursement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Audited Net Equity	\$ 299,688	\$ 135,255	\$ 250,129	\$ 245,038
Remaining Useful Life	<u>1</u>	<u>30</u>	<u>14</u>	<u>13</u>
Audited Return of Equity	\$ 299,688	\$ 4,509	\$ 17,866	\$ 18,849
Promulgated Return of Equity	<u>299,688</u>	<u>4,509</u>	<u>17,866</u>	<u>19,171</u>
Disallowance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 322</u>
 <u>Return on Equity Calculation</u>				
Audited Net Equity	\$ 299,688	\$ 135,255	\$ 250,129	\$ 245,038
Less: ½ Current Return of Equity	<u>149,844</u>	<u>2,255</u>	<u>8,933</u>	<u>9,586</u>
Audited Net Investment	\$ 149,844	\$ 133,000	\$ 241,196	\$ 235,452
Rate of Return	<u>5.15%</u>	<u>4.95%</u>	<u>4.45%</u>	<u>4.90%</u>
Audited Return on Equity	\$ 7,717	\$ 6,584	\$ 10,733	\$ 11,537
Promulgated Return on Equity	<u>7,717</u>	<u>6,584</u>	<u>10,733</u>	<u>11,742</u>
Disallowance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 205</u>

**BROOKLYN QUEENS NURSING HOME - AUDIT # 09 -1982**  
**RATE PERIOD JANUARY 1, 2004 THROUGH DECEMBER 31, 2007**  
**RETURN ON AVERAGE EQUITY DISALLOWANCES/(ALLOWANCES)**

	<b>RATE PERIODS</b>			
	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>
<b>Return on Average Equity</b>				
Average Equity per HE-12B	\$ 3,847,406	\$ 3,719,856	\$ 3,159,198	\$ 1,327,642
Less: Audit Adjustments (Intangible Assets)			64,905	
Audited Average Equity	\$ 3,847,406	\$ 3,719,856	\$ 3,094,293	\$ 1,327,642
Less: Audited Net Investment	149,844	133,001	241,196	239,639
Audited Remaining Equity	\$ 3,697,562	\$ 3,586,855	\$ 2,853,097	\$ 1,088,003
Rate of Return	1.01%	1.87%	3.76%	5.07%
Return on Average Equity Per Audit	\$ 37,345	\$ 67,074	\$ 107,276	\$ 55,162
Return on Average Equity per HE-12B	37,345	67,074	109,716	55,162
<b>Disallowance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,440</b>	<b>\$ -</b>