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Nursing Homes Here Live in a 'Never-Never Land' Of Accounting, State Costs Commission Reports

By JOHN L. HESS

A study of 25 nursing homes here shows that 21 are insolvent by their own accounts, the Temporary State Commission on Living Costs reported yesterday. But an official added that their figures appeared to arise from "a never-never land of accounting."

Assemblyman Andrew J. Stein, chairman of the commission, called for an investigation of the homes' bookkeeping by the State Society of Certified Public Accountants and the State Board of Education, which licenses C.P.A.'s. He also urged that Federal authorities look to the safety of any withheld taxes due from the homes.

Accountants for the commission examined the 1973 reports filed by 25 of the city's 111 nursing homes as a basis for reimbursement by Medicaid. All must be certified by independent C.P.A.'s.

The analysis found that at the end of the year, only four of the 25 homes had current assets exceeding current liabilities. Collectively, the 25 reported current assets of $3.006,900 and current liabilities of $11,911,200.

'Crazy' Accounting

The commission's accountants labeled as "crazy" the fact that two of the nursing homes reported minus figures in their current assets position. In other words, they were overdrawn at the bank, but listed the overdrafts as assets.

Although the 25 homes were virtually entirely supported by Medicaid on a cost-plus basis, they reported that they had lost a total of about $2-million last year. However, they paid operators, including some relatives, salaries of about $1-million; extended them loans of $1-million, paid rents of $5-million and paid contract service companies $3.5-million.

Mr. Stein suggested that the latter figures might help to explain how the operators survived a disaster year.

According to the commission's accountants, one of the homes that reported a deficit as an asset was the Silver Lake, on Staten Island, a member of the Solomon Heisler group of nursing homes linked by the commission to the Bernard Bergman syndicate.

The C.P.A. who signed the Silver Lake report was Martin Friedman, who in 1973 was listed as accountant for 15 New York homes at fees totaling $119.975. His report for the Meadow Park Nursing Home in Flushing, Queens, also listed him as a part owner of the property.

The State Medicaid law calls for such reports to be certified by an independent C.P.A., and the Code of Professional Ethics of the American Institute of Certified Public Accountants says independence "will be considered to be impaired if, for example . . . he or his firm had . . . any direct or material indirect financial interest in the enterprise; or had any joint closely held business investment with the enterprise or any officer."

"First of all, a 5 per cent ownership is not an ownership," Mr. Friedman said in a telephone interview. "I have nothing to do with the nursing home."

Mr. Friedman said that most of the books had passed state audit with a high rate of approval.

The second home to show what the commission accountants called a "negative cash asset position" was the Towers, on Central Park West at 106th Street, where auditors of the State Welfare Inspector General's office have reported millions of dollars of loans and expenditures unaccounted for. The Towers closed this month as the audit continued; its owner, Mr. Bergman, went abroad and has defied the commission's subpoenas.

Office Is Shared

The Towers report was certified by Samuel Dashowitz, a C.P.A. who nominally shares an office with seven others at 25 West 43d Street but does not work there, according to a secretary who answered the telephone. Mr. Dachowitz signed 12 nursing-home reports last year, all said to be in the Bergman syndicate, and was listed as collecting $105,425 in fees. Reached at his home, he declined to comment on his or his clients' affairs.

The Welfare Inspector General's office recently has questioned the independence of two other C.P.A.'s specializing in nursing homes. They are Ernest Dicker, an officer of the Metropolitan New York Nursing Home Association, who drew at least $107,015 last year from 14 homes either as a C.P.A. or as director or consultant, and Lewis Fischman, who certified reports of five homes for undetermined fees.

Mr. Dicker was reproached by the office for serving the Forest View Nursing Home as a C.P.A. while engaged in a business project with one of the property owners. He said the project fell through and did not affect his independence.

Borrowing Reported

Mr. Fischman was reported to have borrowed $15,000 from the Long Island Nursing Home while he was its C.P.A. He told the inspector general's office that it was an advance on fees. Reached by telephone yesterday, he said that the audit had never been submitted to him, and said: "I insist that I was an independent party, and there was full disclosure."

The 25 reports studied by the Stein commission were in the main from what it regards as members or associates of the Bergman syndicate. But a State Health Department official said recently: "We've done 118 audits so far, and all have problems."

The audits were samplings of 1969 and 1970 accounts, done over the last three years. Before 1971, there were no field audits of nursing homes: their reports were accepted as accurate and contested only on the basis of apparent departures from allowable costs.

Official auditors have repeatedly complained about the condition of nursing-home records. When City Commissioner of Investigation Louis I. Kaplan ordered a full-scale inquiry into the industry in 1959, one of his accountants recalled recently, "I looked and said I wasn't going to have 100 sacks of garbage dumped on my desk."

Instead, it was decided to examine the homes on the basis of payroll records. Frauds totaling $4.6-million were alleged in this category alone. The industry admitted fraud and paid back $600,000.

The state health offical said operators of nursing homes kept their assets low or non-existent—even though Medicaid would allow them a 10 per cent profit on equity—because they earn more by borrowing heavily to invest in other nursing homes. The interest on their debt is largely paid by Medicaid, along with depreciation often inflated by sales among the operators.