



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 28, 2014

[REDACTED]
The Center for Nursing and Rehabilitation at Hoosick Falls
21 Danforth Street
Hoosick Falls, New York 12090

Re: Medicaid Rate Audit #10-2053
Hoosick Falls Health Center, Inc.
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 the Hoosick Falls Health Center's (the "Facility") Medicaid rates for the rate period January 1, 2005 through December 31, 2008. In accordance with 18 NYCRR Section 517.6, this report represents the OMIG's final determination on issues raised in the draft audit report.

In response to the draft audit report dated May 28, 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 \$71,174 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. Based on the enclosed audited rates calculated by the Bureau of Long Term Care Reimbursement, the Medicaid underpayment currently due the Facility is \$1,147. This underpayment is subject to Department of Health (the "DOH") and Division of Budget (the "DOB") final approval. While not anticipated, any difference between the calculated underpayment and the final DOH and DOB approved amount will be resolved with the Facility by the OMIG Bureau of Collections Management.

Arrangements for crediting the Facility for the amount of the underpayment will be made by the OMIG Bureau of Collections Management. Should you have any questions, please contact them at:

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

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 [REDACTED] or through email at [REDACTED]. Please refer to audit number 10-2053 in all correspondence.

Sincerely,

[REDACTED]
Bureau of Rate Audit
Division of Medicaid Audit
Office of the Medicaid Inspector General

- Attachment A - Facility Draft Audit 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/(Underpayment)
- EXHIBIT II - Summary of Medicaid Rates Audited
- EXHIBIT III - Property Expense Disallowances/(Allowances)

HOOSICK FALLS HEALTH CENTER, INC. - AUDIT #10-2053
FACILITY DRAFT AUDIT 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 COMMENTS

Adjustment #1 - Depreciation Expense & Funding of Depreciation Adjustments

Facility Comment

2003-The initial findings and work papers provided adjusted the 2005 rate by \$4,782 in total, so I am wondering where the change to the current numbers came from. It is impossible for me to respond to the change without knowing where the new total of \$15,789 came from. I have attached the initial information you provided in 2012.

2003- The attached work papers from OMIG show the underfunding of \$11,336, but your work paper HE-12B showed \$7,042. This should have netted us a (\$20,301) adjustment, but the current adjustment is (\$472). Again, I am unable to verify that the new numbers are correct.

OMIG Response

The following table delineates how the adjustments were arrived at.

Funding

Deposits	\$68,224
Capital Addition	68,481
Debt Payment	182,961
Total Funding	<u>\$319,666</u>

Funding Allocation

	<u>Bldg.</u>	<u>ME</u>	<u>Total</u>
Verified depreciation	\$277,145	\$64,746	\$341,891
Funding Allocation	<u>259,129</u>	<u>60,537</u>	<u>319,666</u>
Underfunding	<u>(\$18,016)</u>	<u>(\$4,209)</u>	<u>(\$22,225)</u>

Audit Adjustment

	<u>Bldg. Depr.</u>	<u>Bldg. Fund</u>	<u>Net Bldg.</u>	<u>ME Depr.</u>	<u>ME Fund</u>	<u>Net ME</u>
Per HE-12B	\$280,097	(\$24,392)		\$76,773	(\$6,667)	
Per Audit	<u>277,145</u>	<u>(18,016)</u>		<u>64,746</u>	<u>(4,209)</u>	
Total	<u>\$3,762</u>	<u>(\$6,376)</u>	<u>(\$2,614)</u>	<u>\$12,027</u>	<u>(\$2,458)</u>	<u>\$9,569</u>

Disposition: The Facility's response was partially recognized; the draft report disallowance was revised as shown on Attachment B.

Adjustment #3 - Mortgage Interest Expense Adjustments

Facility Comment

2003 The revised Property expense reduced my mortgage expense by \$1,601, but this is the interest on our Van loan and was included on our rate sheet under Moveable Equipment properly. The total interest reported for Building and Fixed of \$287,552 was the actual interest paid on the Mortgages. Therefore, I do not agree with this recovery.

OMIG Response

The OMIG disallowed this amount because it determined interest for the auto loan is included as part of mortgage interest expense. Therefore, allowing the same cost in a separate expense resulted in duplicate reimbursement.

Disposition: The draft audit disallowance remains the same.

Adjustment #4 - Property Insurance Expense Disallowances

Facility Comment

2003- Your work paper HE-12B for property insurance allowed us \$(348). If you are taking back the 2006 and 2007 amounts, shouldn't it be consistent for 2005 as well.

OMIG Response

As requested, allowable costs were adjusted by applicable findings.

Disposition: The Facility's response was recognized; allowable property insurance expense was adjusted as shown on Attachment B.

Adjustment #5 - Working Capital Interest Expense Disallowance

Facility Comment

2004 - Based on our rate sheet, the \$3,582 was already reduced to zero on lines 041 and 038; therefore, I do not agree with this adjustment.

OMIG Response

A re-examination of the account confirmed the Facility's assertion; however, this disallowance was not an offset. The adjustment was because the Facility had a positive net income for cost year 2004; and in accordance with Public Health Law, Section 2808 paragraph 22.9, effective April 1, 2006 and thereafter, rates shall not contain a payment factor for working capital interest if the RHCF report utilized to determine such payment factor also shows a positive net income. Investment income is offset against allowable expense. Working capital expense was

disallowed. Any investment income offset would then be applied to remaining allowable interest expense.

Disposition: The draft report disallowance remains the same.

Adjustment #6 – Income Recovery

Facility Comment

2003- I am forwarding you another copy of the 2003 work paper showing the correct income recovery. I am not sure where the \$5,227 amount came from.

2004 - Again, I am forwarding the work paper for the investment income. I believe your number still includes our funded depreciation account. Based on my calculation, the income offset was overstated by \$685.

2005 - I have attached my work paper showing the breakdown of the restricted and unrestricted. Based on my calculation, the offset should have been \$7,312.

2006 - I have attached my work paper showing the breakdown of the restricted and unrestricted. I have not been able to prove where your number came from, but based on the information provided, our offset should have been \$4,160.

OMIG Response

The OMIG's re-examination of additional data the Facility provided resulted in the determination that in cost years 2003 and 2006, that the amount applied as offset against mortgage interest expense exceeded audited unrestricted income. Likewise, the amount applied as offset against working capital interest expense in cost years 2004 and 2005, exceeded audited working capital interest expense.

Disposition: The Facility's response was partially recognized; the draft report disallowance was revised as shown on Attachment B.

OTHER COMMENTS

Facility Comment

2003 - I believe while you were here, I provided you with the Postage meter expenses that were not reported on Schedule 9 for non-capital leases. This is a monthly lease, and I have attached the invoices. This total of \$1,278 should be added to our rate.

2004 - I believe I provided all the documents for our postage meter rental during fieldwork. The total of \$1,696 should be added to our capital.

2005 - I believe I provided all the documents for our postage meter rental during fieldwork. The total of \$1,475 should be added to our capital.

OMIG Response

Upon review of documents provided, the expenses referenced above were allowed.

Disposition: The Facility's response was recognized; rental expense was allowed as shown on Attachment B.

HOOSICK FALLS HEALTH CENTER, INC. - AUDIT #10-2053
SUMMARY OF CHANGES FROM DRAFT REPORT TO FINAL REPORT

	<u>Description</u>	<u>Rate</u> <u>Period</u>	<u>Draft</u> <u>Report</u> <u>Disallowance</u> <u>(Allowance)</u>	<u>Change</u>	<u>Final</u> <u>Report</u> <u>Disallowance</u> <u>(Allowance)</u>
EXHIBIT III - PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)					
1. DEPRECIATION EXPENSE ADJUSTMENTS	Bldg. Depr.	2005	\$ 3,762		\$ 3,762
	Bldg. Depr.	2006	(7,077)		(7,077)
	ME Depr.	2005	12,027		12,027
2. FUNDING OF DEPRECIATION ADJUSTMENTS	Bldg. Depr.	2005	583	(6,959)	(6,376)
	ME Depr.	2005	(1,055)	(1,403)	(2,458)
3. MORTGAGE INTEREST EXPENSE ADJUSTMENTS	Mort. Int.	2005	1,601		1,601
	Mort. Int.	2007	(860)		(860)
	Mort. Int.	2008	(283)		(283)
4. PROPERTY INSURANCE EXPENSE ADJUSTMENTS	Prop. Ins.	2005		(348)	(348)
	Prop. Ins.	2006	1,005		1,005
	Prop. Ins.	2007	1,448		1,448
	Prop. Ins.	2008		137	137
5. WORKING CAPITAL INTEREST EXPENSE DISALLOWANCE	WCI	04/01/-12/31/06	3,582		3,582
6. INCOME RECOVERY ADJUSTMENTS	Inc. Offset	2005	5,227	(3,292)	1,935
	Inc. Offset	2006	62,100	(65,111)	(3,011)
	Inc. Offset	2007	19,514	(15,020)	4,494
	Inc. Offset	2008	18,903	(25,349)	(6,446)
7. MOVABLE EQUIPMENT RENT EXPENSE ALLOWANCE	Rent Exp.	2005		(1,278)	(1,278)
	Rent Exp.	2006		(1,696)	(1,696)
	Rent Exp.	2007		(1,475)	(1,475)

EXHIBIT I

HOOSICK FALLS HEALTH CENTER, INC. - AUDIT #10-2053
RATE PERIODS JANUARY 1, 2005 THROUGH DECEMBER 31, 2008
SUMMARY OF PER DIEM IMPACT AND MEDICAID OVERPAYMENT/(UNDERPAYMENT)

<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 UNDERPAYMENT</u>
01/01/05 - 02/28/05	\$159.24	\$158.94	\$0.30	2,800	\$ 840
03/01/05 - 05/31/05	163.28	162.98	0.30	4,265	1,280
06/01/05 - 06/30/05	163.00	162.70	0.30	1,374	412
07/01/05 - 08/31/05	165.84	165.54	0.30	2,744	823
09/01/05 - 11/30/05	167.65	167.35	0.30	4,219	1,266
12/01/05 - 12/31/05	169.09	168.79	0.30	1,517	455
01/01/06 - 02/28/06	174.32	174.69	(0.37)	2,792	(1,033)
03/01/06 - 03/31/06	166.54	166.91	(0.37)	1,397	(517)
04/01/06 - 05/31/06	166.20	166.45	(0.25)	2,785	(696)
06/01/06 - 08/31/06	169.52	169.77	(0.25)	4,332	(1,083)
09/01/06 - 11/30/06	174.44	174.69	(0.25)	4,162	(1,041)
12/01/06 - 12/31/06	174.60	174.85	(0.25)	1,437	(359)
01/01/07 - 03/31/07	184.19	184.06	0.13	4,140	538
04/01/07 - 06/30/07	183.29	183.16	0.13	4,684	609
07/01/07 - 08/31/07	179.19	179.06	0.13	3,398	442
09/01/07 - 12/31/07	179.19	179.06	0.13	6,351	826
01/01/08 - 03/31/08	180.86	181.09	(0.23)	4,394	(1,011)
04/01/08 - 06/30/08	177.37	177.60	(0.23)	3,890	(895)
07/01/08 - 12/31/08	181.25	181.48	(0.23)	8,710	(2,003)
TOTAL MEDICAID UNDERPAYMENT					<u>\$ (1,147)</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.

HOOSICK FALLS HEALTH CENTER, INC. - AUDIT #10-2053
RATE PERIODS JANUARY 1, 2005 THROUGH DECEMBER 31, 2008
SUMMARY OF MEDICAID RATES AUDITED

The Facility's Medicaid utilization was approximately 58 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>	Issued Medicare Part B & D <u>Non-Eligible Rates *</u>
01/01/05 - 02/28/05	\$159.24
03/01/05 - 05/31/05	163.28
06/01/05 - 06/30/05	163.00
07/01/05 - 08/31/05	165.84
09/01/05 - 11/30/05	167.65
12/01/05 - 12/31/05	169.09
01/01/06 - 02/28/06	174.32
03/01/06 - 03/31/06	166.54
04/01/06 - 05/31/06	166.20
06/01/06 - 08/31/06	169.52
09/01/06 - 11/30/06	174.44
12/01/06 - 12/31/06	174.60
01/01/07 - 03/31/07	184.19
04/01/07 - 06/30/07	183.29
07/01/07 - 08/31/07	179.19
09/01/07 - 12/31/07	179.19
01/01/08 - 03/31/08	180.86
04/01/08 - 06/30/08	177.37
07/01/08 - 12/31/08	181.25

- * 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.

HOOSICK FALLS HEALTH CENTER, INC. - AUDIT #10-2053
RATE PERIODS JANUARY 1, 2005 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

COST	RATE PERIODS			
	11/1/2005 - 12/31/05	01/01/06 - 03/31/06	04/01/06 - 12/31/06	11/1/2007 - 12/31/08
	\$ 648,767	\$ 643,231	\$ 643,231	\$ 641,642
				\$ 579,139

Property Expense Allowed per HE-12B

Less Disallowances/(Allowances):

1. DEPRECIATION EXPENSE ADJUSTMENTS

Providers 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. Building and movable equipment depreciation determined per audit varied from the expense allowed in the rate, resulting in adjustments.

Regulations: 10 NYCRR Sections 86-2.17(a) & 2.19(a), PRM-1 Sections 2300 & 2304

Bldg. Depr.	001	3,762	(7,077)	(7,077)
ME Depr.	002	12,027		

2. FUNDING OF DEPRECIATION ADJUSTMENTS

Reported depreciation was held to reported funding in the promulgated rates. The audited depreciation funding varied from the amount reported. Consequently, adjustments were necessary to reflect the audited depreciation funded.

Regulations: 10 NYCRR Sections 86-2.17(a) & 2.19(b)

Bldg. Depr.	001	(6,376)		
ME Depr.	002	(2,458)		

3. MORTGAGE INTEREST EXPENSE ADJUSTMENTS

Facilities receiving payment on the basis of reimbursable costs must provide adequate cost data based on financial and statistical records that can be verified on audit. In addition, the cost data is required to be current, accurate, and in sufficient detail. Audited mortgage interest expense varied from the amount allowed in determining the rates. This resulted in adjustments.

Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300, 2304 & 2102.3

Mort. Int.	003	1,601		(860)	(283)
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4. PROPERTY INSURANCE EXPENSE ADJUSTMENTS

Facilities receiving payment on the basis of reimbursable costs must provide adequate cost data based on financial and statistical records that can be verified on audit. In addition, the cost data is required to be current, accurate, and in sufficient detail. Audited property insurance varied from the insurance expense allowed in the rate resulting in adjustments.

Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300, 2304 & 2102.3

Prop. Ins.	005	(348)	1,005	1,448	137
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HOOSICK FALLS HEALTH CENTER, INC. - AUDIT #10-2053
RATE PERIODS JANUARY 1, 2005 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	COST	RATE PERIODS				
		1/1/2005 - 12/31/05	01/01/06 - 03/31/06	04/01/06 - 12/31/06	1/1/2007 - 12/31/07	1/1/2008 - 12/31/08
5. WORKING CAPITAL INTEREST EXPENSE DISALLOWANCE						
Effective April 1, 2006 and thereafter, rates shall not contain a payment factor for working capital interest if the RHCF report utilized to determine such payment factor also shows a positive net income. The Facility had a positive net income for cost year 2004. Consequently, working capital interest expense was disallowed.				3,582		
Regulation: Public Health Law, Section 2808, Paragraph 22-a						
6. INCOME RECOVERY ADJUSTMENTS						
Interest expense shall be reduced by investment income with the exception of income earned by funded depreciation accounts and certain other restricted funds. Investment income shall be defined as the aggregate net amount realized from dividends, interest, rental income, interest earned on temporary investment of withholding taxes, as well as all gains and losses. The OMIG determined that in cost years 2003 and 2005 the Facility's unrestricted investment income exceeded the amount used to offset interest expense, while offsets made in cost years 2004 and 2006 exceeded audited unrestricted investment income. Consequently, adjustments were necessary.						
Regulations: 10 NYCRR Sections 86-2.17(a) & 2.20(c), PRM-1 Section 202.2						
		1,935	(3,011)	(3,011)	4,494	(6,446)
7. MOVABLE EQUIPMENT RENT EXPENSE ALLOWANCES						
The Facility, as part of their draft response, has requested to be reimbursed for the expense associated with rental expense. OMIG has determined that this expense is proper. Consequently, allowances were necessary.						
Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.2						
		(1,278)	(1,696)	(1,696)	(1,475)	
Total Disallowances/(Allowances)		\$ 8,865	\$ (10,779)	\$ (7,197)	\$ 3,607	\$ (6,592)
TOTAL AUDITED PROPERTY EXPENSE		\$ 639,902	\$ 654,010	\$ 650,428	\$ 638,035	\$ 585,731