



STATE OF NEW YORK
OFFICE OF THE MEDICAID INSPECTOR GENERAL

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ANDREW M. CUOMO
GOVERNOR

JAMES C. COX
MEDICAID INSPECTOR GENERAL

October 31, 2012

[REDACTED]
Huntington Living Center
369 East Main Street
Waterloo, New York 13165

Re: Medicaid Rate Audit #09-6957
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 Huntington Living Center's (the "Facility") Medicaid rates for the rate period January 1, 2005 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.

In response to the draft audit report dated April 19, 2012, you identified specific audit findings with which you disagreed. Your comments have been considered (see Attachment A) and the consideration of your comments resulted in no change to the audit adjustments contained in the draft audit report. However, calculation of the overpayment by the Bureau of Long Term Care resulted in a decrease of \$9,637 to the draft audit report overpayment of \$615,126. 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. The Medicaid overpayment associated with OMIG adjustments was \$859,682. However, this audit also processed Bureau of Long Term Care appeals that resulted in an amount due the Facility of \$254,193. Consequently, based on the enclosed audited rates calculated by the Bureau of Long Term Care Reimbursement, the Medicaid overpayment currently due is \$605,489. 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 Notice of Rate Changes (#10-3749) issued to the Facility on December 14, 2010, that covered the January 1, 2008 through March 31, 2009 Medicaid rates, did not reflect the base period operating expense disallowances contained in this audit report. Any overpayment

resulting from these disallowances 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:

[REDACTED]
New York State Department of Health
Medicaid Financial Management
GNARESP Corning Tower, Room 2739
File #09-6957
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 [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 me at [REDACTED].

Sincerely,

[REDACTED]
Principal Medical Facilities Auditor
Division of Medicaid Audit
Bureau of Rate Audit
Office of the Medicaid Inspector General

Attachments:

- ATTACHMENT A - Facility Draft Report Comments and OMIG Responses
- 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 - Per Diem Disallowances

cc: [REDACTED]

CERTIFIED MAIL # [REDACTED]
Return Receipt Requested

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

NAME AND ADDRESS OF AUDITEE

Huntington Living Center
369 East Main Street
Waterloo, New York 13165

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

AUDIT #09-6957

AMOUNT DUE: \$605,489

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 #09-6957
Albany, New York 12237-0048

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

CORRECT PROVIDER NUMBER

HUNTINGTON LIVING CENTER - AUDIT #09-6957
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. (Note, the Facility's responses did not result in changes to the draft audit report adjustments.)

EXHIBIT III COMMENTS

OPERATING ADJUSTMENT – REDUCTION OF BASE PERIOD OPERATING EXPENSES FOR RELATED PARTY PROPERTY COSTS

Facility Comment

Our initial base year cost report, covering the period (9-1-90 - 2-28-91), was first audited through audit control #93-M04-1035. This audit included numerous adjustments to the reported operating expenses included in our 6 month cost report. We ultimately signed off on these adjustments. This 6 month cost report has been the basis for our Medicaid rate since 1990 and includes the rate period for audit #09-6957. Given that there were numerous adjustments to this base year report which were never incorporated into the reimbursement rates, the OMIG or predecessor agencies periodically issued "roll forward" audit adjustments which "address overpayments." These "final" rate sheets have been issued in various letters including correspondence dated August 29, 2008 for 2005 and 2006, December 30, 2008 for 2007 and December 14, 2010 for 2008. Given that the rate sheets included with this correspondence are defined as "audited" and that definitive requests for recovery of overpayments are included and that these amounts have been refunded by HLC, we believe the operational component of the rates for 2005 through 2008 are deemed final. As such, in accordance with Part 26-2.7 of the Commissioner's Administrative Rules and Regulations, we believe these rates are deemed final and no further adjustments would be appropriate.

In essence any further attempt to alter these final rates should be deemed "time barred."

OMIG Response

The audit of base period operating costs (#93-M04-1035), and the roll forward of those audit adjustments to subsequent rates, does not bar the making of additional audit adjustments that are necessary to address subsequent changes that impact rate reimbursement. In fact, the regulations require such adjustments. For example, services included in base period operating expenses that cease to be provided must be removed from base period operating expenses as of the date of such termination (10 NYCRR Part 86-2.27). At issue in this adjustment is a change in rate methodology that took place as of the 1/1/2005 Medicaid rate. At the Facility's request, related company property costs, were reimbursed through the capital per diems which utilized costs from different base periods. However, base period operating costs were not reduced to reflect this change. The Bureau of Long Term Care Reimbursement (BLTCR) allows a Facility to be reimbursed related company property costs through the capital per diem; however, the BLTCR also requires that base period operating expenses must be reduced to reflect the change. In this case, operating base year expenses were not reduced. Since the change did not take place until the 1/1/2005 rates, and base period operating expenses were not properly reduced to reflect the change, the OMIG disallowance to base period operating expenses was proper. In addition, this adjustment was not barred by the issuance of the previous roll forward rates because those rates did not reflect changes that affected base period operating expenses that took place after the base period audit.

Disposition: The draft audit report adjustment was unchanged.

EXHIBIT IV COMMENTS

ADJUSTMENT #7 – OFFSET OF GAIN ON MORTGAGE REFINANCING

Facility Comment

In reviewing the Departments November 13, 2003 correspondence (attached) approving our request for refinancing the outstanding HLC debt, it is clear that the intent was for use of the “gain on refinance” to offset any closing costs. As such it appears that more appropriate treatment of this issue would be to remove the adjustment included in item #7 and to remove the annual reimbursement associated with the accounting treatment of the refinancing closing costs.

The current reimbursement of the refinancing closing costs appears to be as follows:

2005 - \$0
2006- 50
2007 -\$6,606
2008 -\$6,605

Upon agreement with OMIG relative to this issue we will forward a letter to DOH withdrawing any open requests for the reimbursement of the Amortization of Mortgage Expense. Also refer to response to audit adjustment #9.

OMIG Response

The Facility states that the Department of Health’s (DOH) approval of the refinancing indicated how the gain on refinancing should be treated for reimbursement purposes. However, this was not the case. DOH was evaluating the savings to be produced by the refinancing, which included the fact that the provider could use the proceeds from the debt service reserve fund to pay the closing costs on the refinanced mortgages. This evaluation had no impact on the reimbursement regulations that specify how net investment income is defined (must take into account gains from all sources, including the gain on refinancing), and that such net investment income is to be offset against interest expense for the year in question, which was done in this audit adjustment. Therefore, no revisions were made to this adjustment.

Also, another audit adjustment was made (see Exhibit IV, Adjustment #9) to properly reimburse the amortization of closing costs on the refinanced mortgages divided over the life of the these mortgages.

Disposition: The draft audit report adjustment was unchanged.

ADJUSTMENT #8 – OFFSET OF OVERFUNDED DEPRECIATION INVESTMENT INCOME

Facility Comment

We cannot agree with this adjustment without a more detailed understanding of the actual calculation of the overfunding. It appears that the OMIG auditors are estimating an amount of overfunding and then applying a percentage to the full year’s investment income. This is done with no recognition of how long the excess funding was actually in the depreciation fund accounts.

OMIG Response

The provider was given copies of all relevant audit work papers at the exit conference. The overfunding calculation used the same approach that the provider had accepted in a previous audit. This approach was based on the year end balances in the funded depreciation accounts without consideration of deposit or withdrawal dates. The provider was given an opportunity to specify how the calculation should be revised, but did not respond. Therefore, the audit adjustment was not revised.

Disposition: The draft audit report adjustment was unchanged.

ADJUSTMENT #9 – AMORTIZATION OF MORTGAGE ACQUISITION COSTS

Facility Comment

While we may ultimately agree with the removal of the amortization of mortgage costs, we need to be certain that concerns raised in response to issue number 7 have been dealt with in accordance with DOH instructions before that can happen. As such, we will disagree with this adjustment at this time.

OMIG Response

As noted in the above OMIG response for adjustment #7, this audit adjustment was necessary to revise the amortization of mortgage acquisition costs to reflect the closing costs on the refinanced mortgages divided over the life of these mortgages.

Disposition: The draft audit report adjustment was unchanged.

HUNTINGTON LIVING CENTER
RATE PERIOD JANUARY 1, 2005 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>
01/01/05 - 02/28/05	\$154.67	\$148.06	\$ 6.61	6,943	\$ 45,893
03/01/05 - 05/31/05	154.29	147.68	6.61	10,779	71,249
06/01/05 - 06/30/05	153.90	147.27	6.63	3,535	23,437
07/01/05 - 08/31/05	155.01	148.38	6.63	7,645	50,686
09/01/05 - 11/30/05	156.13	149.53	6.60	11,331	74,785
12/01/05 - 12/31/05	157.06	150.45	6.61	3,875	25,614
01/01/06 - 02/28/06	158.82	152.10	6.72	7,498	50,387
03/01/06 - 03/31/06	159.35	152.60	6.75	3,944	26,622
04/01/06 - 05/31/06	159.02	152.28	6.74	7,649	51,554
06/01/06 - 08/31/06	160.16	153.44	6.72	11,155	74,962
09/01/06 - 11/30/06	159.04	152.32	6.72	10,057	67,583
12/01/06 - 12/31/06	158.76	152.04	6.72	3,197	21,484
01/01/07 - 03/31/07	155.72	158.19	(2.47)	9,919	(24,500)
04/01/07 - 06/30/07	154.88	157.37	(2.49)	10,324	(25,707)
07/01/07 - 12/31/07	153.34	155.83	(2.49)	20,912	(52,071)
01/01/08 - 03/31/08	159.71	156.90	2.81	10,389	29,193
04/01/08 - 06/30/08	156.94	154.14	2.80	11,053	30,948
07/01/08 - 12/31/08	159.78	156.98	2.80	22,632	63,370
TOTAL MEDICAID OVERPAYMENT					<u>\$ 605,489</u>

* Any differences between these rates and the rates listed in Exhibit II of this 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.

NOTE: Of the total Medicaid impact listed above, the impact associated with the processing of Bureau of Long Term Care open appeals is an allowance of \$254,193.

HUNTINGTON LIVING CENTER
RATE PERIOD JANUARY 1, 2005 THROUGH DECEMBER 31, 2008
SUMMARY OF MEDICAID RATES AUDITED

The Facility's Medicaid utilization was approximately 75 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>	Issued Medicare Part B & D <u>Non-Eligible Rates *</u>
01/01/05 - 02/28/05	\$170.85
03/01/05 - 05/31/05	170.43
06/01/05 - 06/30/05	169.99
07/01/05 - 08/31/05	171.10
09/01/05 - 11/30/05	171.98
12/01/05 - 12/31/05	173.05
01/01/06 - 02/28/06	175.49
03/01/06 - 03/31/06	176.04
04/01/06 - 05/31/06	175.67
06/01/05 - 08/31/05	176.96
09/01/06 - 11/30/06	175.72
12/01/06 - 12/31/06	175.39
01/01/07 - 03/31/07	172.79
04/01/07 - 06/30/07	171.86
07/01/07 - 12/31/07	170.32
01/01/08 - 03/31/08	177.03
04/01/08 - 06/30/08	174.13
07/01/08 - 12/31/08	176.97

- * 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.

HUNTINGTON LIVING CENTER
RATE PERIOD JANUARY 1, 2005 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE YEARS			
				2005	2006	2007	2008
				\$ 1,198,176	\$ 996,960	\$ 629,169	\$ 951,133

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

Disallowances/(Allowances) Related to Processing of Bureau of Long Term Care (BLTCR) Open Appeals

1. ALLOWANCE OF MORTGAGE INTEREST EXPENSE

The Facility was not properly reimbursed its 2007 mortgage interest expense. Accordingly, an audit allowance was made to correct the error. This allowance was contingent upon the Facility's acceptance of the reduction to the 2005 rate mortgage interest expense (adjustment #6 below), and to its written withdrawal of this item from any outstanding appeals (e.g., appeal #810712) filed with the Bureau of Long Term Care Reimbursement (BLTCR). The Facility has accepted adjustment #6 below, and has withdrawn the item addressed in this report in a letter to BLTCR dated June 18, 2012.

Regulation: 10 NYCRR Section 86-2.20

2. ALLOWANCE OF MORTGAGE INSURANCE EXPENSE

The Facility was not properly reimbursed reported mortgage insurance expenses in the 2006 and 2007 rates. As a result, audit allowances were made to these rates to allow mortgage insurance expenses as confirmed per audit. These allowances were contingent upon the Facility's acceptance of the reduction to the 2005 rate mortgage insurance expense (adjustment #10 below), and to its written withdrawal of this item from any outstanding appeals(e.g., appeal #810712) filed with BLTCR. The Facility has accepted adjustment #10 below, and has withdrawn the item addressed in this report in a letter to BLTCR dated June 18, 2012.

Regulation: 10 NYCRR Section 86-2.10(g)

BLTCR Open Appeals Disallowances/(Allowances)
Subtotal Property Expense

				-	(37,228)	(312,082)	-
				\$ 1,198,176	\$ 1,034,188	\$ 941,251	\$ 951,133

HUNTINGTON LIVING CENTER
RATE PERIOD JANUARY 1, 2005 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE YEARS		
				2005	2006	2007
Bldg. Depr.	001	26,370	100.00%	26,370		
Bldg. Depr.	001	24,803	100.00%		24,803	
Bldg. Depr.	001	24,384	94.77%			23,109
Bldg. Depr.	001	24,001	94.77%			22,746
ME Depr.	002	1,652	100.00%	1,652		
ME Depr.	002	1,296	100.00%		1,296	
ME Depr.	002	1,255	98.70%			1,239
ME Depr.	002	1,228	97.93%			1,203

Other OMIG Audit Disallowances/(Allowances)

3. DISALLOWANCE OF DEPRECIATION ON ASSETS THAT WERE PREVIOUSLY DISALLOWED BY BLTCR AND IN PRIOR AUDITS

In prior years, certain assets were disallowed by both the BLTCR and by audit #'s 00-M04-1010 and 05-1437). Consequently, the depreciation expense associated with the disallowed assets was eliminated.
Regulations: 10 NYCRR Sections 86-2.17(a)&(d), 86-2.19(a), and 86-2.22(a).

4. DISALLOWANCE OF DEPRECIATION EXPENSE NOT RELATED TO NURSING FACILITY PATIENT CARE

The Facility recorded certain asset additions as nursing home assets when such assets were purchased for, and shipped to, related companies. The depreciation expense associated with these assets was not properly chargeable to this Facility's patient care services and was disallowed.
Regulations: 10 NYCRR Sections 86-2.17(a)&(d), 86-2.19(a), PRM-1 Section 2100

5. DISALLOWANCE OF MORTGAGE ACQUISITION EXPENSES

Due to reporting errors, the Facility was reimbursed both depreciation and amortization on the same mortgage refinancing fees in the 2006 rate. This constituted duplicate reimbursement. Since mortgage acquisition expenses must be amortized over the life of the mortgage, the depreciation associated with these fees was disallowed.
Regulations: 10 NYCRR Sections 86-2.4, 86-2.17(a)&(d), 86-2.19(a), RHCF-4 Report Instructions

6. MORTGAGE INTEREST EXPENSE REDUCTION

According to the BLTCR capital cost methodology, mortgage interest expense is reimbursed on a rate year basis. The 2005 rate did not reflect the fact that the mortgage had been refinanced at a lower interest rate. Therefore, the mortgage interest reimbursed in the 2005 rate was reduced to the amount that was actually paid.
Regulations: 10 NYCRR Sections 86-2.17(a), and 86-2.20(a)

Bldg. Depr.	001	3,566	100.00%		3,566	
Bldg. Depr.	001	5,786	94.77%			5,483
Bldg. Depr.	001	6,020	94.77%			5,705
Bldg. Depr.	001	6,031	100.00%			6,031
Interest	001	186,849	100.00%	186,849		

HUNTINGTON LIVING CENTER
RATE PERIOD JANUARY 1, 2005 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE YEARS		
				2005	2006	2007

7. OFFSET OF GAIN ON MORTGAGE REFINANCING

The Facility refinanced its mortgage in 2004 through the defeasement of existing bond debt, and the issuance of new bonds at a lower interest rate. This transaction resulted in a realized gain of \$208,131. 10 NYCRR Section 86-2.20(c)(1) states that 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. This gain constituted unrestricted investment income that was subject to offset against the 2006 mortgage interest expense. However, no such offset was made. Consequently, this gain was offset against mortgage interest expense.

Regulations: 10 NYCRR Sections 86-2.17(a), 86-2.20(c), PRM-1 Section 202.2(C)

Invest. Income	003	208,131	100.00%	208,131		
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8. OFFSET OF OVERFUNDED DEPRECIATION INVESTMENT INCOME

The Facility's cumulative deposits into funded depreciation accounts exceeded cumulative depreciation in certain years. This constituted an overfunding of depreciation expense. Investment income on the overfunded amounts was subject to offset against interest expenses reimbursed in the respective 2005 through 2008 rates. However, no such offsets were made. Consequently, investment income on the overfunded amounts was offset against reimbursed mortgage interest expenses. (Note: Depreciation was not overfunded in 2004 because of a withdrawal from the funded depreciation accounts. Therefore, there was no offset to mortgage interest expense in the respective 2006 rate.)

Regulations: 10 NYCRR Sections 86-2.17(a), 86-2.20(c), PRM-1 Sections 202.2(C) and 226

Invest. Income	003	2,214	100.00%	2,214		
Invest. Income	003	32,852	94.77%		31,134	
Invest. Income	003	18,976	95.04%			18,035

HUNTINGTON LIVING CENTER
RATE PERIOD JANUARY 1, 2005 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE YEARS		
					2005	2006	2007
9. AMORTIZATION OF MORTGAGE ACQUISITION COSTS							
In the 2006 rate, certain mortgage acquisition fees were completely reimbursed in one year. In the following 2007 and 2008 rates, the remaining mortgage acquisition fees were amortized over the life of the mortgage. All mortgage acquisition costs are required to be amortized over the life of the associated mortgage. As a result, mortgage acquisition fee amortizations in the 2006 through 2008 rates were adjusted to reflect the amortization of all such fees over the life of the mortgage.							
Regulations: 10 NYCRR Section 86-2.17(a), RHCf-4 Cost Report Instructions							
	Mort. Exp. Amort.	001	23,835	100.00%	23,835		
	Mort. Exp. Amort.	001	(1,734)	94.77%		(1,643)	
	Mort. Exp. Amort.	001	(1,734)	94.77%			(1,643)
10. MORTGAGE INSURANCE EXPENSE ADJUSTMENT							
Reimbursed mortgage insurance expenses differed from the amounts that were actually paid. Accordingly, these expenses were adjusted to reflect the amounts actually paid.							
Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.2, 2300, & 2304							
	Mortgage Ins.	005	1,090	100.00%	1,090		
11. MISCLASSIFIED PROPERTY INSURANCE EXPENSE DISALLOWED							
The Facility erroneously included a related company's property insurance premium in the nursing home's 2004 cost report that was used to calculate the 2006 property rate. This premium was not properly chargeable to the Facility's patient care services and was disallowed.							
Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2100 & 2102.3							
	Insurance	005	2,418	100.00%	2,418		
12. DISALLOWANCE OF PROPERTY INSURANCE EXPENSE							
The Facility's 2005 through 2008 property rates included insurance premiums for business income/interruption and other general liability insurance. These types of insurance do not relate to the loss of or damage to the Facility's physical property and consequently are only includable in the operating component of the rate. Since these insurance premiums are not allowable as property insurance costs, they were disallowed.							
Regulations: 10 NYCRR Sections 86-2.10(g), 86-2.17(a)&(d), PRM-1 Sections 2161 & 2806.2, RHCf-4 Report Instructions							
	Insurance	005	2,406	100.00%	2,406		
	Insurance	005	2,504	100.00%	2,504	1,948	
	Insurance	005	1,969	98.94%			
	Insurance	005	1,487	98.90%			1,471

HUNTINGTON LIVING CENTER
RATE PERIOD JANUARY 1, 2005 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE YEARS		
				2005	2006	2007
Sold Services	068	52,417	100.00%	52,417		
Sold Services	068	40,483	100.00%		40,483	
				<u>\$ 272,998</u>	<u>\$ 313,067</u>	<u>\$ 61,270</u>
				<u>\$ 925,178</u>	<u>\$ 721,121</u>	<u>\$ 879,981</u>
						<u>\$ 47,517</u>
						<u>\$ 903,616</u>

13. ANCILLARY SERVICE EXPENSE DISALLOWANCE

Physical Therapy, Occupational Therapy, and Speech Therapy services were provided to the Facility by a related company, and the property expense associated with these services was allocated to the Facility and reimbursed in its property rate. However, a portion of these services was provided to non-nursing home patients. The capital costs associated with these services was not related to nursing home patient care. Accordingly, these nonallowable property costs were disallowed.

(Note: As of the 2007 rate, such ancillary services provided to non-nursing home patients were reported as "Sold Services". This reduced the property rate traceback percentages. Therefore, no reduction to capital costs in the 2007 and 2008 rates was necessary.)

Regulations: 10 NYCRR Sections 86-2.17(a)&(d), 86-2.18, PRM-1 Sections 2100, 2102.3, and 2300

Other OMIG Property Expense Disallowances/(Allowances)

AUDITED PROPERTY EXPENSE

HUNTINGTON LIVING CENTER
RATE PERIOD JANUARY 1, 2005 THROUGH DECEMBER 31, 2008
PER DIEM DISALLOWANCES

DISALLOWANCE OF NURSING ADJUSTMENT PER DIEMS

The Facility received Nursing per diem add-ons in its January 1, 2005 through December 31, 2008 Medicaid rates. The Nursing per diem was added to Medicaid rates to recognize increases in nursing costs between 1987 and 1988 for facilities with operating base periods prior to 1988. This facility's operating base period covered September 1, 1990 through February 28, 1991, so the increased nursing costs were already included in its base period direct operating costs. Therefore, the Nursing per diem add-on for this facility should only have replaced amounts that were cut by direct cost ceiling limitations in the applicable rate calculations. A review of the Facility's 2005 through 2008 rates revealed that direct operating costs were not cut by a ceiling. Since direct operating costs include the increased nursing costs the per diems were intended to cover, and were not reduced by ceiling limitations, the Nursing per diem add-ons in the 2005 through 2008 Medicaid rates were disallowed.

Regulation: 10 NYCRR Sections 86-2.10(r), 86-2.10(u), and 86-2.17(a), Bureau of Long Term Care Reimbursement Rate Setting Policy

	RATE PERIODS				
	<u>1/1/2005- 12/31/2005</u>	<u>1/1/2006- 12/31/2006</u>	<u>1/1/2007- 12/31/2007</u>	<u>1/1/2008- 3/31/2008</u>	<u>4/1/2008- 12/31/2008</u>
Nursing Per Diem Adjustment	\$ 1.32	\$ 1.36	\$ 1.40	\$ 1.43	\$ 1.42
Direct Cost Ceiling Per Diem Reduction	-	-	-	-	-
Disallowance to Per Diem Add-Ons	<u>\$ 1.32</u>	<u>\$ 1.36</u>	<u>\$ 1.40</u>	<u>\$ 1.43</u>	<u>\$ 1.42</u>