



STATE OF NEW YORK
OFFICE OF THE MEDICAID INSPECTOR GENERAL
90 Church Street, 14th Floor
New York, New York 10007

ANDREW M. CUOMO
GOVERNOR

JAMES C. COX
MEDICAID INSPECTOR GENERAL

April 24, 2012

[REDACTED]
The Lutheran Care Network
277 North Avenue, Suite 201
New Rochelle, New York 10801

Re: Medicaid Rate Audit # 04-1383
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 Wartburg Nursing Home's (the "Facility") Medicaid rates for the rate period January 1, 2003 through December 31, 2007. In accordance with 18 NYCRR Section 517.6, this report represents the OMIG's final determination on issues raised in the draft report.

In response to the revised draft audit report dated February 8, 2011, you identified specific audit findings with which you disagreed. Your comments have been considered (see Attachment A) and the report has been either revised accordingly and/or amended to address your comments (see Attachment B). Consideration of your comments resulted in a reduction of \$75,360 to the Medicaid overpayment. As previously stated in the revised 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 \$816,978. This overpayment is subject to Department of Health (the "DOH") and Division of Budget (the "DOB") final approval. While not anticipated, any difference between the calculated overpayment and the final DOH and DOB approved amount will be resolved with the Facility by the OMIG Bureau of Collections Management.

In accordance with 18 NYCRR Part 518 which regulates the collection of overpayments, your repayment options are described below.

OPTION #1: Make full payment by check or money order within 20 days of the date of the final audit report. The check should be made payable to the New York State Department of Health and be sent with the attached Remittance Advice to:

[REDACTED]
New York State Department of Health
Medicaid Financial Management
GNARESP Corning Tower, Room 1237
File #04-1383
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 [REDACTED] at [REDACTED]

Sincerely,

[REDACTED]
Rate Audit Manager
Division of Medicaid Audit
Audit Management and Development
Office of the Medicaid Inspector General

Enclosure

- Attachment A -Facility Draft Report Comments and OMIG Response
- Attachment B -Summary of Changes from Revised Draft Report to Final Report
- EXHIBIT I -Summary of Per Diem Impact and Medicaid Overpayment
- EXHIBIT II -Summary of Medicaid Rates Audited
- EXHIBIT III -Property Expense Disallowances
- EXHIBIT IV -Per Diem Disallowances

CERTIFIED MAIL # [REDACTED]
Return Receipt Requested

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

NAME AND ADDRESS OF AUDITEE

Wartburg Nursing Home
C/O The Lutheran Care Network
277 North Avenue, Suite 201
New Rochelle, New York 10801

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

AUDIT # 04-1383

AMOUNT DUE: \$816,978

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 1237
File #04-1383
Albany, New York 12237-0048

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

CORRECT PROVIDER NUMBER

**WARTBURG NURSING HOME - AUDIT # 04-1383
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 report response comments. See Attachment B for adjustment changes for final audit report.

EXHIBIT III COMMENTS

Adjustment #1 - Building/Fixed Equipment Depreciation Disallowance

Facility Comment

The Facility argued that depreciation expenses related to G. Fazio construction improvement "was premised upon a reasonable and well-supported estimate of the respective use each facility was to make of the improved spaces." The Facility also commented that the depreciation made by OMIG was "unwarranted and should be vacated" because "the proposed depreciation in total was justified and because the allocation as between the two Homes sharing the common campus was rational".

OMIG Response

The Facility did not provide OMIG statistics regarding shared space by Wartburg Nursing Home (WNH) and Wartburg Lutheran Home for the Aging (WLHA). Also, OMIG did not receive documentation showing how depreciation expense was allocated between the two facilities. The issue was discussed and explained to the representatives of the Facility a number of times during various meetings. OMIG determined depreciation expense by allocating cost on the basis of cost allocation statistics provided by Loeb and Troper.

Also, the Facility did not provide OMIG documentation related to various improvements for 2005 through 2007 rate years (2003 through 2005 cost year).

Disposition: The Facility's response was partially recognized.

Adjustment #2 - Property Insurance Expense Disallowances

Facility Comment

To the extent that the audit team proposes to disallow these actually incurred, actually paid property insurance expenses based upon the allocation of those expenses between and among the facilities covered, the proposed disallowance in this area is inappropriate and unjustified. The allocation was rational.

OMIG Response

Documents submitted by the Facility related to property insurance were a payment history from Cool Insuring Agency for transactions made with Wartburg Lutheran Services for the period January 1, 2001 through December 31, 2004, and a Hagedorn payment confirmation for WLHA for the period from 2004 through 2006. An analysis of the documents revealed that WNH was one of the thirteen other facilities that were under Wartburg Lutheran Services, the parent company. Five of the listed facilities were located at the same address, within the same premises as WNH. The insurance premium for all the facilities was billed together and paid by the parent company. Due to the lack of adequate documentation, it could not be determined how much of the total property insurance premium pertained

to WNH. The Facility could not provide us with insurance contract, nor did it provide a proper allocation of insurance expenses among the facilities located at the same premise with WNH. The Facility did not submit documentation in support of its claim that it **allocated** the expenses properly and that the allocation was rational.

The Facility provided OMIG insurance schedules that identified property and boiler insurance expenses for WNH pertaining to cost years 2004 and 2005. In the absence of adequate documentation, an average of 2004 and 2005 property and boiler insurance expenses was calculated and considered for reimbursement. It is to be noted that this adjustment was discussed in detail with the Facility and its representatives during various meetings. Also, workpapers were submitted to the Facility properly during exit conference and a subsequent meeting. Workpapers explaining this adjustment and all other adjustments were also mailed to the Facility with the Amended Draft Audit Report.

Disposition: The Facility's response was not recognized.

Adjustment #4 – Real Estate Tax Disallowance

Facility Comment

For all rate years, including 2007, the real estate taxes levied on the property were paid. The proposed disallowance of \$21,955 for 2007 was unwarranted, and also should be vacated.

OMIG Comment

The disallowance of \$22,034 comprises two components: real estate tax (\$9,468 per 2005 RHCF-4) and Wartburg Lutheran Services property (\$12,566 per 2005 RHCF-4 and 2005 general notepad). In either case, the Facility did not submit adequate documentation to support the expenses reported. It should be noted that voluntary and 28-A nursing facilities are exempted from New York City real property tax. The adjustment remains the same.

Disposition: The Facility's response was not recognized.

Adjustment #5 – Undocumented Rental Equipment Expenses

1) 2005 New York Home Health Care Big Boy Beds:

Facility Comment

The Home, under an agreement with New York Home Health Care, purchased certain respiratory-related items and Big Boy beds. Documents previously furnished to the audit team established that these payments were made."

OMIG Comment

OMIG Response

Based upon the documentation provided by the Facility, invoices related to New York Home Health Care identified three rental items (Heavy Duty Compressor, Big Boy Beds and Bi-pap Machine). The total rental value related to these items (\$29,165) was considered as allowable expense. The amount reported on the 2005 RHCF-4 Report was \$34,775. The difference of \$5,610 could not be substantiated by the Facility and was disallowed.

Disposition: The Facility's response was partially recognized.

2) 2004 and 2005 Jacom Computer Equipment Rental

Facility Comment

The original contract with Jacom was entered into in 1999, governing its dealings with all Wartburg Lutheran Services entities. The relevant documents reflect payments made by the Home to Jacom, specifically for equipment at 50 Sheffield Avenue in Brooklyn, at the Home.

OMIG Comment

Payment history obtained from the Facility shows one single entry of \$226 from cost period 2004. Also, an invoice of \$226 was found to substantiate the amount. The Facility comment, "The relevant documents reflect payments made by the Home to Jacom" does not have any basis as far as 2004 cost year payments (barring one month) are concerned. It should be noted that, according to the Facility comment, the lease contract was signed between Wartburg Lutheran Services (parent company/head office) and Jacom Computers. No document was made available to indicate at what entity these computers were used, whether it be Wartburg Lutheran Services (parent company/head office), Wartburg Nursing Home, or Wartburg Lutheran Home for the Aging.

For computer expenses related to 2005 cost period, the Facility reported three different computers equipment in the RHCF-4. Two of these items were referred to as 'computer equipment rental' (\$14,373 and \$60). The other item was referred to as Jacom Computers (\$535). No documents were made available related to the first two items. For the third item, the Facility submitted a payment history for Jacom Computers. The payment history did not indicate that any payment was made to Jacom Computers in 2005. As a result, all expenses related to computer rental were disallowed.

Disposition: The Facility's response was not recognized.

3) 2001 through 2003 Equipment Rentals

Facility Comment

Documents reflecting the equipment leased, and the Home's payment histories, were furnished to the audit team in the past. Therefore, proposed disallowances for 2001 expenditures with New York Home Health Care; for 2002 expenditures with Bi-Pap Machine and GE Capital expenses; and for 2003 expenditures with New York Home Health Care, Myziva Software, GE Capital, Pitney Bowes and Arch Wireless, should be eliminated.

OMIG Comment

New York Home Health Care (2001): The disallowance was eliminated from the final audit report.

Disposition: The Facility's response for the 2001 expenditures was recognized.

New York Home Health Care (2002)

New York Home Health Care (2002)

Based upon the documentation provided by the Facility, invoices related to New York Home Health Care identified three rental items (Heavy Duty Compressor, Big Boy Beds and Bi-pap Machine). The total rental value related to these items (\$14,400) was considered as allowable expense. The amount reported on the 2002 RHCF-4 Report was \$34,678. The difference of \$20,278 could not be substantiated and was disallowed.

Disposition: The Facility's response was partially recognized.

New York Home Health Care (2003)

Based upon the documentation provided by the Facility, invoices related to New York Home Health Care identified three rentals (Heavy Duty Compressor, Big Boy Beds and Bi-pap Machine). Total rental value related to these items (\$22,350) was considered as allowable expense. The amount reported on the 2003 RHCF-4 Report was \$27,652. The difference of \$5,302 could not be substantiated and was disallowed.

Disposition: The Facility's response was partially recognized.

GE Capital 2002

GE Capital rental agreement provided by the facility lists two rentals, one for \$712/month and another for \$330/month. The rental for \$712 could be traced to payment history. The reported amount per RHCF-4 was \$312. The contract was signed on behalf of the Wartburg Lutheran Home for the Aging (WLHA). When there is more than one entity conducting operations at the same location, it is hard to determine which facility is using the equipment unless definitive documentation is received from the facility on the issue. The Facility did not submit documentation showing allocation of expenses. We took into consideration \$712 (its being in the payment history) for reimbursement and allocated the amount as per the stats provided by Loeb and Troper.

Disposition: The Facility's response was not recognized.

GE Capital 2003

The contract was made out to WLHA and the amount listed in the contract was \$329. This amount is supported by the billing history. However, the billing history amount included charges such as: late charges, insurance, and "other". If the tax and late charges are added to the actual lease payment the total is \$389.04, close to the reported amount on the RHCF-4 Report, which is \$399.00. There is another item listed in the lease agreement for \$267.00 which could not be traced to the RHCF-4 Report. The contracts for these two items are dated April 16, 2003 and August 14, 2003, respectively. The RHCF-4 Report shows the contract period for 12 months in both cases (1/1/2003). This was adjusted in the analysis to follow actual dates per the contract. Again, we considered items traced to the payment history and allocated the amounts using allocation percentage obtained from Loeb and Troper.

Disposition: The Facility's response was not recognized.

GE Capital 2004

The Facility reported five rental items in the RHCF-4 from GE Capital of varying amounts, none of which ties in with the available rental agreements. However, as some of the rental agreements are still valid from previous years, we took the same amounts from the previous years and allocated them. One item (\$182) could not be substantiated either from the lease agreement or payment history.

Disposition: The Facility's response was not recognized.

GE Capital 2005

We applied the same methodology as we did in 2004. Once again, an item for \$79 could not be substantiated either from the lease agreement or payment history.

Disposition: The Facility's response was not recognized.

Myziva Software (2003 - 2005)

No documentation was received from the Facility to substantiate the 2003 and 2005 expenses. In addition, the Facility reported monthly rental of \$575 in 2004. However, the vendor reduced the rental to \$350 per month via a letter to the Facility on April 13, 2004. A disallowance was made for the excess amount of \$225 (\$575 - \$350).

Disposition: The Facility's response was not recognized.

Adjustment #6 & #7 - Mortgage Principal Amortization & Mortgage Expense Amortization

Facility Comment (pertains to Adjustments #6 & #7)

Documents establish that the New York State Housing Finance Agency received required principal payments, including all sums proposed to be disallowed. The proposed disallowances of \$5,000 and \$19,932, respectively, should be reversed.

OMIG Comment (Adjustment #6)

There was discrepancy between the amount reimbursed in the rate sheet (\$135,000) and the amount reported on the RHCF-4 Report (\$130,000). Based on documents provided by the Facility, the \$130,000 amount, as reported on the Facility's RHCF-4 Report, was accepted on audit.

Disposition: The Facility's response was not recognized.

OMIG Comment (Adjustment #7)

The Facility did not provide OMIG documentation related to mortgage expenses. As a result, a disallowance was made.

Disposition: The Facility's response was not recognized.

Adjustment #9 – Wartburg Lutheran Services Property Expense Disallowance

Facility Comment

This newly-added disallowance for a related company expense was not identified in the previous OMIG submissions. Even if properly raised at the late date, the specific basis for the proposed disallowance is not clear. The related company expenses were appropriately identified, and were accounted for pursuant to generally accepted accounting principles. Thus, this proposed disallowance should be eliminated.

OMIG Comment

The Facility's comment that "This newly-added disallowance for a related company expense was not identified in the previous OMIG submissions;" is not correct. This adjustment was incorporated in the Exit Conference Summary (adjustment #11) and also in the Amended Draft Audit Report (adjustment #9). The adjustment is incorporated as adjustment #9 in the Final Audit Report. So, this is not a newly-added or raised at this late date adjustment.

The Facility might have appropriately identified or accounted for this expense pursuant to GAAP as it claims. However, OMIG was not provided with documentation in support of this claim. It should be noted that every adjustment in all the reports including this one that has been discussed at great length with the Facility and its representatives (independent accountant Loeb and Troper and Attorney from Ward Norris Heller & Reidy LLP). Also, OMIG submitted backup workpapers explaining all the adjustments from every single report that was submitted to the Facility.

Disposition: The Facility's response was not recognized.

Exhibit IV: Per Diem Adjustment – Medical Model of Care

Facility Comment

As you may know, the Home previously filed negative rate appeals with respect to this issue; those rate appeals have not yet been processed. In addition, Wartburg generally objects to the determination of any audit adjustments or disallowances pending the processing and determination of *all* (emphasis by the Facility) rate appeals filed by the Home, for all the rate years at issue."

OMIG Comment

Pursuant to an appeal approved by the Bureau of Long Term Care Reimbursement (the "BLTCR"), beginning with the October 1, 1994 rate, the Facility has been reimbursed for the Alternative Models of Ensuring Access to Primary Care in Nursing Facilities Demonstration Project (Medical Models of Care). The Facility received these funds in the form of a per diem add-on for the specific purpose of hiring physicians, physician's assistants, and nurse practitioners for this project. As of July 1, 2004, the Facility terminated the Medical Models of Care and filed an appeal with the BLTCR requesting that the rates be adjusted to reflect the discontinuance of the project. That appeal is currently outstanding and the per diem add-on has remained in the Facility's rate. Consequently, the per diem was disallowed on audit.

Disposition: The Facility's response was not recognized.

WARTBURG NURSING HOME**SUMMARY OF CHANGES FROM REVISED DRAFT REPORT TO FINAL REPORT - AUDIT #04-1383**

EXHIBIT III - PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)	Rate Period	Revised Draft Disallowance (Allowance)	Change	Final Disallowance (Allowance)
1. BUILDING / FIXED EQUIPMENT - DEPRECIATION	2005	\$9,050	(\$768)	\$8,282
	2006	22,500	(1,184)	21,316
	2007	60,796	(46,516)	14,280
2. INSURANCE EXPENSE	2003	11,002	-	11,002
	2004	11,392	-	11,392
	2005	11,567	-	11,567
3. BOILER INSURANCE EXPENSE	2006	2,018	-	2,018
4. REAL ESTATE TAXES	2007	22,034	-	22,034
5. EQUIPMENT RENTAL EXPENSES	2003	309	-	309
	2003	1,489	-	1,489
	2003	2,125	-	2,125
	2003	16,097	(16,097)	-
	2004	4,690	-	4,690
	2004	34,320	(10,164)	24,156
	2004	842	-	842
	2005	25,163	(12,131)	13,032
	2006	1,537	-	1,537
	2006	10,399	-	10,399
	2007	14,968	-	14,968
	2007	4,090	-	4,090
	2007	18,060	(8,426)	9,634
6. MORTGAGE PRINCIPAL AMORTIZATION	2003	5,000	-	5,000
7. MORTGAGE EXPENSE AMORTIZATION	2006	20,004	-	20,004
8. AUTO INSURANCE EXPENSE	2005	10,160	-	10,160
	2006	8,020	-	8,020
9. WARTBURG LUTHERAN SERVICES PROPERTY	2006	7,473	-	7,473
EXHIBIT IV - PER DIEM DISALLOWANCES/(ALLOWANCES)				
MEDICAL MODEL OF CARE PER DIEM	01/01/05 - 12/31/05	6.49	-	6.49
	01/01/06 - 03/31/06	6.65	-	6.65
	04/01/06 - 12/31/06	6.64	-	6.64
	01/01/07 - 03/31/07	6.81	-	6.81
	04/01/07 - 12/31/07	6.76	-	6.76

WARTBURG NURSING HOME
RATE PERIODS JANUARY 1, 2003 THROUGH DECEMBER 31, 2007
SUMMARY OF PER DIEM IMPACT AND MEDICAID OVERPAYMENT

RATE PERIOD	ISSUED RATES*		FINAL RATES		RATE	MEDICAID DAYS	MEDICAID OVERPAYMENT
	Medicare Part B		Medicare Part B		DECREASE (INCREASE)		
	Non-Elig.	Eligible	Non-Elig.	Eligible			
01/01/03 - 01/31/03	\$206.72	204.59	\$206.13	204.00	\$ 0.59	2,681	\$ 1,582
02/01/03 - 04/30/03	207.42	205.29	206.83	204.70	0.59	7,685	4,534
05/01/03 - 07/31/03	213.16	211.03	212.57	210.44	0.59	8,031	4,738
08/01/03 - 10/31/03	208.11	205.98	207.52	205.39	0.59	7,890	4,655
11/01/03 - 12/31/03	211.64	209.51	211.05	208.92	0.59	4,873	2,875
01/01/04 - 01/31/04	219.35	217.18	218.19	216.02	1.16	2,618	3,037
02/01/04 - 03/31/04	218.78	216.61	217.62	215.45	1.16	4,943	5,734
04/01/04 - 04/30/04	218.78	216.61	217.62	215.45	1.16	2,494	2,893
05/01/04 - 07/31/04	220.19	218.02	219.03	216.86	1.16	8,025	9,309
08/01/04 - 10/31/04	212.69	210.52	211.53	209.36	1.16	8,484	9,841
11/01/04 - 12/31/04	214.38	212.21	213.22	211.05	1.16	5,251	6,091
01/01/05 - 01/31/05	214.67	212.46	206.96	204.75	7.71	2,439	18,805
02/01/05 - 04/30/05	212.43	210.22	204.72	202.51	7.71	7,739	59,668
05/01/05 - 06/30/05	219.75	217.54	212.04	209.83	7.71	5,685	43,831
07/01/05 - 07/31/05	225.05	222.84	217.34	215.13	7.71	2,851	21,981
08/01/05 - 10/31/05	220.07	217.86	212.36	210.15	7.71	8,482	65,396
11/01/05 - 12/31/05	222.20	219.99	214.49	212.28	7.71	5,435	41,904
01/01/06 - 01/31/06	230.50	228.23	221.80	219.53	8.70	2,676	23,281
02/01/06 - 03/31/06	232.99	230.72	224.29	222.02	8.70	5,021	43,683
04/01/06 - 04/30/06	232.47	230.21	223.78	221.52	8.69	2,469	21,456
05/01/06 - 07/31/06	235.08	232.82	226.39	224.13	8.69	7,557	65,670
08/01/06 - 10/31/06	231.77	229.51	223.08	220.82	8.69	8,292	72,057
11/01/06 - 12/31/06	233.48	231.22	224.79	222.53	8.69	5,383	46,778
01/01/07 - 03/31/07	250.06	247.74	241.47	239.15	8.59	7,815	67,131
04/01/07 - 06/30/07	248.72	246.42	240.18	237.88	8.54	7,283	62,197
07/01/07 - 08/31/07	242.94	240.64	234.40	232.10	8.54	4,471	38,182
09/01/07 - 12/31/07	242.94	240.64	234.40	232.10	8.54	8,158	69,669
Total Medicaid Overpayment							\$ 816,978

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

WARTBURG NURSING HOME
RATE PERIODS JANUARY 1, 2003 THROUGH DECEMBER 31, 2007
SUMMARY OF MEDICAID RATES AUDITED

The Facility's Medicaid utilization ranged from approximately 95 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>	<u>ISSUED RATES</u>	
	<u>Non-Elig.</u>	<u>Eligible</u>
01/01/03 - 01/31/03	\$ 206.72	\$ 204.59
02/01/03 - 04/30/03	207.42	205.29
05/01/03 - 07/31/03	213.16	211.03
08/01/03 - 10/31/03	208.11	205.98
11/01/03 - 12/31/03	211.64	209.51
01/01/04 - 01/31/04	219.35	217.18
02/01/04 - 04/30/04	218.78	216.61
05/01/04 - 12/31/04	220.19	218.02
01/01/05 - 06/30/05	221.49	219.28
07/01/05 - 12/31/05	226.79	224.58
01/01/06 - 03/31/06	235.39	233.12
04/01/06 - 12/31/06	234.87	232.61
01/01/07 - 03/31/07	242.48	240.16
04/01/07 - 06/30/07	241.12	238.82
07/01/07 - 12/31/07	232.68	230.38

WARTBURG NURSING HOME
RATE PERIODS JANUARY 1, 2003 THROUGH DECEMBER 31, 2007
PROPERTY EXPENSE DISALLOWANCES

Expense Allowed on HE-128

Less Disallowances:

1. BUILDING/FIXED EQUIPMENT DEPRECIATION DISALLOWANCE

Building improvements in 2003, 2004, and 2005 were not properly documented by the provider. Consequently, depreciation expense related to these reported assets was disallowed.
 Regulations: 10 NYCRR Section 86-2.7, PRM-1 Section 2300

DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS				
				2003	2004	2005	2006	2007
Bldg. Depn.	001	\$ 8,282	98.81%	\$ 366,149	\$ 407,436	\$ 325,796	\$ 362,614	\$ 437,877
Bldg. Depn.	001	21,316	99.64%					
Bldg. Depn.	001	14,280	99.64%					
								14,228

2. PROPERTY INSURANCE EXPENSE DISALLOWANCES

The Facility was unable to adequately document reported property insurance expense. As a result, property insurance expense was adjusted to reflect the amount verified on audit.
 Regulations: 10 NYCRR Section 86-2.7, PRM-1 Section 2300

Property Ins.	005	11,002	99.97%	10,999				
Property Ins.	005	11,302	99.97%		11,369			
Property Ins.	005	11,567	99.80%			11,544		

3. BOILER INSURANCE EXPENSE DISALLOWANCE

The Facility was unable to adequately document reported boiler insurance expense. As a result, boiler insurance expense was adjusted to reflect the amount verified on audit.
 Regulations: 10 NYCRR Section 86-2.7, PRM-1 Section 2300

Boiler Ins.	001	2,018	99.64%					2,011
-------------	-----	-------	--------	--	--	--	--	-------

4. REAL ESTATE TAX DISALLOWANCE

The Facility was unable to adequately document reported real estate tax expense. As a result, real estate tax expense was adjusted to reflect the amount verified on audit.
 Regulations: 10 NYCRR Section 86-2.7, PRM-1 Section 2300

RE Tax	006	22,034	99.63%					21,952
--------	-----	--------	--------	--	--	--	--	--------

5. UNDOCUMENTED EQUIPMENT RENTAL EXPENSES

The Facility was unable to adequately document reported equipment rental expense. As a result, equipment rental expense was adjusted to reflect the amounts verified on audit.
 Regulations: 10 NYCRR Section 86-2.7, PRM-1 Section 2300

Equip. Rental	006	309	100.00%	309				
Equip. Rental	011	1,489	100.00%	1,489				
Equip. Rental	051	2,125	100.00%	2,125				
Equip. Rental	005	4,690	99.97%		4,688			
Equip. Rental	001	24,156	100.00%		24,156			
Equip. Rental	001	842	100.00%		842			
Equip. Rental	001	13,032	98.81%			12,877		
Equip. Rental	011	1,537	99.96%				1,536	
Equip. Rental	051	10,399	99.96%				10,395	
Equip. Rental	004	14,968	99.95%					14,961
Equip. Rental	005	4,080	99.95%					4,086
Equip. Rental	051	9,634	100.00%					9,634

WARTBURG NURSING HOME
RATE PERIODS JANUARY 1, 2003 THROUGH DECEMBER 31, 2007
PROPERTY EXPENSE DISALLOWANCES

6. MORTGAGE PRINCIPAL AMORTIZATION	DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS				
					2003	2004	2005	2006	2007
Audited mortgage principal amortization varied from the amortization allowed in the promulgated rates resulting in disallowances.									
Regulations: 10 NYCRR Sections 86-2.17(a)&(d), PRM-1 Section 2102.3									
		001	5,000	100.00%	5,000				

7. MORTGAGE EXPENSE AMORTIZATION	DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS				
					2003	2004	2005	2006	2007
The Facility was unable to adequately document reported mortgage expense. As a result, amortization of mortgage expense was disallowed in its entirety.									
Regulations: 10 NYCRR Section 86-2.7, PRM-1 Section 2300									
		001	20,004	99.64%				19,932	

8. AUTO INSURANCE EXPENSE DISALLOWANCES	DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS				
					2003	2004	2005	2006	2007
The Facility was unable to substantiate patient care related use of the reported automobiles. Consequently, reported automobile insurance expense was disallowed.									
Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300 & 2304									
		005	10,160	98.78%			10,036		
		005	8,020	99.96%				8,017	

9. WARTBURG LUTHERAN SERVICES PROPERTY EXPENSE DISALLOWANCE	DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS				
					2003	2004	2005	2006	2007
The Facility reported a related company expense identified only as "10.82% of Rel. Co. Property total Wartburg Lutheran Svcs. property". The Facility was unable to provide any documentation as to the nature of this reported amount. The reported expense was disallowed.									
Regulations: 10 NYCRR Section 86-2.7, PRM-1 Section 2300									
		001	7,473	99.96%				7,470	

Total Disallowances			\$ 19,922	\$ 41,075	\$ 42,641	\$ 70,600	\$ 64,863
TOTAL AUDITED PROPERTY EXPENSE			\$ 346,227	\$ 388,383	\$ 283,145	\$ 312,014	\$ 373,014

WARTBURG NURSING HOME
RATE PERIODS JANUARY 1, 2003 THROUGH DECEMBER 31, 2007
PER DIEM DISALLOWANCES

PER DIEM ADJUSTMENT – MEDICAL MODEL OF CARE

Pursuant to an appeal approved by the Bureau of Long Term Care Reimbursement (the "BLTCR"), beginning with the October 1, 1994 rate, the Facility has been reimbursed for the Alternative Models of Ensuring Access to Primary Care in Nursing Facilities Demonstration Project (Medical Models of Care). The Facility received these funds in the form of a per diem add-on for the specific purpose of hiring physicians, physicians assistants, and nurse practitioners for this project. As of July 1, 2004, the Facility terminated the Medical Models of Care and filed an appeal with the BLTCR requesting that the rates be adjusted to reflect the discontinuance of the project. That appeal is currently outstanding and the per diem add-on has remained in the Facility's rate. Consequently, the per diem was disallowed on audit.

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

	<u>RATE PERIODS</u>				
	<u>01/01/06 -</u> <u>2005</u>	<u>04/01/06 -</u> <u>3/31/2006</u>	<u>01/01/07 -</u> <u>12/31/2006</u>	<u>4/01/07 -</u> <u>03/31/07</u>	<u>12/31/2007</u>
MEDICAL MODEL OF CARE PER DIEM DISALLOWANCE	\$ 6.49	\$ 6.65	\$ 6.64	\$ 6.81	\$ 6.76