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 5, 2013

[redacted]
Waters Edge at Port Jefferson for
Rehabilitation and Nursing
150 Dark Hollow Road
Port Jefferson, New York 11777

Re: Port Jefferson Health Care Facility
Medicaid Rate Audit #11-4686
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 Port Jefferson Health Care Facility (the "Facility") Medicaid rates for the rate period June 2, 2004 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 August 19, 2013, you identified specific audit findings with which you disagreed. Consideration of your comments resulted in no change 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 $2,896,270. 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 June 2, 2004 through May 31, 2005 base period for operating expense. Any overpayment resulting from operating expense disallowances in the June 2, 2004 through May 31, 2005 base period 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:

New York State Department of Health
Medicaid Financial Management
GNARESP Corning Tower, Room 2739
File #11-4686
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

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 or through email at Please refer to audit number 11-4686 in all correspondence.

Sincerely,

Bureau of Rate Audit
Division of Medicaid Audit
Office of the Medicaid Inspector General

Enclosure

Attachment A – Facility Draft Report Comments and OMIG Response
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)

CERITFIED MAIL#
RETURN RECEIPT REQUESTED

NEW YORK STATE
OFFICE OF THE MEDICAID INSPECTOR GENERAL
REMITTANCE ADVICE

AUDITEE NAME AND ADDRESS:

Port Jefferson Health Care Facility
150 Dark Hollow Road
Port Jefferson, New York 11777

AMOUNT DUE: $2,896,270

NPI #: [redacted]
PROVIDER #: [redacted]

AUDIT #11-4686

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 #11-4686
Albany, New York 12237-0048

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

CORRECT PROVIDER NUMBER

ATTACHMENT A

PORT JEFFERSON HEALTH CARE FACILITY - AUDIT #11-4686
FACILITY 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 audit report response comments.

EXHIBIT III COMMENTS

Adjustment #2 – Laboratory and Radiology Expense Disallowances

Facility Comment

The adjustment to Radiology in the amount of $32,631 and Laboratory in the amount of $50,480 is based upon the premise that the expense did not apply to Medicaid patients and should therefore be disallowed. We disagree with the adjustment. The expense was properly reported and verified by the auditors. To attempt to distinguish specifically which residents received these services is contrary to the rate setting methodology. The costs reported were necessary and appropriate and should be allowable.

OMIG Response

As stated in the Regulations, effective April 1, 2001, the Centers for Medicare and Medicaid Services (CMS) policy for consolidated billing required that nursing facilities bill and receive reimbursement under Medicare Part A for the radiology and laboratory 'technical component' portion of the charges. The actual radiology and laboratory service provider then bills the nursing facility to receive its reimbursement. Inclusion of such 'expenses' in the Medicaid rate is inappropriate and would duplicate reimbursement. The 'expense' is a pass through of income received by the nursing facility to the service provider.

Disposition: The draft audit report disallowance remains the same.

Adjustment #3 – Reclassification of Utilization Review Expense

Facility Comment

The adjustment relates to the reclassification of expenses from the utilization review cost center to the skilled nursing cost center. The facility has been able to retrieve a portion of the documentation from the storage files. They are continuing to attempt to locate the balance of the documentation. The documentation to support the classification of this expense will be provided under separate cover as soon as the balance is retrieved.

OMIG Response

The documentation in question was asked for numerous times during the course of the audit. The response to the draft was submitted timely on September 23, 2013. However the Facility requested additional time to provide more documentation regarding utilization review. The OMIG notified the Facility on September 25, 2013 that any documentation was due by October 10, 2013. As of November 1, 2013 no additional information has been received by the OMIG.

Disposition: The draft audit report reclassification remains the same.

EXHIBIT I

GLEN-HAVEN RESIDENTIAL HEALTH CARE FACILITY,INC. - AUDIT #11-4686
RATE PERIODS JUNE 2, 2004 THROUGH DECEMBER 31, 2008
SUMMARY OF PER DIEM IMPACT AND MEDICAID OVERPAYMENT

RATE PERIOD	ISSUED PART B & D NON-ELIGIBLE RATES*	FINAL PART B & D NON-ELIGIBLE RATES	RATE DECREASE (INCREASE)	MEDICAID DAYS	MEDICAID OVERPAYMENT
06/02/04 - 06/30/04	$237.77	$218.56	$19.21	1,818	$ 34,924
07/01/04 - 09/30/04	231.04	211.83	19.21	6,833	131,262
10/01/04 - 12/31/04	234.47	215.25	19.22	6,315	121,374
01/01/05 - 03/31/05	235.32	215.42	19.90	6,806	135,439
04/01/05 - 06/30/05	232.91	213.01	19.90	7,067	140,633
07/01/05 - 09/30/05	235.44	215.54	19.90	7,578	150,802
10/01/05 - 12/31/05	232.05	212.15	19.90	7,558	150,404
01/01/06 - 03/31/06	241.14	220.46	20.68	7,561	156,361
04/01/06 - 06/30/06	244.92	224.29	20.63	7,356	151,754
07/01/06 - 09/30/06	243.32	222.69	20.63	7,127	147,030
10/01/06 - 12/31/06	247.04	226.41	20.63	7,558	155,922
01/01/07 - 03/31/07	256.09	232.03	24.06	7,072	170,152
04/01/07 - 06/30/07	254.67	230.75	23.92	7,681	183,730
07/01/07 - 08/31/07	250.39	226.47	23.92	5,246	125,484
09/01/07 - 12/31/07	250.39	226.47	23.92	10,243	245,013
01/01/08 - 03/31/08	254.90	230.49	24.41	7,289	177,924
04/01/08 - 06/30/08	249.26	225.03	24.23	7,255	175,789
07/01/08 - 12/31/08	255.72	231.49	24.23	14,126	342,273
TOTAL MEDICAID OVERPAYMENT					**$ 2,896,270**

* 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.

EXHIBIT II

PORT JEFFERSON HEALTH CARE FACILITY - AUDIT #11-4686
RATE PERIODS JUNE 2, 2004 THROUGH DECEMBER 31, 2008
SUMMARY OF MEDICAID RATES AUDITED

The Facility's Medicaid utilization was approximately 68 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.

RATE PERIOD	ISSUED MEDICARE PART B & D NON-ELIGIBLE RATES *
06/02/04 - 06/30/04	$ 237.77
07/01/04 - 09/30/04	231.04
10/01/04 - 12/31/04	234.47
01/01/05 - 03/31/05	235.32
04/01/05 - 06/30/05	232.91
07/01/05 - 09/30/05	235.44
10/01/05 - 12/31/05	232.05
01/01/06 - 03/31/06	241.14
04/01/06 - 06/30/06	244.92
07/01/06 - 09/30/06	243.32
10/01/06 - 12/31/06	247.04
01/01/07 - 03/31/07	256.09
04/01/07 - 06/30/07	254.67
07/01/07 - 08/31/07	250.39
09/01/07 - 12/31/07	250.39
01/01/08 - 03/31/08	254.90
04/01/08 - 06/30/08	249.26
07/01/08 - 12/31/08	255.72

* 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.

GLEN-HAVEN RESIDENTIAL HEALTH CARE FACILITY,INC. - AUDIT #11-4686
RATE PERIODS JUNE 2, 2004 THROUGH DECEMBER 31, 2008
OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CTR.	OPERATING EXPENSE COMPONENT DIRECT 06/02/04-12/31/08	INDIRECT 06/02/04-12/31/08	NON-COMP 06/02/04-12/31/06	NON-COMP 01/01/07-12/31/08
Operating Expense Allowed per HE-12B			$ 5,877,249	$ 2,975,560	$ 1,232,971	$ 1,232,971
Less Disallowances/(Allowances):						
1. UTILITIES EXPENSE ALLOWANCES						
Water and sewer expense determined on audit varied from the expense allowed in the promulgated rates resulting in an allowance. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.2 2300 & 2304**	Utilities	106			(612)	(612)
2. LABORATORY AND RADIOLOGY EXPENSE DISALLOWANCES						
Effective April 1, 2001, the Centers for Medicare and Medicaid Services (CMS) policy for consolidated billing required that nursing facilities bill and receive reimbursement under Medicare Part A for the radiology and laboratory "technical component" portion of charges. The actual radiology and laboratory service provider then bills the nursing facility to receive its reimbursement of the technical component. Consequently, inclusion of any such "expenses" in the Medicaid rate is inappropriate and would duplicate reimbursement. The "expense" is merely a pass through of income received by the nursing facility to the service provider. Additionally, the above transactions do not pertain to Medicaid patients in any way. Since the "expense" does not pertain to Medicaid patients, it is not reimbursable under the Medicaid program. **Regulations: 10 NYCRR Section 86-2.17(d), HCFA Pub. 60B, Transmittal B-00-67 dated Nov. 27, 2000, Subject: Consolidated Billing for SNF Residents**	Lab Services	031			50,480	50,480
	Radiology	034			32,631	32,631

GLEN-HAVEN RESIDENTIAL HEALTH CARE FACILITY,INC. - AUDIT #11-4686
RATE PERIODS JUNE 2, 2004 THROUGH DECEMBER 31, 2008
OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CTR.	OPERATING EXPENSE COMPONENT DIRECT 06/02/04-12/31/08	INDIRECT 06/02/04-12/31/08	NON-COMP 06/02/04-12/31/06	NON-COMP 01/01/07-12/31/08
3. 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. Facilities 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. The Facility did not provide adequate documentation to substantiate that reported expense should be classified as utilization review expense. Consequently, the expenses were reclassified to direct component of the rate. **Regulations: New York Public Health Law, Article 49, Title 1, Section 4900 PRM-1 Sections 2300 & 2304**	Util. Rev.	020			161,068	161,068
	SNF	051	(161,068)			
4. RECLASSIFICATION OF PHARMACY EXPENSE						
Pharmacy expenses are to be included in the direct component pharmacy cost center. In the promulgated rate, pharmacy costs, specifically materials and supplies, were included as a non-comparable cost. An adjustment was necessary to reclassify pharmacy costs to direct costs. **Regulations: 10 NYCRR Sections 86-2.10 & 455.34**	Anc. Other	045			699,374	699,374
	Pharmacy	042	(699,374)			
5. RECLASSIFICATION OF REAL ESTATE TAXES						
Real estate taxes were erroneously reported as indirect costs in the promulgated rate. Real estate taxes should be reported as a non-comparable cost through the 2006 rate year. A reclassification was necessary to remove real estate taxes from indirect costs, and to include real estate taxes as a non-comparable cost for the period 6/2/04 through 12/31/06. **Regulation: 10 NYCRR Section 86-2.10**	RE Taxes	006		110,248		
	RE Taxes	106			(110,248)	

GLEN-HAVEN RESIDENTIAL HEALTH CARE FACILITY,INC. - AUDIT #11-4686
RATE PERIODS JUNE 2, 2004 THROUGH DECEMBER 31, 2008
OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES)

6. SALES TAX DISALLOWANCE

The Facility has opted to have sales tax expense reimbursed as a capital item. Therefore, on audit, the expense was removed from the operating base period. Adjustments were necessary to allow the appropriate expense in the capital portion of the rate. Consequently, disallowances were necessary.
Regulations: 10 NYCRR Sections 86-2.17(a) & (d)

		OPERATING EXPENSE COMPONENT			
DESCRIPTION	COST CTR.	DIRECT 06/02/04-12/31/08	INDIRECT 06/02/04-12/31/08	NON-COMP 06/02/04-12/31/06	NON-COMP 01/01/07-12/31/08
Activities	014	317			
Transportation	022	706			
Physical Ther.	039	156			
Central Supp.	043	813			
SNF	051	14,917			
Fiscal	004		1,004		
Admin.	005		299		
Plant	006		1,095		
Laundry	009		374		
Housekeeping	010		2,829		
Food	011		2,172		
Med. Records	019		30		
Utilities	106			5,053	5,053
Total Disallowances/(Allowances)		$ (843,533)	$ 118,051	$ 837,746	$ 947,994
TOTAL AUDITED OPERATING EXPENSE BY COMPONENT		**$ 6,720,782**	**$ 2,857,509**	**$ 395,225**	**$ 284,977**

GLEN-HAVEN RESIDENTIAL HEALTH CARE FACILITY,INC. - AUDIT #11-4686
RATE PERIODS JUNE 2, 2004 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CTR.	RATE PERIODS 6/2/2004-12/31/06	2007	2008
Property Expense Allowed per HE-12B			$ 378,988	$ 510,473	$ 485,580
Less Disallowances/(Allowances):					
1. PROPERTY INSURANCE EXPENSE DISALLOWANCE					
Facilities 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. This resulted in a disallowance. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.2, 2300, & 2304**	Prop. Ins.	005	2,754		
2. AUTO INSURANCE EXPENSE DISALLOWANCES					
Facilities 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 did not provide documentation or demonstrate the relationship to patient care for reported auto insurance. Consequently, disallowances were necessary. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.3, 2105.9, 2300, & 2304**	Auto Ins.	005	5,700		
	Auto Ins.	005		6,858	
	Auto Ins.	005			7,102
3. EQUIPMENT RENTAL EXPENSE DISALLOWANCES					
a) Costs not related to patient care are costs that are not appropriate or necessary for patient care in developing and maintaining the operation of patient care facilities and activities. Only costs properly chargeable to necessary patient care are allowable. The Facility did not provide sufficient documentation to substantiate patient care use of automobiles. Therefore, the automobile expenses were disallowed. **Regulations: 10 NYCRR Sections 86-2.17(a) & (d), PRM-1 Section 2105.9**	Rent B	013	560		
	Rent B	004		4,432	
	Rent B	004			1,490
	Rent C	005		7,357	
	Rent C	005			11,546
	Rent D	019	389		
	Rent G	004	5,627		
	Rent G	013		4,478	
	Rent G	013			3,918
	Rent H	005	6,250		
	Rent H	019		1,556	
4. SALES TAX EXPENSE ALLOWANCES					
The Facility has opted to have sales tax expense reimbursed as a capital item. Therefore, on audit, the expense was removed from the operating base period. (See Exhibit III, Adjustment #6). Adjustments were necessary to allow the appropriate expense in the property portion of the rate. The adjustment is equal to the difference between the audited allowable expense and the expense already included in the promulgated rates. This resulted in allowances. **Regulations: 10 NYCRR Sections 86-2.17(a) & (d)**	Sales Tax	005	(28,273)	(27,117)	(26,704)
Total Disallowances/(Allowances)			$ (6,993)	$ (2,436)	$ (2,648)
TOTAL AUDITED PROPERTY EXPENSE			**$ 385,981**	**$ 512,909**	**$ 488,228**