



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

May 15, 2014

[REDACTED]
Roscoe Regional Rehabilitation & RHCF
420 Rockland Road
Roscoe, New York 12776

Re: Medicaid Rate Audit #12-1034
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 Roscoe Regional Rehabilitation & RHCF'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 audit report represents the OMIG's final determination on issues raised in the draft audit report.

In response to the draft audit report dated January 8, 2014, 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 \$77,795 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 overpayment currently due is \$88,754. 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:

[REDACTED]
New York State Department of Health
Medicaid Financial Management
GNARESP Corning Tower, Room 2739
File #12-1034
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 12-1034 in all correspondence.

Sincerely,

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

Enclosure

Attachment A - Facility Draft Audit Report Comments and OMIG Response
Attachment B - Summary of Changes from Draft Audit Report to Final Audit Report
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 [REDACTED]
RETURN RECEIPT REQUESTED

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

NAME AND ADDRESS OF AUDITEE

ROSCOE REGIONAL
REHABILITATION & RHCF
420 ROCKLAND ROAD
ROSCOE, NEW YORK 12776

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

AUDIT #12-1034

AMOUNT DUE: \$88,754

| | | |
|-------|-------------------------------------|----------|
| 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 #12-1034
Albany, New York 12237-0048

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

[REDACTED]

CORRECT PROVIDER NUMBER

**ROSCOE REGIONAL REHABILITATION & RHCF - AUDIT #12-1034
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 audit report adjustments after consideration of the Facility's draft audit report response comments.

EXHIBIT III COMMENTS

Adjustment #1 – Building/Fixed Equipment Depreciation Disallowances

Facility Comment

A review of the 2005 RHCF-4, the building depreciation reported revealed that only half year depreciation was taken on the building renovations (since it placed into service on or about July 1, 2005).

A full year of depreciation on the renovation project was approximately \$200,000. The 2005 RHCF-4 only had approximately \$100,000 of depreciation for the renovation.

Since the cost certification is retroactive to the date the project is placed in service, the BLTCR rightfully adjusted the depreciation for rate year 2007 from a half a years depreciation to a full years depreciation (which went from approximately \$100,000 as reported to approximately \$200,000 which is the actual depreciation for the 2007 rate year).

Accordingly the BLTCR's addition of the \$99,315 depreciation is correct and should not be removed and/or adjusted by OMIG.

OMIG Response

Disposition: The Facility's response was recognized; the draft audit report disallowance has been adjusted accordingly.

Adjustment #2 – Mortgage Interest Expense Disallowances

Facility Comment

This adjustment arises from OMIG's contention that the facility was required to contribute 10% to the remodeling project and resultant Mortgage Refinancing (including the Mortgage Addition) Accordingly, OMIG determined that the facility "Over Mortgaged" and reduced the facilities Mortgage Reimbursement on that basis.

We have reviewed all of the Certificate of Need Application Schedules, subsequent correspondence and NYSDOH approvals as well as all of the HUD Mortgage documents and approvals. (All of the pertinent

documents were given to OMIG during the course of the audit). Absolutely none of the aforementioned documents and approvals reviewed mention any requirement that Roscoe had to contribute 10% Equity to this renovation project.

The 10% requirement was in effect for new construction in that time frame and/or it maybe the current requirement for renovation projects; but absolutely not in the period in question. Furthermore, the fact that

Roscoe was an existing entity with an existing building and on-going operations, the organization met and/or exceeded the 10% equity requirement, if it was at all required. Accordingly, OMIG should eliminate this adjustment as it does not relate to this project.

OMIG Response

The approved project cost for the APC # 012262 with the occupancy date of 6/24/2005, was \$6,421,181. The mortgage loan of \$7,714,000 was acquired on 1/01/2006 for this project from the U.S. Department of Housing and Urban Development. The acquired mortgage loan amount was higher than the approved project costs, which means the Facility was over mortgaged. Consequently, it was necessary to calculate the over mortgaging percentage to determine the mortgage interest expense amount allowable in the capital rate per diem.

Further, nursing facilities are required to contribute 10% toward the Certificate of Need (CON) construction projects (commonly known as the Approved Project Costs (APC)). This requirement is enforced via the CON process. The 10% equity requirement is part of the over mortgaging calculation as follows. The allowable mortgage loan amount of \$6,421,181 for the project was reduced by the 10% to allow for the required equity contribution.

Because the over mortgaging calculation and application are proper in this instance, there is no justification to change the disallowance.

Disposition: The draft audit report disallowances remain the same.

ROSCOE REGIONAL REHABILITATION & RHCF - AUDIT #12-1034
SUMMARY OF CHANGES FROM DRAFT REPORT TO FINAL REPORT

| <u>EXHIBIT III - PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)</u> | <u>Rate Period</u> | <u>Draft Disallowance (Allowance)</u> | <u>Change</u> | <u>Final Disallowance (Allowance)</u> |
|---|-------------------------------|--|----------------------|--|
| 1. BUILDING / FIXED EQUIPMENT DEPRECIATION DISALLOWANCES | 2007 | \$ 103,109 | \$ (103,435) | \$ (326) |
| | 2008 | 12,131 | - | 12,131 |
| 2. MORTGAGE INTEREST EXPENSE DISALLOWANCES | 2007 | 5,438 | - | 5,438 |
| | 2008 | 52,771 | - | 52,771 |
| 3. PROPERTY INSURANCE EXPENSE DISALLOWANCES | 2007 | 9,722 | - | 9,722 |
| | 2008 | 8,756 | - | 8,756 |
| 4. MOVABLE EQUIPMENT DEPRECIATION EXPENSE DISALLOWANCES | 2007 | 7,036 | - | 7,036 |
| | 2007 | 549 | - | 549 |
| | 2008 | 1,424 | - | 1,424 |
| 5. RENTAL EXPENSE DISALLOWANCES | 2007 | 6,828 | - | 6,828 |
| | 2007 | 5,761 | - | 5,761 |
| | 2007 | 209 | - | 209 |
| 6. AUTO INSURANCE EXPENSE ADJUSTMENTS | 2007 | (4,872) | - | (4,872) |
| | 2007 | 8,492 | - | 8,492 |
| 7. MORTGAGE INSURANCE EXPENSE DISALLOWANCES | 2007 | 4,860 | - | 4,860 |
| | 2008 | 4,797 | - | 4,797 |

ROSCOE REGIONAL REHABILITATION & RHCF - AUDIT #12-1034
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 | \$194.85 | \$193.77 | \$1.08 | 5,763 | \$ 6,224 |
| 04/01/07 - 06/30/07 | 193.88 | 192.80 | 1.08 | 5,871 | 6,341 |
| 07/01/07 - 08/31/07 | 190.11 | 189.03 | 1.08 | 4,146 | 4,478 |
| 09/01/07 - 12/31/07 | 190.11 | 189.03 | 1.08 | 8,305 | 8,969 |
| 01/01/08 - 03/31/08 | 194.35 | 191.71 | 2.64 | 6,055 | 15,985 |
| 04/01/08 - 06/30/08 | 190.55 | 187.91 | 2.64 | 6,114 | 16,141 |
| 07/01/08 - 12/31/08 | 194.73 | 192.09 | 2.64 | 11,597 | 30,616 |
| TOTAL MEDICAID OVERPAYMENT | | | | | <u>\$ 88,754</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.

ROSCOE REGIONAL REHABILITATION & RHCF - AUDIT #12-1034
RATE PERIODS JANUARY 1, 2007 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> |
|---------------------------|---|
| 01/01/07 - 03/31/07 | \$194.85 |
| 04/01/07 - 06/30/07 | 193.88 |
| 07/01/07 - 08/31/07 | 190.11 |
| 09/01/07 - 12/31/07 | 190.11 |
| 01/01/08 - 03/31/08 | 194.35 |
| 04/01/08 - 06/30/08 | 190.55 |
| 07/01/08 - 12/31/08 | 194.73 |

* 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.

ROSCOE REGIONAL REHABILITATION & RHCF - AUDIT #12-1034
RATE PERIODS JANUARY 1, 2007 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

| | DESCRIPTION | COST CTR. | DISALLOWED (ALLOWED) | TRACE BACK % | RATE PERIODS | |
|---|-------------|-----------|----------------------|--------------|--------------|------------|
| | | | | | 2007 | 2008 |
| Property Expense Allowed per HE-12B | | | | | \$ 771,511 | \$ 785,701 |
| Less Disallowances/(Allowances): | | | | | | |
| 1. BUILDING/FIXED EQUIPMENT DEPRECIATION 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. Reported depreciation did not agree with the supporting detailed depreciation records. Consequently, adjustments were made to reflect the amounts supported by the Facility's records. | | | | | | |
| Regulations: 10 NYCRR Sections 86-2.7 and 86-2.17(a), PRM-1 Sections 2300 and 2304 | | | | | | |
| | Bldg. Depr. | 001 | \$ (326) | 94.38% | (308) | |
| | Bldg. Depr. | 001 | 12,131 | 93.26% | | 11,313 |
| 2. 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 disallowances. | | | | | | |
| Regulation: 10 NYCRR Section 86-2.20(a) | | | | | | |
| | Mort. Int. | 003 | 5,438 | 94.38% | 5,132 | |
| | Mort. Int. | 003 | 52,771 | 93.26% | | 49,214 |
| 3. PROPERTY INSURANCE DISALLOWANCES | | | | | | |
| The Facility's rates included insurance premiums for business income/interruption. This type of insurance does not relate to the loss of or damage to the Facility's physical property and consequently is only includable in the operating component of the rate. Since this insurance premium is not allowable as property insurance cost, it was disallowed. | | | | | | |
| Regulations: 10 NYCRR Sections 86-2.10(g) and 86-2.17(a) and (d), PRM-1 Sections 2161 and 2806.2 | | | | | | |
| | Prop. Ins. | 005 | 9,722 | 91.51% | 8,897 | |
| | Prop. Ins. | 005 | 8,756 | 89.84% | | 7,866 |
| 4. MOVEABLE EQUIPMENT DEPRECIATION EXPENSE DISALLOWANCES | | | | | | |
| a) The Facility received moveable equipment depreciation expense that was in excess of related asset costs. Reimbursement is based on allowable historical cost, and the expense was reduced to limit reimbursement to historical cost. | | | | | | |
| Regulations: 10 NYCRR Section 86-2.17(a) and 86-2.22 | | | | | | |
| | ME Depr. | 002 | 7,036 | 94.38% | 6,641 | |
| b) 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. The audit of moveable equipment depreciation in the promulgated rates disclosed that the expense varied when compared to audited movable equipment depreciation. Consequently, disallowances were necessary. | | | | | | |
| Regulations: 10 NYCRR Sections 86-2.17(a), PRM-1 Section 2102.3 | | | | | | |
| | ME Depr. | 002 | 549 | 94.38% | 518 | |
| | ME Depr. | 002 | 1,424 | 93.26% | | 1,328 |
| 5. RENTAL EXPENSE DISALLOWANCES | | | | | | |
| a) Allowable costs shall not include expenses determined by the Commissioner not to be reasonably related to the efficient production of service because of either the nature or amount of the particular item. Reported bus rental expenses, which were solely related to the Facility's Adult Day Health Care (ADHC), were disallowed as they were not related to Nursing Facility care. | | | | | | |
| Regulations: 10 NYCRR Sections 86-2.17(a) and (d), PRM-1 Section 2102.3 | | | | | | |
| | Rent B | 004 | 6,828 | 91.51% | 6,248 | |

ROSCOE REGIONAL REHABILITATION & RHCFC - AUDIT #12-1034
RATE PERIODS JANUARY 1, 2007 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

| | DESCRIPTION | COST CTR. | DISALLOWED (ALLOWED) | TRACE BACK % | RATE PERIODS | |
|---|-------------|-----------|----------------------|--------------|--------------|------------|
| | | | | | 2007 | 2008 |
| 5. RENTAL EXPENSE DISALLOWANCES (CONT.) | | | | | | |
| b) 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 equipment rental expense varied from the expenses allowed in the promulgated rates resulting in disallowances. Regulations: 10 NYCRR Sections 86-2.10(g) and 86-2.17(a) , PRM-1 Sections 2300 and 2304 | Rent C | 005 | 5,761 | 91.51% | 5,272 | |
| c) The OMIG determined that late fees were included in the monthly rental amounts. Late fees are either not allowable under the prudent buyer regulations or are considered to be an operating expenditure. Consequently, a disallowance from property expense was necessary. Regulations: 10 NYCRR Sections 86-2.17(a) and (d) | Rent C | 005 | 209 | 91.51% | \$ 191 | |
| 6. AUTO INSURANCE EXPENSE ADJUSTMENTS | | | | | | |
| 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. Audited auto insurance expense varied from the amount allowed in the rate. Consequently, an allowance was necessary. Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.3, 2300 and 2304. | Auto. Ins. | 005 | (4,872) | 91.51% | (4,458) | |
| b) 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. The Facility operates an Adult Day Care (ADHC) program. Costs pertaining to ADHC are not related to patient care of the nursing facility and should not be included in the nursing facility rate computation. A disallowance was necessary to exclude costs not properly chargeable to nursing facility patient care. Regulations: 10 NYCRR Section 86-2.17(a) and PRM-1 Section 2102.3 | Auto. Ins. | 005 | 8,492 | 89.84% | | 7,629 |
| 7. MORTGAGE INSURANCE EXPENSE DISALLOWANCES | | | | | | |
| The Bureau of Long Term Care Reimbursement (BLTCR) determined that the Facility's mortgage exceeded the allowable historical costs thereby limiting mortgage interest reimbursement to an overmortgaging percentage. However, mortgage insurance expense was fully reimbursed and not held to the overmortgaging percent limitation. Since all mortgage related costs are subject to the limitation, mortgage insurance expense was reduced to reflect the overmortgaging percentage. Regulations: 10 NYCRR Sections 86-2.17(a) and 86-2.20 | Mort. Ins. | 005 | 4,860 | 94.38% | 4,587 | |
| | Mort. Ins. | 005 | 4,797 | 89.84% | | 4,310 |
| Total Disallowances/(Allowances) | | | | | \$ 32,720 | \$ 81,660 |
| TOTAL AUDITED PROPERTY EXPENSE | | | | | \$ 738,791 | \$ 704,041 |