STATE OF NEW YORK
OFFICE OF THE MEDICAID INSPECTOR GENERAL
800 North Pearl Street
Albany, New York 12204

DAVID A. PATERSON
GOVERNOR

JAMES G. SHEEHAN
MEDICAID INSPECTOR GENERAL

November 19, 2010

[redacted]
St. Luke's Home
1650 Champlin Avenue
Utica, New York 13502

Re: Medicaid Rate Audit #09-1987
NPI Number: [redacted]
Provider Number: [redacted]

Dear [redacted]

Enclosed is the final report of the Office of the Medicaid Inspector General's (the "OMIG") audit of St. Luke's Home's (the "Facility") Medicaid rates for the rate period January 1, 2004 through December 31, 2007. In accordance with 18 NYCRR Section 517.6, this report represents the OMIG's final determination on issues raised in the draft report.

Since you agreed to our draft report dated June 16, 2010, the findings in the final report remain identical to the draft report. Based on the enclosed audited rates calculated by the Bureau of Long Term Care Reimbursement, the Medicaid overpayment currently due is $142,739. 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.

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 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 1237
File #09-1987
Albany, New York 12237-0048

OPTION #2: Enter into a repayment agreement with the OMIG. If your repayment terms exceed 90 days from the date of the final 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 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 [redacted] of 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. If you have any questions regarding the above, please contact [redacted] at [redacted]

Sincerely

[redacted]

Coordinator Medical Facilities Audit
Division of Medicaid Audit
Audit Management and Development
Office of the Medicaid Inspector General

Attachments:

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

CERTIFIED MAIL #[redacted]
RETURN RECEIPT REQUESTED

NEW YORK STATE
OFFICE OF THE MEDICAID INSPECTOR GENERAL
REMITTANCE ADVICE

NAME AND ADDRESS OF AUDITEE

St. Luke's Home
1650 Champlin Avenue
Utica, New York 13502

NPI # [redacted]
PROVIDER # [redacted]

AUDIT #09-1987

AUDIT TYPE

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

AMOUNT DUE: $142,739

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 1237
File #09-1987
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

ST. LUKE'S HOME

RATE PERIODS JANUARY 1, 2004 THROUGH DECEMBER 31, 2007

SUMMARY OF PER DIEM IMPACT AND MEDICAID OVERPAYMENT

	ISSUED RATES*		FINAL RATES		RATE		
	Medicare Part B		Medicare Part B		DECREASE	MEDICAID	MEDICAID
RATE PERIOD	Non-Elig.	Eligible	Non-Elig.	Eligible	(INCREASE)	DAYS	OVERPAYMENT
01/01/04 - 02/29/04	$157.95	$156.12	$156.50	$154.67	$1.45	6,559	$ 9,511
03/01/04 - 03/31/04	159.53	157.70	158.08	156.25	1.45	3,180	4,611
04/01/04 - 05/31/04	161.36	159.53	159.91	158.08	1.45	6,817	9,885
06/01/04 - 08/31/04	160.01	158.18	158.56	156.73	1.45	10,461	15,168
09/01/04 - 11/30/04	159.81	157.98	158.36	156.53	1.45	10,673	15,476
12/01/04 - 12/31/04	159.10	157.27	157.65	155.82	1.45	3,655	5,300
01/01/05 - 02/28/05	163.59	161.72	159.96	158.09	3.63	8,245	29,929
03/01/05 - 05/31/05	164.20	162.33	160.55	158.68	3.65	13,771	50,264
06/01/05 - 06/30/05	166.23	164.36	162.60	160.73	3.63	4,880	17,714
07/01/05 - 08/31/05	166.23	164.36	162.60	160.73	3.63	10,457	37,959
09/01/05 - 11/30/05	167.15	165.28	163.52	161.65	3.63	15,414	55,953
12/01/05 - 12/31/05	164.53	162.66	160.88	159.01	3.65	5,476	19,987
01/01/06 - 02/28/06	170.87	168.95	167.19	165.27	3.68	9,992	36,771
03/01/06 - 03/31/06	171.00	169.08	167.33	165.41	3.67	5,123	18,801
04/01/06 - 05/31/06	170.68	168.77	167.01	165.10	3.67	10,201	37,438
06/01/06 - 08/31/06	172.81	170.90	169.15	167.24	3.66	14,871	54,428
09/01/06 - 11/30/06	173.88	171.97	170.22	168.31	3.66	14,730	53,912
12/01/06 - 12/31/06	173.69	171.78	170.03	168.12	3.66	5,159	18,882
01/01/07 - 03/31/07	169.83	167.87	175.79	173.83	(5.96)	14,547	(86,700)
04/01/07 - 06/30/07	168.98	167.03	174.94	172.99	(5.96)	14,031	(83,625)
07/01/07 - 12/31/07	168.79	166.84	174.75	172.80	(5.96)	30,021	(178,925)
TOTAL MEDICAID OVERPAYMENT							**$ 142,739**

* Any differences between these rates and the rates listed in Exhibit II of this report represent rate changes made subsequent to our audit. These changes remain open to future audit by the OMIG.

ST. LUKE'S HOME

RATE PERIODS JANUARY 1, 2004 THROUGH DECEMBER 31, 2007

SUMMARY OF MEDICAID RATES AUDITED

The Facility's Medicaid utilization was approximately 70 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.

	ISSUED RATES	
	Medicare Part B	
RATE PERIOD	Non-Elig.	Eligible
01/01/04 - 02/29/04	$ 158.45	$ 156.62
03/01/04 - 03/31/04	159.99	158.16
04/01/04 - 05/31/04	161.95	160.12
06/01/04 - 08/31/04	160.60	158.77
09/01/04 - 11/30/04	160.39	158.56
12/01/04 - 12/31/04	159.69	157.86
01/01/05 - 02/28/05	164.20	162.33
03/01/05 - 05/31/05	164.83	162.96
06/01/05 - 06/30/05	166.84	164.97
07/01/05 - 08/31/05	166.84	164.97
09/01/05 - 11/30/05	167.78	165.91
12/01/05 - 12/31/05	165.16	163.29
01/01/06 - 02/28/06	171.52	169.60
03/01/06 - 03/31/06	171.63	169.71
04/01/06 - 05/31/06	171.31	169.40
06/01/06 - 08/31/06	173.44	171.53
09/01/06 - 11/30/06	174.53	172.62
12/01/06 - 12/31/06	174.35	172.44
01/01/07 - 03/31/07	170.50	168.54
04/01/07 06/30/07	169.64	167.69
07/01/07 12/31/07	169.45	167.50

ST. LUKE'S HOME

RATE PERIODS JANUARY 1, 2004 THROUGH DECEMBER 31, 2007

PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS 2004	2005	2006	2007
Property Expense Allowed per HE-12B				$ 1,897,203	$ 1,966,966	$ 1,985,783	$ 2,092,409
Less Disallowances/(Allowances):							
1. DEPRECIATION DISALLOWANCES							
All voluntary residential health care facilities are required to fund depreciation. The Facility did not adequately fund its depreciation expense. Since the depreciation exceeded audited funding, the expense was limited to the amount actually funded. **Regulation: 10 NYCRR Section 86-2.19(b)**	Bldg. Depr.	001	$44,242	99.66%	44,092			
	ME Depr.	002	4,130	99.66%	4,116			
2. EQUIPMENT RENTAL DISALLOWANCES/(ALLOWANCES)							
Equipment rental expense determined on audit varied from the expenses allowed in the promulgated rate resulting in disallowances/(allowances). **Regulation: 10 NYCRR Section 86-2.17(a), PRM-1 Section 2300**	Rent A	013	1,088	100.00%	1,088			
	Rent B	010	43	99.83%		43		
	Rent C	013	38	99.83%		38		
	Rent D	014	(553)	100.00%		(553)		
	Rent C	014	6,186	100.00%			6,186	
	Rent E	051	(180)	100.00%			(180)	
	Rent B	005	(41,300)	97.70%				(40,350)
	Rent D	013	4,282	100.00%				4,282
	Rent E	051	5,223	100.00%				5,223
3. AUTO INSURANCE DISALLOWANCES/(ALLOWANCES)							
Auto insurance determined on audit varied from the expenses allowed in the promulgated rate resulting in disallowances/(allowances). **Regulations: 10 NYCRR Section 82-2.17(a), PRM-1 Section 2300**	Auto Ins.	005	(105)	99.88%	(105)			
	Auto Ins.	005	359	99.89%		359		
	Auto Ins.	005	(1,671)	99.91%			(1,669)	
	Auto Ins.	005	454	97.70%				444
4. MORTGAGE INSURANCE ALLOWANCE							
Mortgage insurance expense was reimbursed on a rate year basis in the promulgated rates. Audited rate year mortgage insurance expense varied from the mortgage insurance allowed in the rate computation process resulting in an allowance. **Regulations: 10 NYCRR Sections 86-2.17(a) and (d)**	Mort. Ins.	005	(1,593)	99.88%	(1,591)			

ST. LUKE'S HOME

RATE PERIODS JANUARY 1, 2004 THROUGH DECEMBER 31, 2007

PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS 2004	2005	2006	2007
5. INVESTMENT INCOME OFFSET ADJUSTMENTS								
Interest expense shall be reduced by investment income with exception of income earned by funded depreciation accounts and certain other restricted funds. The OMIG determined that reported unrestricted investment income was not appropriately offset against interest expense in the promulgated rates. Consequently, the unrestricted investment income was offset against interest expense. For rate year 2007, the OMIG determined an excessive amount was offset. Consequently, an allowance was necessary for rate year 2007. **Regulations: 10 NYCRR Sections 86-2.18 and 86-2.20(c)(1)**	Income Offset	003	34,652	99.66%	34,534			
	Income Offset	003	33,201	99.66%		33,088		
	Income Offset	003	11,164	99.66%			11,126	
	Income Offset	003	(65,271)	99.66%				(65,049)
6. APPROVED PROJECT COST (APC) #031040 ALLOWANCES								
The Facility completed APC #031040 consisting of a 82 bed addition in January of 2005. Consequently, allowances were necessary to reflect costs pertaining to the new construction. The Facility, in a letter dated June 17, 2010, has recinded Appeal #728520, which requested the inclusion of APC #031040 costs. **Regulations: 10 NYCRR Sections 86-2.19(b) & 2.20(b)**	Bldg. Depr.	001	(443,713)	99.66%		(442,204)		
	Bldg. Depr.	001	(443,713)	99.66%			(442,204)	
	Bldg. Depr.	001	(240,252)	99.65%				(239,411)
	M/E Depr.	002	(49,119)	99.47%		(48,859)		
	M/E Depr.	002	(49,119)	99.66%			(48,952)	
	Mort. Int.	003	(155,960)	99.66%		(155,430)		
	Mort. Int.	003	(198,946)	99.66%			(198,270)	
	Mort. Int.	003	(192,454)	99.66%				(191,800)
	Mort. Ins.	005	(24,339)	99.89%		(24,312)		
	Mort. Ins.	005	(21,088)	99.91%			(21,069)	
	Mort. Ins.	005	(23,693)	97.70%				(23,148)
7. WORKING CAPITAL INTEREST EXPENSE ALLOWANCE								
Providers receiving payment on the basis of reimbursable cost are required to provide adequate cost data based on financial and statistical records that can be verified per audit. Furthermore, audited working capital interest expense varied from the working capital interest expense allowed in the rate computation process, resulting in an allowance. **Regulations: PRM-1 Sections 2300 & 2304**	Working Capital Interest Expense	005	(7,577)	97.70%				(7,403)
Total Disallowances/(Allowances)					$82,134	($637,830)	($695,032)	($557,212)
AUDITED PROPERTY EXPENSE					**$ 1,815,069**	**$ 2,604,796**	**$ 2,680,815**	**$ 2,649,621**

ST. LUKE'S HOME

RATE PERIODS JANUARY 1, 2004 THROUGH DECEMBER 31, 2007

CORRECTION OF PATIENT DAYS

The Facility capacity was increased from 160 beds to the current 242 bed capacity under CON Project #031040 as of rate year 2005. The patient days used in the computation of the capital portion of the Facility's 2005 and 2006 rates was based on 2003 (56,843) and 2004 (53,092) reported patient days. The capital per diems utilize depreciation and interest applicable to the 242 bed facility. In order to properly match expense with patient days, the actual patient days for rate years 2005 through 2007 were used. The Facility, in a letter dated June 17, 2010, has recinded Appeal #728520, which requested an adjustment to patient days resulting from an increase in bed capacity.

Regulation: 10 NYCRR Section 86-2.8(c)

	RATE PERIODS		
	2005	2006	2007
Patient Days in Promulgated Rates	56,843	56,668	83,934
Rate Year Patient Days	83,934	85,257	85,786
Understated Patient Days	**27,091**	**28,589**	**1,852**