STATE OF NEW YORK
OFFICE OF THE MEDICAID INSPECTOR GENERAL
445 Hamilton Avenue, Suite 506
White Plains, New York 10601

ANDREW M. CUOMO
GOVERNOR

JAMES C. COX
MEDICAID INSPECTOR GENERAL

March 4, 2014

[redacted]
ArchCare
(Catholic Health Care System)
205 Lexington Avenue – 2nd Floor
New York, New York 10016

Re: Ferncliff Nursing Home Inc.
Medicaid Rate Audit #11-3798
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 Ferncliff Nursing Home Inc.'s (the "Facility") Medicaid rates for the rate period January 1, 2006 through December 31, 2008. In accordance with 18 NYCRR Section 517.6, this report represents the OMIG's final determination on issues raised in the draft audit report.

Since you did not respond to our draft audit report dated January 2, 2014, the findings in the final audit report remain identical to the draft audit report. As previously stated in the draft audit report, the Medicare Part B and D offsets were not within the scope of the review and may be examined as part of a future audit. Based on the enclosed audited rates calculated by the Bureau of Long Term Care Reimbursement, the Medicaid overpayment currently due is $111,159. This overpayment is subject to Department of Health ("DOH") and Division of Budget ("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.

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:

New York State Department of Health
Medicaid Financial Management
GNARESP Corning Tower, Room 2739
File #11-3798
Albany, New York 12237-0048

OPTION #2: Enter into a repayment agreement with the Office of the Medicaid Inspector General. If your repayment terms exceed 90 days from the date of the final audit report, recoveries of amounts due are subject to interest charges at the prime rate plus 2%. If the process of establishing the repayment agreement exceeds 20 days from the date of the final audit report, the OMIG will impose a 15% withhold after 20 days until the agreement is established. The OMIG may require financial information from you to establish the terms of the repayment agreement. If additional information is requested, the OMIG must receive the information within 30 days of the request or a 50% withhold will be imposed. OMIG acceptance of the repayment agreement is based on your repaying the Medicaid overpayment as agreed. The OMIG will adjust the rate of recovery, or require payment in full, if your unpaid balance is not being repaid as agreed. The OMIG will notify you no later than 5 days after initiating such action. If you wish to enter into a repayment agreement, you must forward your written request within 20 days to the following:

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

If within 20 days, you fail to make full payment or contact the OMIG to make repayment arrangements, the OMIG will establish a withhold equal to 50% of your Medicaid billings to secure payment and liquidate the overpayment amount, interest and/or penalty, not barring any other remedy allowed by law. The OMIG will provide notice to you no later than 5 days after the withholding of any funds.

In addition, if you receive an adjustment in your favor while you owe funds to the State, such adjustment will be applied against the amount owed.

You have the right to challenge this action and determination by requesting an administrative hearing within sixty (60) days of the date of this notice. You may not request a hearing to raise issues related to rate setting or rate setting methodology. In addition, you may not raise any issue that was raised or could have been raised at a rate appeal with your rate setting agency. You may only request a hearing to challenge specific audit adjustments which you challenged in a response to the draft audit report.

If you wish to request a hearing, the request must be submitted in writing to:

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

Questions regarding the request for a hearing should be directed to 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 or through email at Please refer to audit number 11-3798 in all correspondence.

Sincerely,

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

Enclosure

EXHIBIT I - Summary of Per Diem Impact and Medicaid Overpayment
EXHIBIT II - Summary of Medicaid Rates Audited
EXHIBIT III - Property Expense Disallowances/(Allowances)

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Ver-16.0

NEW YORK STATE
OFFICE OF THE MEDICAID INSPECTOR GENERAL
REMITTANCE ADVICE

NAME AND ADDRESS OF AUDITEE

Ferncliff Nursing Home, Inc.
21 Ferncliff Drive
Rhinebeck, New York 12572-2068

AMOUNT DUE: $111,159

NPI #: [redacted]
PROVIDER #: [redacted]

AUDIT #11-3798

AUDIT TYPE	
	[ ] PROVIDER
	[X] RATE
	[ ] PART B
	[ ] OTHER:

CHECKLIST

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

[redacted]
New York State Department of Health
Medicaid Financial Management
GNARESP Corning Tower, Room 2739
File #11-3798
Albany, New York 12237-0048

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

CORRECT PROVIDER NUMBER

EXHIBIT I

FERNCLIFF NURSING HOME, INC. - AUDIT #11-3798
RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008
SUMMARY OF PER DIEM IMPACT AND MEDICAID OVERPAYMENT

RATE PERIOD	ISSUED PART B & D NON-ELIGIBLE RATES*	FINAL PART B & D NON-ELIGIBLE RATES	RATE DECREASE (INCREASE)	MEDICAID DAYS	MEDICAID OVERPAYMENT
01/01/06 - 03/31/06	$162.05	$161.45	$0.60	20,432	$ 12,259
04/01/06 - 06/30/06	162.24	161.64	0.60	20,990	12,594
07/01/06 - 09/30/06	165.26	164.66	0.60	22,101	13,261
10/01/06 - 12/31/06	163.31	162.71	0.60	22,918	13,751
01/01/07 - 03/31/07	172.98	172.65	0.33	22,135	7,305
04/01/07 - 06/30/07	172.14	171.81	0.33	22,177	7,318
07/01/07 - 08/31/07	166.44	166.11	0.33	15,211	5,020
09/01/07 - 12/31/07	166.44	166.11	0.33	32,043	10,574
01/01/08 - 03/31/08	169.97	169.65	0.32	23,095	7,390
04/01/08 - 06/30/08	166.64	166.32	0.32	22,561	7,220
07/01/08 - 12/31/08	170.41	170.09	0.32	45,208	14,467
TOTAL MEDICAID OVERPAYMENT					**$ 111,159**

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

EXHIBIT II

FERNCLIFF NURSING HOME, INC. - AUDIT #11-3798
RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008
SUMMARY OF MEDICAID RATES AUDITED

The Facility's Medicaid utilization was approximately 77 percent for the period under audit and the Medicaid per diem rates audited are shown below. Any differences between these rates and the "Issued Rates" listed in Exhibit I of this audit report represent rate changes made subsequent to our audit. These changes remain open to future audit by the OMIG.

RATE PERIOD	ISSUED MEDICARE PART B & D NON-ELIGIBLE RATES *
01/01/06 - 03/31/06	$ 163.84
04/01/06 - 06/30/06	164.02
07/01/06 - 09/30/06	167.04
10/01/06 - 12/31/06	165.09
01/01/07 - 03/31/07	175.05
04/01/07 - 06/30/07	174.20
07/01/07 - 08/31/07	168.50
09/01/07 - 12/31/07	168.50
01/01/08 - 03/31/08	172.09
04/01/08 - 06/30/08	168.74
07/01/08 - 12/31/08	172.51

* 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.

FERNCLIFF NURSING HOME, INC. - AUDIT #11-3798
RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS 2006	2007	2008
Property Expense Allowed per HE-12B					$ 2,420,238	$ 2,290,223	$ 2,181,045
Less Disallowances/(Allowances):							
1. AUTO INSURANCE EXPENSE DISALLOWANCES							
Providers 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. Additionally, only costs that are properly chargeable to necessary patient care are allowable. The Facility was unable to provide documentation or demonstrate the relationship to patient care for reported auto insurance in cost year 2004. Cost years 2005 and 2006 audited auto insurance varied from the insurance expense allowed in the rate. Consequently, disallowances were necessary. **Regulations: 10 NYCRR Sections 86-2.17(a) & (d), PRM-1 Sections 2102.3, 2105.9, 2300 & 2304**	Auto Ins.	005	3,736	98.19%	3,669		
	Auto Ins.	005	454	98.22%		446	
	Auto Ins.	005	324	97.99%			318
2. RENTAL EXPENSE DISALLOWANCE							
Providers 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. The Facility was unable to provide documentation or demonstrate the relationship to patient care for the reported central office rental. Consequently, a disallowance was necessary **Regulations: 10 NYCRR Sections 86-2.17(a) & (d), PRM-1 Sections 2102.3, 2105.9, 2300 & 2304**	Rent B	005	17,988	97.99%			17,627
3. MORTGAGE INSURANCE ADJUSTMENTS							
In accordance with the Bureau of Long Term Care Reimbursement (BLTCR) capital cost methodology, mortgage insurance is reimbursed on a rate year basis. Audited rate year insurance expense varied from the mortgage interest allowed in the promulgated rates, resulting in disallowances. **Regulations: 10 NYCRR Sections 86-2.17(a) & (d), PRM-1 Sections 2102.3, 2300 & 2304**	Mortgage Ins.	005	34,879	98.19%	34,248		
	Mortgage Ins.	005	1,616	98.22%		1,587	
4. 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. Based on the provided documentation, the OMIG determined the Facility had additional unrestricted investment income in excess of the amount offset in the promulgated rate. Consequently, an additional investment income offset was necessary. **Regulation: 10 NYCRR Section 86-2.20(c)**	Other Interest	003	1,406	97.51%	1,371		
	Other Interest	003	3,312	97.54%		3,230	
	Other Interest	003	8,009	97.54%			7,812
5. PROPERTY INSURANCE DISALLOWANCES							
Reported property insurance costs included premiums for business income/interruption coverage and other general liability insurance. These types of insurance do not relate to the loss of or damage to the Facility's physical property and consequently are only includable in the operating component of the rate. Therefore, they were disallowed from the property component of the 2006 and 2007 rates. Property insurance was not included in the 2008 promulgated rates. Reported 2006 cost year property insurance was verified, adjusted for business income and accounts receivable premiums, and the net amount was allowed in the 2008 rate. **Regulations: 10 NYCRR Sections 86-2.10 & 86-2.17(a), PRM-1 Sections 2161 & 2806.2**	Property Ins.	005	9,520	98.19%	9,348		
	Property Ins.	005	8,184	98.22%		8,038	
	Property Ins.	005	(18,940)	97.99%			(18,559)

FERNCLIFF NURSING HOME, INC. - AUDIT #11-3798
RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS 2006	2007	2008
6. DEPRECIATION EXPENSE DISALLOWANCES							
a) Any project cost that exceeds a cost already approved shall not be considered an allowable cost for reimbursement. The OMIG determined that reported cost for APC # 880247 exceeded approved cost by $248,309. As a result, depreciation expense allowed in the rates was overstated by $11,328 in each of the rate years. **Regulations: 10 NYCRR Sections 86-2.19 & 710.6**	Bldg. Depr.	001	11,328	97.51%	11,046		
	Bldg. Depr.	001	11,328	97.54%		11,049	11,049
b) 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 could not provide supporting documentation for certain building/fixed equipment and moveable equipment additions. Consequently, depreciation expense associated with these costs was disallowed. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300 & 2304**	Bldg. Depr.	001	3,727	97.54%			3,635
	ME Depr.	002	3,148	98.20%	3,091		
	ME Depr.	002	6,296	98.22%		6,184	
	ME Depr.	002	6,296	98.19%			6,182
c) The Provider incorrectly capitalized costs that should have been expensed as operating costs because they were for repairs. These expenditures should have been expensed in accordance with Generally Accepted Accounting Principles and the guidelines and definitions included in the RHCF Accounting and Reporting Manual. The depreciation expense applicable to these costs was disallowed. **Regulations: 10 NYCRR Sections 86-2.4, 451.181 & 451.230, RHCF Accounting and Reporting Manual**	Bldg. Depr.	001	454	97.54%			443
	ME Depr.	002	476	98.22%		468	
	ME Depr.	002	952	98.19%			935
d) The Bureau of Long Term Care Reimbursement has determined the nature of telephone expense to be an operating expense. Since the expense is included in the formula to determine the base, mean, and ceiling prices used to establish the indirect expense corridor, the reimbursement of telephone depreciation expense in the property component amounts to duplicate reimbursement. Consequently, disallowances were necessary. **Regulation: 10 NYCRR Section 86-2.17(d)**	Bldg. Depr.	001	2,275	97.51%	2,218		
	Bldg. Depr.	001	2,275	97.54%		2,219	2,219
	ME Depr.	002	4,799	98.20%	4,713		
	ME Depr.	002	4,799	98.22%		4,714	
	ME Depr.	002	4,799	98.19%			4,712
Property Expense Disallowances/(Allowances)					$ 69,704	$ 37,935	$ 36,373
TOTAL AUDITED PROPERTY EXPENSE					**$ 2,350,534**	**$ 2,252,288**	**$ 2,144,672**