



Office of Audit Services
Region I
John F. Kennedy Federal Building
Boston, MA 02203
(617) 565-2684

February 13, 2004

CIN: A-01-04-00002

Mr. John Iovieno
Chief Financial Officer
CPL Subacute LLC
955 South Main Street
Middletown, CT 06457

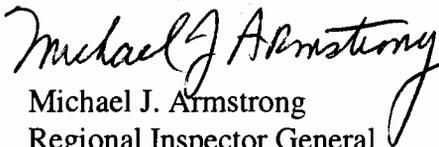
Dear Mr. Iovieno:

Enclosed are two copies of the U.S. Department of Health and Human Services (HHS), Office of Inspector General, Office of Audit Services' (OAS) report entitled "Cedar Lane Health and Rehabilitation Center Nursing Facility Costs Reported and Used in the Connecticut Medicaid Rate Setting Process for the Cost Year ending September 30, 2002." Should you have any questions or comments concerning the matters commented on in this report, please direct them to the HHS official named below.

In accordance with the principles of the Freedom of Information Act, 5 U.S.C. 552, as amended by Public Law 104-231, OIG reports issued to the Department's grantees and contractors are made available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act which the Department chooses to exercise. (See 45 CFR Part 5.)

To facilitate identification, please refer to report number A-01-04-00002 in all correspondence.

Sincerely,


Michael J. Armstrong
Regional Inspector General
for Audit Services

Enclosures - as stated

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**CEDAR LANE HEALTH AND
REHABILITATION CENTER NURSING
FACILITY COSTS REPORTED AND
USED IN THE CONNECTICUT
MEDICAID RATE SETTING PROCESS
FOR THE COST YEAR ENDING
SEPTEMBER 30, 2002**



**FEBRUARY 2004
A-01-04-00002**

Office of Inspector General

<http://oig.hhs.gov>

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

Office of Audit Services

The OIG's Office of Audit Services (OAS) provides all auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations in order to reduce waste, abuse, and mismanagement and to promote economy and efficiency throughout the department.

Office of Evaluation and Inspections

The OIG's Office of Evaluation and Inspections (OEI) conducts short-term management and program evaluations (called inspections) that focus on issues of concern to the department, the Congress, and the public. The findings and recommendations contained in the inspections reports generate rapid, accurate, and up-to-date information on the efficiency, vulnerability, and effectiveness of departmental programs.

Office of Investigations

The OIG's Office of Investigations (OI) conducts criminal, civil, and administrative investigations of allegations of wrongdoing in HHS programs or to HHS beneficiaries and of unjust enrichment by providers. The investigative efforts of OI lead to criminal convictions, administrative sanctions, or civil monetary penalties. The OI also oversees state Medicaid fraud control units, which investigate and prosecute fraud and patient abuse in the Medicaid program.

Office of Counsel to the Inspector General

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support in OIG's internal operations. The OCIG imposes program exclusions and civil monetary penalties on health care providers and litigates those actions within the department. The OCIG also represents OIG in the global settlement of cases arising under the Civil False Claims Act, develops and monitors corporate integrity agreements, develops model compliance plans, renders advisory opinions on OIG sanctions to the health care community, and issues fraud alerts and other industry guidance.

Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC
at <http://oig.hhs.gov>

In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104-231), Office of Inspector General, Office of Audit Services reports are made available to members of the public to the extent the information is not subject to exemptions in the act. (See 45 CFR Part 5.)

OAS FINDINGS AND OPINIONS

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed, as well as other conclusions and recommendations in this report, represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the HHS divisions will make final determination on these matters.





DEPARTMENT OF HEALTH & HUMAN SERVICES OFFICE OF INSPECTOR GENERAL

Office of Audit Services
Region I
John F. Kennedy Federal Building
Boston, MA 02203
(617) 565-2684

February 13, 2004

Report Number: A-01-04-00002

Mr. John Iovieno
Chief Financial Officer
CPL Subacute LLC
955 South Main Street
Middletown, CT 06457

Dear Mr. Iovieno:

The purpose of this letter is to report the results of our review of Cedar Lane Health and Rehabilitation Center, LLC for the 2002 cost year ending September 30, 2002. The objective of our audit was to determine whether the nursing facility costs reported and used in the rate setting process were in accordance with the terms of the state Medicaid plan and applicable Federal regulations. We found the reported costs to be in compliance with applicable Federal and State regulations. Accordingly, we have no further comments or recommendations to make regarding this review.

BACKGROUND

Title XIX of the Social Security Act (the Act) created the Medicaid Program authorizing grants to states to provide medical assistance for persons with limited income and resources. The Medicaid Program is jointly financed by the Federal and State Governments and is administered by each State in accordance with a State Plan approved by the Centers for Medicare & Medicaid Services. One part of the program is to provide medical assistance to eligible beneficiaries that are residents of Medicaid certified nursing facilities.

Under the Connecticut State Plan, each nursing facility is required to submit a cost report summarizing the costs incurred in providing services to eligible beneficiaries. The cost report also identified the total number of resident days that services were provided. The costs and days were used to calculate the "total cost per resident day."

Cedar Lane Rehabilitation & Health Care Center, Inc. is a nursing facility located in Connecticut owned and managed by CPL Subacute LLC. Cedar Lane has 180 Medicaid beds including 30 Specialized Long Term Care (SLTC) beds for traumatically brain injured patients. The type of licensure for our review of Cedar Lane is the Chronic and Convalescent Hospital (CCH) rate, which is the rate for nursing home facilities based on the level of care for the patients.

The current Medicaid rate for Cedar Lane is an interim rate set by the Department of Social Services. Before July 1, 2001 Connecticut issued a combined rate for the CCH and SLTC patients. On July 1, 2001 the State issued separate rates for the CCH patients and SLTC patients. The interim rates shall remain in effect until Connecticut performs a field audit of actual costs used to calculate the final per diem rate.

OBJECTIVE, SCOPE AND METHODOLOGY

The objective of our review was to determine whether nursing facility costs reported and used in the rate setting process were allowable in accordance with the terms of the state Medicaid plan and applicable Federal regulations.

To accomplish our objectives, we:

- reviewed Federal and State regulations and the approved State plan;
- gained an understanding of the rate setting process;
- interviewed nursing home officials and management office officials;
- examined nursing home documentation supporting the costs in the 2002 Cost Report; and
- reviewed the policies and procedures of Cedar Lane Rehabilitation and Nursing Home and CPL Subacute, Inc.

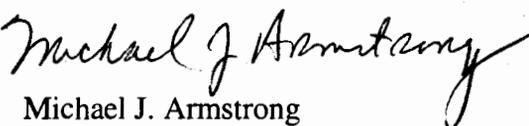
Our review was conducted in accordance with generally accepted government auditing standards. We conducted our fieldwork for the review at CPL Subacute, LLC in Middletown, Connecticut, Cedar Lane Rehabilitation & Health Care Center, Inc. in Waterbury, Connecticut and the OIG office in Boston, Massachusetts from November 2003 through January 2004.

FINDINGS AND RECOMMENDATIONS

We found the reported costs to be in compliance with applicable Federal and State regulations. Accordingly, we have no further comments or recommendations to make regarding this review.

To facilitate identification, please refer to Common Identification Number A-01-04-00002 in any correspondence relating to the report. Please contact Lori Pilcher, Audit Manager, at (617) 565-2685 if you have any questions.

Sincerely,



Michael J. Armstrong
Regional Inspector General
for Audit Services