



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

ANDREW M. CUOMO
GOVERNOR

JAMES C. COX
MEDICAID INSPECTOR GENERAL

March 31, 2014

[REDACTED]
Menorah Home and Hospital for the Aged and Infirm
6323 Seventh Avenue, 3rd Floor
Brooklyn, New York 11220-4711

Re: Medicaid Rate Audit #05-1588
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 Menorah Home and Hospital for the Aged and Infirm's (the "Facility") Medicaid rates for the rate period January 1, 2002 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 June 4, 2013, you identified specific audit findings with which you disagreed. Your comments have been considered (see Attachment A) and the report has been either revised accordingly and/or amended to address your comments (see Attachment B). Consideration of your comments resulted in an overall reduction of \$1,220,547 to the total Medicaid overpayment shown in the draft audit report. As previously stated in the draft audit report, the Medicare Part B and D offsets were not within the scope of the review and may be examined as part of a future audit. The Medicaid overpayment associated with OMIG adjustments was \$2,759,926. However, this audit also processed Bureau of Long Term Care appeals that resulted in an amount due the Facility of \$70,106. Consequently, based on the enclosed audited rates calculated by the Bureau of Long Term Care Reimbursement, the Medicaid overpayment currently due is \$2,689,820. This overpayment is subject to Department of Health (the "DOH") and Division of Budget (the "DOB") final approval. While not anticipated, any difference between the calculated overpayment and the final DOH and DOB approved amount will be resolved with the Facility by the OMIG Bureau of Collections Management.

The overpayment does not reflect the impact on rates subsequent to December 31, 2007 that utilized the May 1, 2003 through April 30, 2004 base period for operating expense. Any overpayment resulting from operating expense disallowances in the May 1, 2003 through April 30, 2004 base period report for rates subsequent to December 31, 2007 will be addressed in the future.

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

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

[REDACTED]
New York State Department of Health
Medicaid Financial Management
GNARESP Corning Tower, Room 2739
File #05-1588
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 50% withhold after 20 days until an agreement is established. 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. In addition, if you receive an adjustment in your favor while you owe funds to the State, such adjustment will be applied against any amount owed. If you wish to enter into a repayment agreement, please contact the Bureau of Collections Management within 20 days at the following:

Bureau of Collections Management
New York State Office of the Medicaid Inspector General
800 North Pearl Street
Albany, New York 12204
[REDACTED]

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 the Office of Counsel at

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 me at [REDACTED] or through email at [REDACTED]. Please refer to audit number 05-1588 in all correspondence.

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
- Attachment B - Summary of Changes From Draft Report to Final Report
- EXHIBIT I - Summary of Per Diem Impact and Medicaid Overpayment
- EXHIBIT II - Summary of Medicaid Rates Audited
- EXHIBIT III - Operating Expense Disallowances/(Allowances)
- EXHIBIT IV - Property Expense Disallowances/(Allowances)

CERTIFIED MAIL [REDACTED]
RETURN RECEIPT REQUESTED

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

NAME AND ADDRESS OF AUDITEE

Menorah Home and Hospital for the
Aged and Infirm
6323 Seventh Avenue, 3rd Floor
Brooklyn, New York 11220-4711

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

AUDIT #05-1588

AMOUNT DUE: \$2,689,820

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 #05-1588
Albany, New York 12237-0048

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

[REDACTED]
CORRECT PROVIDER NUMBER

**MENORAH HOME AND HOSPITAL FOR THE AGED AND INFIRM - AUDIT #05-1588
FACILITY DRAFT REPORT COMMENTS AND OMIG RESPONSE**

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

EXHIBIT III COMMENT

Adjustment #2 – Laboratory and Radiology Expense Disallowance

Facility Comment

We dispute the disallowances of laboratory and radiology expenses for the following reasons:

The Medicaid reimbursement methodology reflects average costs per diem for all patients. That is, in the computation of any particular cost, the formula is total costs incurred for that service (for any and all patients) divided by the total patient days. Therefore, the fact that the laboratory and xray were only for Medicare patients does not negate its allowance in the rate. The computation for the laboratory and xray costs would be actual costs (for Medicare patients) divided by total days (Medicaid, Medicare and other payers).

On an alternate note, OMIG has allowed diagnostic costs for Medicare Part A residents when performing its dropped service audits. In that situation, OMIG recovers the full Medicaid reimbursement received for the dropped services in a particular rate year but credits the facility for any and all costs incurred in that year.

OMIG Response

As stated in the Regulations, 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 the charges. The actual radiology and laboratory service provider then bills the nursing facilities to receive its reimbursement. Inclusion of such "expenses" in the Medicaid rate is inappropriate and would duplicate reimbursement. The "expense" is a pass through of income received by the nursing facilities to the service provider.

Disposition: The draft report disallowance remains the same.

EXHIBIT IV COMMENTS

Adjustment #4 – Building and Fixed Equipment Depreciation Disallowances

Based upon the Facility's response regarding the new building additions, the disallowances associated with this item were eliminated. As a result, adjustments #4 and #7 were revised.

Disposition: The draft report disallowance was reduced.

Adjustment #7 – Movable Equipment Depreciation Disallowances

Facility Comment

In addition to the issue raised in IIA above, we contend that OMIG has further understated the allowable amount of M.E. depreciation in rate year 2006.

OMIG is charged with auditing the propriety of the moveable equipment depreciation allowed by DOH, including any overstatements and understatements.

Just looking at the amounts allowed by OMIG between rate years 2005 and 2007, it is obviously clear that OMIG allowed insufficient reimbursement for rate year 2006.

	5/1-12/31		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
ME depreciation actually allowed by OMIG per audit	<u>\$269,287</u>	<u>\$ 65,012</u>	<u>\$252,322</u>

The correct amount of 2006 ME depreciation for 2006 should be \$288,297, as follows:

CON Project			
1/1/04-10/31/04	\$	184,203	(52,210,440/10 x 10/12)
11/1/04-12/31/04		46,308	(\$2,778,498/10 x 2/12)
Non-project		<u>57,786</u>	(\$221,735 + \$5,502) x 0.2543
	<u>\$</u>	<u>288,297</u>	

There is no legitimate audit basis for allowing approximately \$200,000 less in ME depreciation expense in 2006 than is allowed in *both* the preceding rate year (2005) and the succeeding rate year (2007).

OMIG Response

The audited allowable movable equipment depreciation for rate year 2006 was based on the depreciation the Facility reported in the cost reports used by the Bureau of Long Term Care Reimbursement (BLTCR) to determine the rates. The interim Approved Project Costs (APC #961176) was approved by BLTCR and included in the rates. Reported interim APC depreciation expenses for base year May 1, 2003 through April 30, 2004, 2004 and 2005 were \$275,340, \$13,887 and \$269,542, respectively. However, the interim APC costs were not within the scope of this audit and there were no adjustments made to the reported interim APC moveable equipment depreciation expenses.

Non-project costs were within the scope of the audit. The Facility was unable to substantiate reported 2004 moveable equipment costs of \$167,595 and consequently, the related reported depreciation expense of \$2,046 was disallowed. The Facility did not provide any additional documentation in their response to substantiate this expense.

Disposition: The draft report disallowance remains the same.

Adjustment #5 – Mortgage Interest Expense Adjustments

Based upon the Facility's response regarding the overmortgaging percentage for mortgage interest and mortgage insurance premium (MIP), the disallowances associated with this item were eliminated. As a result, adjustments #5 and #9 were revised.

Disposition: The draft report disallowance was reduced.

Adjustment #9 – Mortgage Insurance Adjustments

Based upon the Facility's response regarding mortgage interest and mortgage insurance premiums (MIP) related to the ADHC, the disallowances associated with this item were eliminated. As a result, allowances were made to adjustment #5 and adjustment #9.

Disposition: The draft report disallowance was reduced.

Failure to Process Numerous Rate Period Appeal Issues

Facility Comment

OMIG is auditing the Medicaid rates for 2002-2007. There are a number of significant rate appeals outstanding for this same time frame. The schedule of the outstanding appeals is presented in Attachment 3.

The facility has been placed in an untenable position by OMIG if it fails to reflect the rate adjustments shown in those appeals. OMIG's recoupment, tentatively ~\$3.9 million, would be significantly reduced by the inclusion of the legitimate appeal items. It should be noted that the facility is considered "financially distressed." An excessive and illegitimate takeback would be punitive.

Furthermore, if those rate appeals are ultimately processed by DOH subsequent to the issuance of final audit rates, it is very conceivable that there would be duplicative takeback of the audit adjustments in the rates issued pursuant to the outstanding appeals.

The only equitable and reasonable approach that should be effected is either (a) for OMIG to include the rate adjustments shown in those appeals in arriving at *true* final rates or (b) alternatively, wait for Rate Setting to implement those appeal issues and then for OMIG to apply the audit adjustments to those revised rates.

OMIG Response

OMIG does not have the authority to address the issues in the appeals the Facility attached. These appeals pertain to the methodology used by BLTCR to promulgate the Medicaid rates and the approval of the final APC. The audit did address appeal items within OMIG's authority, and made allowances to Appeal #710815, Items #2 and #7.

Disposition: The Facility's response was not recognized.

MENORAH HOME AND HOSPITAL FOR THE AGED AND INFIRM - AUDIT #05-1588**SUMMARY OF CHANGES FROM DRAFT REPORT TO FINAL REPORT**

<u>EXHIBIT III - OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES)</u>	Rate Period	Draft Disallowance (Allowance)	Change	Final Disallowance (Allowance)
2. LABORATORY AND RADIOLOGY EXPENSE DISALLOWANCE	Operating Base	25,810	-	25,810
	Operating Base	46,052	-	46,052
<u>EXHIBIT IV - PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)</u>				
4. BUILDING AND FIXED EQUIPMENT DEPRECIATION DISALLOWANCES	5/1/2003-12/31/2003	7,536	-	7,536
	2004	7,536	-	7,536
	2005	7,536	-	7,536
	2006	2,521	(6,381)	(3,860)
	2007	79,702	(53,271)	26,431
5. MORTGAGE INTEREST EXPENSE ADJUSTMENTS	2002	(39,547)	-	(39,547)
	1/1/2003-4/30/2003	1,405,210	(323,429)	1,081,781
	5/1/2003-12/31/2003	891,650	(193,145)	698,505
	2004	459,985	(269,524)	190,461
	2005	501,870	(305,563)	196,307
	2006	759,537	(300,049)	459,488
	2007	736,947	(293,970)	442,977
7. MOVABLE EQUIPMENT DEPRECIATION DISALLOWANCES	5/1/2003-12/31/2003	13,807	-	13,807
	2004	13,807	-	13,807
	2005	13,807	-	13,807
	2006	2,046	-	2,046
	2007	177,100	(12,992)	164,108
9. MORTGAGE INSURANCE ADJUSTMENTS	2002	(9,369)	-	(9,369)
	1/1/2003-4/30/2003	(165,357)	(32,226)	(197,583)
	5/1/2003-12/31/2003	112,853	(19,245)	93,608
	2004	44,591	(27,831)	16,760
	2005	44,592	(33,930)	10,662
	2006	50,461	(33,930)	16,531
	2007	46,752	(33,930)	12,822

Note: The adjustments shown above only reflect those adjustments addressed in the Facility's response. All other adjustments remain the same as shown in the draft audit report.

MENORAH HOME AND HOSPITAL FOR THE AGED AND INFIRM - AUDIT #05-1588
RATE PERIODS JANUARY 1, 2002 THROUGH DECEMBER 31, 2007
SUMMARY OF PER DIEM IMPACT AND MEDICAID OVERPAYMENT

<u>RATE PERIOD</u>	<u>ISSUED PART B & D NON-ELIGIBLE RATES*</u>	<u>FINAL PART B & D NON-ELIGIBLE RATES</u>	<u>RATE DECREASE (INCREASE)</u>	<u>MEDICAID DAYS</u>	<u>MEDICAID OVERPAYMENT</u>
01/01/02 - 02/28/02	\$203.63	\$198.57	\$5.06	11,930	\$ 60,366
03/01/02 - 03/31/02	203.71	198.65	5.06	6,306	31,908
04/01/02 - 05/31/02	220.75	215.69	5.06	12,475	63,124
06/01/02 - 08/31/02	223.07	218.01	5.06	19,106	96,676
09/01/02 - 11/30/02	227.93	222.87	5.06	18,589	94,060
12/01/02 - 12/31/02	231.05	225.99	5.06	6,221	31,478
01/01/03 - 02/28/03	270.32	261.69	8.63	11,499	99,236
03/01/03 - 04/30/03	264.22	255.59	8.63	12,136	104,734
05/01/03 - 05/31/03	274.66	266.22	8.44	7,984	67,385
06/01/03 - 08/31/03	273.14	264.69	8.45	23,310	196,970
09/01/03 - 11/30/03	270.92	262.48	8.44	22,668	191,318
12/01/03 - 12/31/03	269.90	261.45	8.45	7,697	65,040
01/01/04 - 02/29/04	277.16	273.80	3.36	15,208	51,099
03/01/04 - 03/31/04	275.58	272.21	3.37	7,883	26,566
04/01/04 - 05/31/04	275.58	272.21	3.37	15,694	52,889
06/01/04 - 08/31/04	275.32	271.95	3.37	23,354	78,703
09/01/04 - 10/31/04	276.04	272.67	3.37	15,040	50,685
11/01/04 - 11/30/04	276.04	272.67	3.37	7,316	24,655
12/01/04 - 12/31/04	279.11	275.74	3.37	7,499	25,272
01/01/05 - 02/28/05	275.99	272.57	3.42	13,809	47,227
03/01/05 - 05/31/05	273.97	270.56	3.41	21,727	74,089
06/01/05 - 06/30/05	276.58	273.17	3.41	7,124	24,293
07/01/05 - 08/31/05	288.36	284.95	3.41	15,048	51,314
09/01/05 - 11/30/05	289.23	285.81	3.42	21,769	74,450
12/01/05 - 12/31/05	294.01	290.60	3.41	7,192	24,525
01/01/06 - 02/28/06	299.38	294.72	4.66	13,437	62,616
03/01/06 - 03/31/06	300.12	295.46	4.66	7,232	33,701
04/01/06 - 05/31/06	299.57	294.91	4.66	14,200	66,172
06/01/06 - 08/31/06	300.82	296.16	4.66	21,246	99,006
09/01/06 - 11/30/06	299.74	295.08	4.66	20,422	95,167
12/01/06 - 12/31/06	299.94	295.29	4.65	6,929	32,220
01/01/07 - 03/31/07	314.67	307.36	7.31	19,795	144,701
04/01/07 - 06/30/07	313.24	305.95	7.29	20,134	146,777
07/01/07 - 12/31/07	302.96	295.67	7.29	41,344	301,398
TOTAL MEDICAID OVERPAYMENT					<u>\$ 2,689,820</u>

* Any differences between these rates and the rates listed in Exhibit II of this report represent rate changes made subsequent to OMIG's audit. These changes remain open to future audit by the OMIG. For the purpose of this Exhibit, the Medicare Part B and D rates are not shown. The rate decrease/(increase) for those rates is the same as shown for the Medicare Part B and D non-eligible rates above.

NOTE: Of the total Medicaid impact listed above, the impact associated with the processing of Bureau of Long Term Care open appeals is \$70,106 due the Facility.

MENORAH HOME AND HOSPITAL FOR THE AGED AND INFIRM - AUDIT #05-1588
RATE PERIODS JANUARY 1, 2002 THROUGH DECEMBER 31, 2007
SUMMARY OF MEDICAID RATES AUDITED

The Facility's Medicaid utilization was approximately 71 to 82 percent for the period under audit and the Medicaid per diem rates audited are shown below. Any differences between these rates and the "Issued Rates" listed in Exhibit I of this report represent rate changes made subsequent to our audit. These changes remain open to future audit by the OMIG.

<u>RATE PERIOD</u>	<u>ISSUED MEDICARE PART B & D NON-ELIGIBLE RATES *</u>
01/01/02 - 02/28/02	\$ 203.71
03/01/02 - 03/31/02	203.78
04/01/02 - 05/31/02	220.82
06/01/02 - 08/31/02	223.15
09/01/02 - 11/30/02	228.01
12/01/02 - 12/31/02	231.13
01/01/03 - 02/28/03	270.39
03/01/03 - 04/30/03	264.30
05/01/03 - 05/31/03	274.66
06/01/03 - 08/31/03	273.14
09/01/03 - 11/30/03	270.92
12/01/03 - 12/31/03	269.90
01/01/04 - 02/29/04	277.16
03/01/04 - 03/31/04	275.58
04/01/04 - 05/31/04	275.58
06/01/04 - 08/31/04	275.32
09/01/04 - 10/31/04	276.04
11/01/04 - 11/30/04	276.04
12/01/04 - 12/31/04	279.11
01/01/05 - 02/28/05	275.99
03/01/05 - 05/31/05	273.97
06/01/05 - 06/30/05	276.58
07/01/05 - 08/31/05	286.36
09/01/05 - 11/30/05	289.23
12/01/05 - 12/31/05	294.01
01/01/06 - 02/28/06	299.38
03/01/06 - 03/31/06	300.12
04/01/06 - 05/31/06	299.57
06/01/06 - 08/31/06	300.82
09/01/06 - 11/30/06	299.74
12/01/06 - 12/31/06	299.94
01/01/07 - 03/31/07	314.67
04/01/07 - 06/30/07	313.24
07/01/07 - 12/31/07	302.96

* 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 separate audit.

**MENORAH HOME AND HOSPITAL FOR THE AGED AND INFIRM - AUDIT #05-1588
 RATE PERIODS MAY 1, 2003 THROUGH DECEMBER 31, 2007
 OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES)**

OPERATING EXPENSE COMPONENT	
DIRECT	NON-COMP.
\$ 14,163,122	\$ 1,896,525

DESCRIPTION	CTR.	COST DISALLOWED (ALLOWED)	TRACE-BACK %
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Operating Expense Allowed per HE-12B
 Less Disallowances/(Allowances):

1. RECLASSIFICATION OF EXPENSE

The Facility misclassified certain laboratory expenses on the RHC4-4 Report. To correct this, lab services provided to employees (for hiring screening, not for patients) were reclassified from Laboratory Services to Administrative Services.
Regulation: 10 NYCRR Section 455.5

Lab	031	3,000	100.00%	3,000
Admin.	005	(3,000)	99.69%	(2,991)

2. LABORATORY AND RADIOLOGY EXPENSE DISALLOWANCE

Effective April 1, 2001, the Centers for Medicare and Medicaid Services (CMS) policy for consolidated billing required that nursing facilities bill and receive reimbursement under Medicare Part A for the radiology and laboratory "technical component" portion of charges. The actual radiology and laboratory service provider then bills the nursing facility to receive its reimbursement of the technical component. Consequently, inclusion of any such "expenses" in the Medicaid rate is inappropriate and would duplicate reimbursement. The "expense" is merely a pass through of income received by the nursing facility to the service provider. 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.

Lab	031	25,810	100.00%	25,810
Radiology	034	46,052	100.00%	46,052

Regulations: 10 NYCRR Section 86-2.17(d), HCFA Pub. 60B, Transmittal B-00-

3. DISALLOWANCE OF EXPENSE NOT RELATED TO PATIENT CARE

Two and one-half floors in the old building are unoccupied space and not related to patient care. Consequently, costs associated with the unoccupied space were disallowed.

Utilities	106	52,769	99.91%	52,722
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Regulations: 10 NYCRR Sections 86-2.17(a) and (d), PRM-1 Section 2102.3

4. BUSINESS INCOME INSURANCE ALLOWANCE

Business income insurance is an allowable expense in the operating component. The Facility included this expense in property expenses. Therefore, it was disallowed from property expenses and allowed in the operating component. See Exhibit IV, Adjustment #6 for adjustment to the property component.

Regulations: 10 NYCRR Sections 86-2.17(a) and (d), and 455.5, PRM-1 Section 2161

Admin.	005	(3,553)	99.69%	(3,542)
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Total Disallowances/(Allowances)

\$ -	\$ (6,533)	\$ 127,584
\$ 14,163,122	\$ 8,497,582	\$ 1,768,941

AUDITED OPERATING EXPENSE BY COMPONENT

MENORAH HOME AND HOSPITAL FOR THE AGED AND INFIRM - AUDIT #05-1588
RATE PERIODS JANUARY 1, 2002 THROUGH DECEMBER 31, 2007
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

DESCRIPTION	CTR.	COST DISALLOWED	TRACE- (ALLOWED)	TRACE- BACK %	RATE PERIODS				
					01/01/03 - 04/30/03	05/01/03 - 12/31/03	2004	2005	2006
		\$ 1,180,308	\$ 5,774,853	\$ 6,588,209	\$ 6,793,546	\$ 6,816,475	\$ 6,892,878	\$ 7,443,577	

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

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

1. PROPERTY INSURANCE ALLOWANCE

Reported property insurance expense was not allowed in rate year 2006. It was allowed on audit for the premium portion that is related to nursing home patient care and the loss of or damage to the provider's physical property. The Facility, in a letter dated September 5, 2012, rescinded Appeal #710815, item #2, which requested the inclusion of property insurance costs.
Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.2, 2161, 2300, and 2304

Prop. Ins. 005 (34,191) 99.92%

(34,164)

**2. ORGANIZATION/START-UP COST AMORTIZATION
ALLOWANCE**

Reported organization cost amortization expense was not allowed in rate year 2006. The OMIG has determined the expense to be proper and it is allowed on audit. The Facility, in a letter dated September 5, 2012, rescinded Appeal #710815, item #7, which requested the inclusion of organization cost amortization expense.
Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.2, 2300, and 2304

Orgnt/Start-Up 005 (62,090) 99.92%

(62,040)

**BLTCR Open Appeals Disallowances/(Allowances)
Subtotal Property Expense**

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 1,180,308	\$ 5,774,853	\$ 6,588,209	\$ 6,793,546	\$ 6,816,475	\$ 6,989,082	\$ 7,443,577			

Other OMIG Audit Disallowances/(Allowances)

3. INVESTMENT INCOME OFFSET

Interest expense shall be reduced by investment income with the exception of income earned by funded depreciation accounts and certain other restricted funds. Reported unrestricted investment income was not appropriately offset against interest expense. Consequently, an investment income offset was necessary.

Inv. Income 003 468,289 99.98% 468,195

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

MENORAH HOME AND HOSPITAL FOR THE AGED AND INFIRM - AUDIT #05-1588
RATE PERIODS JANUARY 1, 2002 THROUGH DECEMBER 31, 2007
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

DESCRIPTION	CTR.	COST DISALLOWED	TRACE- BACK %	RATE PERIODS							
				2002	01/01/03 - 04/30/03	05/01/03 - 12/31/03	2004	2005	2006	2007	
Bldg. Depr.	001	7,536	99.89%			7,528	7,528	7,528			
Bldg. Depr.	001	(3,860)	99.91%							(3,856)	26,431
Bldg. Depr.	001	26,431	100.00%								
Mort. Int.	003	(39,547)	99.98%	(39,539)							
Mort. Int.	003	1,081,781	99.98%		1,081,565						
Mort. Int.	003	698,505	99.89%			697,736					
Mort. Int.	003	190,461	99.89%				190,252				
Mort. Int.	003	196,307	99.89%						196,091		
Mort. Int.	003	459,488	99.91%							459,074	
Mort. Int.	003	442,977	100.00%								442,977
Prop. Ins.	005	1,754	99.97%		1,753						
Prop. Ins.	005	13,193	99.69%			13,152			13,152		
Prop. Ins.	005	13,351	100.00%								13,351
ME Depr.	002	13,807	99.89%			13,792			13,792		
ME Depr.	002	2,046	99.87%							2,044	
ME Depr.	002	164,108	100.00%								164,108

4. BUILDING AND FIXED EQUIPMENT DEPRECIATION DISALLOWANCES

Providers receiving payment based on reimbursable costs must provide adequate cost data based on financial and statistical records that can be verified on audit. The Facility did not provide documentation to substantiate certain reported non-project costs. In addition, in the 2007 rate, reported non-project depreciation was adjusted by the allowable percentage as determined by the Bureau of Long Term Care Reimbursement. Consequently, disallowances were necessary.
Regulations: 10 NYCRR Sections 86-2.17(a) and (d), and 86-2.19(a), PRM-1 Sections 2300 and 2304

5. MORTGAGE INTEREST EXPENSE ADJUSTMENTS

Audited rate year mortgage interest expense varied from the reported mortgage interest allowed in the promulgated rates. Reported interest expense included capitalized interest which was already included in the interim approved project costs. Mortgage interest related to the new building and a percentage of the old building were allowed. In addition, an adjustment to allow only actual mortgage payments made in 2006 is included in the disallowance in the 2006 rate. Consequently, adjustments were necessary.
Regulations: 10 NYCRR Sections 86-2.17(a) and 86-2.20, PRM-1 Sections 2300 and 2304

6. PROPERTY INSURANCE DISALLOWANCES

Reported property insurance expense included amounts that were not properly chargeable to patient care. Only costs properly chargeable to patient care are allowable. In addition, a portion of the premiums were for business income insurance, an operating expense, which is not allowable as a property cost. Consequently, adjustments were necessary. See Exhibit III, Adjustment #4 for adjustment to the operating component.
Regulations: 10 NYCRR Sections 86-2.17(a) and (d), PRM-1 Sections 2102.3 and 2806.2(d)

7. MOVABLE EQUIPMENT DEPRECIATION DISALLOWANCES

Providers receiving payment based on reimbursable costs must provide adequate cost data based on financial and statistical records that can be verified on audit. The Facility did not provide documentation to substantiate certain reported non-project costs. In addition, in the 2007 rate, reported non-project depreciation expense was adjusted by the allowable percentage as determined by the Bureau of Long Term Care Reimbursement. Consequently, disallowances were necessary.
Regulations: 10 NYCRR Sections 86-2.17(a) and (d), PRM-1 Sections 2300 and 2304

