



STATE OF NEW YORK  
OFFICE OF THE MEDICAID INSPECTOR GENERAL

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White Plains, New York 10601

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ANDREW M. CUOMO  
GOVERNOR

JAMES C. COX  
MEDICAID INSPECTOR GENERAL

March 13, 2012

[REDACTED]  
Ramapo Manor Center for Rehabilitation & Nursing  
(Formerly known as Ramapo Manor Nursing Center)  
30 Cragmere Road  
Suffern, New York 10901

Re: Medicaid Rate Audit #10-1634  
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 Ramapo Manor Center for Rehabilitation & Nursing's (formerly known as Ramapo Manor Nursing Center) (the "Facility") Medicaid rates for the rate period August 1, 2006 through December 31, 2008. In accordance with 18 NYCRR Section 517.6, this report represents the OMIG's final determination on issues raised in the draft report.

In response to the draft audit report dated November 3, 2011, you identified specific audit findings with which you disagreed. Your comments have been considered and the report has been either revised accordingly and/or amended to address your comments (see Attachment A). Consideration of your comments resulted in no change to the 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 \$243,456. 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 August 1, 2006 through July 31, 2007 base period for operating expense. Any overpayment resulting from operating expense disallowances in the August 1, 2006 through July 31, 2007 base period report for rates subsequent to 2008 will be addressed in the future.

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

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

[REDACTED]  
New York State Department of Health  
Medicaid Financial Management  
GNARESP Corning Tower, Room 1237  
File #10-1634  
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 me at [REDACTED]

Sincerely,

[REDACTED]  
[REDACTED]  
Division of Medicaid Audit  
Audit Management and Development  
Office of the Medicaid Inspector General

Attachments:

- 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
- EXHIBIT IV - Property Expense Disallowances/(Allowances)
- EXHIBIT V - Correction of Patient Days

CERTIFIED MAIL # [REDACTED]  
RETURN RECEIPT REQUESTED

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

**NAME AND ADDRESS OF AUDITEE**

Ramapo Manor Center for  
Rehabilitation & Nursing  
30 Cragmere Road  
Suffern, New York 10901

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

AUDIT #10-1634

AMOUNT DUE: \$243,456

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 1237  
File #10-1634  
Albany, New York 12237-0048

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

[REDACTED]

CORRECT PROVIDER NUMBER

**RAMAPO MANOR CENTER FOR REHABILITATION AND NURSING - AUDIT #10-1634  
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.

**EXHIBIT III COMMENTS**

**Adjustment #2 – Disallowance of Improperly Categorized Expense**

**Facility Comment**

The Facility wishes to take exception to the comment made regarding the need to reclassify the expense. While the Facility agrees that at present our costs exceed the direct and indirect ceilings. However, as this cost would be reclassified to employee benefits, it is possible that this additional cost could impact the WEF calculation and result in a greater ceiling for one or both components which would in turn relate to greater reimbursement. We respectfully request that this cost be reclassified as an employee benefit and then allocated to cost center 051 based upon gross salaries as the employee benefits were allocated to determine if any impact is warranted.

**OMIG Response**

In the calculation of the Input Price Adjustment Factor, the Facility was held to a ceiling for the Regional \$ Per Hour Percent Adjustment, as well. Therefore, an increase in employee fringe benefits would not change the Regional Wage Equalization Factor, or result in greater reimbursement. No revision was made to the audit adjustment.

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

**Adjustment #3 – Laboratory and Radiology Disallowances**

**Facility Comment**

The adjustments to Radiology in the amount of \$52,914 and Laboratory in the amount of \$61,021 are based upon the premise that the expense did not apply to Medicaid patients and should therefore be disallowed. We disagree with the adjustment. The expense was properly reported and verified by the auditors. To attempt to distinguish specifically which residents received these services is contrary to the rate setting methodology. The costs reported were necessary and appropriate and should be allowable.

**OMIG Response**

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

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

**RAMAPO MANOR CENTER FOR REHABILITATION & NURSING**  
**RATE PERIODS AUGUST 1, 2006 THROUGH DECEMBER 31, 2008**  
**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>
08/01/06 - 09/30/06	\$234.90	\$231.71	\$3.19	6,238	\$ 19,899
10/01/06 - 12/31/06	238.41	235.19	3.22	9,181	29,563
01/01/07 - 03/31/07	249.96	247.40	2.56	9,509	24,343
04/01/07 - 06/30/07	248.59	246.04	2.55	9,200	23,460
07/01/07 - 12/31/07	244.99	242.44	2.55	19,416	49,511
01/01/08 - 03/31/08	259.73	257.17	2.56	9,782	25,042
04/01/08 - 06/30/08	254.40	251.86	2.54	9,104	23,124
07/01/08 - 12/31/08	260.50	257.96	2.54	19,100	<u>48,514</u>
<b>TOTAL MEDICAID OVERPAYMENT</b>					<b><u>\$ 243,456</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.

**RAMAPO MANOR CENTER FOR REHABILITATION & NURSING**  
**RATE PERIODS AUGUST 1, 2006 THROUGH DECEMBER 31, 2008**  
**SUMMARY OF MEDICAID RATES AUDITED**

The Facility's Medicaid utilization was approximately 56 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.

<b><u>RATE PERIOD</u></b>	<b>Issued Medicare Part B &amp; D <u>Non-Eligible Rates *</u></b>
08/01/06 - 09/30/06	\$ 234.90
10/01/06 - 12/31/06	238.41
01/01/07 - 03/31/07	249.96
04/01/07 - 06/30/07	248.59
07/01/07 - 12/31/07	244.99
01/01/08 - 03/31/08	259.73
04/01/08 - 06/30/08	254.40
07/01/08 - 12/31/08	260.50

\* 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.

**RAMAPO MANOR CENTER FOR REHABILITATION & NURSING**  
**RATE PERIODS AUGUST 1, 2006 THROUGH DECEMBER 31, 2008**  
**OPERATING EXPENSE DISALLOWANCES**

OPERATING EXPENSE COMPONENT	
08/01/06-	01/01/07-
12/31/06	12/31/08
NON-	NON-
COMP.	COMP.
\$ 11,567,920	\$ 4,738,902
\$ 832,033	\$ 466,122

DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %
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RE Taxes	006	\$74,316	99.62%
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		74,034	
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Med. Director	017	3,000	100.00%
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		3,000	3,000
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Laboratory	031	61,021	100.00%
Radiology	034	52,914	100.00%

		61,021	61,021
		52,914	52,914

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

**1. DISALLOWANCE OF UNDOCUMENTED EXPENSES**

The Facility was unable to document charges that were posted to real estate tax expense. Facilities are required to provide adequate cost data that can be verified. Consequently, the undocumented charges were disallowed.

Regulations: 10 NYCRR Section 86-2.7, PRM-1 Section 2300

**2. DISALLOWANCE OF IMPROPERLY CATEGORIZED EXPENSE**

The Facility reported the cost of employee physicals in the Medical Director cost center. Expenses for employee physicals should be properly reported as a fringe benefit to employees. No reclassification is necessary since the Direct and Indirect components are in excess of the ceiling. The expense is disallowed from the Non-Comparable component.

Regulations: 10 NYCRR Section 86-2.10(f) and 455.17, PRM-1 Section 2144.2

**3. LABORATORY AND RADIOLOGY DISALLOWANCES**

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 for 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 Section 86-2.17(d), HCFA Pub. 60B, Transmittal B-00-67 dated Nov. 27, 2000, Subject: Consolidated Billing for SNF Residents

**RAMAPO MANOR CENTER FOR REHABILITATION & NURSING**  
**RATE PERIODS AUGUST 1, 2006 THROUGH DECEMBER 31, 2008**  
**OPERATING EXPENSE DISALLOWANCES**

OPERATING EXPENSE COMPONENT

08/01/06-	01/01/07-
12/31/06	12/31/08
NON-	NON-
<u>COMP.</u>	<u>COMP.</u>

<u>DESCRIPTION</u>	<u>COST CENTER</u>	<u>DISALLOWED (ALLOWED)</u>	<u>TRACE-BACK %</u>	<u>DIRECT</u>	<u>INDIRECT</u>
Admin	005	12,749	99.94%		12,741

**4. RECLASSIFICATION OF EQUIPMENT RENTAL EXPENSE**

The Facility reported rental expense in the Indirect component. An adjustment was necessary to reclassify this expense to the property component. See corresponding property adjustment #7.

**Regulation: 10 NYCRR Section 86-2.10(9)**

Total Disallowances/(Allowances)  
**AUDITED OPERATING EXPENSE BY COMPONENT**

\$	-	\$	12,741	\$	190,969	\$	116,935
\$	<b>11,567,920</b>	\$	<b>4,726,161</b>	\$	<b>641,064</b>	\$	<b>349,187</b>

**RAMAPO MANOR CENTER FOR REHABILITATION & NURSING**  
**RATE PERIODS AUGUST 1, 2006 THROUGH DECEMBER 31, 2008**  
**PROPERTY EXPENSE DISALLOWANCES/ALLOWANCES**

	DESCRIPTION CENTER	COST DISALLOWED TRACE- (ALLOWED)	TRACE- BACK %	RATE PERIODS		
				08/01/06- 12/31/06	2007	2008
Property Expense Allowed per HE-12B				\$ 499,119	\$ 825,946	\$ 817,184
Less Disallowances/(Allowances):						
<b>1. PROPERTY INSURANCE EXPENSE DISALLOWANCE</b>						
Reported property expenses included premiums for automobile insurance. However, the Facility was unable to provide sufficient documentation to substantiate the relationship to patient care for automobile usage. Therefore, the automobile insurance expense was disallowed. Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300 and 2304	Insurance	005	17,134 99.94%	17,124	17,124	17,124
<b>2. REAL ESTATE TAXES DISALLOWANCE</b>						
The Facility was unable to document charges that were posted to reported real estate tax expense. Facilities are required to provide adequate cost data that can be verified. Consequently, the undocumented expenses were disallowed. Regulations: 10 NYCRR Section 86-2.7, PRM-1 Section 2300	RE Taxes	006	33,892 99.62%	33,763	33,763	33,763
<b>3. EQUIPMENT RENTAL DISALLOWANCE</b>						
The Facility was unable to provide sufficient documentation to substantiate the relationship to patient care for automobile usage. Therefore, reported automobile rental expense was disallowed. Regulations: 10 NYCRR Section 86-2.17 (a), PRM-1 Sections 2300 and 2304	Rent A	005	7,920 99.94%	7,915	7,915	7,915
<b>4. PRIOR PERIOD ADJUSTMENT</b>						
The Facility posted charges to rent expense that were not related to the base period under audit. Consequently, these expenses were disallowed. Regulations: 10 NYCRR Sections 86-2.4 and 2.17(a)	Rent A	005	3,481 99.94%	3,479	3,479	3,479
<b>5. EQUIPMENT RENTAL DISALLOWANCE</b>						
Late fees were included in the Facility's rent expense. It is the Commissioner's determination that late charges are not related to patient care. Therefore, these expenses were disallowed. Regulations: 10 NYCRR Sections 86-2.17(a) and (d), PRM-1 Sections 2102.1 and 2103	Rent A	005	437 99.94%	437	437	437
<b>6. DISALLOWANCE OF SALES TAX ON UTILITIES</b>						
The Facility reported sales tax on utilities. The NYS Department of Taxation & Finance considers a nursing home to be a residential building, and thus eligible for an exemption from sales tax on electricity and heating. Therefore, the sales tax on utilities was disallowed. Regulations: 10 NYCRR Sections 86-2.17(a) and (d), PRM-1 Section 2122.2	Sales Tax	005	1,325 99.94%	1,324	1,324	1,324

RAMAPO MANOR CENTER FOR REHABILITATION & NURSING  
RATE PERIODS AUGUST 1, 2006 THROUGH DECEMBER 31, 2008  
PROPERTY EXPENSE DISALLOWANCES/ALLOWANCES

	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS	
				08/01/06-12/31/06	2007 2008
<b>7. RECLASSIFICATION OF EQUIPMENT RENTAL EXPENSE</b>					
The Facility reported rental expense in the Indirect component. An adjustment was necessary to reclassify this expense to the property component. See corresponding operating adjustment #4. Regulation: 10 NYCRR Section 86-2.10(9)					
Property Expense Disallowances/(Allowances)				\$ 17,538	\$ 51,301
<b>AUDITED PROPERTY EXPENSE</b>				<b>\$ 481,582</b>	<b>\$ 774,646</b>
					<b>\$ 51,301</b>
					<b>\$ 765,884</b>

7. RECLASSIFICATION OF EQUIPMENT RENTAL EXPENSE  
 The Facility reported rental expense in the Indirect component. An adjustment was necessary to reclassify this expense to the property component. See corresponding operating adjustment #4.  
 Regulation: 10 NYCRR Section 86-2.10(9)

Property Expense Disallowances/(Allowances)  
**AUDITED PROPERTY EXPENSE**

**RAMAPO MANOR CENTER FOR REHABILITATION & NURSING**  
**RATE PERIODS AUGUST 1, 2006 THROUGH DECEMBER 31, 2008**  
**CORRECTION OF PATIENT DAYS**

Total patient days used on the HE-12B were understated in rate years 2006 through 2008. The following adjustments were necessary to include the proper days in the rate calculations.

**Regulation: 10 NYCRR Section 86-2.8(c)**

	<b>RATE YEARS</b>		
	<u>2006</u>	<u>2007</u>	<u>2008</u>
Patient Days in Promulgated Rates	66,686	66,686	66,686
Patient Days per Audit	<u>66,933</u>	<u>66,933</u>	<u>66,933</u>
Understated Patient Days	<u>247</u>	<u>247</u>	<u>247</u>