



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

584 Delaware Avenue, 2nd Floor
Buffalo, New York 14202

ANDREW M. CUOMO
GOVERNOR

JAMES G. SHEEHAN
MEDICAID INSPECTOR GENERAL

May 19, 2011

[REDACTED]
Elderwood Affiliates, Inc.
7 Limestone Drive
Williamsville, New York 14221

Re: Birchwood Health Care Center
Medicaid Rate Audit #05-1411
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 Birchwood Health Care Center's (the "Facility") Medicaid rates for the rate periods January 14, 1989 through December 31, 2003. 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.

Since you did not respond to our draft audit report dated March 8, 2011, the findings in the final audit report remain identical to 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 \$268,946. 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 #05-1411
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]
Director, Audit Resources Management
Division of Medicaid Audit
Audit Management and Development
Office of the Medicaid Inspector General

cc: [REDACTED]

Attachments:

- EXHIBIT I - Summary of Per Diem Impact and Medicaid Overpayment
- EXHIBIT II - Summary of Medicaid Rates Audited
- EXHIBIT III - Property Expense Disallowances
- EXHIBIT IV - Return on and Return of Real Property Equity Disallowances
- EXHIBIT V - Approved Project Cost #AEP 2142 Return on Real Property Equity Disallowance
- EXHIBIT VI - Return on Average Equity Disallowances
- EXHIBIT VII - Per Diem Disallowances
- EXHIBIT VIII - Miscellaneous Per Diem Disallowances

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

NAME AND ADDRESS OF AUDITEE

Birchwood Health Care Center
4800 Bear Road
Liverpool, New York 13088-4604

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

AUDIT #05-1411

AMOUNT DUE: \$268,946

	<input type="checkbox"/> PROVIDER
AUDIT	<input checked="" type="checkbox"/> RATE
TYPE	<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 #05-1411
Albany, New York 12237-0048

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

CORRECT PROVIDER NUMBER

BIRCHWOOD HEALTH CARE CENTER
RATE PERIODS JANUARY 14, 1989 THROUGH DECEMBER 31, 2003
SUMMARY OF PER DIEM IMPACT AND MEDICAID OVERPAYMENT

<u>RATE PERIOD</u>	<u>ISSUED PART B & D NON-ELIGIBLE RATES*</u>	<u>FINAL RATES PART B & D NON-ELIGIBLE RATES</u>	<u>RATE DECREASE (INCREASE)</u>	<u>MEDICAID DAYS</u>	<u>MEDICAID OVERPAYMENT</u>
01/14/89 - 12/31/92	<i>Rates not listed as there were no audit adjustments applicable to these rates</i>				
01/01/93 - 02/28/93	\$116.19	\$112.45	\$3.74	5,493	\$ 20,544
03/01/93 - 03/31/93	117.27	113.53	3.74	2,993	11,194
04/01/93 - 05/31/93	117.47	113.73	3.74	5,853	21,890
06/01/93 - 06/30/93	115.50	111.76	3.74	3,000	11,220
07/01/93 - 08/30/93	115.69	111.95	3.74	6,170	23,076
08/31/93 - 11/30/93	116.15	112.41	3.74	8,647	32,340
12/01/93 - 12/31/93	115.71	111.97	3.74	2,704	10,113
01/01/94 - 12/31/99	<i>Rates not listed as there were no audit adjustments applicable to these rates</i>				
01/01/00 - 02/29/00	127.95	126.38	1.57	4,656	7,310
03/01/00 - 05/31/00	129.43	127.86	1.57	6,762	10,616
06/01/00 - 08/31/00	129.90	128.33	1.57	6,395	10,040
09/01/00 - 11/30/00	129.34	127.77	1.57	5,841	9,170
12/01/00 - 12/31/00	129.85	128.28	1.57	1,900	2,983
01/01/01 - 02/28/01	134.71	132.97	1.74	3,650	6,351
03/01/01 - 05/31/01	132.62	130.88	1.74	5,382	9,365
06/01/01 - 08/31/01	131.52	129.78	1.74	5,567	9,687
09/01/01 - 11/30/01	132.63	130.89	1.74	5,467	9,513
12/01/01 - 12/31/01	133.97	132.23	1.74	1,796	3,125
01/01/02 - 02/28/02	140.58	139.05	1.53	3,410	5,217
03/01/02 - 03/31/02	139.59	138.06	1.53	1,790	2,739
04/01/02 - 05/31/02	151.31	149.78	1.53	3,711	5,678
06/01/02 - 08/31/02	153.47	151.94	1.53	5,933	9,077
09/01/02 - 11/30/02	152.58	151.05	1.53	6,333	9,689
12/01/02 - 12/31/02	153.88	152.35	1.53	2,223	3,401
01/01/03 - 02/28/03	147.50	146.49	1.01	4,054	4,095
03/01/03 - 05/31/03	149.50	148.49	1.01	5,993	6,053
06/01/03 - 08/31/03	148.93	147.92	1.01	6,330	6,393
09/01/03 - 11/30/03	145.85	144.84	1.01	6,029	6,089
12/01/03 - 12/31/03	146.46	145.45	1.01	1,958	1,978
Total Medicaid Overpayment					<u>\$ 268,946</u>

* 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.

BIRCHWOOD HEALTH CARE CENTER
RATE PERIODS JANUARY 14, 1989 THROUGH DECEMBER 31, 2003
SUMMARY OF MEDICAID RATES AUDITED

The Facility's Medicaid utilization was approximately 37 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 Medicare Part B & D Non-Eligible Rates *</u>
01/01/93 - 02/28/93	\$ 117.96
03/01/93 - 03/31/93	119.03
04/01/93 - 05/31/93	119.23
06/01/93 - 06/30/93	117.26
07/01/93 - 08/30/93	117.45
08/31/93 - 11/30/93	117.91
12/01/93 - 12/31/93	117.47
01/01/00 - 02/29/00	129.92
03/01/00 - 05/31/00	131.39
06/01/00 - 08/31/00	131.86
09/01/00 - 11/30/00	131.31
12/01/00 - 12/31/00	131.82
01/01/01 - 02/28/01	136.75
03/01/01 - 05/31/01	134.64
06/01/01 - 08/31/01	133.56
09/01/01 - 11/30/01	134.65
12/01/01 - 12/31/01	135.99
01/01/02 - 02/28/02	142.65
03/01/02 - 03/31/02	141.68
04/01/02 - 05/31/02	153.40
06/01/02 - 08/31/02	155.56
09/01/02 - 11/30/02	154.65
12/01/02 - 12/31/02	155.97
01/01/03 - 02/28/03	149.62
03/01/03 - 05/31/03	151.61
06/01/03 - 08/31/03	151.05
09/01/03 - 11/30/03	147.99
12/01/03 - 12/31/03	148.59

* 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.

BIRCHWOOD HEALTH CARE CENTER
RATE YEARS 2000 THROUGH 2003
PROPERTY EXPENSE DISALLOWANCES

	DESCRIPTION	COST CTR.	RATE YEARS			
			2000	2001	2002	2003
Expense Allowed on HE12-B			\$1,161,850	\$1,225,414	\$1,441,965	\$1,094,509
Less Disallowances:						
1. RETURN ON/OF REAL PROPERTY EQUITY DISALLOWANCE (EXHIBITS IV AND V)						
The real property historical costs, original mortgage, and accumulated real property reimbursement were adjusted to audited figures. Various other errors in the HE-12B allowance were also corrected. As detailed to the Facility during the course of the audit, these changes resulted in disallowances to the return on and return of real property equity.	Ret. on Equity	001	9,066	8,223	7,475	7,838
	Ret. of Equity	001	6,097	6,107	6,107	7,471
	APC Ret. on Eq.	002	2,446			
Regulations: 10 NYCRR Sections 86-2.21 & 86-2.17(d)						
2. OVERSTATED RETURN ON MOVABLE EQUIPMENT EQUITY (EXHIBIT VI)						
The audit of return on movable equipment equity disclosed the following adjustments:	Ret. on ME Eq.	001	13,453	51,410	31,349	16,009
a. Average equity was adjusted by the change in net investment that resulted from adjustment #1.						
b. Average equity was reduced by the APC real property net investment.						
c. Average equity was further reduced to eliminate cash balances held by the Facility in excess of six months.						
d. The Facility's average equity used to calculate the return on equity applicable to movable equipment was revised to reflect the elimination of the net book value of assets disallowed by audit.						
e. Average equity was reduced by the allocated net investment in Elderwood Associates, LP real property that had been included in Land/Leasehold Improvement Other.						
f. The equity allocated from Woodmark Pharmacy was also eliminated for the reason noted in adjustment #7.						
Regulations: PRM-1 Sections 1218.1 & 1218.2; 10 NYCRR Section 86-2.21(e)						
3. OVERSTATED DEPRECIATION ON MOVABLE EQUIPMENT						
a. The Bureau of Long Term Care Reimbursement has determined the nature of telephone expense to be an operating expense for residential health care facilities. Since the expense is included in the formula to determine base, mean, and ceiling prices used to establish the indirect corridor, the reimbursement of telephone expense in the capital component of the rate amounts to duplicate reimbursement. Thus, telephone depreciation expense was disallowed.	ME Depr.	002	2,091	2,074	2,216	2,026
Regulation: 10 NYCRR Section 86-2.17(d)						
b. The Facility incorrectly capitalized costs that should have been expensed as operating costs because they were for repairs, inventory, or supplies. These expenditures should have been expensed in accordance with generally accepted accounting principles and the guidelines and definitions included in the RHCf Accounting and Reporting Manual. Accordingly, the depreciation expense applicable to these costs was disallowed.	ME Depr.	002	696	697	697	697
Regulations: 10 NYCRR Sections 86-2.4, 451.181, & 451.230; NYS Accounting and Reporting Manual.						
c. The provider reported depreciation expense on televisions located in patient rooms on the RHCf-4 Report. Expenses associated with televisions in patient rooms are not reimbursable and were disallowed.	ME Depr.	002	2,481	2,574	2,574	2,600
Regulation: PRM-1 Section 2106.1						

BIRCHWOOD HEALTH CARE CENTER
RATE YEARS 2000 THROUGH 2003
PROPERTY EXPENSE DISALLOWANCES

	DESCRIPTION	COST CTR.	RATE YEARS			
			<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
4. DISALLOWANCE OF BARBER AND BEAUTY EXPENSE						
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), 86-2.18(a), PRM Section 2106.1, and the Medicare Benefit Policy Manual, Chapter 16-80						
	Property Ins.	005	18	6	20	33
	Ret. on Equity	001	166	152	156	137
	APC Ret. on Eq.	002	108	102	97	87
	Ret. of Equity	001	112	113	127	130
	Mtg. Interest	001	3,495	3,463	3,351	3,289
	Mtg. Amort.	001	277	309	1,487	166
5. INVESTMENT INCOME OFFSET						
Not all investment income applicable to the facility and the related companies was offset in the promulgated rates. The balance of investment income was offset for rate years 2000 through 2003.						
Regulation: 10 NYCRR Section 86-2.20(c)(1)						
6. AUTOMOBILE DEPRECIATION AND INSURANCE NOT RELATED TO PATIENT CARE						
The Facility included amounts allocated from Elderwood Affiliates, a related company, in movable equipment depreciation expense and movable equipment insurance expense. These allocated expenses were related to the operation of various motor vehicles that were assigned to administrative personnel at Elderwood Affiliates. The Facility could not provide records (mileage logs, etc.) to substantiate that the motor vehicles were related to business trips as opposed to personal use. Since the relationship to patient care could not be substantiated, the expenses were disallowed.						
Regulations: PRM-1 Sections 2102.3 & 2304; 10 NYCRR Sections 86-2.17(a) & 86-2.17(d)						
7. RELATED COMPANY EXPENSE DISALLOWANCE						
The Facility's base period for operating expense (May 1, 1985 through December 31, 1985) included reimbursement for the cost of pharmacy drugs and supplies from an unrelated provider. The property costs for the 2000 through 2002 rate years included the allocated costs of Woodmark Pharmacy, a related company. Since the Facility was reimbursed for its full pharmacy costs in the operating base period, any additional expense allocated from Woodmark Pharmacy and included in the current property rates duplicated reimbursement. Therefore, the property expense allocated from Woodmark Pharmacy was disallowed.						
Regulations: 10 NYCRR Sections 86-2.17(d) & 86-2.26						
	Property Ins.	005	57	42	27	
	ME Depr.	002	1,781	1,324	1,364	
	ME Rent	002	17	-	1,430	
	Auto. Insur.	005	496	85	81	
	Org./Strt-Up	005	561	16	-	
	Sales Tax	005	378	356	223	
Total Disallowance			<u>\$ 62,967</u>	<u>\$ 96,826</u>	<u>\$ 85,811</u>	<u>\$ 56,559</u>
AUDITED PROPERTY EXPENSE			<u>\$1,098,883</u>	<u>\$1,128,588</u>	<u>\$1,356,154</u>	<u>\$1,037,950</u>

BIRCHWOOD HEALTH CARE CENTER
RATE YEARS 2000 THROUGH 2003
RETURN ON AND RETURN OF REAL PROPERTY EQUITY DISALLOWANCES

<u>Return of Equity Calculation</u>	RATE YEARS			
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Real Property Historical Cost per HE-12B	\$ 6,436,785	\$ 6,442,562	\$ 6,514,782	\$ 6,527,810
Less: Prior Audit Disallowance	<u>229,112</u>	<u>229,112</u>	<u>229,112</u>	<u>229,112</u>
Audited Historical Cost	\$ 6,207,673	\$ 6,213,450	\$ 6,285,670	\$ 6,298,698
Less: Accumulated Reimbursement	<u>5,599,790</u>	<u>5,624,105</u>	<u>5,648,661</u>	<u>5,676,357</u>
Audited Net Equity	\$ 607,883	\$ 589,345	\$ 637,009	\$ 622,341
Remaining Useful Life	<u>25</u>	<u>24</u>	<u>23</u>	<u>22</u>
Audited Return of Equity	\$ 24,315	\$ 24,556	\$ 27,696	\$ 28,288
Promulgated Return of Equity	<u>30,412</u>	<u>30,663</u>	<u>33,803</u>	<u>35,759</u>
Disallowance	<u><u>\$ 6,097</u></u>	<u><u>\$ 6,107</u></u>	<u><u>\$ 6,107</u></u>	<u><u>\$ 7,471</u></u>
 <u>Return on Equity Calculation</u>				
Audited Net Equity	\$ 607,883	\$ 589,345	\$ 637,009	\$ 622,341
Less: ½ Current Return of Equity	<u>12,158</u>	<u>12,278</u>	<u>13,848</u>	<u>14,144</u>
Audited Net Investment	\$ 595,725	\$ 577,067	\$ 623,161	\$ 608,197
Rate of Return	<u>6.07%</u>	<u>5.73%</u>	<u>5.44%</u>	<u>4.88%</u>
Audited Return on Equity	\$ 36,161	\$ 33,066	\$ 33,900	\$ 29,680
Promulgated Return on Equity	<u>45,227</u>	<u>41,289</u>	<u>41,375</u>	<u>37,518</u>
Disallowance	<u><u>\$ 9,066</u></u>	<u><u>\$ 8,223</u></u>	<u><u>\$ 7,475</u></u>	<u><u>\$ 7,838</u></u>

BIRCHWOOD HEALTH CARE CENTER
RATE YEARS 2000 THROUGH 2003
APPROVED PROJECT COST #AEP2142
RETURN ON REAL PROPERTY EQUITY DISALLOWANCE

<u>Return on Equity Calculation</u>	<u>2000 Rates</u>
Total Approved Project Cost #AEP2142	\$ 934,305
Less: Movable Equipment	<u>99,233</u>
Real Property Cost of Project	\$ 835,072
Less: Mortgage to Finance Project	<u>446,900</u>
Audited Net Equity	\$ 388,172
Rate of Return	<u>6.07%</u>
Audited Return on Equity	\$ 23,562
Promulgated Return on Equity	<u>26,008</u>
Disallowance	<u><u>\$ 2,446</u></u>

BIRCHWOOD HEALTH CARE CENTER
RATE YEARS 2000 THROUGH 2003
RETURN ON AVERAGE EQUITY DISALLOWANCES

<u>Return on Average Equity</u>	RATE YEARS			
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Average Equity per HE-12B	\$ 2,482,912	\$ 2,197,553	\$ 2,261,866	\$ 1,981,877
Audit Disallowances:				
Eliminate APC Net Investment (Exhibit V)	388,172	388,172	388,172	388,172
Eliminate Escrow Accounts	376,342	459,988	567,663	656,362
Eliminate Net Book Value of Assets Disallowed by Audit	19,638	15,498	10,486	5,983
Eliminate Elderwood Associates Net Investment	118,573	111,564	113,364	-
Eliminate Woodmark Pharmacy Equity	<u>59,777</u>	<u>41,136</u>	<u>62,516</u>	<u>74,545</u>
Audited Average Equity	\$ 1,520,410	\$ 1,181,195	\$ 1,119,665	\$ 856,815
Less: Audited Net Investment (Exhibit IV)	<u>595,725</u>	<u>577,067</u>	<u>623,161</u>	<u>608,197</u>
Audited Remaining Equity	\$ 924,685	\$ 604,128	\$ 496,504	\$ 248,618
Rate of Return	<u>4.93%</u>	<u>5.89%</u>	<u>3.12%</u>	<u>1.66%</u>
Equity Returned Per Audit	\$ 45,587	\$ 35,583	\$ 15,491	\$ 4,127
Movable Equipment Percentage	<u>33.56%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Audited Allocated Return on Average Equity	\$ 15,299	\$ 35,583	\$ 15,491	\$ 4,127
Equity Returned per HE-12B	<u>28,752</u>	<u>86,993</u>	<u>46,840</u>	<u>20,136</u>
Disallowance	<u>\$ 13,453</u>	<u>\$ 51,410</u>	<u>\$ 31,349</u>	<u>\$ 16,009</u>

BIRCHWOOD HEALTH CARE CENTER
RATE YEARS 2000 THROUGH 2003
PER DIEM DISALLOWANCES

PER DIEM ADJUSTMENT – RETURN ON WORKING CAPITAL

The facility received a return on working capital per diem for rate year 2000. For the same reasons noted in Exhibit III, Adjustment #2, the return on working capital was incorrect. Correction of the errors resulted in the changes to the working capital per diem shown below.

Regulations: PRM-1 Sections 1218.1 & 1218.2; 10 NYCRR Section 86-2.21(e)

	RATE YEAR 2000
Audited Remaining Equity (Exhibit VI)	\$ 924,685
Rate of Return	<u>4.93%</u>
Equity Returned Per Audit	\$ 45,587
Working Capital Percentage	<u>66.44%</u>
Audited Allocated Return on Average Equity	\$ 30,288
Audited Patient Days	<u>57,053</u>
Audited Working Capital Per Diem	\$ 0.53
Promulgated Working Capital Per Diem	<u>1.00</u>
Overstated Working Capital Per Diem	<u><u>\$ 0.47</u></u>

BIRCHWOOD HEALTH CARE CENTER
RATE YEAR 1993
MISCELLANEOUS PER DIEM DISALLOWANCES

The Facility received a miscellaneous per diem allowance of \$5.26 in the 1993 rate for corrections to the May 1, 1985 through January 13, 1989 rates as the result of rate appeal #A30560 requesting reimbursement for various property costs. The audit found the appeal to be proper except as follows:

1. The patient days used to compute the SNF per diem for the May 1, 1985 through October 31, 1985 rate was understated by 180 days.
2. Amortization of organization and start-up costs was allowed in the 1989 through 1992 audited rates. Therefore, the allowance of amortization in the May 1, 1985 through December 31, 1988 rates resulted in duplicate reimbursement in the 1987 rate year of \$14,594 and in the 1988 rate year of \$22,454.
3. The real property historical cost used in the computation of the return on and return of real property equity in the November 1, 1985 through January 13, 1989 rates did not include the \$200,241 disallowance identified in audit # 91-E04-1112.
4. The stipulated settlement of audit #91-E04-1112 included a return on real property equity of \$76,583 and a return of real property equity of \$16,114 for the 1986 rate year. Therefore, the allowance of a return on and return of real property equity by this appeal resulted in a duplication of \$92,697 which was disallowed.

These adjustments resulted in a reduction to the 1993 miscellaneous per diem of \$3.74. As a result, the \$5.26 per diem allowance was revised to \$1.52.