



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]
Terrace Healthcare Center
2678 Kingsbridge Terrace
Bronx, New York 10463

Re: Medicaid Rate Audit #12-3328
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 Terrace Healthcare Center's (the "Facility") Medicaid rates for the rate period January 1, 2007 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 revised draft audit report.

Since you have indicated that you are in agreement with our revised draft audit report dated February 25, 2014, and will not formally respond, the findings in the final audit report remain identical to the revised draft audit report. As previously stated in the 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. Based on the enclosed audited rates calculated by the Bureau of Long Term Care Reimbursement, the Medicaid overpayment currently due is \$305,143. 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.

The overpayment does not reflect the impact on rates subsequent to December 31, 2008 that utilized the January 1, 1986 through December 31, 1986 base period for operating expense. Any overpayment resulting from operating expense disallowances in the January 1, 1986 through December 31, 1986 base period report for rates subsequent to December 31, 2008 will be addressed in the future.

March 4, 2014

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 #12-3328
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 [REDACTED] or through email at [REDACTED]. Please refer to audit number 12-3328 in all correspondence.

Sincerely,

[REDACTED]
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 - Operating Expense Disallowances/(Allowances)
- EXHIBIT IV - Property Expense Disallowances/(Allowances)
- EXHIBIT V - Return on Real Property 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

TERRACE HEALTHCARE CENTER
2678 KINGSBRIDGE TERRACE
BRONX, NEW YORK 10463

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

AMOUNT DUE: \$305,143

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 #12-3328
Albany, New York 12237-0048

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

[REDACTED]

CORRECT PROVIDER NUMBER

TERRACE HEALTHCARE CENTER - AUDIT #12-3328
RATE PERIODS JANUARY 1, 2007 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>
01/01/07 - 03/31/07	\$204.43	\$202.49	\$1.94	20,450	\$ 39,673
04/01/07 - 06/30/07	203.28	201.35	1.93	20,741	40,030
07/01/07 - 08/31/07	202.95	201.02	1.93	14,434	27,858
09/01/07 - 12/31/07	202.95	201.02	1.93	28,163	54,355
01/01/08 - 03/31/08	206.40	204.68	1.72	20,967	36,063
04/01/08 - 06/30/08	202.94	201.23	1.71	20,991	35,895
07/01/08 - 12/31/08	206.26	204.55	1.71	41,678	<u>71,269</u>
TOTAL MEDICAID OVERPAYMENT					<u>\$ 305,143</u>

* 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.

TERRACE HEALTHCARE CENTER - AUDIT #12-3328
RATE PERIODS JANUARY 1, 2007 THROUGH DECEMBER 31, 2008
SUMMARY OF MEDICAID RATES AUDITED

The Facility's Medicaid utilization was approximately 96 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.

<u>RATE PERIOD</u>	<u>ISSUED MEDICARE PART B & D NON-ELIGIBLE RATES *</u>
01/01/07 - 03/31/07	\$ 204.43
04/01/07 - 06/30/07	203.28
07/01/07 - 12/31/07	202.95
01/01/08 - 03/31/08	206.40
04/01/08 - 06/30/08	202.94
07/01/08 - 12/31/08	206.26

* 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.

TERRACE HEALTHCARE CENTER - AUDIT #12-3328
RATE PERIODS JANUARY 1, 2007 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

COST CTR.	RATE PERIODS	
	2007	2008
	\$ 1,181,204	\$ 1,135,277

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

1. PROPERTY INSURANCE EXPENSE DISALLOWANCES

Reported property insurance costs included coverage for business income. These costs are not related 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 rate.

Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2161 and 2806.2

Prop. Ins. 005 6,274 7,601

2. AUTO INSURANCE EXPENSE DISALLOWANCE

Providers are required to provide adequate cost data that can be verified. Additionally, only costs that are properly chargeable to necessary patient care are allowable. The Facility was unable to provide adequate documentation or demonstrate the relationship to patient care for reported auto insurance. Consequently, the expense was disallowed.

Regulations: 10 NYCRR Section 86-2.17(a) & (b), PRM-1 Sections 2102.3, 2105.9, 2300 & 2304

Auto Ins. 006 7,980

3. RETURN ON REAL PROPERTY EQUITY DISALLOWANCES

The real property historical costs and original mortgage were adjusted to audited figures. As detailed to the Facility during the audit, these changes resulted in disallowances to the return on real property equity. (Refer to Exhibit V)

Regulations: 10 NYCRR Sections 86-2.17(d) & 86-2.21

Ret. On Eq. 001 55,520 57,406

4. MOVABLE EQUIPMENT DEPRECIATION DISALLOWANCES

Costs not related to patient care are costs that are not appropriate or necessary and proper in developing and maintaining the operation of patient care facilities and activities. Only costs properly chargeable to necessary patient care are allowable. Costs pertaining to a luxury automobile are not related to patient care and were disallowed.

Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.3 & 2105.9

ME Depr. 002 20,472 20,471

5. EQUIPMENT RENTAL EXPENSE DISALLOWANCES

a) 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. Equipment rental expense determined per audit varied from the expenses allowed in the promulgated rates resulting in disallowances.

Regulations: 10 NYCRR Sections 86-2.17(a) & 86-2.10(g), PRM-1 Sections 2300 & 2304

Rent A 002 8,336 2,801

TERRACE HEALTHCARE CENTER - AUDIT #12-3328
RATE PERIODS JANUARY 1, 2007 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	COST CTR.	DESCRIPTION	RATE PERIODS	
			2007	2008
5. EQUIPMENT RENTAL EXPENSE DISALLOWANCES (CONT.)				
b) The Facility reported various rental expenses that could not be substantiated on audit. Consequently, these expenses were disallowed. Regulations: 10 NYCRR Section 86-2.7 & 86-2.17(a), PRM-1 Sections 2300 & 2304	002	Rent A	1,822	
c) The Facility reported various expenses in rent expense that were operating in nature. These types of expenses are not includable in property costs. Consequently, these expenses were disallowed from the capital component of the rate. Regulations: 10 NYCRR Sections 86-2.10(g) & 86-2.17(a), PRM-1 Section 2806.2	004 005 002	Rent B Rent C Rent A	3,203 2,503	245
d) The Facility reported rental expense on telephone equipment. The Bureau of Long Term Care Reimbursement (BLTCR) has determined that telephone expense is an operating expense for residential health care facilities. Since this expense is included in the formula to determine the base, mean and ceiling prices used to establish the indirect operating expense corridor, the reimbursement of telephone expense in the capital component amounts to duplicate reimbursement. Consequently, the telephone rent expense was disallowed from the capital component. Regulations: 10 NYCRR Sections 86-2.17(a) & (d)	002 005	Rent A Rent C	3,399 16,539	16,080
e) Costs not related to patient care are costs that are not appropriate or necessary and proper in developing and maintaining the operation of patient care facilities and activities. Only costs properly chargeable to necessary patient care are allowable. Costs pertaining to a luxury automobile are not related to patient care and were disallowed. Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.3 & 2105.9	005	Rent C	654	
6. RENTAL INCOME OFFSET				
The Facility received income from a property rental. Interest expense is to be reduced by investment income. 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. Therefore, the rental income derived from the lease of space was offset as a recovery of expense. Regulations: 10 NYCRR Sections 86-2.18 & 86-2.20(c)(1), PRM-1 Section 202.2	001	Inc. Offset	17,500	3,000
Total Disallowances/(Allowances)			\$ 136,222	\$ 115,584
TOTAL AUDITED PROPERTY EXPENSE			\$ 1,044,982	\$ 1,019,693

TERRACE HEALTHCARE CENTER - AUDIT #12-3328
RATE PERIODS JANUARY 1, 2007 THROUGH DECEMBER 31, 2008
RETURN ON REAL PROPERTY EQUITY DISALLOWANCES/(ALLOWANCES)

<u>Return on Equity Calculation</u>	<u>RATE PERIODS</u>	
	<u>2007</u>	<u>2008</u>
Real Property Historical Cost per HE-12B	\$ 6,431,840	\$ 6,592,333
Audit Disallowances/(Allowances)	<u>21,829</u>	<u>115,406</u>
Audited Historical Cost	\$ 6,410,011	\$ 6,476,927
Less: Mortgage Principal Per Audit	<u>3,800,000</u>	<u>3,800,000</u>
Audited Net Investment	\$ 2,610,011	\$ 2,676,927
Rate of Return	<u>4.90%</u>	<u>4.68%</u>
Audited Return on Equity	\$ 127,890	\$ 125,280
Promulgated Return on Equity	<u>183,410</u>	<u>182,686</u>
Disallowance/(Allowance)	<u>\$ 55,520</u>	<u>\$ 57,406</u>