STATE OF NEW YORK
OFFICE OF THE MEDICAID INSPECTOR GENERAL
584 Delaware Ave. 2nd Floor
Buffalo, New York 14202

ANDREW M. CUOMO
GOVERNOR

JAMES C. COX
MEDICAID INSPECTOR GENERAL

September 10, 2012

[redacted]
560 Delaware Ave, 4th Floor
Buffalo, New York 14202-1204

Re: Autumn View Health Care Facility
Medicaid Rate Audit #08-1980
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 Autumn View Health Care Facility's (the "Facility") Medicaid rates for the rate period March 1, 2003 through December 31, 2007. 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 May 7, 2012, you identified specific audit findings with which you disagreed. Your comments have been considered (see Attachment A); however, consideration of your comments resulted in no reduction 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 $401,624. 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 2007 that utilized the March 1, 2003 through February 29, 2004 base period for operating expense. Any overpayment resulting from operating expense disallowances in the March 1, 2003 through February 29, 2004 base period report for rates subsequent to 2007 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 #08-1980
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 of 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. If you have any questions regarding the above, please contact at .

Sincerely,

Director, Audit Resources Management
Division of Medicaid Audit
Bureau of Rate Audit
Office of the Medicaid Inspector General

cc:
Attachments:
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)
EXHIBIT V - Correction of the Input Price Adjustment Factor (IPAF)
EXHIBIT VI - Return On and Return Of Real Property Equity Disallowances/(Allowances)
EXHIBIT VII - Return On Average Equity Disallowances/(Allowances)
EXHIBIT VIII - Correction of Patient Days
Ver-17.0

NEW YORK STATE
OFFICE OF THE MEDICAID INSPECTOR GENERAL
REMITTANCE ADVICE

NAME AND ADDRESS OF AUDITEE

Autumn View Health Care Facility
S 4650 Southwestern Boulevard
Hamburg, New York 14075

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

AUDIT #08-1980

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

AMOUNT DUE: $401,624

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 #08-1980
Albany, New York 12237-0048

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

CORRECT PROVIDER NUMBER

AUTUMN VIEW HEALTH CARE FACILITY #08-1980
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 audit report adjustments after consideration of the Facility's draft audit report response comments. There were no changes made to the adjustments for the final audit report.

EXHIBIT III COMMENTS

Adjustment #2 – DISALLOWED LABORATORY AND RADIOLOGY EXPENSE

The facility objects to this adjustment on many levels:

First, reference is made to **10 NYCRR Section 86-2.17d** which states:

"Allowable costs shall not include expenses or portions of expenses reported by individual residential health care facilities which are determined by the commissioner not to be reasonably related to the efficient production of services because of either the nature or amount of the particular item."

However OMIG neglects to cite the regulation which clearly and definitively allows for the costs of Radiology and Laboratory, **10 NYCRR Section 86-2.10 (f) (2)** which states:

"Allowable costs for the non-comparable component of the rate shall include the costs associated with supervision of facility volunteers and costs reported in the following functional cost centers as reported on the facility's annual cost report (RHCF-4) or extracted from a hospital based facility's annual cost report (RHCF-2) and the institutional cost report of its related hospital after first deducting capital costs and allowable items not subject to trending."

(i) **Laboratory services**;
(ii) ECG;
(iii) EEG;
(iv) Radiology;
(v) Inhalation therapy
(vi) Podiatry
(vii) Dental
(viii) Psychiatric
(ix) Speech and hearing therapy – (hearing therapy only)
(x) Medical director office;
(xi) Medical staff services;
(xii) Utilization review;
(xiii) Other ancillary; and
(xiv) Plant operations and maintenance – (cost for utilities and real estate and occupancy taxes only)

Clearly, the Regulations speak very specifically to the costs being allowable.

Second, the basic and fundamental premise to the calculation of the Medicaid rate is that total allowable costs are divided by total patient days. Throughout **10 NYCRR Section 86.2**, reference is made to total patient days. There has never been a requirement, and there is no basis to require a Provider to isolate and account for various costs by payer type.

Lastly, the methodology clearly is based on the reimbursement of total allowable cost of care for all patient types. For the period covered by this draft audit report, the methodology reimburses direct care costs based on the Case Mix Index for all payers even though the Case Mix Index for Medicare patients is significantly higher than for Medicaid patients only. The adjustment would be a change in the methodology. OMIG should not have the authority to change methodology.

In summary, Medicaid regulation and methodology clearly allow both Radiology and Laboratory costs in the non-comparable Component of the rate.

OMIG Response

The Bureau of Long Term Care Reimbursement does, in fact, make distinctions based on recipient eligibility in determining reimbursement rate methodology. The HE-12B rate computation sheet clearly indicates the ancillary services for which the Facility is authorized by the Department of Health to claim reimbursement from the Medicaid program. In this case, radiology and laboratory expenses are specifically excluded from the Medicaid rate. Furthermore, coinsurance and deductibles for such services in the operating base period were billed by the Facility to the Medicaid program separately. Either such services are reimbursed in the Medicaid rate, or they are billed to Medicaid separately outside of the Medicaid rate. There can be no combination of both.

In addition, as stated in the draft audit report, the "expenses" recorded were for the lab and radiology Medicare Part A "technical component" portion of the charges. Payment to the third party lab or radiologist is merely a pass through of the Medicare technical component income (billed and received by the Facility) that is payable to the lab/radiologist. Consequently, it is not truly an expense incurred by the Facility.

Disposition: The draft audit report disallowance remains the same.

EXHIBIT III AND EXHIBIT IV COMMENTS

OPERATING ADJUSTMENT #5b – EXPENSE RECLASSIFIED TO ADMINISTRATIVE SERVICES AND PROPERTY ADJUSTMENT #3d – DISALLOWANCE OF MOVABLE EQUIPMENT DEPRECIATION DISALLOWANCE (AS APPLICABLE TO INTERNALLY GENERATED COMPUTER SOFTWARE)

The Facility disagrees with Operating Audit Adjustment 5b and Property Audit Adjustment 3d both of which relate to the capitalization of computer software.

The Facility's disagreement is based upon several different points

OMIG has neglected to cite and abide by the most important principle **10 NYCRR Section 86-2.4**, which is that "The completion of financial and statistical report forms shall be in accordance with the Generally Accepted Accounting Principals (GAAP) as applied to the residential health care facility unless reporting instructions authorized specific variations in such principals."

Clearly, GAAP require that internal and external development costs must be capitalized (FASB ASC 350-40-25-2). Further, costs to create or obtain software that facilitates the transition of old data to the new system are capitalized (FASB ASC 350-40-25-3). Payroll and payroll-related costs of employees who are directly associated with and who devote time to the internal-use computer software project, to the extent of the time spent directly on the project are to be capitalized.

Clearly, generally accepted accounting principles, which are the most fundamental, overriding principles for cost reporting, require that labor costs of internally generated computer software be capitalized. Therefore the costs should remain capitalized, with the underlying depreciation of these assets being an allowable capital cost for reimbursement.

OMIG cites **PRM-1 Section 104.17** as a regulation to support its position. The regulation states, in part, "The costs of initial customizing and/or modification of purchased software to function with the provider's computer hardware, or to out it into place for use, should be capitalized as part of the historical cost of the software." This in fact is substantially the fact pattern for the facility. The attached schedule "The McGuire Group Software Development Applications" documents and describes our software projects. The vast majority of the labor cost incurred was for initial customizing and/or modification of purchased computer software to allow it to function as we intended when purchased it, as opposed to the minimal stand alone applications that were developed. We believe that a significant portion of the labor cost incurred should still be capitalized even if the regulation cited by the OMIG is relied upon.

Lastly, by disallowing these costs as capitalized costs, OMIG has put both the Facility and NYSDOH in an awkward, difficult position. That is, instead of allowing for capitalization of software costs, at a much lower cost, OMIG has put the facility in the position where it would be more prudent to purchase software externally. This would allow the Facility to capitalize these costs and be reimbursed the underlying depreciation, but at a much higher cost to the State of New York. If implemented we believe this adjustment would not be beneficial to the State, as the additional cost to NYS of our use of external software development and the elimination of internal staff, in the long run will outweigh any temporary savings achieved by this audit adjustment.

OMIG Response

PRM-1 Section 104.17 states that: "The costs of initial customizing and/or modification of purchased computer software to function with the provider's computer hardware, or to put it into place for use, should be capitalized as part of the historical cost of the software. Such costs are analogous to installation costs of a moveable asset. The costs of internally generated computer software must be expensed, rather than capitalized. For purposes of this section, internally generated computer software means software generated, in whole or in part, by staff internal to the provider. The use of outside consultants to assist the provider's staff in developing a systems change does not change the nature of any resultant software from internally generated to purchased.

The costs in question had nothing to do with the **initial** customization or modification of purchased software but rather were related to ongoing management of the facility's computer system. In addition this regulation clearly states that internally generated computer software must be expensed rather than capitalized. Since these expenses relate to staff on the nursing homes payroll there is no question that these salaries should be expensed.

The Facility's argument relating to GAAP is also rejected as specific reimbursement regulations always take precedent over GAAP.

Disposition: The draft audit report disallowance remains the same.

AUTUMN VIEW HEALTH CARE FACILITY
RATE PERIODS MARCH 1, 2003 THROUGH DECEMBER 31, 2007
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
03/01/03 - 05/31/03	$169.12	$165.37	$3.75	6,905	$ 25,894
06/01/03 - 08/31/03	169.94	166.21	3.73	6,779	25,286
09/01/03 - 11/30/03	170.24	166.51	3.73	7,135	26,614
12/01/03 - 12/31/03	169.47	165.74	3.73	2,497	9,314
01/01/04 - 02/29/04	175.58	171.41	4.17	4,708	19,632
03/01/04 - 03/31/04	175.78	171.63	4.15	2,295	9,524
04/01/04 - 05/31/04	175.78	171.63	4.15	4,297	17,833
06/01/04 - 08/31/04	175.96	171.82	4.14	6,772	28,036
09/01/04 - 11/30/04	176.97	172.81	4.16	6,826	28,396
12/01/04 - 12/31/04	176.87	172.71	4.16	2,270	9,443
01/01/05 - 02/28/05	178.99	174.95	4.04	4,211	17,012
03/01/05 - 05/31/05	180.44	176.40	4.04	6,844	27,650
06/01/05 - 06/30/05	178.04	174.01	4.03	2,245	9,047
07/01/05 - 08/31/05	182.24	178.21	4.03	4,452	17,942
09/01/05 - 11/30/05	182.81	178.77	4.04	6,957	28,106
12/01/05 - 12/31/05	181.72	177.68	4.04	2,441	9,862
01/01/06 - 02/28/06	188.25	182.90	5.35	4,615	24,690
03/01/06 - 03/31/06	189.81	184.46	5.35	2,464	13,182
04/01/06 - 05/31/06	189.41	184.07	5.34	4,960	26,486
06/01/06 - 08/31/06	186.24	180.90	5.34	7,776	41,524
09/01/06 - 11/30/06	187.16	181.82	5.34	8,130	43,414
12/01/06 - 12/31/06	184.99	179.64	5.35	2,838	15,183
01/01/07 - 03/31/07	182.26	184.47	(2.21)	7,517	(16,613)
04/01/07 - 06/30/07	181.32	183.54	(2.22)	7,775	(17,261)
07/01/07 - 08/31/07	173.29	175.51	(2.22)	5,869	(13,029)
09/01/07 - 12/31/07	173.29	175.51	(2.22)	11,506	(25,543)
TOTAL MEDICAID OVERPAYMENT					**$ 401,624**

* 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 $13,762.

EXHIBIT II

AUTUMN VIEW HEALTH CARE FACILITY
RATE PERIODS MARCH 1, 2003 THROUGH DECEMBER 31, 2007
SUMMARY OF MEDICAID RATES AUDITED

The Facility's Medicaid utilization was approximately 48 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.

RATE PERIOD	Issued Medicare Part B & D Non-Eligible Rates *
03/01/03 - 05/31/03	$169.12
06/01/03 - 08/31/03	169.94
09/01/03 - 11/30/03	170.24
12/01/03 - 12/31/03	169.47
01/01/04 - 02/29/04	175.58
03/01/04 - 03/31/04	175.78
04/01/04 - 05/31/04	175.78
06/01/04 - 08/31/04	175.96
09/01/04 - 11/30/04	176.97
12/01/04 - 12/31/04	176.87
01/01/05 - 02/28/05	178.99
03/01/05 - 05/31/05	180.44
06/01/05 - 06/30/05	178.04
07/01/05 - 08/31/05	182.24
09/01/05 - 11/30/05	182.81
12/01/05 - 12/31/05	181.72
01/01/06 - 02/28/06	188.25
03/01/06 - 03/31/06	189.81
04/01/06 - 05/31/06	189.41
06/01/06 - 08/31/06	186.24
09/01/06 - 11/30/06	187.16
12/01/06 - 12/31/06	184.99
01/01/07 - 03/31/07	182.26
04/01/07 - 06/30/07	181.32
07/01/07 - 08/31/07	173.29
09/01/07 - 12/31/07	173.29

* 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.

AUTUMN VIEW HEALTH CARE FACILITY
RATE PERIODS MARCH 1, 2003 THROUGH DECEMBER 31, 2007
OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	OPERATING EXPENSE COMPONENT: DIRECT	INDIRECT 03/01/03-12/31/04	INDIRECT 01/01/05-12/31/07	NON-COMP. 03/01/03-12/31/06	NON-COMP. 01/01/07-12/31/07
Operating Expense Allowed per HE-12B					$ 6,511,837	$ 2,840,843	$ 2,841,503	$ 571,571	$ 378,236
Less Disallowances/(Allowances):									
1. DISALLOWANCE OF REAL ESTATE TAXES									
The Facility received reimbursement for LLC Interest Transfer Tax related to the ownership transfer with real estate taxes in the non-comparable component. Costs created by the sale of a residential health care facility are not allowable; therefore, the costs were disallowed. This disallowance only affected rates through the end of rate year 2006 because of a change in the handling of real estate taxes in the Bureau of Long Term Care Reimbursement (BLTCR) rate methodology. The cost was properly handled in the 2007 rate year. **Regulations: 10 NYCRR Section 86-2.17(a) & (k)**	RE Taxes	106	$7,362	99.12%				7,297	
2. DISALLOWED LABORATORY AND RADIOLOGY EXPENSE									
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	35,599	100.00%				35,599	35,599
	E.K.G.	032	3,356	100.00%				3,356	3,356
	Radiology	034	26,174	100.00%				26,174	26,174
3. RECLASSIFICATION OF WORKERS' COMPENSATION COORDINATOR SALARY									
The Facility reported expenses associated with the Workers' Compensation Coordinator's salary as an other employee benefit in fringe benefits. This salary is required to be reported in the Administrative Services cost center (005). Consequently, the salary expense was reclassified to the Administrative Services cost center. **Regulations: 10 NYCRR Sections 86-2.17(a) and 455.5, PRM-1 Section 2144**	Nursing Admin	013	788	99.33%	783				
	Activities	014	224	99.33%	222				
	Social Services	021	138	99.32%	137				
	Physical Ther.	039	528	97.54%	515				
	Occup. Ther.	040	291	100.00%	291				
	RHCF	051	5,682	100.00%	5,682				
	Fiscal Services	004	658	99.25%		653	653		
	Admin. Services	005	364	99.25%		361	361		
	Plant Oper.	006	456	99.12%		452	452		
	Laundry	009	214	99.31%		213	213		
	Housekeeping	010	276	99.31%		274	274		
	Patient Food	011	734	99.27%		729	729		
	Cafeteria	012	9	99.09%		9	9		
	Medical Records	019	250	99.33%		248	248		
	Admin. Services	005	(10,688)	99.25%		(10,608)	(10,608)		
	Barber & Beauty	067	-	0.00%		-	-		
	Respite Care	075	-	0.00%		-	-		

AUTUMN VIEW HEALTH CARE FACILITY
RATE PERIODS MARCH 1, 2003 THROUGH DECEMBER 31, 2007
OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	OPERATING EXPENSE COMPONENT: DIRECT	INDIRECT 03/01/03-12/31/04	INDIRECT 01/01/05-12/31/07	NON-COMP. 03/01/03-12/31/06	NON-COMP. 01/01/07-12/31/07
4. DUPLICATE REIMBURSEMENT OF SALES TAX EXPENSE AND AUTO INSURANCE									
a. Beginning with the base period, the Facility reported and was reimbursed for all sales tax expense in the property portion of the rate. However, the sales tax expense associated with operating expense was included in the appropriate operating expense category and reimbursed in the operating per diem. By reporting all sales tax in property, the Facility is being reimbursed for sales tax in both the operating and property per diems. In order to eliminate the duplication, sales tax expense was excluded from the base period operating expense for rates effective March 1, 2003 and forward.	Admin. Services	005	58,297	99.25%		57,860	57,860		
b. Beginning with the base period, the Facility reported and was reimbursed for all auto insurance in the property portion of the rate. However, the auto insurance associated with operating expense was included in the appropriate operating expense category and reimbursed in the operating per diem. By reporting all auto insurance in property, the Facility is being reimbursed for auto insurance in both the operating and property per diems. In order to eliminate the duplication, auto insurance was excluded from the base period operating expense for rates effective March 1, 2003 and forward. **Regulations: 10 NYCRR Sections 86-2.17(a) & (d), and 86-2.10(g)**	Admin. Services	005	9,745	99.25%		9,672	9,672		
5. EXPENSE RECLASSIFIED TO ADMINISTRATIVE SERVICES									
a. The Facility was unable to substantiate that the vehicles used by the administrators and the vehicles used by a related company, The McGuire Group (TMG), were used for business purposes or patient care. Therefore, the depreciation and insurance related to these vehicles were disallowed in the capital component and are reclassified to the indirect component under administrative services as additional compensation to the administrative staff. **Regulations: 10 NYCRR Section 86-2.17(a) and PRM-1 Section 2304**	Admin. Services	005	(15,898)	99.25%		(15,779)	(15,779)		
b. The Facility capitalized the labor costs of internally generating computer software used in the operations of the Facility and related companies. Such costs must be expensed, not capitalized. Therefore, the depreciation expense for these costs was disallowed in the capital component and the total labor costs were reclassified to the indirect component under administrative services as salary expenses in the base year. **Regulations: 10 NYCRR Section 86-2.17(a) and PRM-1 Section 104.17**	Admin. Services	005	(11,253)	99.25%		(11,169)	(11,169)		
c. The Facility was reimbursed for business interruption insurance in the capital component. Business interruption insurance is an allowable expense in the indirect component. Therefore, the base year business interruption insurance expense was disallowed from the capital component and reclassified to the indirect component under administrative services. See Exhibit IV Adjustment 8 for the related capital audit adjustment. **Regulations: 10 NYCRR Sections 86-2.10(g), 86-2.17(a) &(d), PRM-1 Section 2161, and RHCF-4 Cost Report Instructions**	Admin. Services	005	(1,018)	99.25%		(1,010)	(1,010)		

AUTUMN VIEW HEALTH CARE FACILITY
RATE PERIODS MARCH 1, 2003 THROUGH DECEMBER 31, 2007
OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	OPERATING EXPENSE COMPONENT				
					DIRECT	INDIRECT 03/01/03-12/31/04	INDIRECT 01/01/05-12/31/07	NON-COMP. 03/01/03-12/31/06	NON-COMP. 01/01/07-12/31/07
6. CORRECTION OF BLTCR ADJUSTMENT FOR REAL ESTATE TAXES									
A BLTCR Schedule I adjustment allowed real estate taxes and utility expenses from a related company in the base year non-comparable component. However, beginning in rate year 2007, real estate taxes are removed from non-comparable and allowed in the capital component (based on a two-year lag). In rate year 2007, BLTCR removed all of the related company expenses when only the real estate taxes should have been removed. Therefore, to correct this Schedule I adjustment, an allowance was made for the related company utility expenses to the non-comparable component. **Regulation: 10 NYCRR Section 86.2-10(f)**	Utilities	106	(6,736)	99.12%					(6,677)
Total Disallowances/(Allowances)					$ 7,630	$ 31,905	$ 31,905	$ 72,426	$ 58,452
AUDITED OPERATING EXPENSE BY COMPONENT					**$ 6,504,207**	**$ 2,808,938**	**$ 2,809,598**	**$ 499,145**	**$ 319,784**

AUTUMN VIEW HEALTH CARE FACILITY
RATE PERIODS MARCH 1, 2003 THROUGH DECEMBER 31, 2007
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS 2003	2004	2005	2006	2007
Property Expense Allowed per HE-12B					$ 1,184,483	$ 1,226,749	$ 1,227,990	$ 1,318,991	$ 1,107,030
Less Disallowances/(Allowances):									
Allowances Related to Processing of Bureau of Long Term Care (BLTCR) Open Appeals									
1. MOVEABLE EQUIPMENT DEPRECIATION ALLOWANCE									
The Facility appealed to have movable equipment depreciation expense based on the new base period rather than a two year lag as was done in the original 2003 through 2005 rates. Based on a confirmation that the Bureau of Long Term Care Reimbursement (BLTCR) agreed with the Facility's position, the movable equipment depreciation expense was adjusted to reflect the Facility's appeal request. The base period costs should be used to establish allowable capital component reimbursement for the 2003, 2004, and 2005 rates. **This allowance was contingent upon the Facility's written withdrawal of this particular item from its outstanding appeal #9954 filed with the Bureau of Long Term Care Reimbursement. The Facility withdrew the item from the appeal in correspondence to BLTCR dated May 16, 2012.** **Regulations: 10 NYCRR Sections 86-2.17(a) & (d), & 86-2.22, PRM-1 Sections 2300 & 2304**	ME Depr.	002	(24,400)	99.51%	(24,280)				
	ME Depr.	002	(6,149)	99.51%		(6,119)			
	ME Depr.	002	(165)	99.51%			(164)		
2. MOVEABLE EQUIPMENT RENTAL ALLOWANCE									
The Facility appealed to have additional movable equipment rentals, which were erroneously classified as supplies and were reported on Exhibit H in cost center 051, reclassified to the property component of the audit as moveable equipment rental expense. The OMIG has determined the rental expense to be proper. Consequently, an allowance was made to reflect the amounts supported by the Facility's records. **This allowance was contingent upon the Facility's written withdrawal of this particular item from its outstanding appeal #10065 filed with the Bureau of Long Term Care Reimbursement. The Facility withdrew the item from the appeal in correspondence to BLTCR dated May 16, 2012.** **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300 & 2304**	ME Rent	051	(2,079)	100.00%					(2,079)
BLTCR Open Appeals Disallowances/(Allowances)					$ (24,280)	$ (6,119)	$ (164)	$ -	$ (2,079)
Subtotal Property Expense					$ 1,208,763	$ 1,232,868	$ 1,228,154	$ 1,318,991	$ 1,109,109
Other OMIG Audit Disallowances/(Allowances)									
3. MOVEABLE EQUIPMENT DEPRECIATION DISALLOWANCE									
a. Moveable equipment costs relating to telephones and telephone equipment were disallowed in prior audits (#98-E04-1338 and #06-1079). The current moveable equipment depreciation related to this equipment was disallowed. **Regulations: 10 NYCRR Sections 86-2.17(d) and 86-2.19(a)**	ME Depr.	002	2,096	99.51%	2,086	2,086	2,086		
	ME Depr.	002	1,738	99.82%				1,735	
	ME Depr.	002	906	99.60%					902
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. Moveable equipment depreciation on vehicles that were used exclusively by Administrators was disallowed since this expense was not directly related to patient care. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.3 & 2105.9**	ME Depr.	002	8,064	99.51%	8,024	8,024	8,024		
	ME Depr.	002	4,936	99.82%				4,927	
	ME Depr.	002	10,996	99.60%					10,952

AUTUMN VIEW HEALTH CARE FACILITY
RATE PERIODS MARCH 1, 2003 THROUGH DECEMBER 31, 2007
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS 2003	2004	2005	2006	2007
3. MOVEABLE EQUIPMENT DEPRECIATION DISALLOWANCE (CONT.)									
c. The Bureau of Long Term Care Reimbursement (BLTCR) has determined the nature of telephone expense to be an operating expense. Since the expense is included in the formula to determine the base, mean, and ceiling prices used to establish the indirect expense corridor, the reimbursement of telephone depreciation expense in the property component amounts to duplicate reimbursement. Consequently, disallowances were necessary. **Regulation: 10 NYCRR Section 86-2.17(d)**	ME Depr.	002	39	99.51%	39	39	39		
	ME Depr.	002	39	99.82%				39	
	ME Depr.	002	41	99.60%					41
d. The Facility capitalized the labor costs of internally generating computer software used in the operations of the facility and related companies. Such costs must be expensed, not capitalized. Therefore, the depreciation expense for these costs were disallowed in the capital component and the total labor costs are reclassified to the indirect component under administrative services as salary expenses in the base year. In rate years 2003 and 2004, the depreciation for the capitalized labor was already removed by BLTCR rate setting methodology described in adjustment #1. **Regulations: 10 NYCRR Section 86.217(a), PRM-1 Section 104.17**	ME Depr.	002	624	99.51%	621	621	621		
	ME Depr.	002	1,526	99.82%				1,523	
	ME Depr.	002	2,857	99.60%					2,846
e. Providers receiving payment 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. The cost information must be current, accurate, and in sufficient detail. Audited movable equipment depreciation varied from the expense allowed in the promulgated rates resulting in a disallowance. **Regulations: 10 NYCRR Sections 86-2.17(a) & (d), & 86-2.22, PRM-1 Sections 2300 & 2304**	ME Depr.	002	1,410	99.82%				1,407	
	Other	000	467	99.80%				466	
	ME Depr.	002	1,061	99.60%					1,057
f. Related company moveable equipment depreciation in rate year 2006 was erroneously included twice in the promulgated rates. Consequently, a disallowance was necessary to eliminate duplicate reimbursement. **Regulations: 10 NYCRR Sections 86-2.17(a) & (d), PRM-1 Sections 2300 and 2304**	Other	000	54,841	99.80%				54,731	
	Other	000	3,986	99.80%				3,978	
4. RETURN ON AND RETURN OF EQUITY ADJUSTMENTS									
The real property historical costs and cumulative real property reimbursement that were used to calculate the return on equity and the return of equity were adjusted to reflect audited amounts based on previous audits (#98-E04-1338 and #06-1079) of the Facility. In addition, the recognized mortgage was adjusted to reflect the original real property mortgage principal balance. As a result, the returns on and of real property equity were adjusted accordingly. See Exhibit VI for the calculation of the audited return on and of real property equity. **Regulations: 10 NYCRR Sections 86-2.17(d) and 86-2.21**	Ret. On Equity	001	71,227	99.12%	70,600				
	Ret. Of Equity	001	83,403	99.12%	82,669				
	Ret. On Equity	001	68,777	99.12%		68,172			
	Ret. Of Equity	001	80,937	99.12%		80,225			
	Ret. On Equity	001	62,123	99.12%			61,576		
	Ret. Of Equity	001	80,969	99.12%			80,256		
	Ret. On Equity	001	46,872	99.80%				46,778	
	Ret. Of Equity	001	72,642	99.80%				72,497	
	Ret. On Equity	001	(48,948)	99.60%					(48,752)
	Ret. Of Equity	001	(89,551)	99.60%					(89,193)

AUTUMN VIEW HEALTH CARE FACILITY
RATE PERIODS MARCH 1, 2003 THROUGH DECEMBER 31, 2007
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS 2003	2004	2005	2006	2007
5. MORTGAGE INTEREST EXPENSE ADJUSTMENTS									
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 a disallowance in rate years 2003 through 2006 and an allowance in rate year 2007. **Regulations: 10 NYCRR Sections 86-2.17(d), 86-2.20(a) and 86-2.21(a)**	Mort. Interest	001	2,865	99.12%	2,840				
	Mort. Interest	001	1,560	99.12%		1,546			
	Mort. Interest	001	1,693	99.12%			1,678		
	Mort. Interest	001	25,668	99.80%				25,617	
	Mort. Interest	001	(88)	99.60%					(88)
6. MOVEABLE EQUIPMENT INTEREST EXPENSE ADJUSTMENTS									
The Bureau of Long Term Care Reimbursement reimburses the Facility's moveable equipment interest on a rate year basis. Audited rate year interest expense varied from the moveable equipement interest allowed in the promulgated rates resulting in disallowance in rate years 2003 through 2005 and an allowance in rate year 2007. **Regulation: 10 NYCRR Section 86-2.20(a)**	ME Interest	001	363	99.12%	360				
	ME Interest	001	198	99.12%		196			
	ME Interest	001	214	99.12%			212		
	ME Interest	001	(11)	99.60%					(11)
7. MOVEABLE EQUIPMENT INSURANCE DISALLOWANCE									
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. Auto insurance expense on vehicles that were used exclusively by Administrators was disallowed since this expense was not directly related to patient care. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.3 & 2105.9**	Auto Insurance	005	9,091	99.25%	9,023	9,023	9,023		
	Auto Insurance	005	12,455	99.84%				12,435	
	Auto Insurance	005	12,871	99.65%					12,826
8. MORTGAGE AMORTIZATION ADJUSTMENTS									
a. 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 mortgage amortization payments varied from the payments allowed in the rate resulting in adjustments. **Regulations: 10 NYCRR Sections 86-2.17(d) & 86-2.21, PRM-1 Sections 2300 & 2304**	Mort. Amort.	001	(1,421)	99.12%	(1,408)				
	Mort. Amort.	001	(1,640)	99.12%		(1,626)			
	Mort. Amort.	001	(1,693)	99.12%			(1,678)		
	Mort. Amort.	001	(1,900)	99.60%					(1,892)
b. In rate year 2006, mortgage amortization was reimbursed at 100%. The application of the correct overmortgaging percentage resulted in a disallowance. **Regulation: 10 NYCRR Section 86-2.21**	Mort. Amort.	001	32,375	99.80%				32,310	
9. RETURN ON AVERAGE EQUITY ALLOWANCE									
A proprietary residential health care facility is entitled to a reasonable return on average equity for equity associated with necessary and proper patient care activities. The returns in the promulgated rates were based on average equity that included an amount for goodwill and intangible assets. The Commissioner has determined that goodwill and intangible assets are not reimbursable for Medicaid. Consequently, the average equity calculation was recomputed based on the removing duplicate adjustments, elimination of intangible assets and a revised net investment, which resulted in allowances to the return on average equity. (See Exhibit VII) **Regulations: 10 NYCRR Sections 86-2.17(d) & 86-2.28**	Ret. On Equity	001	(26,179)	99.12%	(25,949)				
	Ret. On Equity	001	(15,528)	99.12%		(15,391)			
	Ret. On Equity	001	(29,445)	99.12%			(29,186)		
	Ret. On Equity	001	(69,493)	99.80%				(69,354)	
	Ret. On Equity	001	(88,201)	99.60%					(87,848)

AUTUMN VIEW HEALTH CARE FACILITY
RATE PERIODS MARCH 1, 2003 THROUGH DECEMBER 31, 2007
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS 2003	2004	2005	2006	2007
10. PROPERTY INSURANCE DISALLOWANCE									
Reported property insurance expenses included business interuption insurance which is an operating expense and is not allowable as a property cost. Property insurance expenses were adjusted to agree with the paid insurance premiums and to eliminate the expenses associated with the business interuption coverages. The base year business interruption insurance expense was disallowed from the capital component and reclassified to the indirect component under administrative services. See Exhibit III Adjustment #5c for the related operating audit adjustment. **Regulations: 10 NYCRR Sections 86-2.7 & 86-2.17(a) & (d), 86-2.10(g), PRM-1 Sections 2300, 2304, & 2161, RHCF-4 Cost Report Instructions**	Prop. Ins.	005	1,018	99.25%	1,010	1,010	1,010		
	Prop. Ins.	005	1,259	99.84%				1,257	
	Prop. Ins.	005	1,000	99.65%					997
11. MORTGAGE EXPENSE AMORTIZATION DISALLOWANCE									
Mortgage expense amortization was included in the real property historical cost used to calculate the return on and return of equity. The separate reimbursement of mortgage expense amortization in the rate represents duplicate reimbursement and, as such, it was disallowed. **Regulations: 10 NYCRR Sections 86-2.17(a) & 86-2.17(d)**	Mort. Exp. Amort.	001	297	99.80%				296	
12. REAL PROPERTY REIMBURSEMENT DISALLOWANCE									
In rate year 2006, non-trended other expense included the rent of a related company building. Since real property reimbursement consists of principle amortization, real property interest expense and a return on and of equity, when applicable, the rent of the related company was disallowed. **Regulations: 10 NYCRR Sections 86-2.17(d) and 86-2.21**	Other	000	23,947	99.80%				23,899	
13. WORKING CAPITAL INTEREST EXPENSE DISALLOWANCE									
The facility was reimbursed for working capital interest in excess of the actual amount incurred. The excess amount was disallowed in rate years 2004, 2005, and 2006. **Regulations: 10 NYCRR Sections 86-2.17(d) & (i), 86-2.20 (a) & (d)**	WCI Expense	005	9,076	99.25%		9,008			
	WCI Expense	005	15,636	99.25%			15,519		
	WCI Expense	005	7,473	99.84%				7,461	

AUTUMN VIEW HEALTH CARE FACILITY
RATE PERIODS MARCH 1, 2003 THROUGH DECEMBER 31, 2007
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

14. DISALLOWED BARBER AND BEAUTY EXPENSES

Property expenses associated with barber and beauty services were included in reimbursed expense. Barber and beauty costs are not reimbursable under the Medicaid program based on the regulations shown below. Consequently, the property costs associated with barber and beauty services were disallowed.

Regulations: 10 NYCRR Sections 86-2.17(a), PRM-1 Sections 2302.4 & 2302.7, and the Medicare Benefit Policy Manual, Chapter 16-80

DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS 2003	2004	2005	2006	2007
Interest	001	227	99.12%	225				
Insurance	005	34	99.25%	34				
Ret. On Equity	001	451	99.12%	447				
Ret. Of Equity	001	528	99.12%	523				
Mort. Amort.	001	446	99.12%	442				
Interest	001	192	99.12%		190			
Insurance	005	34	99.25%		34			
Ret. On Equity	001	480	99.12%		476			
Ret. Of Equity	001	565	99.12%		560			
Mort. Amort.	001	484	99.12%		480			
Interest	001	152	99.12%			151		
Insurance	005	34	99.25%			34		
Ret. On Equity	001	458	99.12%			454		
Ret. Of Equity	001	597	99.12%			592		
Mort. Amort.	001	525	99.12%			520		
Interest	001	121	99.80%				121	
Insurance	005	41	99.84%				41	
Ret. On Equity	001	396	99.80%				395	
Ret. Of Equity	001	614	99.80%				613	
Mort. Amort.	001	569	99.80%				568	
Interest	003	63	99.60%					63
Insurance	005	44	99.65%					44
Ret. On Equity	003	416	99.60%					414
Ret. Of Equity	001	629	99.60%					626
Mort. Amort.	001	617	99.60%					615
				$ 151,586	$ 164,673	$ 150,931	$ 223,740	$ (196,401)
				$ 1,057,177	**$ 1,068,195**	**$ 1,077,223**	**$ 1,095,251**	**$ 1,305,510**

EXHIBIT V

AUTUMN VIEW HEALTH CARE FACILITY
RATE PERIODS MARCH 1, 2003 THROUGH DECEMBER 31, 2007
CORRECTION OF THE INPUT PRICE ADJUSTMENT FACTOR (IPAF)

The March 1, 2003 through December 31, 2007 operating rates incorporate an Input Price Adjustment Factor (IPAF) which is based on the March 1, 2003, through February 29, 2004 base period nursing salaries (RN, LPN and Aides), fringe benefits, and hours paid. The audit disclosed that the Facility included the workers' compensation coordinator's cost as an employee fringe benefit in the amounts used for the IPAF calculation. Audit adjustments were necessary to eliminate the workers' compensation coordinator's cost from the nursing and aide data included in the IPAF calculation.

Regulation: 10 NYCRR Sections 455.5 and 86-2.18

Note: The dollar amounts shown below are prior to the application of the "deflator" used in each rate year's IPAF calculation.

CLASSIFICATION	PER RHCF-4	PER AUDIT	DECREASE (INCREASE)
RN Fringes	114,408	113,586	822
LPN Fringes	285,941	283,888	2,053
Aides Fringes	390,855	388,048	2,807

EXHIBIT VI

AUTUMN VIEW HEALTH CARE FACILITY
RATE PERIODS MARCH 1, 2003 THROUGH DECEMBER 31, 2007
RETURN ON AND RETURN OF REAL PROPERTY
EQUITY DISALLOWANCES/(ALLOWANCES)

	RATE PERIODS				
Return of Equity Calculation	2003	2004	2005	2006	2007
Real Property Historical Cost per HE-12B	$ 7,802,430	$ 7,981,378	$ 8,221,380	$ 8,345,771	$ 8,444,341
Audit Disallowances/(Allowances)	79,176		505		
Audited Historical Cost	$ 7,723,254	$ 7,981,378	$ 8,220,875	$ 8,345,771	$ 8,444,341
Less: Recognized Mortgage	3,195,000	3,195,000	3,195,000	3,195,000	3,195,000
Less: Accumulated Reimbursement	-	209,642	478,862	763,050	1,055,565
Audited Net Equity	$ 4,528,254	$ 4,576,736	$ 4,547,013	$ 4,387,721	$ 4,193,776
Remaining Useful Life	18	17	16	15	14
Audited Return of Equity	$ 251,570	$ 269,220	$ 284,188	$ 292,515	$ 299,555
Promulgated Return of Equity	334,973	350,157	365,157	365,157	210,004
Disallowance/(Allowance)	$ 83,403	$ 80,937	$ 80,969	$ 72,642	$ (89,551)
Return on Equity Calculation					
Audited Net Equity	$ 4,528,254	$ 4,576,736	$ 4,547,013	$ 4,387,721	$ 4,193,776
Less: ½ Current Return of Equity	125,785	134,610	142,094	146,258	149,778
Audited Net Investment	$ 4,402,469	$ 4,442,126	$ 4,404,919	$ 4,241,463	$ 4,043,998
Rate of Return	4.88%	5.15%	4.95%	4.45%	4.90%
Audited Return on Equity	$ 214,840	$ 228,769	$ 218,043	$ 188,745	$ 198,156
Promulgated Return on Equity	286,067	297,546	280,166	235,617	149,208
Disallowance/(Allowance)	$ 71,227	$ 68,777	$ 62,123	$ 46,872	$ (48,948)

EXHIBIT VII

AUTUMN VIEW HEALTH CARE FACILITY
RATE PERIODS MARCH 1, 2003 THROUGH DECEMBER 31, 2007
RETURN ON AVERAGE EQUITY ALLOWANCES

	RATE YEARS				
Return on Average Equity	**2003**	**2004**	**2005**	**2006**	**2007**
Average Equity per HE-12B	$ 5,284,524	$ 5,284,524	$ 5,284,524	$ 4,661,311	$ (2,197,437)
Audit Adjustments:					
• Adjust Promulated RHCF-4, Sch. 13 Amts. to Reported RHCF-4, Sch. 13 Amts.					(4,838,496)
• Duplication of Due to/from Parent/Affiliate	(747,666)	(747,666)	(747,666)	(1,489,912)	(3,168,869)
• Duplication of Deferred Costs					(51,289)
• NBV of Non-Moveable Equipment (Prior Audit)	26,726	26,726	26,726	22,353	17,104
• NBV of Moveable Equipment (Prior Audit)	2,647	2,647	2,647	1,233	327
• NBV of Moveable Equipment (Current Audit)	23,276	23,276	23,276	37,956	60,129
Audited Average Equity	$ 5,979,541	$ 5,979,541	$ 5,979,541	$ 6,089,681	$ 5,783,657
Less: Audited Net Investment	4,402,469	4,442,126	4,404,919	4,241,463	4,043,998
Audited Remaining Equity	$ 1,577,072	$ 1,537,415	$ 1,574,622	$ 1,848,218	$ 1,739,659
Rate of Return	1.66%	1.01%	1.87%	3.76%	5.07%
Equity Returned Per Audit	$ 26,179	$ 15,528	$ 29,445	$ 69,493	$ 88,201
Equity Returned HE-12B	-	-	-	-	-
Disallowance/(Allowance)	$ (26,179)	$ (15,528)	$ (29,445)	$ (69,493)	$ (88,201)

AUTUMN VIEW HEALTH CARE FACILITY
RATE PERIODS MARCH 1, 2003 THROUGH DECEMBER 31, 2007
CORRECTION OF PATIENT DAYS

The audit of patient day statistics and the implementation of BLTCR's decision on Appeal #9954 disclosed that the patient days in the promulgated capital cost summary were based on cost reports using the two year lag methodology. The following adjustments were necessary to include the proper days in the 2003 and 2004 rate calculations.
Regulation: 10 NYCRR Section 86-2.8(c)

	RATE YEARS	
	2003	2004
Patient Days in Promulgated Rates	57,061	57,133
Patient Days per Audit	57,378	57,378
Understated Patient Days	317	245