



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

March 5, 2013

[REDACTED]  
Meadowbrook Healthcare  
154 Prospect Avenue  
Plattsburgh, New York 12901-1302

Re: Medicaid Rate Audit #10-2263  
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 Meadowbrook Healthcare's (the "Facility") Medicaid rates for the rate January 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.

Since you did not respond to our draft audit report dated January 18, 2013, the findings in the final audit report remain identical to 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 \$127,262. 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 July 1, 1995 through June 30, 1996 base period for operating expense. Any overpayment resulting from operating expense disallowances in the July 1, 1995 through June 30, 1996 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:

[REDACTED]  
New York State Department of Health  
Medicaid Financial Management  
GNARESP Corning Tower, Room 2739  
File #10-2263  
Albany, New York 12237-0048

**OPTION #2:** Enter into a repayment agreement with the OMIG. 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 10-2263 in all correspondence.

Sincerely,

[REDACTED]

Bureau of Rate Audit  
Division of Medicaid Audit  
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 Return of Real Property 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**

MEADOWBROOK HEALTHCARE  
154 PROSPECT AVENUE  
PLATTSBURGH, NEW YORK 12901

**AMOUNT DUE: \$127,262**

**NPI PROVIDER**

**AUDIT #10-2263**

**AUDIT  
TYPE**

PROVIDER  
 RATE  
 PART B  
 OTHER:

**CHECKLIST**

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

[REDACTED]  
New York State Department of Health  
Medicaid Financial Management  
GNARESP Corning Tower, Room 2739  
File #10-2263  
Albany, New York 12237-0048

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

[REDACTED]

**CORRECT PROVIDER NUMBER**

**MEADOWBROOK HEALTHCARE - AUDIT #10-2263**  
**RATE PERIODS JANUARY 1, 2005 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>
01/01/05 - 02/28/05	\$144.68	\$144.43	\$0.25	7,384	\$ 1,846
03/01/05 - 05/31/05	145.88	145.63	0.25	11,416	2,854
06/01/05 - 06/30/05	144.67	144.42	0.25	3,792	948
07/01/05 - 08/31/05	148.54	148.29	0.25	7,918	1,980
09/01/05 - 10/31/05	148.16	147.91	0.25	7,438	1,860
11/01/05 - 11/30/05	148.16	147.29	0.87	3,622	3,151
12/01/05 - 12/31/05	151.73	150.88	0.85	3,784	3,216
01/01/06 - 02/28/06	155.11	154.56	0.55	7,308	4,019
03/01/06 - 03/31/06	154.26	153.69	0.57	3,817	2,176
04/01/06 - 05/31/06	153.93	153.36	0.57	7,991	4,555
06/01/06 - 08/31/06	152.02	151.50	0.52	11,803	6,138
09/01/06 - 11/30/06	152.76	152.21	0.55	11,816	6,499
12/01/06 - 12/31/06	152.49	151.93	0.56	4,099	2,295
01/01/07 - 03/31/07	162.18	161.23	0.95	11,930	11,334
04/01/07 - 06/30/07	161.34	160.41	0.93	12,038	11,195
07/01/07 - 12/31/07	157.22	156.29	0.93	24,981	23,232
01/01/08 - 03/31/08	161.23	160.41	0.82	12,352	10,129
04/01/08 - 06/30/08	158.20	157.38	0.82	11,529	9,454
07/01/08 - 12/31/08	165.24	164.42	0.82	24,855	20,381
<b>TOTAL MEDICAID OVERPAYMENT</b>					<b><u>\$ 127,262</u></b>

\* Any differences between these rates and the rates listed in Exhibit II of this audit 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.

**MEADOWBROOK HEALTHCARE - AUDIT #10-2263**  
**RATE PERIODS JANUARY 1, 2005 THROUGH DECEMBER 31, 2008**  
**SUMMARY OF MEDICAID RATES AUDITED**

The Facility's Medicaid utilization was approximately 63 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 audit 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>
01/01/05 - 02/28/05	\$ 144.68
03/01/05 - 05/31/05	145.88
06/01/05 - 06/30/05	144.67
07/01/05 - 08/31/05	148.54
09/01/05 - 10/31/05	148.16
11/01/05 - 11/30/05	148.16
12/01/05 - 12/31/05	151.73
01/01/06 - 02/28/06	155.11
03/01/06 - 03/31/06	154.26
04/01/06 - 05/31/06	153.93
06/01/06 - 08/31/06	152.02
09/01/06 - 11/30/06	152.76
12/01/06 - 12/31/06	152.49
01/01/07 - 03/31/07	162.18
04/01/07 - 06/30/07	161.34
07/01/07 - 12/31/07	157.22
01/01/08 - 03/31/08	161.23
04/01/08 - 06/30/08	158.20
07/01/08 - 12/31/08	165.24

\* 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.



**MEADOWBROOK HEALTHCARE - AUDIT #10-2263**  
**RATE PERIODS JANUARY 1, 2005 THROUGH DECEMBER 31, 2008**  
**PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)**

DESCRIPTION	RATE PERIODS		
	2005	2006	2007
Property Expense Allowed per HE-12B	\$ 831,425	\$ 808,061	\$ 1,050,750
Less Disallowances/(Allowances):			\$ 1,060,948

COST  
CTR.

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

**1. PROPERTY INSURANCE 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. Cost data must be current, accurate, and in sufficient detail. Audited property insurance varied from the insurance expense allowed in the rate, resulting in a disallowance.

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

Prop. Ins. 005 600

**2. AUTO INSURANCE EXPENSE DISALLOWANCES**

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. Cost data must be current, accurate, and in sufficient detail. The Facility was unable to provide adequate documentation to substantiate reported auto insurance expense. Consequently, disallowances were necessary.

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

Auto Ins. 006 759 818

**3. RETURN ON AND RETURN OF EQUITY ADJUSTMENTS**

The real property historical costs and cumulative real property reimbursement that were used to calculate the return on and return of equity were adjusted to reflect audited amounts. As a result, the returns on and of real property equity were adjusted accordingly. (Refer to Exhibit V).

**Regulation: 10 NYCRR Section 86-2.21**

Ret. On Eq. 001 1,163 962  
Ret. Of Eq. 001 (5,435) 3,163

**4. MOVEABLE EQUIPMENT DEPRECIATION 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. Cost data must be current, accurate, and in sufficient detail. Moveable equipment depreciation determined per audit varied from the expense allowed in the rate calculation process resulting in a disallowance.

**Regulations: 10 NYCRR Sections 86-2.17(a) and 86-2.22, PRM-1 Sections 2300 and 2304**

ME Depr. 002 1,912

**MEADOWBROOK HEALTHCARE - AUDIT #10-2263**  
**RATE PERIODS JANUARY 1, 2005 THROUGH DECEMBER 31, 2008**  
**PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)**

DESCRIPTION	COST CTR.	RATE PERIODS		
		2005	2006	2007
ME Depr.	002		2,242	5,889
Rent D	013			660
Sales Tax	005	16,279		
Sales Tax	005		2,308	2,804

**4. MOVEABLE EQUIPMENT DEPRECIATION DISALLOWANCES (CONT.)**

b) The Facility misclassified building and fixed equipment depreciation expense as moveable equipment depreciation expense when reporting depreciation expense. Building and fixed additions are properly includable in the return on and return of equity calculations. Consequently, disallowances were necessary.

**Regulations: 10 NYCRR Sections 86-2.17(d) and 86-2.22**

**5. MOVEABLE EQUIPMENT RENTALS 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. Cost data must be current, accurate, and in sufficient detail. Audited equipment rental expense varied from the expenses allowed in the promulgated rates, resulting in a disallowance.

**Regulations: 10 NYCRR Sections 86-2.10(g) and 86-2.17(a), PRM-1 Sections 2300 and 2304**

**6. SALES TAX 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. Cost data must be current, accurate, and in sufficient detail. The Facility was unable to provide adequate documentation to substantiate reported sales tax expense. Consequently, a disallowance was necessary.

**Regulations: 10 NYCRR Section 86-2.17(a); PRM-1 Sections 2300 and 2304**

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 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.

**Regulations: 10 NYCRR Section 86-2.17(a), TSB-A-90(60)S, Sales Tax and Use - Rate of Tax - Residential Energy Sources - Long Term Treatment Facilities, PRM-1 Section 2122.2D**

**MEADOWBROOK HEALTHCARE - AUDIT #10-2263**  
**RATE PERIODS JANUARY 1, 2005 THROUGH DECEMBER 31, 2008**  
**PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)**

DESCRIPTION	CTR.	RATE PERIODS		
		2005	2006	2007

**7. INVESTMENT INCOME OFFSET DISALLOWANCE**

Interest expense shall be reduced by investment income with the exception of income earned by funded depreciation accounts and certain other restricted funds. The OMIG determined that reported unrestricted investment income was not appropriately offset against interest expense in the promulgated rates. Consequently, the unrestricted investment income was offset against interest expense.

**Regulations: 10 NYCRR Sections 86-2.17(a) and 86-2.20(c), PRM-1 Section 202.2**

12,561

**8. REAL ESTATE TAX DISALLOWANCES**

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 was reimbursed for real estate taxes pertaining to a vacant lot located at 152 Prospect Ave. These costs are not related to patient care, and were disallowed.

**Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Section 2102.3**

1,215      1,289

<b>Total Disallowances/(Allowances)</b>	\$ 17,638	\$ (4,761)	\$ 23,312	\$ 14,107
<b>TOTAL AUDITED PROPERTY EXPENSE</b>	<b>\$ 813,787</b>	<b>\$ 812,822</b>	<b>\$ 1,027,438</b>	<b>\$ 1,046,841</b>

**MEADOWBROOK HEALTHCARE - AUDIT #10-2263**

RATE PERIODS JANUARY 1, 2005 THROUGH DECEMBER 31, 2008

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

	RATE PERIODS		
	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b><u>Return of Equity Calculation</u></b>			
Real Property Historical Cost per HE-12B	\$ 5,261,202	\$ 5,498,767	\$ 5,625,458
Audit Disallowances/(Allowances):			
• 2004 additions erroneously recognized in 2005	(68,777)		
• Moveable equipment additions included in historical cost	19,865	19,865	19,865
Audited Historical Cost	\$ 5,310,114	\$ 5,478,902	\$ 5,605,593
Less: Accumulated Reimbursement	4,830,955	4,884,195	4,958,533
Audited Net Equity	\$ 479,159	\$ 594,707	\$ 647,060
Remaining Useful Life	9	8	7
Audited Return of Equity	\$ 53,240	\$ 74,338	\$ 92,437
Promulgated Return of Equity	47,805	77,501	95,600
Disallowance/(Allowance)	\$ (5,435)	\$ 3,163	\$ 3,163
<b><u>Return on Equity Calculation</u></b>			
Audited Net Equity	\$ 479,159	\$ 594,707	\$ 647,060
Less: ½ Current Return of Equity	26,620	37,169	46,219
Audited Net Investment	\$ 452,539	\$ 557,538	\$ 600,841
Rate of Return	4.45%	4.90%	4.68%
Audited Return on Equity	\$ 20,138	\$ 27,319	\$ 28,119
Promulgated Return on Equity	18,082	28,482	29,081
Disallowance/(Allowance)	\$ (2,056)	\$ 1,163	\$ 962