



STATE OF NEW YORK
OFFICE OF THE MEDICAID INSPECTOR GENERAL
259 Monroe Avenue, Room 312
Rochester, New York 14607

ANDREW M. CUOMO
GOVERNOR

JAMES C. COX
MEDICAID INSPECTOR GENERAL

March 4, 2014

[REDACTED]
Reconstruction Home & Health Care Center, Inc.
D/B/A Beechtree Care Center
318 South Albany Street
Ithaca, New York 14850

Re: Medicaid Rate Audit #11-5492
NPI Number: [REDACTED]
Provider Number: [REDACTED]

Dear [REDACTED]

Enclosed is the final audit report of the Office of the Medicaid Inspector General's (OMIG) audit of Reconstruction Home & Health Center, Inc. (D/B/A Beechtree Care Center)(Facility) Medicaid rates for the rate period March 31, 2005 through December 31, 2008. In accordance with 18 NYCRR Section 517.6, this audit report represents the OMIG's final determination on issues raised in the draft audit report.

In response to the draft audit report dated May 23, 2013 and response to the revised draft audit report dated August 26, 2013, you identified specific audit findings with which you disagreed. Your comments have been considered (see Attachment A). Consideration of your comments resulted in an overall reduction of \$51,217 to the total Medicaid overpayment shown in the revised draft audit report. As previously stated in the draft and revised 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 \$292,933. However, this audit also processed Bureau of Long Term Care appeals that resulted in an overpayment amount of \$245,632. Consequently, based on the enclosed audited rates calculated by the Bureau of Long Term Care Reimbursement, the Medicaid overpayment currently due is \$538,565. This overpayment is subject to Department of Health (the "DOH") and Division of Budget (the "DOB") final approval. While not anticipated, any difference between the calculated overpayment and the final DOH and DOB approved amount will be resolved with the Facility by the OMIG Bureau of Collections Management.

The overpayment does not reflect the impact on rates subsequent to December 31, 2008 that utilized the March 31, 2005 through March 30, 2006 base period for operating expense. Any overpayment resulting from operating expense disallowances in this report for rates subsequent to December 31, 2008 will be addressed in the future.

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

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

[REDACTED]
New York State Department of Health
Medicaid Financial Management
GNARESP Corning Tower, Room 2739
File #11-5492
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
[REDACTED]

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

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

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

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

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

Questions regarding the request for a hearing should be directed to the Office of Counsel at

If a hearing is held, you may have a person represent you or you may represent yourself. If you choose to be represented by someone other than an attorney, you must supply a signed authorization permitting that person to represent you along with your hearing request. At the hearing, you may call witnesses and present documentary evidence on your behalf.

Should you have any questions, please contact me at [REDACTED] or through email at [REDACTED]. Please refer to audit number 11-5492 in all correspondence.

Sincerely,

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

cc: [REDACTED]

Attachments:

ATTACHMENT A – Facility Revised Draft Report Comments and OMIG Responses
ATTACHMENT B – Summary of Changes from Revised 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 – Per Diem Disallowances

CERTIFIED MAIL [REDACTED] / (RETURN RECEIPT REQUESTED)

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

NAME AND ADDRESS OF AUDITEE

Reconstruction Home & Health Care
Center, Inc.
D/B/A Beechtree Care Center
318 South Albany Street
Ithaca, New York 14850

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

AUDIT #11-5492

AMOUNT DUE: \$538,565

AUDIT	<input type="checkbox"/>	PROVIDER
TYPE	<input checked="" type="checkbox"/>	RATE
	<input type="checkbox"/>	PART B
	<input type="checkbox"/>	OTHER:

CHECKLIST

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

[REDACTED]
New York State Department of Health
Medicaid Financial Management
GNARESP Corning Tower, Room 2739
File #11-5492
Albany, New York 12237-0048

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

CORRECT PROVIDER NUMBER

**RECONSTRUCTION HOME AND HEALTH CARE CENTER, INC.
D/B/A BEECHTREE CARE CENTER - AUDIT #11-5492
FACILITY REVISED DRAFT REPORT COMMENTS AND OMIG RESPONSE**

All OMIG adjustments were accepted by the Facility except for those shown below. The following details the disposition of final report adjustments after consideration of the Facility's draft and revised draft audit reports response comments.

EXHIBIT III COMMENTS – OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES)

Adjustment #1 – Correction of Administrative Expense Offset and Appeal Items

Facility Comment

This is an item included in an appeal (#728312), the Facility filed with the Bureau of Long Term Care Reimbursement (BLTCR). We are familiar with this appeal because it was prepared and submitted by us. The above item is in fact an appeal request included in the overall package. Of concern to us is the fact that the above appeal issue is one of eighteen items included in the submission most of which are beneficial to the Facility. We object to the processing of a single item, negative to our Facility rate, and ignoring 17 other items which could help us financially. Either process the entire appeal or remove this item from the final report. The largest positive issue for the Facility is the unprocessed appeal request that an error in the Nursing Adjustment calculation be corrected (appeal Item #8). This error has deprived the Facility of hundreds of thousands of legitimately reimbursable dollars. We take issue that a number of appeals that are positive to the Facility have not been processed.

OMIG Response

In response to the Facility's request we reviewed all items listed in the appeal. Appeal items 6 and 7, were addressed in various audit adjustments in the revised draft report. Adjustment #1 b. was added to the revised draft report to address appeal items 1, 4, 5, 13 and 16. Appeal items 2, 3, 11, 14 and 15 required no action as they were minor and would not have impacted the reimbursement rate. Appeal items 8, 9, 10, 12, 17 and 18 involve rate setting methodology and BLTCR discretion. Such issues are outside of the OMIG's authority, and can only be resolved by BLTCR.

Disposition: The revised draft audit report adjustment remains unchanged.

Adjustment #2 – Reclassification of Utilization Review Expense

Facility Comment

We disagree with this adjustment for two reasons. Initially, the definition of "Utilization Review" under 10 NYCRR Section 455.20 is extremely accurate as to the actual function of this position. It appears that the position is much more accurately defined as Utilization Review rather than Nursing Administration. Secondly, the position of MDS Coordinator is relatively new in relation to the 1983 base year methodology. The MDS as an acuity indicator did not exist in 1983 thus an MDS Coordinator was likewise not in existence.

To quote the OMIG draft audit report at property adjustment #4 for telephone equipment:

"The Bureau of Long Term Care Reimbursement has determined the nature of telephone expense to be an operating cost because

the expense is included in the formula to determine the base, mean, and ceiling prices used to establish the indirect corridor"

Since, as indicated above, this position did not exist when the base, mean and ceiling prices used to establish the direct corridor were created, these expenses could not, by definition, have been included in the direct price. Thus, reclassification of these expenses to a direct care area would be inappropriate. Furthermore, the combination of adjustments #1 and #2 leaves a total of \$787 in supply expenses in this cost center. This is unreasonable and in opposition to the direct care cost center expenses. This adjustment should be removed prior to the issuance of the final audit report.

OMIG Response

The MDS Coordinator activities are not considered "utilization review" unless there is a utilization review plan in place. Even then, the time spent by the MDS Coordinator on utilization review activities must be fully documented. The Facility has not provided any documentation to support that any of the MDS Coordinator's time was spent on utilization review, or that any other expenses should be allowed in this cost center. The Facility's position that the MDS acuity indicator did not exist in the 1983 base year (although Patient Review Instrument (PRI) acuity indicator activities did exist in 1983) does not change the fact that this type of activity is not allowable as utilization review expense. Therefore, no changes were made to this finding.

Disposition: The revised draft audit report adjustment remains unchanged.

Adjustment #3 – Reclassification of Receptionist Expense

Facility Comment

Our receptionist is strategically located in our main entrance lobby. No one enters or leaves the facility, while the receptionist desk is occupied, without being observed by this individual. While our staff, in an upstate setting, are not mandated to wear uniforms like many of their NYC counterparts, their functions are very similar. In addition to handling incoming phone calls and visitor sign ins, any inappropriate activity is noticed and appropriate notifications are forwarded. Our initial reclassification would appear to be more accurate than the OMIG reclassification. This adjustment should be removed prior to the issuance of the final audit report.

OMIG Response

The job description of the receptionist position did not support the reclassification of costs from administrative to security. In fact, a review of the tasks to be completed showed that they were mostly administrative in nature.

Disposition: The revised draft audit report adjustment remains unchanged.

Adjustment #8 – Reclassification of Telephone Depreciation Expense

Facility Comment

We are in general, in disagreement with this adjustment. This disagreement is based on the fact that expenses incurred more than 20 years after the establishment of the base, mean, and ceiling prices, using a 1983 expense reporting level, cannot reasonably be compared. If, however, adjustment #4 of "Property Expense" adjustments is allowed to stand, then this adjustment is acceptable in principal.

If adjustment #4 remains, we disagree, with the amount added back to operating costs. It appears that the OMIG auditors have added back only the depreciated value of the telephone equipment. This amount matches the disallowance of property expense. The above adjustment #2 explanation indicates that the Bureau of Long Term Care Reimbursement has determined the nature of telephone expense to be an operating cost. As such, the full cost of the item should be added to operating expense not simply the annual depreciated amount. We believe the add back to operating expense should amount to \$16,265 not simply the \$1,898 disallowed as a capital item.

OMIG Response

The Bureau of Long Term Care Reimbursement has determined the nature of telephone expenses to be an operating cost. Accordingly, this audit adjustment reclassified the reported telephone equipment depreciation from property to operating expense, and this amount will be reimbursed in all rate years that use this period as a base. The Facility's request that the entire cost of the equipment be included in operating expense is not valid because asset costs are not an expense. The depreciation of asset costs is an expense, and in this case, the expense was reclassified from property to operating expense. To do as the Facility requests would result in the reimbursement of the entire cost of the equipment each year this base period is used. This excess reimbursement of asset cost is not allowable per the regulations.

Disposition: The revised draft audit report adjustment remains unchanged.

Adjustment #5 – Director's and Officer's Insurance Expense Disallowance

This disallowance was eliminated in the revised draft audit report because BLTCR had already disallowed this cost in the calculation of the unaudited rates. The Facility misunderstood the reason for this action and disagreed with the elimination of this adjustment. Regardless, since the revised draft audit report represents a restatement of all proposed audit adjustments, the Facility's comments are limited to the adjustments contained in the revised report.

EXHIBIT IV COMMENTS – PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

Adjustment #3 – Allowance of Start-up Cost Amortization Expense

Facility Comment

We must disagree with the adjustment at this time. This facility has endured a significant amount of turnover at the CFO position. The CFO at the time of our base year and during the audit period is no longer with us and his replacement has recently retired. We continue to search for the above referenced documentation but have not as yet located it. If we are unable to locate this documentation, we will have to accept the disallowance. If we do, we will forward it immediately.

OMIG Response

No additional documentation was submitted with the response or subsequent to the response.

Disposition: The revised draft audit report adjustment remains unchanged.

Adjustment #4 – Telephone Depreciation Expense Reclassification

Facility Comment

In our response to operational adjustment #8, we explained that we do not agree with the handling of telephone equipment expense but that if this item is allowed to stand the operational add back needed to be adjusted to actual cost.

Our disagreement with the handling of this issue is based on numerous requests for Hearing and Article 78 lawsuits that have languished in the system. Upon final settlement of this issue, we will abide by the ruling. We believe that the request in operational item #8 should be honored at least until then.

OMIG Response

See response to operating adjustment #8.

Disposition: The revised draft audit report adjustment remains unchanged.

Adjustment #5 (a) – Working Capital Interest Disallowance

Facility Comment

As explained in property adjustment #3, we have had significant turnover at our CFO position and we cannot agree with issues relative to the substantiation of costs until such time as we can research all of our files.

OMIG Response

No additional documentation was submitted with the response or subsequent to the response.

Disposition: The revised draft audit report adjustment remains unchanged.

Adjustment #5 (c) – Working Capital Interest Disallowance

Facility Comment

We disagree with this proposed adjustment because of our understanding of historical reimbursement methodology. We understand that in the case of a new base year certain cost reports are not required because most of the time frame included would be duplicated due to submission of the fiscal year cost report. As such, the DOH uses the new base year report for three years and then reverts back to the two year lag when full calendar year cost reports are submitted again.

This would appear to be the case with our facility since every expense in our capital per diem, except for rate year interest and Mortgage Insurance Premium, is exactly the same for the three year rate period 3-31-05 through 2007.

While the OMIG quote "BLTCR Rate Methodology" as a basis for this disallowance, it appears that the adjustment is in opposition to rate setting methodology due to the use of reported expense for a three year period and as confirmed by the DOH prepared rate sheets. As such, this adjustment should be removed from the final report.

OMIG Response

The use of base year expense for three successive rate years does not imply that the Facility was entitled to working capital interest reimbursement in excess of the amounts actually paid. The regulations and rate reimbursement principles provide for the reimbursement of incurred working capital interest expense. The audit adjustments in question allowed for the full reimbursement of the interest expense on the applicable underlying debts. Therefore, the audit adjustments were appropriate and consistent with rate regulations and methodology.

Disposition: The revised draft audit report adjustment remains unchanged.

Adjustment #7 – Excess Equipment Rental Expense Disallowance

Facility Comment

This again appears to be the OMIG overturning the DOH reimbursement methodology. The legitimate capitalized lease expense included in the base year was reimbursed for a three year period in accordance with DOH methodology. The OMIG adjustment appears to calculate actual rate year cost and disallow everything above this level. This does not appear to be in accordance with reimbursement methodology. This adjustment should be removed from the final audit report.

OMIG Response

Regulation 86-2.22(c) states “The aggregate rental or lease costs included in capital-related costs may not exceed the costs of ownership”. Reimbursement of the full cost of the lease was provided for in the audited expense.

Disposition: The revised draft audit report adjustment remains unchanged.

Adjustment #9 – Funded Depreciation disallowances

Facility Comment

The Facility disagreed with this adjustment in its response to the revised draft audit report. However, the Facility subsequently agreed to deposit additional funds into the funded depreciation account to cover the unfunded depreciation.

OMIG Response

The Facility made a \$70,000 deposit into the funded depreciation account in January of 2014, which covered the \$67,594 in unfunded depreciation that was disallowed in the revised draft audit report. The Facility also submitted documentation to confirm this deposit. Therefore, this adjustment was eliminated from the final audit report.

Disposition: This adjustment was eliminated in the final audit report.

EXHIBIT V COMMENTS – MISCELLANEOUS PER DEIM ADJUSTMENT – SCHEDULE A

Facility Comment

The Facility disagreed with the disallowance of the Medical Staff Services per diems, while the nursing adjustment per diems were not increased to correct calculation errors that the Facility has appealed since 1994.

OMIG Response

The asserted nursing adjustment per diem calculation errors involve issues that can only be addressed by BLTCR and could not be adjusted as part of this audit.

Disposition: The revised draft audit report adjustment remains unchanged.

RECONSTRUCTION HOME AND HEALTH CARE CENTER, INC. - AUDIT #11-5492

D/B/A BEECHTREE CARE CENTER

SUMMARY OF CHANGES FROM REVISED DRAFT REPORT TO FINAL REPORT

<u>DESCRIPTION</u>	<u>COST</u> <u>CTR.</u>	<u>Rate</u> <u>Period</u>		<u>Revised</u> <u>Draft</u> <u>Report</u> <u>Disallowance</u>	<u>Change</u>	<u>Final</u> <u>Report</u> <u>Disallowance</u>
<u>EXHIBIT IV - PROPERTY EXPENSE DISALLOWANCES</u>						
9. FUNDED DEPRECIATION DISALLOWANCES						
Bldg. Depr.	001	2005	\$	29,579	\$ (29,579)	\$ -
ME Depr.	002	2005		4,218	(4,218)	-
Bldg. Depr.	001	2006	\$	29,579	\$ (29,579)	-
ME Depr.	002	2006		4,218	(4,218)	-

Note: The adjustments shown above only reflect those adjustments that were revised as a result of the Facility's response. All other adjustments remain the same as shown in the revised draft audit report.

RECONSTRUCTION HOME AND HEALTH CARE CENTER, INC. - AUDIT #11-5492
D/B/A BEECHTREE CARE CENTER
RATE PERIODS MARCH 31, 2005 THROUGH DECEMBER 31, 2008
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>
03/31/05 - 04/30/05	\$156.45	\$152.50	\$3.95	3,024	\$ 11,945
05/01/05 - 06/30/05	153.72	149.82	3.90	5,838	22,768
07/01/05 - 07/31/05	153.72	149.82	3.90	3,085	12,032
08/01/05 - 10/31/05	152.74	148.84	3.90	9,151	35,689
11/01/05 - 12/31/05	149.68	145.81	3.87	5,902	22,841
01/01/06 - 01/31/06	154.30	150.31	3.99	3,099	12,365
02/01/06 - 03/31/06	154.16	150.17	3.99	5,922	23,629
04/01/06 - 04/30/06	153.85	149.86	3.99	2,996	11,954
05/01/06 - 07/31/06	152.60	148.63	3.97	9,177	36,433
08/01/06 - 10/31/06	152.48	148.52	3.96	8,795	34,828
11/01/06 - 12/31/06	154.61	150.63	3.98	5,694	22,662
01/01/07 - 03/31/07	157.50	153.39	4.11	8,377	34,429
04/01/07 - 06/30/07	156.70	152.60	4.10	8,562	35,104
07/01/07 - 08/31/07	158.28	154.18	4.10	5,874	24,083
09/01/07 - 12/31/07	158.28	154.18	4.10	10,904	44,706
01/01/08 - 03/31/08	160.22	155.44	4.78	8,038	38,422
04/01/08 - 06/30/08	157.58	152.83	4.75	8,029	38,138
07/01/08 - 12/31/08	160.36	155.61	4.75	16,113	<u>76,537</u>
TOTAL MEDICAID OVERPAYMENT					<u>\$ 538,565</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 was an increase to the overpayment of \$245,632.

RECONSTRUCTION HOME AND HEALTH CARE CENTER, INC. - AUDIT #11-5492**D/B/A BEECHTREE CARE CENTER****RATE PERIODS MARCH 31, 2005 THROUGH DECEMBER 31, 2008****SUMMARY OF MEDICAID RATES AUDITED**

The Facility's Medicaid utilization was approximately 80 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>
03/31/05 - 04/30/05	\$ 156.45
05/01/05 - 06/30/05	153.72
07/01/05 - 07/31/05	153.72
08/01/05 - 10/31/05	152.74
11/01/05 - 12/31/05	149.68
01/01/06 - 01/31/06	154.30
02/01/06 - 03/31/06	154.16
04/01/06 - 04/30/06	153.85
05/01/06 - 07/31/06	152.60
08/01/06 - 10/31/06	152.48
11/01/06 - 12/31/06	154.61
01/01/07 - 03/31/07	157.50
04/01/07 - 06/30/07	156.70
07/01/07 - 08/31/07	158.28
09/01/07 - 12/31/07	158.28
01/01/08 - 03/31/08	160.22
04/01/08 - 06/30/08	157.58
07/01/08 - 12/31/08	160.36

* 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.

RECONSTRUCTION HOME AND HEALTH CARE CENTER, INC. - AUDIT #11-5492
D/B/A BEECHTREE CARE CENTER
RATE PERIODS MARCH 31, 2005 THROUGH DECEMBER 31, 2008
OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES)

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

OPERATING EXPENSE COMPONENT		NON-	
DIRECT	INDIRECT	DIRECT	COMP.
\$ 3,504,950	\$ 2,094,944	\$ 437,877	

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

1. CORRECTION OF ADMINISTRATIVE EXPENSE OFFSET

(a) As noted in Appeal #728312 (Item #7), BLTCR offset fees related to a PRI Assessor against administrative services expenses in the indirect component of the rate. These fees were reported as non-comparable expenses and the offset should be against those costs. An adjustment is being made to reflect this appeal item. **The Facility should notify BLTCR that this item of Appeal #728312 was handled by the OMIG on audit.**
Regulation: 10 NYCRR Section 455.20

CORRECTION OF VARIOUS OTHER APPEAL ITEMS

(b) Also noted in Appeal #728312, were various other items that were adjusted incorrectly in the unaudited rate calculations. Audit adjustments were made below to correct these discrepancies. **The Facility should notify BLTCR that these items of Appeal #728312 were also handled by the OMIG on audit.**
Regulation: BLTCR Rate Methodology

Appeal Item #:

1. Reclassification of Director of Volunteers Expense	000	(9,198)	100.00%				(9,198)
	005	9,198	99.90%			9,189	
4. Reclassification of Health Retention & Recruitment Expenses	005	(85,093)	99.90%				(85,008)
	051	85,093	100.00%			85,093	
5. Correct Duplicate Disallowance of A&G costs	005	(3,986)	99.90%				(3,982)
13. Eliminate Disallowance of Director's & Officer's Insurance	005	(15,070)	99.90%				(15,055)
16. Correct Income Offsets to A&G Expense	005	(658)	99.90%				(657)

BLTCR Open Appeals Operating Expense Disallowances/(Allowances)
Subtotal Operating Expense by Component

\$ 85,093	\$ (99,550)	\$ (5,157)
\$ 3,419,857	\$ 2,194,494	\$ 443,034

RECONSTRUCTION HOME AND HEALTH CARE CENTER, INC. - AUDIT #11-5492
D/B/A BEECHTREE CARE CENTER
RATE PERIODS MARCH 31, 2005 THROUGH DECEMBER 31, 2008
OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES)

DESCRIPTION	CTR.	COST DISALLOWED (ALLOWED)	TRACE-BACK %	OPERATING EXPENSE COMPONENT		
				DIRECT	INDIRECT	NON-COMP.

Other OMIG Audit Disallowances/(Allowances)

2. RECLASSIFICATION OF UTILIZATION REVIEW EXPENSE

Utilization Review is a process undertaken to determine whether health care services that have been provided, are being provided or are supposed to be provided to the patient, whether undertaken prior to, concurrent with, or subsequent to the delivery of such services are medically necessary. Utilization Review does not include the application of a particular coding to a patient, including the assignment of diagnosis procedure along with any issue relating to the determination of the amount or extent of payment. Additionally, Utilization Review does not include any determination of any coverage issues other than whether health care services are or were medically necessary. Reported Utilization Review expense consisted of MDS Coordinators which are not considered to be a Utilization Review expense. Consequently, the reported expense is reclassified from Utilization Review to Nursing Administration.

Regulation: New York Public Health Law, Article 49, Title 1, Section 4901

Util. Rev.	020	66,672	100.00%			66,672
Nursing Admin.	013	(66,672)	100.00%	(66,672)		

3. RECLASSIFICATION OF RECEPTIONIST EXPENSE

The Facility reclassified the salaries and fringes for its receptionists from Administrative Services to Security. The basis for this reclassification was undocumented and unsubstantiated. Consequently, the reclassification was reversed.

Regulations: 10 NYCRR Sections 86-2.17(a), 455.5, 455.8, 456, PRM-1 Section 2304, BLTCR Rate Methodology, RHC Accounting and Reporting Manual

Security	008	28,565	100.00%			28,565
Admin. Svcs.	005	(28,565)	99.90%		(28,536)	

4. RECLASSIFICATION OF START-UP COSTS

Expenses related to the change of ownership and rebasing process were incorrectly included in base year costs. These type of expenses are "Start-Up Costs" which are to be capitalized and amortized over a five year period. To obtain proper reimbursement for the Facility, the expense was disallowed from the indirect component of the rate and allowed in the property component as start-up cost amortization. See property adjustment #1.

Regulations: 10 NYCRR Sections 86-2.17(a) and (d), PRM-1 Section 2132

Fiscal Svcs.	004	19,757	99.90%			19,737
Admin. Svcs.	005	46,685	99.90%		46,638	

RECONSTRUCTION HOME AND HEALTH CARE CENTER, INC. - AUDIT #11-5492
D/B/A BEECHTREE CARE CENTER
RATE PERIODS MARCH 31, 2005 THROUGH DECEMBER 31, 2008
OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	OPERATING EXPENSE COMPONENT			
					DIRECT	INDIRECT	NON-COMP.	
5. DIRECTOR'S AND OFFICER'S INSURANCE EXPENSE DISALLOWANCE								
This adjustment was eliminated in the revised draft audit report.								
6. RECLASSIFICATION OF BUSINESS INTERRUPTION AND CRIME INSURANCE								
The cost of business interruption and crime insurance was disallowed in the property component of the rate (property disallowance #2). Since the expense is an operating expenditure, the expense associated with the operating period was included in Administrative expense. Regulations: 10 NYCRR Sections 86-2.10 (g) and 86-2.17(a) and (d), PRM-1 Sections 2161 and 2806.2								
	Admin. Svcs.	005	(4,098)	99.90%		(4,094)		
7. RECLASSIFICATION OF BANK SERVICE CHARGE EXPENSE								
The Facility charged bank service charges to working capital interest and thus it was incorrectly reimbursed as a property cost. These costs are considered operating costs and were reclassified as an indirect cost under fiscal and administrative services. See property adjustment #6. Regulations: 10 NYCRR Section 86-2.17(a), RHCFC Accounting and Reporting Manual, Chapter 3 (Account Distribution Index)								
	Fiscal Svcs.	004	(7,038)	99.90%		(7,031)		
8. RECLASSIFICATION OF TELEPHONE DEPRECIATION EXPENSE								
Reported property costs included depreciation on telephone equipment. The Bureau of Long Term Care Reimbursement has determined the nature of telephone expense to be an operating cost because the expense is included in the formula to determine the base, mean, and ceiling prices used to establish the indirect expense corridor. Accordingly, telephone equipment depreciation was disallowed from property costs, and base year telephone depreciation was reclassified to indirect operating expense. See property expense adjustment #4. Regulations: 10 NYCRR Sections 86-2.17(a)&(d), BLTCR Rate Methodology								
	Admin. Svcs.	005	(1,898)	99.90%		(1,896)		
Other OMIG Operating Expense Disallowances/(Allowances)					\$	(66,672)	\$ 53,383	\$ 66,672
AUDITED OPERATING EXPENSE BY COMPONENT					\$	3,486,529	\$ 2,141,111	\$ 376,362

RECONSTRUCTION HOME AND HEALTH CARE CENTER, INC. - AUDIT #11-5492
D/B/A BEECHTREE CARE CENTER
RATE PERIODS MARCH 31, 2005 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

DESCRIPTION	CTR.	COST DISALLOWED (ALLOWED)	TRACE- BACK %	RATE PERIODS			
				2005	2006	2007	2008
				\$ 941,371	\$ 932,284	\$ 922,326	\$ 910,163

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

1. ALLOWANCE OF START-UP COST AMORTIZATION EXPENSE							
For the reasons noted in operating adjustment #4, costs related to the change of ownership and rebasing process were reclassified from operating to property and allowed in the property rate as start-up cost amortization.	Orgn/Strt-Up	005	99.90%	(13,275)	(13,275)	(13,275)	(13,275)
Regulations: 10 NYCRR Sections 86-2.17(a) & (d), PRM-1 Section 2132	Orgn/Strt-Up	005	99.94%	(13,288)	(13,288)	(13,275)	(13,280)

2. PROPERTY INSURANCE DISALLOWANCE

The Facility's March 31, 2005 through December 31, 2008 property rates included insurance premiums for business interruption and crime insurance. These types of insurance do not relate to the loss of or damage to the Facility's physical property and consequently should be included in the operating component of the rate. Since these insurance premiums are not allowable as property insurance costs, they were reclassified and allowed as an operating cost. See operating adjustment #6.

Regulations: 10 NYCRR Sections 86-2.10(g) and 86-2.17(a) & (d), PRM-1 Sections 2161 and 2806.2

3. DEPRECIATION EXPENSE DISALLOWANCE

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 documentation to substantiate some of the depreciation expense allowed in the rates. Consequently, these expenses were disallowed.

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

4. TELEPHONE DEPRECIATION EXPENSE RECLASSIFICATION

Reported property costs included depreciation on telephone equipment. The Bureau of Long Term Care Reimbursement has determined the nature of telephone expense to be an operating cost because the expense is included in the formula to determine the base, mean, and ceiling prices used to establish the indirect expense corridor. Accordingly, telephone equipment depreciation was disallowed from property costs, and base year telephone depreciation expense was reclassified to indirect operating costs. See operating expense adjustment #8.

Regulations: 10 NYCRR Sections 86-2.17(a)&(d), BLTCR Rate Methodology

DESCRIPTION	CTR.	COST DISALLOWED (ALLOWED)	TRACE- BACK %	2005	2006	2007	2008
Prop. Ins.	005	4,098	99.90%	4,094	4,094	4,094	3,462
Prop. Ins.	005	3,464	99.94%	4,094	4,094	4,094	3,462
Bldg. Depr.	001	34	100.00%	34	34	34	34
ME Depr.	002	37	100.00%	37	37	37	37
Bldg. Depr.	001	935	100.00%	935	935	935	935
ME Depr.	002	189	100.00%	189	189	189	189
ME Depr.	002	1,898	100.00%	1,898	1,898	1,898	1,898
ME Depr.	002	3,196	100.00%	3,196	3,196	3,196	3,196

RECONSTRUCTION HOME AND HEALTH CARE CENTER, INC. - AUDIT #11-5492

D/B/A BEECHTREE CARE CENTER

**RATE PERIODS MARCH 31, 2005 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)**

DESCRIPTION	CTR.	COST DISALLOWED (ALLOWED)	TRACE- BACK %	RATE PERIODS		
				2005	2006	2007
Rent E	002	1,671	100.00%			1,671
Rent A	002	29,206	100.00%			29,206

7. EXCESS EQUIPMENT RENTAL EXPENSE DISALLOWANCE

Reimbursement of leased equipment claimed as rental expense exceeded amounts actually paid during the leased period. The excess amounts were disallowed.

Regulations: 10 NYCRR Sections 86-2.17(a) & (d), 86-2.10(g), and 86-2.22 (c)

8. MORTGAGE INTEREST EXPENSE DISALLOWANCES

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 promulgated rates resulting in a disallowance.

Regulation: 10 NYCRR Section 86-2.20(a)

9. FUNDED DEPRECIATION DISALLOWANCES

Based on the Facility's response to the revised draft audit report, this adjustment was eliminated.

Property Expense Disallowances/(Allowances)

AUDITED PROPERTY EXPENSE

\$ 7,233	\$ 11,101	\$ 14,784	\$ 41,803
\$ 934,138	\$ 921,183	\$ 907,542	\$ 868,360

RECONSTRUCTION HOME AND HEALTH CARE CENTER, INC. - AUDIT #11-5492
D/B/A BEECHTREE CARE CENTER
RATE PERIODS MARCH 31, 2005 THROUGH DECEMBER 31, 2008
PER DIEM DISALLOWANCES

MISCELLANEOUS PER DIEM ADJUSTMENT – SCHEDULE A

The March 31, 2005 through December 31, 2008 rates under audit contained Schedule A Miscellaneous Per Diem adjustments. These adjustments included a per diem amount for Medical Staff Services costs that were carried forward from the Facility's previous rates as a supplement to those rates' base period operating costs. However, the rates under review in this audit were based on a new base period covering March 31, 2005 through March 30, 2006, which included all Medical Staff Services costs. Since these costs were fully reimbursed as part of the new base period operating costs, no per diem adjustment for Medical Staff Services should have been added to these rates. Therefore, the Medical Staff Services per diem component was disallowed from the Schedule A Miscellaneous Per Diem adjustments as shown below. **(NOTE: In an appeal filed with the Bureau of Long Term Care Reimbursement (#791386), the Facility requested that the Medical Staff Services per diem amounts in question be removed from the Schedule A Miscellaneous Per Diem Adjustments. The Facility should notify BLTCR that this item of Appeal #728312 was handled by the OMIG on audit.)**
Regulation: 10 NYCRR Section 86-2.17 (a) & (d)

	<u>3/31/05-</u> <u>12/31/05</u> <u>Rates</u>	<u>2006</u> <u>Rates</u>	<u>1/1/2007-</u> <u>3/31/07</u> <u>Rates</u>	<u>4/1/2007-</u> <u>12/31/07</u> <u>Rates</u>	<u>1/1/08-</u> <u>3/31/08</u> <u>Rates</u>	<u>4/1/08-</u> <u>12/31/08</u> <u>Rates</u>
Nursing Adjustment Per Diem Component	\$ 0.90	\$ 0.92	\$ 0.94	\$ 0.94	\$ 0.96	\$ 0.96
Medical Staff Services Per Diem Component	\$ 1.17	\$ 1.20	\$ 1.23	\$ 1.22	\$ 1.25	\$ 1.23
Total Schedule A Miscellaneous Per Diem Adjustment	\$ 2.07	\$ 2.12	\$ 2.17	\$ 2.16	\$ 2.21	\$ 2.19
Audit Disallowance of Medical Staff Per Diem Component	\$ 1.17	\$ 1.20	\$ 1.23	\$ 1.22	\$ 1.25	\$ 1.23
Audited Schedule A Miscellaneous Per Diem Adjustment	<u>\$ 0.90</u>	<u>\$ 0.92</u>	<u>\$ 0.94</u>	<u>\$ 0.94</u>	<u>\$ 0.96</u>	<u>\$ 0.96</u>