



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

November 7, 2012

[REDACTED]
Mercy Health and Rehabilitation Center
3 St. Anthony Street
Auburn, New York 13021

Re: Medicaid Rate Audit #11-2785
NPI Number: [REDACTED]
Provider Numbers: [REDACTED]
and [REDACTED]

Dear [REDACTED]:

Enclosed is the final audit report of the Office of the Medicaid Inspector General's (the "OMIG") audit of Mercy Health and Rehabilitation Center'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 July 11, 2012, 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 \$53,633. 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 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 #11-2785
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 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 [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]

Bureau of Rate Audit
Division of Medicaid Audit
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

MERCY HEALTH AND
REHABILITATION CENTER
3 ST ANTHONY STREET
AUBURN, NEW YORK 13021

NPI [REDACTED]
PROVIDER [REDACTED]

AUDIT #11-2785

AMOUNT DUE: \$53,633

AUDIT
TYPE

PROVIDER
 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 #11-2785
Albany, New York 12237-0048

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

[REDACTED]

CORRECT PROVIDER NUMBER

MERCY HEALTH AND REHABILITATION CENTER - AUDIT #11-2785
RATE PERIODS JANUARY 1, 2006 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>
01/01/06 - 01/31/06	\$142.04	\$141.90	\$0.14	5,408	\$ 757
02/01/06 - 03/31/06	144.55	144.41	0.14	10,245	1,434
04/01/06 - 04/30/06	144.23	144.09	0.14	5,071	710
05/01/06 - 07/31/06	142.25	142.11	0.14	14,738	2,063
08/01/06 - 10/31/06	145.18	145.04	0.14	14,841	2,078
11/01/06 - 12/31/06	144.11	143.97	0.14	9,964	1,395
01/01/07 - 03/31/07	152.50	152.52	(0.02)	14,150	(283)
04/01/07 - 05/01/07	151.67	151.69	(0.02)	4,834	(97)
05/02/07 - 06/30/07	153.57	153.61	(0.04)	9,458	(378)
07/01/07 - 08/31/07	150.73	150.77	(0.04)	9,937	(397)
09/01/07 - 12/31/07	150.73	150.77	(0.04)	19,704	(788)
01/01/08 - 03/31/08	155.77	154.98	0.79	14,828	11,714
04/01/08 - 06/30/08	152.52	151.73	0.79	15,158	11,975
07/01/08 - 12/31/08	156.58	155.79	0.79	29,683	<u>23,450</u>
TOTAL MEDICAID OVERPAYMENT					<u>\$ 53,633</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.

MERCY HEALTH AND REHABILITATION CENTER - AUDIT #11-2785
RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008
SUMMARY OF MEDICAID RATES AUDITED

The Facility's Medicaid utilization was approximately 63 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>
01/01/06 - 01/31/06	\$142.04
02/01/06 - 03/31/06	144.55
04/01/06 - 04/30/06	144.23
05/01/06 - 07/31/06	142.25
08/01/06 - 10/31/06	145.18
11/01/06 - 12/31/06	144.11
01/01/07 - 03/31/07	152.50
04/01/07 - 05/01/07	151.67
05/02/07 - 06/30/07	153.57
07/01/07 - 08/31/07	150.73
09/01/07 - 12/31/07	150.73
01/01/08 - 03/31/08	155.77
04/01/08 - 06/30/08	152.52
07/01/08 - 12/31/08	156.58

- * 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.

MERCY HEALTH AND REHABILITATION CENTER - AUDIT #11-2785
RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

DESCRIPTION	CENTER	COST DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS		
				2006	2007	2008
				\$ 734,425	\$ 735,291	\$ 840,693

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

1. FIXED EQUIPMENT DEPRECIATION EXPENSE ADJUSTMENTS

Providers receiving payments on the basis of reimbursable costs 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. Audited fixed equipment depreciation varied from the expense allowed in the rate, resulting in adjustments.

Regulations: 10 NYCRR Sections 86-2.17(a) & 2.19(a), PRM-1 Sections 2300 & 2304

DESCRIPTION	CENTER	COST DISALLOWED (ALLOWED)	TRACE-BACK %	2006	2007	2008
Bldg. Depr.	001	(433)	97.90%	(424)		
Bldg. Depr.	001	454	97.89%		444	
Bldg. Depr.	001	16,387	97.66%			16,004

2. PROPERTY INSURANCE EXPENSE ADJUSTMENTS

Providers receiving payments on the basis of reimbursable costs 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. Audited property insurance varied from the insurance expense allowed in the rate, resulting in adjustments.

Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.2, 2300 & 2304

DESCRIPTION	CENTER	COST DISALLOWED (ALLOWED)	TRACE-BACK %	2006	2007	2008
Prop. Ins.	005	4,842	98.16%	4,753		
Prop. Ins.	005	(1,470)	97.98%		(1,440)	
Prop. Ins.	005	(2,374)	96.50%			(2,281)

3. MOVABLE EQUIPMENT DEPRECIATION DISALLOWANCE

The audit of movable equipment depreciation in the promulgated rates disclosed that the expense varied when compared to audited movable equipment depreciation. Consequently, a disallowance was necessary.

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

DESCRIPTION	CENTER	COST DISALLOWED (ALLOWED)	TRACE-BACK %	2006	2007	2008
ME Depr.	002	41,076	97.84%			40,189

4. EQUIPMENT RENTALS 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. Equipment rental expense determined per audit varied from the expenses allowed in the rate computation process resulting in adjustments.

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

DESCRIPTION	CENTER	COST DISALLOWED (ALLOWED)	TRACE-BACK %	2006	2007	2008
Rent A	013	1,596	98.88%	1,578		
Rent B	043	390	97.98%		382	
Rent C	039	827	96.75%		800	
Rent C	039	1,546	96.66%			1,494
Rent E	011	6,168	99.72%			6,151
Rent E	010	(1,603)	99.31%		(1,592)	
Rent F	006	1,067	96.65%	1,031		
Rent F	006	(1,186)	98.52%		(1,168)	
Rent F	006	1,811	97.45%			1,765
Rent G	010	5,164	100.00%		5,164	
Rent H	008	(6,558)	100.00%			(6,558)

MERCY HEALTH AND REHABILITATION CENTER - AUDIT #11-2785
RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS	
					2006	2007
5. AUTO INSURANCE EXPENSE DISALLOWANCES						
Providers receiving payments on the basis of reimbursable costs 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. Audited insurance varied from the insurance expense allowed in the rate resulting in disallowances.	Auto Ins.	005	3,228	98.16%	3,169	
Regulations: 10 NYCRR Section 86-2.17(a), PRIM-1 Sections 2300 & 2304	Auto Ins.	005	284	97.98%		278
6. ARTICLE 28-A FEES ALLOWANCE						
Facilities financed by mortgage loans pursuant to the Nursing Home Companies Law (Article 28-A) are allowed level debt service on the mortgage loan together with certain fixed charges, sinking funds, and reserves in lieu of depreciation and interest. Audited health/agency fees varied from the fees allowed in the rate resulting in an allowance.	Hlth/Agency Fee	005	(5,425)	97.98%		(5,315)
Regulation: 10 NYCRR Section 86-2.19(d)						
7. SALES TAX DISALLOWANCE						
Taxable sales and services from NYS ST-102 are not allowable for reimbursement as no expense was actually incurred by the Facility. The tax on cafeteria sales was collected by the Facility and then simply remitted to New York State Sales Tax on a quarterly basis. Since no expense was incurred, a disallowance was necessary.	Sales Tax	005	3,381	98.16%	3,319	
Regulation: 10 NYCRR Section 86-2.17 (d)						
Total Disallowances/(Allowances)					\$ 13,426	\$ (2,447)
AUDITED PROPERTY EXPENSE					\$ 720,999	\$ 737,738
						\$ 56,754
						\$ 783,939

MERCY HEALTH AND REHABILITATION CENTER - AUDIT #11-2785
RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008
CORRECTION OF PATIENT DAYS

The audit of patient day statistics disclosed that the patient days reported were understated in rate year 2008. The following adjustment was necessary to include the proper days in the rate calculations.

Regulation: 10 NYCRR Section 86-2.8(c)

	RATE YEAR
	<u>2008</u>
Patient Days in Promulgated Rates	77,855
Patient Days per Audit	<u>78,333</u>
Understated Patient Days	<u>478</u>