



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 27, 2014

[REDACTED]
Huntington Hills Center for Health and Rehabilitation
400 South Service Road
Melville, New York 11747

Re: Medicaid Rate Audit #08-1967
Provider Number: [REDACTED]
NPI Number: [REDACTED]

Dear [REDACTED]

Enclosed is the final audit report of the Office of the Medicaid Inspector General's (the "OMIG") audit of Huntington Hills Center for Health and Rehabilitation's (the "Facility") Medicaid rates for the rate period May 1, 2001 through December 31, 2007. 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 August 2, 2012, 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 \$562,917 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 \$1,412,944. However, this audit also processed Bureau of Long Term Care appeals that resulted in an amount due the Facility of \$395,651. Consequently, based on the enclosed audited rates calculated by the Bureau of Long Term Care Reimbursement, the Medicaid overpayment currently due is \$1,017,293. 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, 2001 through April 30, 2002 base period for operating expense. Any overpayment resulting from operating expense disallowances in the May 1, 2001 through April 30, 2002 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 #08-1967
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 [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] or through email at [REDACTED]. Please refer to audit number 08-1967 in all correspondence.

Sincerely,

[REDACTED]

Bureau of Rate Audit
Division of Medicaid Audit
Office of the Medicaid Inspector General

- 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)
- EXHIBIT V - Return on and Return of Real Property Equity Disallowances/(Allowances)
- EXHIBIT VI - Return on Average Equity Disallowances/(Allowances)

CERTIFIED MAIL [REDACTED]
RETURN RECEIPT REQUESTED

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

NAME AND ADDRESS OF AUDITEE

HUNTINGTON HILLS CENTER FOR
HEALTH & REHABILITATION
400 SOUTH SERVICE ROAD
MELVILLE, NEW YORK 11747

NPI [REDACTED]
PROVIDER [REDACTED]

AUDIT #08-1967

AMOUNT DUE: \$1,017,293

AUDIT TYPE	<input type="checkbox"/> PROVIDER
	<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 #08-1967
Albany, New York 12237-0048

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

[REDACTED]

CORRECT PROVIDER NUMBER

HUNTINGTON HILLS CENTER FOR HEALTH AND REHABILITATION - AUDIT #08-1967
FACILITY DRAFT REPORT COMMENTS AND OMIG RESPONSE

All OMIG adjustments were accepted by the Facility except 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 COMMENTS

Adjustment #1 - Base Year Sales Tax Disallowances

Facility Comments:

The sales tax disallowance reflected in OMIG's operating expense adjustment #1 is overstated because certain of the base-year supply and utility costs (upon which the sales tax computation was based) were disallowed in OMIG's operating expense adjustment #2. By not eliminating the sales tax portion of OMIG's operating cost disallowances in adjustment #2, OMIG has created duplication in the sales tax disallowance.

The amount of the duplicate sales tax disallowance is tentatively calculated per Table 1 (note that this should ultimately be revised depending on the final outcome of the appeal to adjustment #2 made subsequently):

			<u>TABLE 1</u>
			Duplicative Sale Tax
<u>Taxable Supplies/Other Costs Disallowed Per OMIG Adjustment #2</u>		<u>Tax Rate</u>	<u>Disallowance</u>
Laundry (\$205,945 less \$204,681)	\$1,264	8.50%	\$99
Patient food services (\$1,011,801 less \$1,007,304)	\$4,497	8.50%	352
Housekeeping (\$156,877 less \$153,242)	\$3,635	8.50%	285
Utilities	\$89,749		<u>2,068</u>
			<u>\$2,804</u>

OMIG Response:

With the exception of the patient food services account, the OMIG agrees with the Facility's assertion outlined above. Patient food service was not a factor in calculating base year sales tax because food is excluded from sales tax.

Disposition: The draft audit report disallowances for linen and laundry, housekeeping and utilities were revised accordingly.

Adjustment #2 - Operating Expense Adjustment

FISCAL SERVICES

Facility Comments – Contracted Services

We dispute the adjustment of \$37,406. OMIG's workpapers merely state "disallowed amount reclass to rental." There was no substantiation provided in OMIG's workpapers identifying the nature of the disallowance and reclassification and the basis thereof.

OMIG Response:

Since software is classified as a capital expenditure, the OMIG allowed the cost as equipment rent expense. The following worksheet shows how the Facility was credited for this amount.

Asset Description	HE-12B	AUDIT	ADJUST
Charts Lease—reclass from contracted Service-Fiscal Services-Indirect Cost	\$0	\$37,406	(\$37,406)
Toshiba Copier	16,209	0	16,209
Citi-Corp Fax Copier	12,989	12,989	0
Nursing Bed	390	390	0
Wheelchair Washer	9,159	0	9,159
Related Company Expense	15,691	2,286	13,405
Total	<u>\$38,229</u>	<u>\$15,665</u>	<u>\$1,367</u>

Disposition: The draft report disallowance remains the same.

Facility Comments – Accounting Fees

The OMIG's workpapers indicate the disallowance of \$67,979 of the accounting fees (reported \$121,243, allowed \$53,264, and disallowed \$67,979). However, OMIG total disallowance of fees was \$82,058, an over allowance of \$14,079.

Fees Reported	\$135,322
Fees per Audit	53,264
Total Disallowance	82,058
Accounting fees disallowed	<u>67,979</u>
Excess disallowance	<u>\$ 14,079</u>

OMIG Response:

The above table is a recreation of the accounting fees portion of the Fiscal Services worksheet. The table shows the amount the OMIG could substantiate. Thus, the \$14,079 the Facility called "excess disallowance" is actually the remainder of the amount reported for which there was no back-up.

Disposition: The draft audit report disallowance remains the same.

Facility Comments – Retainer Fees

With respect to the accounting fees disallowed, OMIG disallowed \$54,170 in so-called "retainer" fees. As stated to OMIG repeatedly on previous occasions, [REDACTED] billed Huntington Hills on a monthly basis (10 month) on a flat rate of \$5,417 for reimbursement consulting services. Such services include Medicaid rate appeals, pro forma rate modeling, expense analyses, etc. The invoices were marked as "retainer" for identification purposes only; these "retainer" bills were in lieu of invoices for work *actually* performed. [REDACTED] performed actual services to Huntington Hills for which ten months of the flat rate of \$5,417 was billed (total \$54,170).

The actual professional fees and expenses incurred by [REDACTED] staff for the "retainer" engagement services for the 5/1/01-4/30/02 were \$60,007.69 (see Attachment 1). Had Huntington Hills not elected to be billed on a flat monthly rate of \$5,417 for a total of \$54,170, the facility would have been billed for \$60,008 by [REDACTED] for actual services rendered a difference (i.e., savings) of \$5,838.

Base Period	Audit Fees	Retirement Audit Fees	Retainer Fees	Certified Cost Fees	Labor Contact	Medicare Compliance	Cost Report	Rehab. Application
MAY-01	2,500		5,417					
JUN-01	2,500		5,417					
JUL-01	2,500		5,417					
SEP-01	2,500		5,417					
AUG-01	2,500		5,417					
SEP-01	2,500		5,417	2,077				
OCT-01	2,500	2,500	5,417		1,505	10,004		
NOV-01	2,500		5,417				1,875	
DEC-01	2,500		5,417					
JAN-02	687							
FEB-02	2,500		5,417			15,674		2,751
MAR-02	2,500							
APR-02	2,500							
	28,187	2,500	54,170	2,077	1,505	25,678	1,875	<u>2,751</u>
Verified Fees								<u>\$113,326</u>

Secondary Facility Comments – “Retainer Fees”

As indicated, [REDACTED] actual fees for the reimbursement consulting services covered by the fixed “retainer” fees were \$60,008 or \$5,838 more than the fixed fees billed. The “retainer” term was merely the nomenclature used by [REDACTED] for fixed-fee arrangement consulting engagements, such as this one.

OMIG Response:

Documents subsequently provided, coupled with explanations the Facility gave were sufficient as back-up to allow retainer fees of \$54,170.

Disposition: The draft audit report disallowance was revised accordingly.

Facility Comments – Excess Medicare Compliance Fees

OMIG also disallowed \$13,809 of accounting fees for so-called “excess Medicare compliance fees.” There is no basis for OMIG’s allocation of the compliance services actually performed, in lieu of allowing the full cost incurred.

[REDACTED] performed compliance services in October 2001 for \$10,004 and February 2002 for \$15,674. These services were incurred in the base period in the months the services were rendered. OMIG’s allocation of these services over the actual days in the perspective calendar years is purely arbitrary and capricious.

Other professional services rendered have not been so allocated because there is absolutely no basis it. OMIG did not search for professional services rendered before and after the base year and then allocate such services to the base-year period, because such an allocation is without basis.

(Note that OMIG allowed \$419,949 in fiscal services. However, that allowance would have been higher by \$119,464 had the above-referenced disallowances not been made.)

OMIG Response:

The Facility's base period starts from May 2001 and ends in April 2002. Generally, Medicare compliance audits are spaced out in one year intervals. It is not common industry practice for Medicare compliance audit to be performed five months after the last one; as was the case with the Facility. The outcome of this action was to post cost attributable to 2001 and 2002 (two years) to the May 2001 through April 2002 (one year) base period. Since only one years' cost is supposed to be expensed in a base year, and being that the payments posted for the Facility's' base year were cost for two years, the amount had to be prorated to ensure that only one years' cost is allowed in the base year.

Disposition: The Draft audit report disallowance remains the same.

ADMINISTRATIVE SERVICES

Facility Comments – Undocumented Fees

We dispute the \$546,440 of "undocumented" fees. There is no conceivable way that 83% of the reported base year fees of \$656,594 were not documented to OMIG by Huntington Hills.

OMIG Response:

The back-up provided was adequate for the verification of only \$110,154 of the \$656,594 the Facility reported for administrative.

<u>Acct. #</u>	<u>Reported</u>	<u>Disallowed</u>	<u>Allowed</u>
[REDACTED]	\$10,092		\$10,092
[REDACTED]	79,829		79,829
[REDACTED]	13,706		13,706
[REDACTED]	5,375		5,375
[REDACTED]	1,152		1,152
Unsupported Cost	<u>546,440</u>	<u>546,440</u>	<u>0</u>
	<u>656,594</u>	<u>546,440</u>	<u>110,154</u>

Disposition: The draft audit report disallowance remains the same.

Facility Comments – Other Direct Expense

The breakout of direct expenses in OMIG's workpaper is incorrect. As presented to OMIG in August 2009, the breakout of other direct expenses per the trial balance is as follows (Table 2):

TABLE 2

<i>Per Trial Balance</i>		
<u>Acct #</u>	<u>Description</u>	<u>Amt. per TB Sch H</u>
[REDACTED]	Bank charges	\$ 14,112
[REDACTED]	Interest	20,031
[REDACTED]	Penalties	12,008
[REDACTED]	Telephone	93,473
[REDACTED]	Postage	9,947
[REDACTED]	Licenses / permits	8,915
[REDACTED]	Dues and	46,846
[REDACTED]	Subscriptions	1,512

	Advertising	14,036
	Advertising (promo)	56,590
	Admin in-service	61,930
	Admin. seminar	5,905
	Insurance — other	123,756
	Admin — auto	11,523
	Beauty/barber	46
	Corp tax	1,500
	Corp tax	3,633
	Miscellaneous	2,722
	Donation	1,408
	Revenue assessment	174,411
		66,4304

Using the OMIG disallowances rationale, for argument sake only, the nominal allowance should be \$352,271 (Table 3):

TABLE 3

<i>Per Trial Balance</i>			
<i>Description</i>	<i>Acct #</i>	<i>Amt. per TB Sch H</i>	<i>011116 Allowance</i>
Bank charges		\$14,112	
Interest		20,031	
Telephone		12,008	
Postage		93,473	93,473
Licenses / permits		9,947	9,947
Dues and subscriptions		8,915	8,912
Subscriptions		46,846	46,846
Advertising (personnel)		1,512	1,512
Advertising (promo)		14,036	14,036
Admin in-service		56,590	
Admin seminar		61,930	61,930
Insurance - other		5,905	5,905
Admin - auto		123,756	98,184
Beauty/barber		11,523	11,523
Corp tax		46	
Corp tax		1,500	
Miscellaneous expenses		3,633	
Donation		2,722	
Revenue assessment		1,408	
		174 411	
		\$ 664,304	\$ 352,271

With respect to OMIG's disallowance of bank charges, we dispute the disallowance of a total of \$34,143 in bank charges. Bank charges are necessary in the ordinary course of business. OMIG arbitrarily disallowed these costs.

OMIG Response:

Though they are referred to as interest and bank charges, the OMIG determined these were expenses for transactions that are not patient care related.

Disposition: The draft audit report disallowance remains the same.

Secondary Facility Comments – Other Direct Expense

The OMIG disallowance was \$332,551 relating to \$664,305 in total direct costs. However, our records indicate that two particular accounts, [REDACTED] (licenses and permits) and [REDACTED] (admin auto), in the respective amounts of \$8,915 and \$11,523, were *not* reflected on OMIG's analysis of the \$664,305 total costs. In previous submissions to OMIG (including our October 10, 2012 response to the draft audit report), we presented the full general ledger breakdown of the \$664,305 (see Table 1):

TABLE 1
Per Trial Balance

Acct #	Description	Amount per TB
[REDACTED]	Bank charges	\$ 14,112
[REDACTED]	Interest	20,031
[REDACTED]	Penalties	12,008
[REDACTED]	Telephone	93,473
[REDACTED]	Postage	9,947
[REDACTED]	Licenses / permits	8,915
[REDACTED]	Dues and subscriptions	46,846
[REDACTED]	Subscriptions	1,512
[REDACTED]	Advertising (personnel)	14,036
[REDACTED]	Advertising (promo)	56,590
[REDACTED]	Admin in-service	61,930
[REDACTED]	Admin seminar	5,905
[REDACTED]	Insurance — other	123,756
[REDACTED]	Admin — auto	11,523
[REDACTED]	Beauty/barber	46
[REDACTED]	Corp tax	1,500
[REDACTED]	Corp tax	3,633
[REDACTED]	Miscellaneous	2,722
[REDACTED]	Donation	1,408
[REDACTED]	Revenue assessment	174,411
		<u>\$ 664,304</u>

The amount we request to be allowed is the licenses and permits amount of \$8,915. Details of this account are presented below:

<u>Date</u>	<u>Account #</u>	<u>Amount</u>	<u>Description</u>
05/31/2001	[REDACTED]	447.01	The Cbord group expensing prepaid '00
5/31/2001	[REDACTED]	125.00	NYS Health Dept. (Forms)
6/30/2001	[REDACTED]	447.01	The Cbord group expensing prepaid '00
7/31/2001	[REDACTED]	447.00	The Cbord group expensing prepaid '00
8/31/2001	[REDACTED]	447.01	The Cbord group expensing prepaid '00
9/30/2001	[REDACTED]	447.01	The Cbord group expensing prepaid '00
10/31/2001	[REDACTED]	447.01	The Cbord group expensing prepaid '00
11/30/2001	[REDACTED]	462.20	The Cbord group expensing prepaid '01
12/31/2002	[REDACTED]	462.20	The Cbord group expensing prepaid '01
1/31/2002	[REDACTED]	462.20	The Cbord group expensing prepaid '01
2/28/2002	[REDACTED]	462.21	The Cbord group expensing prepaid '01
2/28/2002	[REDACTED]	175.00	AHA CC (EXAM)
3/31/2002	[REDACTED]	462.21	The Cbord group expensing prepaid

4/30/2002		462.20	The Cbord group expensing prepaid
4/30/2002		3,160.00	Assessment Systems PJ for Year (4110)
		<u>\$8,915.27</u>	

Documentation relative to this account was presented to OMIG during the course of the audit, as requested.

OMIG Response:

As the above table shows, the documentation referred to as back-up consists of a spreadsheet the Facility prepared. A spreadsheet prepared by the Facility with no source data to enable the OMIG establish the patient care related nature of the expense, is not sufficient back-up.

Disposition: The draft audit report disallowance remains the same.

Facility Comments – National Professional Fees

OMIG disallowed the \$166,702 of the National professional fees.

The details of the \$166,702 are presented in the Appendix I, along with invoices. Please note that Reliable Health Systems monthly charge was for the corporate-wide A/P, payroll, cash disbursements, purchasing and general ledger systems used by National for all owned facilities. In contrast, the Reliable health Systems direct charge to Huntington Hills was for facility specific billing, accounts receivable and patient funds systems. This was not included in the Reliable Health Systems charge to National and, therefore, was not in the reliable health Systems charge to National and, therefore, was not a duplicate cost.

OMIG Response:

The OMIG accepted the Facility's explanation. However, of the \$166,702 reported, only \$45,551 could be substantiated.

Disposition: The draft report disallowance was revised accordingly.

PHARMACY:

Facility Comments - Pharmacy

OMIG has disallowed \$75,021 in pharmacy supplies.

In the base year, Huntington Hills received a refund (i.e.; credit) of \$77,808 from the [REDACTED] for purchases made from the 1999 through February 2001. The actual credit was given by [REDACTED] in August 2001.

Huntington Hills' purchases journal for 5/1/01-4/30/02 reflected this credit as an offset to its purchases. However, the general ledger and RHCF-4 "grossed up" the cost to reflect the proper cost for the base period.

OMIG should not reduce allowable pharmacy costs since the credit pertains to periods prior to the base year under audit. (See Attachment 3 for information relative to this credit and a copy of the credit advice.)

OMIG Response:

Documentation provided was sufficient to enable the OMIG to establish that the credit was for purchases covering the period 1999 through February 2001.

Disposition: The draft audit report disallowance was revised accordingly.

PLANT AND OPERATIONS:

Facility Comments – Leasehold Improvement Costs

Based on OMIG workpapers previously given us (Attachment 4), the substantive account impacting on the \$11,722 disallowance is account [REDACTED]. The amount per trial balance was \$82,518, and OMIG only allowed \$70,871 (for a disallowance of \$11,647).

We previously (October 2009) provided OMIG with the details for \$11,366 of the \$11,647 disallowed. The \$11,366 represents the portion of periodic maintenance/inspection service costs that pertain to the period 5/1/01-4/30/02. These \$11,366 costs are reasonable. Documented and pertain to the base year period. The documentation is represented herein in Attachment 5.

OMIG Response:

Upon further review, OMIG agrees with the Facility's assertion.

Disposition: The draft audit report disallowances were revised accordingly.

HOUSEKEEPING:

Facility Comments – Housekeeping

We dispute the \$46,072 housekeeping disallowance, stated in the OMIG's workpapers as reclassified to leasehold impr." There was no substantiation provided in OMIG's workpapers identified to leasehold impr." There was no substantiation provided in OMIG's workpapers identifying the nature of the reclassification and the basis thereof.

OMIG Response:

The nature of this expenditure was determined to be a leasehold improvement. The expense was reclassified and included in the amount used to compute allowable mortgage percentage.

<u>Overmortgaging Computation</u>	<u>Per Audit</u>
Total APC	\$38,220,307
Less Required 10% Contribution	(3,822,031)
Adjusted APC	<u>34,398,276</u>
Leasehold Improvement-Reclassified from M/E	46,706
Leasehold Improvement in 2000	19,215
Leasehold Improvement-Reclassified from Indirect Cost (46,072+3,875)	49,947
Leasehold Improvement in 2001	<u>750</u>
Amount Eligible for Financing	34,514,894
Mortgage Principal	<u>34,683,000</u>
Allowable Mortgage % in 2003	<u>99.52%</u>

Disposition: The draft audit report disallowance remains the same.

UTILITIES:

Facility Comments - Utilities

OMIG has understated the allowable water and sewer taxes. The total incurred in the base period was \$76,283:

██████████	\$67,976
████████████████████	<u>8,307</u>
	<u>\$76,283</u>

This is the proper allowance.

OMIG Response:

National Health Associates leases its business premises for Elwood Properties. Water and sewage cost are included in the rents Elwood Properties charges National Health Associates. Rent expense is a component of the cost National Health allocates to its subsidiaries (Huntington Hills is one of them). Therefore, allowing water and sewage cost from Elwood Properties would amount to duplicate reimbursement.

Elwood Properties is responsible for water and sewage cost associated with the building it leases to National Health Associates. Therefore, National Health Associates should not incur water and sewage charges.

Disposition: The draft audit report disallowance remains the same.

Adjustment #3 - Laboratory and Radiology Expense Disallowances

Facility Comments

We contend that the costs for laboratory and radiology services should not be disallowed for the following reasons:

The Medicaid reimbursement system for noncomparable services pays for the average cost of services: i.e., total costs divided by total patient days. There is no analysis of costs broken down for services rendered to Medicaid patients vis-à-vis non-Medicaid patients. The costs are all-inclusive and dividing by all patient days yields an average cost per day for inclusion in the noncomparable component. Laboratory and x-ray costs should be reimbursed in the same manner.

Alternatively, we contend that the laboratory and radiology services cost should be allowed based on methodology utilized by OMIG in performing its dropped services audit. In these audits, OMIG recovers the full Medicaid reimbursement received from the dropped services in a particular rate year, but credits the facility for any and all costs incurred in that year. This situation should be applied to Huntington Hills, i.e., eliminate the full reimbursement in the rate but credit the facility for its rate year laboratory and x-ray costs. Those rate year costs were as follows:

<u>Cost year</u>	<u>Rate Year Costs</u>	
	<u>Laboratory</u>	<u>Radiology</u>
05/01-04/30/02	\$54,846	\$43,566
2003	\$85,338	\$57,572
2004	\$106,396	\$83,111
2005	\$106,825	\$98,660
2006	\$150,099	\$89,483
2007	\$198,164	\$101,283

OMIG Response:

Adjusting the Laboratory and Radiology accounts on the basis of the rational the Facility provided above, would result in a change in reimbursement methodology. The OMIG does not have the authority to change reimbursement methodology.

Disposition: The draft report disallowance remains the same.

OTHER COMMENTS

% of National Health Associates Cost to be allocated to the Facility's

Facility Comments:

National Health Care/Huntington Hills Allocation Percentage Based on the methodology used to allocate National's costs among its facilities:

Connecticut Costs — allocated only to Connecticut facilities based on Connecticut beds.

New York Costs — allocated only to New York facilities based on New York beds.

Global Costs — allocated to all facilities based on all beds.

The Huntington Hills allocation percentage was 11.18%. The use of the pure bed percentage of 10.08% does not account for the actual allocation of costs to Huntington Hills.

OMIG Response:

Upon reviewing additional data the Facility provided, the OMIG agrees to the use of 11%.

Disposition: The draft report disallowance was adjusted accordingly.

Advertising Fees Offset

Facility Comments:

OMIG disallowed \$192,819 in advertising expenses and then offset the \$192,819 again in arriving at the allowed \$3,621,427 of National's expenses (See OMIG WIP #E-2-257). The offset should be deleted.

OMIG Response:

Upon further review, the OMIG agrees that this adjustment was duplicated.

Disposition: The draft audit report disallowance was changed.

Professional Fees

Facility Comments:

OMIG disallowed the \$16,702 for National professional fees. The details of the \$166,702 are presented in Appendix I, along with invoices. Please note that the Reliable Health Systems monthly charge was for the corporate-wide A/P, payroll, cash disbursements, purchasing and general ledger systems used by National for all owned facilities. In contrast, the Reliable Health Systems direct charge to Huntington Hills was for the facility-specific billing, accounts receivable and patient funds systems. This was *not* included in the Reliable Health Systems charge to National and, therefore, was not a duplicate cost.

OMIG Response:

The OMIG reviewed and accepted the invoices the Facility provided. This and the explanation given were sufficient as back-up for the expense.

Disposition: The draft audit report disallowance was revised accordingly.

Land

Facility Comments:

The latest document furnished by OMIG to our consultant, [REDACTED], regarding APC cost was January 5, 2012, via email. [REDACTED] will attest to the receipt of those documents from OMIG on January 5, 2012.) Those documents reflect land costs per audit of \$3,250,000 on every single page. (Those documents are presented in attachment 7.) There were no subsequent documents/correspondence issue by OMIG prior to the draft audit report advising that the \$3,250,000 in the January 5, 2012 email was not correct. We contend that the audit land costs are in fact \$3,250,000 as contained in the OMIG workpapers last provided us.

OMIG Response:

The Facility maintained that they were going to provide documentation that showed they paid \$3,250,000 for land. That being the case, the OMIG allowed \$3,250,000 as the audited amount. However, as of the date of our draft audit report the only document we have received from the Facility shows it paid \$3,200,000 for the land.

Disposition: The draft audit report adjustment remains the same.

Movable Equipment Costs

Time Card System

Facility Comments:

The cost of the time card system was \$52,252. Although it was leased, its actual cost should be part of the APC since the equipment is an element of the CON-approved cost for the project. In attachment 8, we present a copy of the invoice identifying the \$52,252 costs and the leased schedule.

OMIG Response:

When an asset is leased, the cost of the lease includes interest. When a loan is taken to acquire an asset, interest is paid on the loan. Therefore, if a leased asset is treated as if it was acquired with a loan, the result is that interest is paid in duplicate. Therefore, this expense excluded from APC.

Disposition: The draft audit report adjustment remains the same.

Movable Equipment Purchases

Facility Comments:

As requested by OMIG, enclosed in Appendix II is the 1999 fixed asset subsidiary ledger which reflects the three (3) computers purchased from [REDACTED] and delivered to the controller's home:

<u>Invoice Date</u>	<u>Invoice Amount</u>
4/08/99	2,254
4/20/99	1,831
5/1/99	3,662

OMIG Response:

The OMIG asked for a depreciation schedule that shows a complete depreciation process for these assets and how the assets were eventually disposed. Such a schedule was not provided. Without requested data, the OMIG could not determine if these assets were put into patient care related use.

Disposition: The draft audit report adjustments remain the same.

Disallowed Movable Equipment Costs

Facility Comments:

APC - Moveable Equipment Costs: The following APC moveable costs should be allowed:

[REDACTED]	\$2,850	(walkers)
[REDACTED]	589	
[REDACTED]	2,100	
	77	
	1,267	
	801	
	101	
	274	
	394	
[REDACTED]	13,000	(Reclassified to building)

OMIG Response:

The accounts enumerated above were disallowed for lack of both invoices and cancelled checks. With the exception of the [REDACTED] account, no acceptable back-up was provided. OMIG has reclassified \$13,000 to building cost.

Disposition: The draft report disallowance was revised accordingly.

Sales Tax

Facility Comments:

The sales tax costs of national, which were properly deducted in arriving at operating costs, should in turn be reimbursed in the capital component (just as is done for sales tax incurred by the operating entity). The sales tax amount is shown in table 4.

Cost Period	5/1/01-4/30/02	2003	2004	2005
Rate Period	<u>5/1/01-4/30/02,2003,2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Total Costs (per related party)				
Sections of RHCF-4 cost reports)*	\$89,051	\$78,237	\$50,856	\$63,341
Huntington Hills %	11.18%	10.22%	10.74%	10.56%
Allowable Sales Tax	\$9,956	\$7,996	\$5,462	\$6,689

*Provided to OMIG August 2009

OMIG Response:

There is no evidence that National Health Associates excluded sales tax from operating expenses it allocated to the Facility.

Disposition: The draft report disallowance remains the same.

Recasting Over-Mortgaging Percentage

Facility Comments:

The over-mortgaging percentage should reflect an "apples to apples" computation. That is, both the numerator and denominator of the equation should either reflect (a) Real Property (RP) costs + *Real Property Mortgage*; or (b) Real Property and Moveable Equipment costs + Total Mortgage. The calculation in the draft report is:

$$\frac{APC (RP + ME) + RP \text{ additions}}{\text{Total Mortgage}}$$

OMIG Response:

Generally, movable equipment is factored in computing over-mortgaging percentage if movable equipment cost is included in the mortgage obtained. However, only real property is factored in determining the over-mortgage percentage change in subsequent years. As such, movable equipment was excluded from the over-mortgaging percentage calculation.

Disposition: The draft report was revised accordingly.

HUNTINGTON HILLS CENTER FOR HEALTH AND REHABILITATION - AUDIT #08-1967
SUMMARY OF CHANGES FROM DRAFT REPORT TO FINAL REPORT

	RATE PERIOD	DRAFT REPORT DISALLOWED (ALLOWED)	CHANGE	FINAL REPORT DISALLOWED (ALLOWED)
EXHIBIT III - OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES)				
1 BASE YEAR SALES TAX DISALLOWANCES				
ACTIVITIES	2001-2007	\$ 604	-	\$ 604
CENTRAL SERVICES	2001-2007	40,908	-	40,908
OCCUPATIONAL THERAPY	2001-2007	32	-	32
PHYSICAL THERAPY	2001-2007	85	-	85
RHCF	2001-2007	143	-	143
FISCAL SERVICES	2001-2007	8,834	-	8,834
PLANT OPERATION	2001-2007	7,011	-	7,011
LINEN & LAUNDRY (SALES TAX)	2001-2007	16,035	-	16,035
HOUSEKEEPING (SALES TAX)	2001-2007	12,005	-	12,005
MEDICAL RECORDS	2001-2007	577	-	577
INHALATION THERAPY	2001-2007	3,099	-	3,099
UTILITIES	2001-2007	12,788	(2,068)	10,720
2 OPERATING EXPENSE ADJUSTMENTS				
FISCAL SERVICES	2001-2007	(419,949)	(46,253)	(466,202)
ADMIN. SERVICES	2001-2007	551,282	(67,105)	484,177
PHARMACY	2001-2007	75,021	75,021	-
PLANT OPERATION	2001-2007	11,722	11,722	-
LINEN & LAUNDRY	2001-2007	1,627	-	1,627
HOUSEKEEPING	2001-2007	52,707	-	52,707
PATIENT FOOD SER.	2001-2007	4,393	-	4,393
UTILITIES	2001-2006	83,016	-	83,016
UTILITIES	2007	6,733	-	6,733
3 LABORATORY AND RADIOLOGY EXPENSE DISALLOWANCE				
LABORATORY	2001-2007	54,846	-	54,846
RADIOLOGY	2001-2007	43,566	-	43,566
EXHIBIT IV - PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)				
Disallowances (Allowances) related to processing of the Bureau of				
of the Bureau of Long Term Care Reimbursement Open Appeals				
1. MORTGAGE AMORTIZATION				
	2006	(459,075)	51	(459,024)
2. MORTGAGE INSURANCE				
	2005	(165,311)	19	(165,292)
Other OMIG Audit Disallowances/ (Allowances)				
3. MORTGAGE INTEREST EXPENSE DISALLOWANCES				
ADJUSTMENT A	2004	173,480	(1,166)	172,314
ADJUSTMENT A	2005	210,851	(3,187)	207,664
ADJUSTMENT A	2006	8,800	(272)	9,072
ADJUSTMENT A	2007	8,658	(268)	8,926
ADJUSTMENT B	2001	15,845	-	15,645
ADJUSTMENT B	2002	16,193	-	16,193
ADJUSTMENT B	2003	12,300	(283)	12,583
ADJUSTMENT B	2004	10,557	(1,427)	11,984
ADJUSTMENT B	2005	8,814	(3,458)	12,272

HUNTINGTON HILLS CENTER FOR HEALTH AND REHABILITATION - AUDIT #08-1967
SUMMARY OF CHANGES FROM DRAFT REPORT TO FINAL REPORT

	<u>RATE</u> <u>PERIOD</u>	<u>DRAFT REPORT</u> <u>DISALLOWED</u> <u>(ALLOWED)</u>	<u>CHANGE</u>	<u>FINAL REPORT</u> <u>DISALLOWED</u> <u>(ALLOWED)</u>
4. <u>PROPERTY INSURANCE EXPENSE DISALLOWANCES</u>	2001-2003	1,855	-	1,855
	2005	18,096	-	18,096
	2006	14,917	-	14,917
5. <u>RETURN ON AND RETURN OF EQUITY</u>				
RETURN ON EQUITY	2001	19,413	-	19,413
RETURN ON EQUITY	2002	5,780	-	5,780
RETURN ON EQUITY	2003	(6,078)	170	(5,908)
RETURN ON EQUITY	2004	(14,413)	192	(14,221)
RETURN ON EQUITY	2005	(112,167)	179	(111,988)
RETURN ON EQUITY	2006	(13,387)	156	(13,231)
RETURN ON EQUITY	2007	(13,966)	167	(13,799)
RETURN OF EQUITY	2001	8,799	-	8,799
RETURN OF EQUITY	2002	2,834	-	2,834
RETURN OF EQUITY	2003	(3,412)	95	(3,317)
RETURN OF EQUITY	2004	(7,884)	105	(7,779)
RETURN OF EQUITY	2005	(65,682)	105	(65,577)
RETURN OF EQUITY	2006	(8,980)	105	(8,875)
RETURN OF EQUITY	2007	(8,770)	105	(8,665)
6. <u>ME DEPRECIATION EXPENSE ADJUSTMENTS</u>	2001-2003	38,417	-	38,417
	2004	62,496	-	62,496
	2005	(221,165)	-	(221,165)
	2006	(217,490)	-	(217,490)
	2007	34,098	-	34,098
7. <u>EQUIPMENT RENT EXPENSE ADJUSTMENTS</u>				
RENT A	2001-2003	16,209	-	16,209
RENT D	2001-2003	13,405	-	13,405
RENT E	2001-2003	9,159	-	9,159
RENT F	2001-2003	(37,406)	-	(37,406)
RENT A	2004	16,204	-	16,204
RENT D	2004	3,598	-	3,598
RENT E	2004	(37,406)	-	(37,406)
RENT F	2005	(2,707)	-	(2,707)
RENT A	2005	6,027	-	6,027
RENT B	2005	4,103	-	4,103
RENT C	2005	12,351	-	12,351
RENT D	2005	3,172	-	3,172
RENT E	2005	(41,573)	-	(41,573)
RENT F	2005	(2,453)	-	(2,453)
RENT A	2006	25,133	-	25,133
RENT E	2006	(17)	-	(17)
RENT E	2007	41,530	-	41,530
RENT C	2007	25,115	-	25,115
RENT D	2007	3,317	-	3,317

HUNTINGTON HILLS CENTER FOR HEALTH AND REHABILITATION - AUDIT #08-1967
SUMMARY OF CHANGES FROM DRAFT REPORT TO FINAL REPORT

	<u>RATE</u> <u>PERIOD</u>	<u>DRAFT REPORT</u> <u>DISALLOWED</u> <u>(ALLOWED)</u>	<u>CHANGE</u>	<u>FINAL REPORT</u> <u>DISALLOWED</u> <u>(ALLOWED)</u>
8. <u>RETURN ON AVERAGE EQUITY</u>	2005	42,374	757	43,131
	2006	11,311	1,527	12,838
	2007	14,451	2,065	16,516
9. <u>MORTGAGE AMORTIZATION EXPENSE ADJUSTMENTS</u>	2001	26,892	-	26,892
	2002	29,167	-	29,167
	2003	30,926	38	30,964
	2004	(127,059)	62	(126,997)
	2005	(43,276)	53	(43,223)
	2007	(3,464)	56	(3,408)
10. <u>MORTGAGE INSURANCE EXPENSE ADJUSTMENTS</u>	2001	1,442	-	1,442
	2002	(2,496)	-	(2,496)
	2003	(2,747)	-	(2,747)
	2004	(3,609)	19	(3,590)
	2006	-	(834)	(834)
	2007	-	(754)	(754)
11. <u>START UP COST EXPENSE DISALLOWANCE</u>	2004	8,080	-	8,080
	2005	98,125	-	98,125
	2006	49,061	-	49,061
12. <u>SALES TAX DISALLOWANCE</u>	2001-2003	(92,511)	-	(92,511)
	2004	34,979	-	34,979
	2005	261,960	3,041	265,001
	2006	42,490	-	42,490
	2007	210,581	-	210,581
13. <u>NON TRENDED ITEMS</u>	2005	34,250	-	34,250
14. <u>INCOME RECOVERY</u>	2001-2003	34,111	-	34,111
	2004	29,720	-	29,720
	2005	20,466	-	20,466

HUNTINGTON HILLS CENTER FOR HEALTH AND REHABILITATION - AUDIT #08-1967

RATE PERIODS MAY 1, 2001 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>
05/01/01 - 07/31/01	\$226.04	\$223.52	\$2.52	21,690	\$ 54,659
08/01/01 - 10/31/01	228.99	226.47	2.52	20,563	51,819
11/01/01 - 12/31/01	230.20	227.69	2.51	12,953	32,512
01/01/02 - 01/31/02	235.14	232.68	2.46	6,350	15,621
02/01/02 - 03/31/02	233.98	231.53	2.45	12,144	29,753
04/01/02 - 04/30/02	237.10	234.65	2.45	6,139	15,041
05/01/02 - 07/31/02	238.15	235.70	2.45	19,411	47,557
08/01/02 - 10/31/02	239.90	237.44	2.46	20,213	49,724
11/01/02 - 12/31/02	240.71	238.25	2.46	12,462	30,657
01/01/03 - 01/31/03	240.80	238.66	2.14	6,033	12,911
02/01/03 - 04/30/03	240.77	238.63	2.14	17,474	37,394
05/01/03 - 07/31/03	241.10	238.96	2.14	18,197	38,942
08/01/03 - 10/31/03	241.72	239.56	2.16	18,648	40,280
11/01/03 - 12/31/03	241.32	239.16	2.16	12,550	27,108
01/01/04 - 01/31/04	249.05	245.71	3.34	6,287	20,999
02/01/04 - 03/31/04	253.31	249.95	3.36	11,947	40,142
04/01/04 - 04/30/04	253.31	249.95	3.36	5,929	19,921
05/01/04 - 07/31/04	254.27	250.90	3.37	18,405	62,025
08/01/04 - 10/31/04	253.33	249.95	3.38	18,050	61,009
11/01/04 - 12/31/04	254.69	251.31	3.38	11,861	40,090
01/01/05 - 01/31/05	262.55	259.76	2.79	6,178	17,237
02/01/05 - 04/30/05	257.95	255.15	2.80	17,509	49,025
05/01/05 - 06/30/05	259.77	256.97	2.80	12,046	33,729
07/01/05 - 07/31/05	259.77	256.97	2.80	6,116	17,125
08/01/05 - 10/31/05	260.12	257.34	2.78	18,707	52,005
11/01/05 - 12/31/05	261.14	258.34	2.80	12,442	34,838
01/01/06 - 01/31/06	266.67	269.24	(2.57)	5,939	(15,263)
02/01/06 - 03/31/06	266.71	269.29	(2.58)	11,771	(30,369)
04/01/06 - 04/30/06	266.15	268.73	(2.58)	6,045	(15,596)
05/01/06 - 07/31/06	267.53	270.09	(2.56)	18,679	(47,818)
08/01/06 - 10/31/06	267.14	269.69	(2.55)	17,919	(45,693)
11/01/06 - 12/31/06	268.94	271.50	(2.56)	11,378	(29,128)
01/01/07 - 03/31/07	281.88	277.67	4.21	16,581	69,806
04/01/07 - 06/30/07	280.46	276.26	4.20	16,312	68,510
07/01/07 - 08/31/07	278.34	274.14	4.20	10,394	43,655
09/01/07 - 12/31/07	278.34	274.14	4.20	20,730	87,066
TOTAL MEDICAID OVERPAYMENT					<u>\$ 1,017,293</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 (\$395,651) due the Facility.

HUNTINGTON HILLS CENTER FOR HEALTH AND REHABILITATION - AUDIT #:08-1967
RATE PERIODS MAY 1, 2001 THROUGH DECEMBER 31, 2007
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 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>
05/01/01 - 07/31/01	\$226.04
08/01/01 - 10/31/01	228.99
11/01/01 - 12/31/01	230.20
01/01/02 - 01/31/02	235.14
02/01/02 - 03/31/02	233.98
04/01/02 - 04/30/02	237.10
05/01/02 - 07/31/02	238.15
08/01/02 - 10/31/02	239.90
11/01/02 - 12/31/02	240.71
01/01/03 - 01/31/03	240.80
02/01/03 - 04/30/03	240.77
05/01/03 - 07/31/03	241.10
08/01/03 - 10/31/03	241.72
11/01/03 - 12/31/03	241.32
01/01/04 - 01/31/04	249.05
02/01/04 - 03/31/04	253.31
04/01/04 - 04/30/04	253.31
05/01/04 - 07/31/04	254.27
08/01/04 - 10/31/04	253.33
11/01/04 - 12/31/04	254.69
01/01/05 - 01/31/05	262.55
02/01/05 - 04/30/05	257.95
05/01/05 - 06/30/05	259.77
07/01/05 - 07/31/05	259.77
08/01/05 - 10/31/05	260.12
11/01/05 - 12/31/05	261.14
01/01/06 - 01/31/06	266.67
02/01/06 - 03/31/06	266.71
04/01/06 - 04/30/06	266.15
05/01/06 - 07/31/06	267.53
08/01/06 - 10/31/06	267.14
11/01/06 - 12/31/06	268.94
01/01/07 - 03/31/07	281.88
04/01/07 - 06/30/07	280.46
07/01/07 - 08/31/07	278.34
09/01/07 - 12/31/07	278.34

* 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.

HUNTINGTON HILLS CENTER FOR HEALTH AND REHABILITATION - AUDIT #08-1967
 RATE PERIODS MAY 1, 2001 THROUGH DECEMBER 31, 2007
 OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES)

OPERATING EXPENSES											
DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	DIRECT	INDIRECT	2001-2006		2007			
						\$	%	NON-COMP.	COMP.		
				\$ 13,606,397	\$ 7,568,128	\$	1,467,625	\$	835,443		
1. BASE YEAR SALES TAX DISALLOWANCES											
Reported base year costs included sales tax in both the operating and property components of the cost. Since the Facility opted to treat sales tax as a property expense, it was necessary to disallow sales tax expense associated with operating expense component.											
Regulations: 10 NYCRR Sections 86-2.17 (a) & (d)											
Activities	014	\$604	100.00%	604							
Central Services	043	40,908	100.00%	40,908							
Occup. Therapy	040	32	100.00%	32							
Physical Therapy	039	85	100.00%	85							
RHCF	051/052	143	100.00%	143							
Fiscal Services	004	8,834	99.97%		8,831						
Plant Operation	006	7,011	99.88%		7,001						
Laundry Services	009	16,035	100.00%		16,035						
Housekeeping	010	12,005	100.00%		12,005						
Medical Records	019	577	100.00%		577						
Inhalation Therapy	035	3,099	100.00%			3,099		3,099		3,099	
Utilities/Sales Tax	106	10,720	99.86%			10,705		10,705		10,705	
2. OPERATING EXPENSE ADJUSTMENTS											
Facilities receiving payments 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 expense varied from the amount allowed in the rate. Consequently, adjustments were necessary.											
Regulations: 10 NYCRR Section 2.17(a), PRM-1 Sections 2300 & 2304											
Fiscal Services	004	(466,202)	99.97%		(466,062)						
Admin. Ser.	005	484,177	99.97%		484,032						
Laundry & Linen	009	1,627	100.00%		1,627						
Housekeeping	010	52,707	100.00%		52,707						
Patient Food Ser.	011	4,393	100.00%		4,393						
Utilities	106	83,016	99.86%			82,900		82,900		82,900	
Utilities	106	6,733	99.86%							6,724	
3. LABORATORY AND RADIOLOGY EXPENSE DISALLOWANCES											
Effective April 1, 2001, the Center for Medicare and Medicaid Services (CMS) policy for consolidated billing required nursing facilities to bill and receive reimbursement for radiology and laboratory "technical component" portion of charges under Medicare Part A. The actual radiology and laboratory service provider then bills the nursing facility to receive its reimbursement of the technical component. Additionally, these type of transactions does not pertain to Medicaid patients. Since it is not attributable Medicaid patients, it is not reimbursable under the Medicaid program. Including such "expense" in the Medicaid rate duplicated the reimbursement. Consequently, they were disallowed.											
Regulations: 10 NYCRR Section 86-2.17(d), HCFA, Pub. 609, Transmittal B-00-67 dated Nov. 27, 2000, Subject: Consolidated Billing for SNF Residents											
Laboratory	031	54,846	100.00%			54,846		54,846		54,846	
Radiology	034	43,566	100.00%			43,566		43,566		43,566	
Total Disallowances/(Allowances)											
				\$ 41,772	\$ 121,146	\$ 195,116	\$ 1,272,509	\$ 118,940	\$ 716,503		
AUDITED OPERATING EXPENSE BY COMPONENT				\$ 13,564,625	\$ 7,446,982	\$ 1,272,509	\$ 1,272,509	\$ 1,272,509	\$ 716,503		

HUNTINGTON HILLS CENTER FOR HEALTH AND REHABILITATION - AUDIT #08-1967
RATE PERIODS MAY 1, 2001 THROUGH DECEMBER 31, 2007
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

DESCRIPTION	CTR.	COST DISALLOWED (ALLOWED)	TRACE- BACK %	RATE PERIODS					
				5/1/2001 - 12/31/01	1/1/2002 - 12/31/02	1/1/2003 - 12/31/03	1/1/2004 - 12/31/04	1/1/2005 - 12/31/05	1/1/2006 - 12/31/06
Property Expense Allowed per HE-12B		\$ 3,888,652	\$ 3,854,444	\$ 3,817,545	\$ 3,887,748	\$ 3,844,707	\$ 3,318,314	\$ 4,798,862	
Less Disallowances/(Allowances):									

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

1. MORTGAGE AMORTIZATION ALLOWANCE

Facilities receiving payments 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 mortgage amortization expense varied from the expense allowed in the promulgated rates, resulting in adjustments. This allowance is contingent upon the Facility's written withdrawal of this particular from its outstanding appeals. The Facility provided proof of withdrawal of this appeal item via a letter dated April 1, 2009. Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300 & 2304

Mort. Amort. 005 (\$459,024) 99.85% (458,381)

2. MORTGAGE INSURANCE EXPENSE ALLOWANCE

Mortgage insurance expense was reimbursed on a rate year basis in the promulgated rates. Audited rate year mortgage insurance expense varied from the mortgage insurance allowed in the promulgated rates, resulting in adjustments. This allowance is contingent upon the Facility's written withdrawal of this particular from its outstanding appeals. The Facility provided proof of withdrawal of this appeal item via a letter dated April 1, 2009. Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300 & 2304

Mort. Ins. 005 (165,292) 99.97% (165,242)

BLTCR Open Appeals Disallowances/(Allowances)

Subtotal Property Expense

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (165,242)	\$ (458,381)	\$ -
\$ 3,888,652	\$ 3,854,444	\$ 3,817,545	\$ 3,887,748	\$ 4,009,949	\$ 3,776,695	\$ 4,798,862	\$ -	\$ -

HUNTINGTON HILLS CENTER FOR HEALTH AND REHABILITATION - AUDIT #08-1967

RATE PERIODS MAY 1, 2001 THROUGH DECEMBER 31, 2007

PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE- BACK %	RATE PERIODS								
				5/1/2001 - 12/31/01	1/1/2002 - 12/31/02	1/1/2003 - 12/31/03	1/1/2004 - 12/31/04	1/1/2005 - 12/31/05	1/1/2006 - 12/31/06	1/1/2007 - 12/31/07		
Mort. Int.	003	\$172,314	99.88%				172,107					
Mort. Int.	003	207,664	99.99%					207,643				
Mort. Int.	003	9,072	99.86%							9,069		
Mort. Int.	003	8,926	99.35%									8,868
Mort. Int.	001	15,645	99.88%	15,626								
Mort. Int.	001	16,193	99.88%		16,174							
Mort. Int.	001	12,583	99.88%			12,568						
Mort. Int.	002	11,984	99.88%				11,970					
Mort. Int.	003	12,272	99.99%					12,271				
Prop. Ins.	005	1,855	99.97%	1,854								
Prop. Ins.	005	18,096	99.97%					18,091				
Prop. Ins.	005	14,917	99.97%							14,913		
Ret. On Eq.	003	19,413	99.88%	19,390								
Ret. On Eq.	003	5,780	99.88%		5,773							
Ret. On Eq.	003	(5,908)	99.88%			(5,901)						
Ret. On Eq.	003	(14,221)	99.88%				(14,204)					
Ret. On Eq.	003	(111,988)	99.99%					(111,977)				
Ret. On Eq.	001	(13,231)	99.86%									(13,212)
Ret. On Eq.	005	(13,799)	99.35%									
Ret. Of Eq.	003	8,799	99.88%	8,788								
Ret. Of Eq.	003	2,834	99.88%		2,831							
Ret. Of Eq.	003	(3,317)	99.88%			(3,313)						
Ret. Of Eq.	003	(7,779)	99.88%				(7,770)					
Ret. Of Eq.	003	(65,577)	99.99%					(65,570)				
Ret. Of Eq.	001	(8,875)	99.85%									(8,863)
Ret. Of Eq.	001	(8,665)	99.35%									(8,608)

Other OMIG Audit Disallowances/(Allowances)

3. MORTGAGE INTEREST EXPENSE DISALLOWANCES

a) According to the Bureau of Long Term Care Reimbursement (BLTCR) capital cost methodology, mortgage interest expense is reimbursed on a rate year basis. Audited rate year interest expense varied from the mortgage interest allowed in the rate computation process, resulting in disallowances.
Regulation: 10 NYCRR Section 86-2.20(a)

b) Interest expense is an allowable cost if the debt is incurred for an approved purpose and the principal of the debt does not exceed either the amount approved by the Commissioner or the cost of the authorized purpose. The OMIG determined that the Facility obtained a mortgage that exceeded authorized cost. Therefore, interest expense attributable to the excess mortgage was disallowed.
Regulations: 10 NYCRR Sections 86-2.17(a) & 86-2.20 PRM-1 Section 2102.3

4. PROPERTY INSURANCE EXPENSE DISALLOWANCES

Facilities that receive payments 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. Audited property insurance expense varied from the expenses allowed in the promulgated rates, resulting in disallowances.
Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300 & 2304

5. RETURN ON AND OF EQUITY ADJUSTMENTS

Audited real property historical costs varied from historical costs used in the promulgated rates. Additionally, mortgage principal and accumulated reimbursement were adjusted to audited figures. These changes resulted in adjustment to return on and return of real property equity (Refer to Exhibit V)
Regulation: 10 NYCRR Section 86-2.21(e)(6)

HUNTINGTON HILLS CENTER FOR HEALTH AND REHABILITATION - AUDIT #08-196Z

RATE PERIODS MAY 1, 2001 THROUGH DECEMBER 31, 2007

PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS									
				5/1/2001 - 12/31/01	1/1/2002 - 12/31/02	1/1/2003 - 12/31/03	1/1/2004 - 12/31/04	1/1/2005 - 12/31/05	1/1/2006 - 12/31/06	1/1/2007 - 12/31/07			
ME Depr.	002	38,417	100.00%	38,417	38,417	38,417	62,496						
ME Depr.	002	62,496	100.00%										
ME Depr.	002	(221,165)	100.00%							(221,165)			
ME Depr.	002	(217,490)	100.00%								(217,490)		
ME Depr.	002	34,098	97.21%										33,147
Rent A	005	16,209	99.97%	16,204	16,204	16,204							
Rent D	005	13,405	99.97%	13,401	13,401	13,401							
Rent E	051	9,159	100.00%	9,159	9,159	9,159							
Rent F	005	(37,406)	99.97%	(37,395)	(37,395)	(37,395)							
Rent A	005	16,204	99.97%				16,199						
Rent D	051	3,598	100.00%				3,597						
Rent E	005	(37,406)	100.00%				(37,406)						
Rent F	005	(2,707)	100.00%				(2,707)						
Rent A	005	6,027	99.97%							6,025			
Rent A	005	4,103	99.97%							4,102			
Rent A	006	12,351	99.97%							12,347			
Rent B	051	3,172	100.00%							3,172			
Rent C	005	(41,573)	99.97%							(41,561)			
Rent G	005	(2,453)	100.00%							(2,453)			
Rent A	005	25,133	99.97%								25,125		
Rent E	006	(17)	99.86%								(16)		
Rent E	051	41,530	100.00%									41,530	
Rent C	005	25,115	98.10%									24,638	
Rent D	006	3,317	99.42%									3,298	
Ret. Aver. Eq.	003	43,131	99.99%								43,126		
Ret. Aver. Eq.	001	12,638	99.86%								12,820		
Ret. Aver. Eq.	001	15,516	99.35%										16,409

6. MOVABLE EQUIPMENT EXPENSE ADJUSTMENTS

Facilities that receive payments 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. Audited movable equipment depreciation expense varied from the expense allowed in the promulgated rates, resulting in adjustments.

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

7. EQUIPMENT RENT EXPENSE ADJUSTMENTS

Facilities that receive 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 adjustments.

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

8. RETURN ON AVERAGE EQUITY DISALLOWANCES

The capital cost component for every facility shall include a payment factor sufficient to pay an annual rate of return. The OMIG determined that remaining equity was understated. Consequently, return on average equity was understated, resulting in disallowances. (Refer to Exhibit VI)

Regulation: 10 NYCRR Section 86-2.21(d)(6)

HUNTINGTON HILLS CENTER FOR HEALTH AND REHABILITATION - AUDIT #08-1967
RATE PERIODS MAY 1, 2001 THROUGH DECEMBER 31, 2007
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE BACK %	RATE PERIODS								
				5/1/2001 - 12/31/01	1/1/2002 - 12/31/02	1/1/2003 - 12/31/03	1/1/2004 - 12/31/04	1/1/2005 - 12/31/05	1/1/2006 - 12/31/06	1/1/2007 - 12/31/07		
Mort. Amort.	005	26,892	99.97%	26,884								
Mort. Amort.	005	29,167	99.97%	29,158								
Mort. Amort.	005	30,964	99.97%		30,954							
Mort. Amort.	005	(126,997)	99.97%		(126,959)							
Mort. Amort.	005	(43,223)	99.97%		(43,210)							
Mort. Amort.	001	(3,408)	99.35%									(3,386)
Mort. Ins.	005	1,442	99.97%	1,441								
Mort. Ins.	005	(2,496)	99.97%		(2,495)							
Mort. Ins.	005	(2,747)	99.97%			(2,746)						
Mort. Ins.	005	(3,590)	99.97%			(3,589)						(833)
Mort. Ins.	005	(834)	99.85%									(749)
Mort. Ins.	005	(754)	99.35%									
Start-Up Cost	005	8,080	99.97%			8,078						
Start-Up Cost	005	98,125	99.97%					98,096				
Start-Up Cost	005	49,061	99.97%						49,046			
Sales Tax	005	(92,511)	99.97%	(92,483)								
Sales Tax	005	34,979	99.97%					34,968				
Sales Tax	005	265,001	99.97%						264,921			
Sales Tax	005	42,490	99.97%							42,477		
Sales Tax	005	210,581	98.10%									206,580
Other	005	34,250	99.97%									34,240

9. MORTGAGE AMORTIZATION ADJUSTMENTS
Facilities that receive payments 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 mortgage amortization expense varied from the expense allowed in the promulgated rates resulting in adjustments.
Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300 & 2304

10. MORTGAGE INSURANCE EXPENSE ADJUSTMENTS
Mortgage insurance expense was reimbursed on a rate year basis in the promulgated rates. Audited rate year mortgage insurance expense varied from the mortgage insurance allowed in the promulgated rates, resulting in adjustments.
Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300 & 2304

11. START UP COST AMORTIZATION EXPENSE DISALLOWANCES
Facilities that receive payments 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. Audited start-up cost amortization expense varied from the expense allowed in the rate, resulting in disallowances.
Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300 & 2304

12. SALES TAX EXPENSE ADJUSTMENTS
Facilities that receive payments 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. Audited sales tax expense varied from the expense allowed in the rate, resulting in adjustments.
Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300 & 2304

13. NON TRENDED ITEMS: OTHER DISALLOWANCE
Facilities that receive payments 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 Facility was unable to provide documentation or demonstrate the relationship to patient care for reported National Property expense. Consequently, a disallowance was necessary.
Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.3, 2300 & 2304

HUNTINGTON HILLS CENTER FOR HEALTH AND REHABILITATION - AUDIT #08-1967
RATE PERIODS MAY 1, 2001 THROUGH DECEMBER 31, 2007
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS								
				5/1/2001 - 12/31/01	1/1/2002 - 12/31/02	1/1/2003 - 12/31/03	1/1/2004 - 12/31/04	1/1/2005 - 12/31/05	1/1/2006 - 12/31/06	1/1/2007 - 12/31/07		
Invest Inc.	003	34,111	99.86%	34,063	34,063	34,063	29,878					
Invest Inc.	003	29,720	99.86%									
Invest Inc.	003	20,466	99.86%					20,437				
				\$ 55,349	\$ 34,661	\$ 14,782	\$ 146,459	\$ 238,535	\$ (86,974)	\$ 308,017		
				\$ 3,833,303	\$ 3,819,783	\$ 3,802,763	\$ 3,741,289	\$ 3,771,414	\$ 3,863,669	\$ 4,490,845		

14. INVESTMENT INCOME RECOVERY
With the exception of income earned from funded depreciation accounts and certain other restricted funds, interest expense shall be reduced by investment income. Investment income is defined as the aggregate net amount realized from dividend, credits, interest, rental income, and interest earned on temporary investment of withholding taxes. The OMIG determined that the Facility had unrestricted investment income. Consequently, it was necessary to offset interest expense with investment income.
Regulation: 10 NYCRR Section 86-2.18, 2.20(a)

Other OMIG Audit Disallowances/ (Allowances)
TOTAL AUDITED PROPERTY EXPENSE

HUNTINGTON HILLS CENTER FOR HEALTH AND REHABILITATION - AUDIT #:08-1967
RATE PERIODS JANUARY 1, 2001 THROUGH DECEMBER 31, 2007
RETURN ON AND RETURN OF REAL PROPERTY EQUITY DISALLOWANCES/(ALLOWANCES)

	RATE PERIODS						
	2001	2002	2003	2004	2005	2006	2007
RETURN OF EQUITY							
Real Property Historical Cost per HE-12B	\$ 35,426,251	\$ 35,426,251	\$ 35,426,251	\$ 35,426,251	\$ 35,426,251	\$ 35,426,251	\$ 35,426,251
Leasehold Improvements - 1999 reclass from M/E	46,706	46,706	46,706	46,706	46,706	46,706	46,706
Leasehold Improvements - 2000	19,215	19,215	19,215	19,215	19,215	19,215	19,215
Leasehold Improvements - 2001		750	750	750	750	750	750
Leasehold Improvements - reclass from Indirect Exp.		46,072	46,072	46,072	46,072	46,072	46,072
Leasehold Improvements - 2002				11,500	11,500	11,500	11,500
Leasehold Improvements - 2003					31,024	31,024	31,024
Leasehold Improvements - 2004						592	592
Audited Historical Cost	35,472,957	35,492,172	35,538,994	35,550,494	35,581,518	35,582,110	35,582,110
Less: Mortgage Principal	(32,147,673)	(32,147,673)	(32,147,673)	(32,147,673)	(32,147,673)	(32,147,673)	(32,147,673)
Less: Prior Years Reimbursement	(85,264)		(171,033)	(258,068)	(345,422)	(433,663)	(521,921)
Audited Net Equity	\$ 3,325,284	\$ 3,259,235	\$ 3,220,288	\$ 3,144,753	\$ 3,088,423	\$ 3,000,774	\$ 2,912,516
Remaining Useful Life	39	38	37	36	35	34	33
Audited Return of Equity	\$ 85,264	\$ 85,769	\$ 87,035	\$ 87,354	\$ 88,241	\$ 88,258	\$ 88,258
Promulgated Return of Equity	94,063	88,603	83,718	79,575	22,664	79,383	79,593
Disallowances/(Allowances)	\$ 8,799	\$ 2,834	\$ (3,317)	\$ (7,779)	\$ (65,577)	\$ (8,875)	\$ (8,665)
RETURN ON EQUITY							
Audited Net Equity	\$ 3,325,284	\$ 3,259,235	\$ 3,220,288	\$ 3,144,753	\$ 3,088,423	\$ 3,000,774	\$ 2,912,516
Less: ½ Current Return of Equity	42,632	42,885	43,518	43,677	44,121	44,129	44,129
Audited Net Investment	\$ 3,282,652	\$ 3,216,350	\$ 3,176,770	\$ 3,101,076	\$ 3,044,302	\$ 2,956,645	\$ 2,868,387
Rate of Return	5.73%	5.44%	4.88%	5.15%	4.95%	4.45%	4.90%
Audited Return on Equity	\$ 188,096	\$ 174,969	\$ 155,026	\$ 159,705	\$ 150,693	\$ 131,571	\$ 140,551
Promulgated Return on Equity	207,509	180,749	149,118	145,484	38,705	118,340	126,752
Disallowances/(Allowances)	\$ 19,413	\$ 5,780	\$ (5,908)	\$ (14,221)	\$ (111,988)	\$ (13,231)	\$ (13,799)

HUNTINGTON HILLS CENTER FOR HEALTH AND REHABILITATION - AUDIT #:08-1967

RATE PERIODS MAY 1, 2001 THROUGH DECEMBER 31, 2007

RETURN ON AVERAGE EQUITY DISALLOWANCES/(ALLOWANCES)

<u>Return on Average Equity</u>	RATE PERIODS		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Average Equity per HE-12B	\$ 6,998,583	\$ 8,554,980	\$ 8,841,923
Audit Disallowances:			
• Due To Parent/Affiliate	3,325,311	2,734,542	2,730,156
• Due From Parent/Affiliate	(3,349,985)	(2,706,147)	(2,730,156)
• Eliminate Duplicate Related Other Goodwill	-	(675,639)	(2,624,492)
Audited Average Equity	\$ 6,973,909	\$ 7,907,736	\$ 6,217,431
Less: Audited Net Investment	(3,088,423)	(3,000,774)	(2,912,516)
Audited Remaining Equity	\$ 3,885,486	\$ 4,906,962	\$ 3,304,915
Rate of Return	1.87%	3.76%	5.07%
Return on Average Equity Per Audit	\$ 72,659	\$ 184,502	\$ 167,559
Return on Average Equity HE-12B	115,790	197,340	184,075
Disallowances/(Allowances)	\$ 43,131	\$ 12,838	\$ 16,516