APPELLATE DIVISION OF THE SUPREME COURT OF THE STATE OF NEW YORK, THIRD DEPARTMENT

Matter of Richmond Ctr. for Rehabilitation & Specialty Healthcare v. McDonald

2026 NY Slip Op 03856 · No. CV-25-0153 · Decided June 18, 2026

SUMMARY

The Appellate Division, Third Department, affirmed dismissal of a combined CPLR article 78 proceeding and declaratory judgment action challenging Medicaid reimbursement-rate determinations by the New York State Department of Health. The court held that excluding the value of land from the capital reimbursement calculation was rational and consistent with applicable regulations, while the petitioner's other rate and sales-tax challenges were untimely or barred for failure to exhaust administrative remedies.

CASE DETAILS

COURT	Appellate Division of the Supreme Court of the State of New York, Third Department
WRITING FOR THE COURT	Pritzker, J.P.; Ceresia, J.; Fisher, J.; McShan, J.; Corcoran, J.
JURISDICTION	New York Supreme Court, Appellate Division, Third Department
DECIDED	June 18, 2026
DOCKET	CV-25-0153
DISPOSITION	affirmed
PROCEDURAL POSTURE	Appeal from a judgment of Supreme Court, Albany County, granting respondents' motion to dismiss a combined CPLR article 78 proceeding and declaratory-judgment action.
STANDARD OF REVIEW	Under CPLR article 78, the court reviews whether the agency determination violated lawful procedure, was affected by an error of law, or was arbitrary and capricious or an abuse of discretion. Rate-setting actions by the Commissioner of Health receive a high degree of judicial deference and will not be disturbed absent a compelling showing that the methodology was unreasonable and unsupported by evidence.
PRECEDENTIAL VALUE	published

PARTIES	Richmond Center for Rehabilitation and Specialty Healthcare v. James McDonald, as Commissioner of Health, New York State Department of Health, other respondents

TOPICS

health law · judicial review of agency action · administrative law · exhaustion of remedies · statute of limitations

PRACTICE AREAS

health law · administrative law · appellate procedure · civil procedure

QUESTIONS PRESENTED

1. Whether DOH acted arbitrarily or capriciously by excluding the value of land acquired by petitioner's for-profit facility from the Medicaid capital reimbursement-rate calculation.
2. Whether petitioner's challenges to the 2013 and 2014 reimbursement-rate methodology were time-barred because they were not commenced within four months after receipt of the initial rate computation sheets.
3. Whether petitioner's sales-tax reimbursement challenges were barred because petitioner failed to appeal to DOH within the 120-day period required by regulation.

HOLDINGS

1. DOH's exclusion of the value of petitioner's acquired land from the Medicaid reimbursement-rate calculation was rational and was not arbitrary and capricious.
2. The agency's Medicaid rate-setting methodology was entitled to substantial judicial deference and could not be annulled absent a compelling showing that it was unreasonable and unsupported by evidence.
3. Petitioner's challenges to the 2013 and 2014 reimbursement rates were time-barred because they challenged the rate-setting methodology and were not commenced within four months after receipt of the initial rate computation sheets.
4. Petitioner's sales-tax challenges were properly dismissed because, whether characterized as methodological or computational, they were not timely pursued before DOH.

KEY QUOTATIONS

> *"Generally, rate-setting actions of the Commissioner [of Health], being quasi-legislative in nature, may not be annulled except upon a compelling showing that the calculations from which they derived were unreasonable"* (2026 NY Slip Op 03856, *2)

> *"It follows that rate-setting actions are determinations that are entitled to a high degree of judicial deference, and they will not be disturbed unless petitioners carry the heavy burden of demonstrating that the methodology used to calculate the rates is unreasonable and unsupported by any evidence"* (2026 NY Slip Op 03856, *2)

> *"having authored the promulgated text and exercised its legislatively delegated authority in interpreting it, the agency is best positioned to accurately describe the intent and construction of its chosen language"* (2026 NY Slip Op 03856, *4)

FACTUAL BACKGROUND

Petitioner operated a for-profit residential health care facility participating in New York's Medicaid program. After DOH revised petitioner's reimbursement rates in 2021, petitioner challenged the exclusion of the facility's land value from the capital-cost calculation and sought recalculation of rates and reimbursement for sales-tax expenditures. DOH denied the administrative appeal, concluding that land value was not includable under the applicable regulations and that the other claims were untimely.

PROCEDURAL HISTORY

Petitioner challenged New York Department of Health determinations concerning Medicaid reimbursement rates for a for-profit residential health care facility. Supreme Court dismissed the petition and complaint, concluding that DOH's exclusion of the land value from the reimbursement calculation was rational, that the 2013 and 2014 rate challenges were time-barred, and that the sales-tax challenges were barred by failure to exhaust administrative remedies. The Appellate Division affirmed.

DISPOSITION

affirmed

CASES CITED

- Matter of Concourse Rehabilitation & Nursing Ctr., Inc. v. Zucker, 217 AD3d 1189 (3d Dept 2023)
- Matter of Evercare Choice, Inc. v. Zucker, 218 AD3d 882, 885 (3d Dept 2023)
- Matter of John E. Andrus Mem., Inc. v. Commissioner of Health of the N.Y. State Dept. of Health, 225 AD3d 959, 961 (3d Dept 2024)
- Matter of Ventresca-Cohen v. DiFiore, 225 AD3d 9, 11 (3d Dept 2024)
- Matter of Nazareth Home of the Franciscan Sisters v. Novello, 7 NY3d 538, 544 (2006)
- Matter of Aaron Manor Rehabilitation & Nursing Ctr., LLC v. Zucker, 205 AD3d 1193, 1199 (3d Dept 2022), modified, 42 NY3d 46 (2024)
- Matter of Arnot Ogden Med. Ctr. v. New York State Dept. of Health, 214 AD3d 1195, 1197 (3d Dept 2023), leave to appeal denied, 41 NY3d 905 (2024)
- Matter of New York Univ. Med. Ctr. v. Axelrod, 188 AD2d 207, 210 (3d Dept 1993), leave to appeal denied, 81 NY2d 711 (1993)
- Matter of Tomei v. McDonald, 2026 NY Slip Op 01571, *2 (3d Dept 2026)
- Matter of Wayne Ctr. for Nursing & Rehabilitation, LLC v. Zucker, 197 AD3d 1409, 1414 (3d Dept 2021), leave to appeal denied, 37 NY3d 919 (2022)
- Pinnacle Nursing Home v. Axelrod, 126 AD2d 940, 940 (4th Dept 1987)
- Matter of Benenson v. Axelrod, 111 AD2d 453, 455 (3d Dept 1985)

- Matter of Atlanticare Mgt., LLC v. Ives, 212 AD3d 132, 138-139 (3d Dept 2022), leave to appeal denied, 40 NY3d 902 (2023)
- Matter of Amsterdam Nursing Home Corp. (1992) v. Daines, 68 AD3d 1591, 1592 (3d Dept 2009)
- Matter of Pinegrove Manor II, LLC v. Daines, 60 AD3d 767, 768 (2d Dept 2009), leave to appeal denied, 14 NY3d 713 (2010)
- Matter of Eastman Dental Ctr. v. Axelrod, 129 AD2d 254, 256 (3d Dept 1987)
