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

ANDREW M. CUOMO
GOVERNOR

JAMES G. SHEEHAN
MEDICAID INSPECTOR GENERAL

March 8, 2011

Ms. Shannon Delker, Administrator
Susquehanna Nursing and Rehabilitation Center
282 Riverside Drive
Johnson City, New York 13790-2727

Re: Medicaid Rate Audit #09-2552
NPI Number: [redacted]
Provider Number:

Dear Ms. Delker:

Enclosed is the final audit report of the Office of the Medicaid Inspector General's (the "OMIG") audit of Susquehanna Nursing and Rehabilitation Center's (the "Facility") Medicaid rates for the rate period March 1, 2005 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 audit report.

In response to the draft audit report dated November 1, 2010, you identified specific audit findings with which you disagreed. Consideration of your comments resulted in no change to the Medicaid overpayment. However, the enclosed audited rates calculated by the Bureau of Long Term Care Reimbursement show a reduction of $24,752 from the estimated overpayment in the draft audit report. The Medicaid overpayment currently due is $327,416. This overpayment is subject to Department of Health (the "DOH") and Division of Budget (the "DOB") final approval. While not anticipated, any difference between the calculated overpayment and the final DOH and DOB approved amount will be resolved with the Facility by the OMIG Bureau of Collections Management.

The overpayment does not reflect the impact on rates subsequent to December 31, 2008 that utilized the March 1, 2005 through February 28, 2006 base period for operating expense. Any overpayment resulting from operating expense disallowances in the March 1, 2005 through February 28, 2006 base period report for rates subsequent to December 31, 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:

Mr. Donald Collins
New York State Department of Health
Medicaid Financial Management
GNARESP Corning Tower, Room 1237
File #09-2552
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
Phone #: (518) 474-5878
Fax#: (518) 408-0593

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.

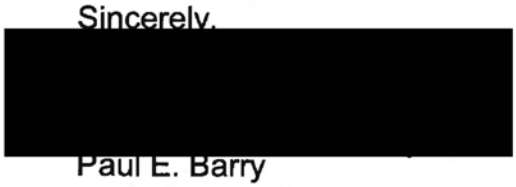
If you wish to request a hearing, the request must be submitted in writing to:

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 Charlene D. Fleszar, Esq. of the Office of Counsel at (518) 408-5811.

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 Mr. Kevin Cullen at (518) 402-0151.

Sincerely,



Paul E. Barry
Coordinator Medical Facilities Audit
Division of Medicaid Audit
Audit Management and Development
Office of the Medicaid Inspector General

Attachments:

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 Of Real Property Equity Allowances
EXHIBIT VI - Square Foot Statistic Adjustment

CERTIFIED MAIL #7009-0080-0000-0373-1938
RETURN RECEIPT REQUESTED

NEW YORK STATE
OFFICE OF THE MEDICAID INSPECTOR GENERAL
REMITTANCE ADVICE

NAME AND ADDRESS OF AUDITEE

Susquehanna Nursing and
Rehabilitation Center
282 Riverside Drive
Johnson City, NY 13790-2727

AMOUNT DUE: $327,416

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

AUDIT #09-2552

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:

   Mr. Donald Collins
   New York State Department of Health
   Medicaid Financial Management
   GNARESP Corning Tower, Room 1237
   File #09-2552
   Albany, New York 12237-0048

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

CORRECT PROVIDER NUMBER

EXHIBIT I

SUSQUEHANNA NURSING AND REHABILITATION CENTER
RATE PERIODS MARCH 1, 2005 THROUGH DECEMBER 31, 2008
SUMMARY OF PER DIEM IMPACT AND MEDICAID OVERPAYMENT

RATE PERIOD	ISSUED RATES* Medicare Part B Non-Elig.	ISSUED RATES* Medicare Part B Eligible	FINAL RATES Medicare Part B Non-Elig.	FINAL RATES Medicare Part B Eligible	RATE DECREASE (INCREASE)	MEDICAID DAYS	MEDICAID OVERPAYMENT
03/01/05 - 05/31/05	$141.16	$141.12	$139.20	$139.16	$1.96	9,662	$ 18,938
06/01/05 - 06/30/05	142.91	142.87	140.94	140.90	1.97	3,092	6,091
07/01/05 - 08/31/05	144.05	144.01	142.08	142.04	1.97	6,409	12,626
09/01/05 - 11/30/05	144.45	144.41	142.49	142.45	1.96	8,935	17,513
12/01/05 - 12/31/05	143.60	143.56	144.64	141.60	1.96	2,926	5,735
01/01/06 - 02/28/06	149.07	149.03	147.09	147.05	1.98	5,913	11,708
03/01/06 - 03/31/06	148.84	148.80	146.83	146.79	2.01	3,013	6,056
04/01/06 - 05/31/06	148.51	148.47	146.50	146.46	2.01	6,027	12,114
06/01/06 - 08/31/06	151.05	151.01	149.07	149.03	1.98	9,113	18,044
09/01/06 - 11/30/06	151.16	151.12	149.15	149.11	2.01	8,622	17,330
12/01/06 - 12/31/06	160.21	160.17	158.20	158.16	2.01	2,901	5,831
01/01/07 - 03/31/07	167.87	167.83	165.92	165.88	1.95	8,662	16,891
04/01/07 - 06/30/07	166.93	166.89	164.98	164.94	1.95	8,512	16,598
07/01/07 - 08/31/07	164.73	164.69	162.78	162.74	1.95	5,616	10,951
09/01/07 - 12/31/07	164.73	164.69	162.78	162.74	1.95	11,717	22,848
01/01/08 - 03/31/08	171.93	171.89	168.23	168.19	3.70	8,473	31,350
04/01/08 - 06/30/08	168.72	168.68	165.03	164.99	3.69	8,603	31,745
07/01/08 - 12/31/08	172.21	172.17	168.52	168.48	3.69	17,628	65,047
TOTAL MEDICAID OVERPAYMENT							**$ 327,416**

* Any differences between these rates and the rates listed in Exhibit II of this report represent rate changes made subsequent to our audit. These changes remain open to future audit by the OMIG.

EXHIBIT II

SUSQUEHANNA NURSING AND REHABILITATION CENTER

RATE PERIODS MARCH 1, 2005 THROUGH DECEMBER 31, 2008

SUMMARY OF MEDICAID RATES AUDITED

The Facility's Medicaid utilization was approximately 60 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.

	ISSUED RATES	
	Medicare Part B	
RATE PERIOD	Non-Elig.	Eligible
03/01/05 - 05/31/05	$141.16	$141.12
06/01/05 - 06/30/05	142.91	142.87
07/01/05 - 08/31/05	144.05	144.01
09/01/05 - 11/30/05	144.45	144.41
12/01/05 - 12/31/05	143.60	143.56
01/01/06 - 02/28/06	149.07	149.03
03/01/06 - 03/31/06	148.84	148.80
04/01/06 - 05/31/06	148.51	148.47
06/01/06 - 08/31/06	151.05	151.01
09/01/06 - 11/30/06	151.16	151.12
12/01/06 - 12/31/06	160.21	160.17
01/01/07 - 03/31/07	167.87	167.83
04/01/07 - 06/30/07	166.93	166.89
07/01/07 - 08/31/07	164.73	164.69
09/01/07 - 12/31/07	164.73	164.69
01/01/08 - 03/31/08	171.93	171.89
04/01/08 - 06/30/08	168.72	168.68
07/01/08 - 12/31/08	172.21	172.17

SUSQUEHANNA NURSING AND REHABILITATION CENTER
RATE PERIODS MARCH 1, 2005 THROUGH DECEMBER 31, 2008
OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	OPERATING EXPENSE COMPONENT DIRECT	03/01/05-12/31/2005 INDIRECT	01/01/06-12/31/2008 INDIRECT	03/01/05-12/31/2006 NON COMP.	01/01/07-12/31/08 NON COMP.
Operating Expense Allowed per HE-12B					$ 4,784,119	$ 2,877,897	$ 2,761,400	$ 611,803	$ 336,991
Less Disallowances/(Allowances):									
1. ADMINISTRATIVE SERVICES DISALLOWANCE									
The Facility reported architect fees as part of the operating expense. The fees were connected to an unfinished project. The fees should have been deferred and then amortized over the project life when it is completed. Consequently, a disallowance was necessary. **Regulation: PRM-1 Section 2154.1**	Admin.	005	$10,000	96.75%		9,675	9,675		
2. HOUSEKEEPING SERVICES ALLOWANCE									
The Facility contracts with an unrelated company for its housekeeping services. As part of this agreement, the Facility rents housekeeping equipment from the housekeeping vendor. However, the vendor has exclusive usage of the equipment. The equipment represents capital cost to the vendor and not to the Facility. Consequently, equipment rental expense was considered to be an operating cost of the vendor. An reclassification was necessary to move equipment expense from capital costs to operating costs. **Regulation: PRM Section 2806.3(B)**	Hskp.	010	(50,544)	95.37%		(48,204)	(48,204)		
3. OFFSET OF INCOME ASSOCIATED WITH MEAL SALES TO THE PUBLIC									
Expense shall be reduced by the cost of services and activities which are not properly chargeable to patient care. In the event that it is not practicable to establish the cost of such services and activities, the income derived from them may be substituted for their cost. The Facility reported revenue pertaining to meals served to the public. This revenue was not offset in the promulgated rate. Therefore, the income derived from the sale of meals was offset against expense. **Regulation: 10 NYCRR Section 86-2.18**	Pat. Food Serv.	011	18,791	97.99%		18,413	18,413		
4. UTILITIES EXPENSE DISALLOWANCE									
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. Audited utilities expense varied from the expense allowed in the promulgated rates. Reported expenses included expeditures for periods outside of the base year. Consequently, a disallowance was necessary. **Regulations: 10 NYCRR Section 86-2.4 & PRM-1 Sections 2300 and 2304**	Maint.	106	2,411	99.44%				2,397	2,397

SUSQUEHANNA NURSING AND REHABILITATION CENTER
RATE PERIODS MARCH 1, 2005 THROUGH DECEMBER 31, 2008
OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	OPERATING EXPENSE COMPONENT DIRECT	03/01/05-12/31/2005 INDIRECT	01/01/06-12/31/2008 INDIRECT	03/01/05-12/31/2006 NON COMP.	01/01/07-12/31/08 NON COMP.
5. LABORATORY AND RADIOLOGY DISALLOWANCES									
Costs not reasonably related to efficient production of services because of the nature or amount of expense are not allowable. The Facility reported laboratory and radiology expense on its RHCF-4 Report. However, laboratory and radiology expenses are not allowable because they are ancillary services that were to be excluded from the Facility's 2005 through 2008 rates. In addition, the expenses did not apply to Medicaid patients. Consequently, the expenses are not allowable for Medicaid reimbursement and were disallowed. **Regulations: 10 NYCRR Sections 86-2.17(a) & (d)**	Lab	031	6,291	100.00%				6,291	6,291
	Radiology	034	20,457	100.00%				20,457	20,457
6. CORRECTION OF TRACEBACK PERCENTAGES									
The audited square footage for the Adult Day Care varied from the reported amount. Changes were necessary to increase the Adult Day Care square footage (see Exhibit VI for revisions). Based on the changes, revised stepdowns were calculated which resulted in changes to the traceback percentages. Consequently, it was necessary to exclude additional costs. The revised stepdowns were provided to the Facility. **Regulations: 10 NYCRR Section 86-2.17(a)**	Util./R.E.Taxes	106	10,696	100.00%				10,696	
	Fiscal	004	1,268	100.00%		1,268	1,268		
	Admin.	005	1,259	100.00%		1,259	1,259		
	Maint.	006	3,731	100.00%		3,731	3,731		
	Grounds	007	254	100.00%		254	254		
	Security	008	1,503	100.00%		1,503	1,503		
	Util./R.E.Taxes	106	4,312	100.00%					4,312
Total Disallowances/(Allowances)					$ -	$ (12,101)	$ (12,101)	$ 39,841	$ 33,457
AUDITED OPERATING EXPENSE MARCH 1, 2005 THROUGH DECEMBER 31, 2007					**$ 4,784,119**	**$ 2,889,998**	**$ 2,773,501**	**$ 571,962**	**$ 303,534**
Additional Disallowance for January 1, 2008 through December 31, 2008 Operating Rates:									
7. SALES TAX DISALLOWANCES									
Beginning with the 2008 rates, the Facility reported and was reimbursed for all sales tax expense in the property portion of the rate. Prior to 2008, 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 diems. In order to eliminate the duplication, sales tax expense was excluded from the base period (03/01/05 - 02/28/06) operating expense for the 2008 rates. **Regulations: 10 NYCRR Part 86-2.17 (a) & (d)**	Nursing	051	1,818	100.00%	1,818				
	Activities	014	706	100.00%	706				
	Patient Food	011	2,339	97.99%			2,292		
	Maint	006	1,089	99.44%			1,083		
	Hsekping	010	12,920	95.37%			12,322		
	Laundry	009	8,455	100.00%			8,455		
	Fiscal	004	122	96.75%			118		
	Admin	005	2,532	96.75%			2,450		
Total Additional Disallowance to January 1, 2008 through December 31, 2008 Operating Rates					$ 2,524	$ -	$ 26,720	$ -	$ -
AUDITED OPERATING EXPENSES FOR JANUARY 1, 2008 THROUGH DECEMBER 31, 2008					**$ 4,781,595**	**$ 2,889,998**	**$ 2,746,781**	**$ 571,962**	**$ 303,534**

SUSQUEHANNA NURSING AND REHABILITATION CENTER
RATE PERIODS MARCH 1, 2005 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS 2005	2006	2007	2008
Property Expense Allowed per HE-12B					$ 375,253	$ 373,641	$ 647,391	$ 801,022
Less Disallowances/(Allowances):								
1. REDUCTION OF INVESTMENT INCOME OFFSET								
Reported investment income was offset against interest expense in the promulgated rates. However, the offset was in excess of interest expense. Consequently, it was necessary to reduce the offset by the amount that it exceeded interest expense. The Facility, in a letter dated December 29, 2010, has rescinded this item of Appeal # 824201, which requested that the offset of interest expense be limited to the amount of interest income. **Regulation: 10 NYCRR Section 86-2.20(c)(2)**	Invest. Inc.	003	(3,600)	100.00%	(3,600)			
2. RETURN ON AND OF EQUITY ALLOWANCES								
The real property historical costs were adjusted to reflected the inclusion of audited building additions resulting in return on and of equity allowances. The Facility, in a letter dated December 29, 2010, has rescinded this item of Appeal # 824201, which requested that the real property historical costs be adjusted to include building additions. Refer to Exhibit V. **Regulation: 10 NYCRR Section 86-2.21**	Ret. on Eq.	003	(10,748)	100.00%	(10,748)			
	Ret. on Eq.	003	(7,646)	100.00%		(7,646)		
	Ret. on Eq.	003	(7,429)	100.00%			(7,429)	
	Ret. on Eq.	003	(6,149)	100.00%				(6,149)
	Ret. of Eq.	001	(22,856)	99.43%	(22,726)			
	Ret. of Eq.	001	(20,215)	99.43%		(20,100)		
	Ret. of Eq.	001	(20,215)	99.43%			(20,100)	
	Ret. of Eq.	001	(20,215)	99.37%				(20,088)
3. MOVABLE EQUIPMENT DEPRECIATION								
The OMIG audit determined that the Facility misclassified movable equipment purchased from the former owner. A review of the $378,875 items purchased disclosed that $202,368 of the items were for building and fixtures. A disallowance of the depreciation expense pertaining to the $202,368 over a seven year life was necessary. In addition, the Facility also capitalized architect fees for a project that was not completed until 2007. A disallowance of 2008 depreciation was necessary. **Regulations: 10 NYCRR Section 86-2.22, PRM-1 Section 2154.1**	ME Depr.	002	28,910	98.11%	28,364			
	ME Depr.	002	28,910	98.11%		28,364		
	ME Depr.	002	28,910	98.11%			28,364	
	ME Depr.	002	29,344	98.40%				28,874
4. AUTO INSURANCE ALLOWANCES								
The Facility's reported auto insurance was reduced in the promulgated rates in proportion to the amount that was disallowed for the auto lease. The OMIG determined that this auto was not covered by the Facility's auto insurance policy. Consequently, an allowance was necessary. **Regulations: 10 NYCRR Section 86-2.17(a), PRM - 1 Section 2102.2**	Auto Ins.	005	(1,675)	96.75%	(1,621)			
	Auto Ins.	005	(1,675)	96.75%		(1,621)		
	Auto Ins.	005	(1,675)	96.75%			(1,621)	

SUSQUEHANNA NURSING AND REHABILITATION CENTER
RATE PERIODS MARCH 1, 2005 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS 2005	2006	2007	2008
5. EQUIPMENT RENTAL EXPENSE ADJUSTMENTS								
a) Amounts included in the capital lease payments were determined to be leasehold improvements. An adjustment was necessary to remove these amounts from the rental reimbursement. Correspondingly, leasehold improvements were included in the return on and of equity calculation. **Regulations: 10 NYCRR Sections 86-2.22 & 453.3(c) (4)**	Rent A	002	33,462	98.11%	32,830			
	Rent A	002	33,462	98.11%		32,830		
	Rent A	002	33,462	98.11%			32,830	
	Rent A	002	72,530	98.40%				71,370
b) 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. Audited equipment rental expense varied from the expense allowed in the promulgated rates resulting in disallowances. **Regulations: PRM-1 Sections 2300 & 2304, 10 NYCRR Section 86-2.17(a)**	Rent B	004	759	96.75%	734			
	Rent B	004	759	96.75%		734		
	Rent B	004	759	96.75%			734	
	Rent E	019	246	100.00%	246			
	Rent E	019	246	100.00%		246		
	Rent E	019	246	100.00%			246	
c) The provider reported cable television charges as part of rentals. Cable TV for patient rooms is not a reimbursable expense and was disallowed. **Regulation: PRM-1 Section 2106.1**	Rent B	004	406	96.46%				392
	Rent G	051	9,146	100.00%				9,146
	Rent C	005	3,168	96.75%	3,065			
	Rent C	005	3,168	96.75%		3,065		
	Rent C	005	3,168	96.75%			3,065	
	Rent D	008	4,876	99.39%				4,846
	Rent F	014	4,571	100.00%				4,571
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. The Facility did not provide adequate documentation to substantiate that reported auto lease expense related to patient care. Consequently, the auto lease expense was disallowed. **Regulations: 10 NYCRR Section 86-2.17(d), PRM-1 Section 2102.3**	Rent C	005	6,000	96.75%	5,805			
	Rent C	005	6,000	96.75%		5,805		
	Rent C	005	6,000	96.75%			5,805	
	Rent C	005	10,759	96.46%				10,378
e) The Facility contracts with an unrelated company for its housekeeping services. As part of this agreement, the Facility rents housekeeping equipment from the housekeeping vendor. However, the vendor has exclusive usage of the equipment. The equipment represents capital cost to the vendor and not to the Facility. Consequently, equipment rental expense was considered to be an operating cost of the vendor. A reclassification was necessary to reclassify equipment expense from capital costs to operating costs. **Regulation: PRM - 1 Section 2806.3(B)**	Rent D	010	50,544	95.37%	48,204			
	Rent D	010	50,544	95.37%		48,204		
	Rent D	010	50,544	95.37%			48,204	
	Rent E	010	46,838	95.31%				44,641

SUSQUEHANNA NURSING AND REHABILITATION CENTER
RATE PERIODS MARCH 1, 2005 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS 2005	2006	2007	2008
f) The audit disclosed that oxygen supplies were included within reported oxygen rentals. Oxygen supplies are an operating expense and were disallowed from the property component of the rate. In addition, 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. The Facility did not provide adequate documentation to substantiate reported oxygen rental expense. Consequently, an additional $397 was disallowed for lack of documentation. **Regulations: 10 NYCRR Sections 455.35 & 458.5 and 86.2.10 (g), PRM-1 Section 2102.3**	Rent F	051	2,611	100.00%	2,611			
	Rent F	051	2,611	100.00%		2,611		
	Rent F	051	2,611	100.00%			2,611	
g) Reported rental of storage space expense was disallowed in the rate computation process. The OMIG determined the expense to be allowable. Consequently, an allowance was necessary. The Facility, in a letter dated December 29, 2010, has rescinded this item of Appeal # 824201, which requested that the storage space be allowed as a reimbursable cost. **Regulation: PRM-1 Section 2102.2**	Rent G	004	(2,195)	96.75%	(2,124)			
	Rent G	004	(2,195)	96.75%		(2,124)		
	Rent G	004	(2,195)	96.75%			(2,124)	
6. SALES TAX DISALLOWANCE Providers receiving payment on the basis of reimbursable costs must provide adequate cost data based on financial and statistical records that can be verified on audit. In addition, the cost data is required to be current, accurate, and in sufficient detail. Audited sales tax expense varied from the expense allowed in the promulgated rates resulting in disallowances. Sales tax on utilities is not reimbursable since there is an exemption available to the Facility for sales tax on certain utilities. **Regulations: PRM-1 Sections 2300, 2304, 2122.2(D)**	Sales Tax	005	6,979	96.46%				6,732
7. CORRECTION OF TRACEBACK PERCENTAGES The audited square footage for the Adult Day Care varied from the reported amount. Changes were necessary to increase the Adult Day Care square footage (see Exhibit VI for revisions). Based on these changes, revised stepdowns were calculated which resulted in changes to the traceback percentages. Consequently, it was necessary to exclude additional capital costs. The revised stepdowns were provided to the Facility. **Regulation: 10 NYCRR Section 86-2.17(a)**	Dir. Assign.	003	2,342	100.00%	2,342			
	Dir. Assign.	003	2,342	100.00%		2,342		
	Dir. Assign.	003	8,726	100.00%			8,726	
	Dir. Assign.	003	9,506	100.00%				9,506
Total Disallowances/(Allowances)					$ 83,382	$ 92,710	$ 99,311	$ 164,219
AUDITED PROPERTY EXPENSE					**$ 291,871**	**$ 280,931**	**$ 548,080**	**$ 636,803**

EXHIBIT V

SUSQUEHANNA NURSING AND REHABILITATION CENTER

RATE PERIODS MARCH 1, 2005 THROUGH DECEMBER 31, 2008

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

	RATE PERIODS			
	2005	2006	2007	2008
Return of Equity Calculation				
Real Property Historical Cost per HE-12B	$ 2,898,824	$ 2,922,594	$ 2,922,594	$2,922,594
Audit Disallowances/(Allowances)				
Inclusion of Building Additions	(423,316)	(399,546)	(399,546)	(399,546)
Audited Historical Cost	$ 3,322,140	$ 3,322,140	$ 3,322,140	$3,322,140
Less: Accumulated Reimbursement	2,133,009	2,251,922	2,370,835	2,489,748
Audited Net Equity	$ 1,189,131	$ 1,070,218	$ 951,305	$ 832,392
Remaining Useful Life	10	9	8	7
Audited Return of Equity	$ 118,913	$ 118,913	$ 118,913	$ 118,913
Promulgated Return of Equity	$ 96,057	$ 98,698	$ 98,698	$ 98,698
Disallowances/(Allowances)	$ (22,856)	$ (20,215)	$ (20,215)	$ (20,215)
Return on Equity Calculation				
Audited Net Equity	$ 1,189,131	$ 1,070,218	$ 951,305	$ 832,392
Less: ½ Current Return of Equity	59,457	59,457	59,457	59,457
Audited Net Investment	$ 1,129,674	$ 1,010,761	$ 891,848	$ 772,935
Rate of Return	4.95%	4.45%	4.90%	4.68%
Audited Return on Equity	$ 55,919	$ 44,979	$ 43,701	$ 36,173
Promulgated Return on Equity	$ 45,171	$ 37,333	$ 36,272	$ 30,024
Disallowances/(Allowances)	$ (10,748)	$ (7,646)	$ (7,429)	$ (6,149)

SUSQUEHANNA NURSING AND REHABILITATION CENTER

RATE PERIODS MARCH 1, 2005 THROUGH DECEMBER 31, 2008

ADJUSTMENTS TO SQUARE FOOT STATISTIC

As noted in Exhibit IV, Adjustment #7, changes were necessary to the Facility's reported square footage statistic for the Adult Day Health Care cost center for the March 1, 2005 through February 28, 2006 base year. The amount reported for the Adult Day Health was incorrect based on the audit.

The revised stepdowns and traceback percentages (provided to Facility at exit conference) reflect the above correction.

Regulations: 10 NYCRR Section 86-2.17(a)

	Cost Center	Audited Square Ft. Stat	Provider Square Ft. Stat	Adjustment Necessary
Adult Day Health Care	058	1,274	178	1,096
All Other Cost Centers (see note below)	Various	47,902	47,902	-
Total Square Footage		49,176	48,080	1,096

Note: No statistical changes were necessary for cost centers other than Adult Day Health Care.