



STATE OF NEW YORK  
OFFICE OF THE MEDICAID INSPECTOR GENERAL  
584 Delaware Avenue, 2<sup>nd</sup> Floor  
Buffalo, New York 14202  
(716) 847-5090  
Fax (716) 847-4553

DAVID A. PATERSON  
GOVERNOR

JAMES G. SHEEHAN  
MEDICAID INSPECTOR GENERAL

November 19, 2010

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

Re: Elderwood Health Care at Wedgewood  
Medicaid Rate Audit #04-E04-1519  
NPI Number: [REDACTED]  
Provider Num [REDACTED]

Dear [REDACTED]

Enclosed is the final report of the Office of the Medicaid Inspector General's (the "OMIG") audit of Elderwood Health Care at Wedgewood's (the "Facility") Medicaid rates for the rate period October 1, 2000 through December 31, 2006. In accordance with 18 NYCRR Section 517.6, this report represents the OMIG's final determination on issues raised in the draft report.

Since you did not respond to our draft report dated July 15, 2010, the findings in the final report remain identical to the draft report. Based on the enclosed audited rates calculated by the Bureau of Long Term Care Reimbursement, the Medicaid overpayment currently due is \$44,639. 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 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-E04-1519  
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 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 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

[REDACTED]  
Enclosure

cc: [REDACTED]

Attachments:

- EXHIBIT I - Summary of Per Diem Impact and Medicaid Overpayment/(Underpayment)
- EXHIBIT II - Summary of Medicaid Rates Audited
- EXHIBIT III - Operating Expense Disallowances/(Allowances)
- EXHIBIT IV - Property Expense Disallowances/(Allowances)
- EXHIBIT V - Return on Real Property Equity Disallowance/(Allowance)
- EXHIBIT VI - Return on Average Equity Disallowance

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

**NAME AND ADDRESS OF AUDITEE**

Elderwood Health Care at  
Wedgewood  
4459 Bailey Avenue  
Amherst, New York 14226

**NPI #:**  
**PROVI**

**AUDIT #04-E04-1519**

**AMOUNT DUE: \$44,639**

**AUDIT  
TYPE**

**PROVIDER**  
 **RATE**  
 **PART B**  
 **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-E04-1519  
Albany, New York 12237-0048

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

[REDACTED]

**CORRECT PROVIDER NUMBER**

**ELDERWOOD HEALTH CARE AT WEDGEWOOD**  
**RATE PERIODS OCTOBER 1, 2000 THROUGH DECEMBER 31, 2006**  
**SUMMARY OF PER DIEM IMPACT AND MEDICAID OVERPAYMENT/(UNDERPAYMENT)**

RATE PERIOD	ISSUED RATES*		FINAL RATES		RATE	MEDICAID	MEDICAID
	Medicare Part B		Medicare Part B		DECREASE (INCREASE)	DAYS	OVERPAYMENT (UNDERPAYMENT)
	Non-Elig.	Eligible	Non-Elig.	Eligible	(\$)		(\$)
10/01/00 - 10/31/00	\$140.98	140.67	\$144.53	144.22	(3.55)	1,386	(4,920)
11/01/00 - 11/30/00	141.10	140.79	144.65	144.34	(3.55)	1,501	(5,329)
12/01/00 - 12/31/00	141.06	140.75	144.61	144.30	(3.55)	1,573	(5,584)
01/01/01 - 02/28/01	141.55	141.23	144.06	143.74	(2.51)	3,231	(8,110)
03/01/01 - 05/31/01	141.55	141.23	144.06	143.74	(2.51)	4,783	(12,005)
06/01/01 - 08/31/01	141.51	141.19	144.02	143.70	(2.51)	4,597	(11,538)
09/01/01 - 11/30/01	138.86	138.54	141.35	141.03	(2.49)	4,686	(11,668)
12/01/01 - 12/31/01	140.63	140.31	143.14	142.82	(2.51)	1,534	(3,850)
01/01/02 - 02/28/02	139.30	138.97	140.11	139.78	(0.81)	2,853	(2,311)
03/01/02 - 03/31/02	137.12	136.79	137.90	137.57	(0.78)	1,349	(1,052)
04/01/02 - 05/31/02	143.73	143.40	144.51	144.18	(0.78)	2,493	(1,945)
06/01/02 - 08/31/02	143.62	143.29	144.42	144.09	(0.80)	4,299	(3,439)
09/01/02 - 11/30/02	146.60	146.27	147.40	147.07	(0.80)	4,459	(3,567)
12/01/02 - 12/31/02	144.53	144.20	145.31	144.98	(0.78)	1,542	(1,203)
01/01/03 - 02/28/03	141.08	140.74	140.52	140.18	0.56	2,930	1,641
03/01/03 - 05/31/03	141.45	141.11	140.90	140.56	0.55	4,541	2,498
06/01/03 - 08/31/03	152.41	152.07	151.84	151.50	0.57	4,724	2,693
09/01/03 - 11/30/03	154.16	153.82	153.60	153.26	0.56	4,370	2,447
12/01/03 - 12/31/03	155.59	155.25	155.04	154.70	0.55	1,399	769
01/01/04 - 02/29/04	160.35	160.00	160.91	160.56	(0.56)	2,668	(1,494)
03/01/04 - 03/31/04	160.17	159.82	160.73	160.38	(0.56)	1,385	(776)
04/01/04 - 05/31/04	160.23	159.88	160.83	160.48	(0.60)	2,711	(1,627)
06/01/04 - 08/31/04	160.41	160.06	161.01	160.66	(0.60)	4,304	(2,582)
09/01/04 - 11/30/04	160.61	160.26	161.19	160.84	(0.58)	4,203	(2,438)
12/01/04 - 12/31/04	159.43	159.08	160.02	159.67	(0.59)	1,404	(828)
01/01/05 - 02/28/05	165.91	165.55	168.00	167.64	(2.09)	2,639	(5,516)
03/01/05 - 05/31/05	168.89	168.53	171.00	170.64	(2.11)	3,967	(8,370)
06/01/05 - 06/30/05	164.81	164.45	166.92	166.56	(2.11)	1,233	(2,602)
07/01/05 - 08/31/05	168.97	168.61	171.08	170.72	(2.11)	2,513	(5,302)
09/01/05 - 11/30/05	166.22	165.86	168.35	167.99	(2.13)	4,063	(8,654)
12/01/05 - 12/31/05	170.86	170.50	172.99	172.63	(2.13)	1,443	(3,074)
01/01/06 - 02/28/06	190.37	190.00	179.88	179.51	10.49	2,734	28,680
03/01/06 - 03/31/06	192.39	192.02	181.88	181.51	10.51	1,411	14,830
04/01/06 - 05/31/06	192.01	191.64	181.51	181.14	10.50	2,587	27,164
06/01/06 - 08/31/06	192.83	192.46	182.34	181.97	10.49	3,428	35,960
09/01/06 - 11/30/06	193.36	192.99	182.86	182.49	10.50	3,382	35,511
12/01/06 - 12/31/06	191.47	191.10	180.99	180.62	10.48	1,167	12,230
Total Medicaid Overpayment							\$ 44,639

\*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.

**ELDERWOOD HEALTH CARE AT WEDGEWOOD**  
**RATE PERIODS OCTOBER 1, 2000 THROUGH DECEMBER 31, 2006**  
**SUMMARY OF MEDICAID RATES AUDITED**

The facility's Medicaid utilization ranged from approximately 58 percent to 66 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 Office of the Medicaid Inspector General.

<b><u>RATE PERIOD</u></b>	<b><u>ISSUED RATES</u></b>	
	<b><u>Non-Elig.</u></b>	<b><u>Eligible</u></b>
10/01/00 - 10/31/00	\$ 140.98	\$ 140.67
11/01/00 - 11/30/00	141.10	140.79
12/01/00 - 12/31/00	141.06	140.75
01/01/01 - 02/28/01	141.55	141.23
03/01/01 - 05/31/01	141.55	141.23
06/01/01 - 08/31/01	141.51	141.19
09/01/01 - 11/30/01	138.86	138.54
12/01/01 - 12/31/01	140.63	140.31
01/01/02 - 02/28/02	139.30	138.97
03/01/02 - 03/31/02	137.12	136.79
04/01/02 - 05/31/02	143.73	143.40
06/01/02 - 08/31/02	143.62	143.29
09/01/02 - 11/30/02	146.60	146.27
12/01/02 - 12/31/02	144.53	144.20
01/01/03 - 02/28/03	141.08	140.74
03/01/03 - 05/31/03	141.45	141.11
06/01/03 - 08/31/03	152.41	152.07
09/01/03 - 11/30/03	154.16	153.82
12/01/03 - 12/31/03	155.59	155.25
01/01/04 - 02/29/04	160.35	160.00
03/01/04 - 03/31/04	160.17	159.82
04/01/04 - 05/31/04	160.23	159.88
06/01/04 - 08/31/04	160.41	160.06
09/01/04 - 11/30/04	160.61	160.26
12/01/04 - 12/31/04	159.43	159.08
01/01/05 - 02/28/05	165.91	165.55
03/01/05 - 05/31/05	168.89	168.53
06/01/05 - 06/30/05	164.81	164.45
07/01/05 - 08/31/05	168.97	168.61
09/01/05 - 11/30/05	166.22	165.86
12/01/05 - 12/31/05	170.86	170.50
01/01/06 - 02/28/06	190.37	190.00
03/01/06 - 03/31/06	192.39	192.02
04/01/06 - 05/31/06	192.01	191.64
06/01/06 - 08/31/06	192.83	192.46
09/01/06 - 11/30/06	193.36	192.99
12/01/06 - 12/31/06	191.47	191.10

**ELDERWOOD HEALTH CARE AT WEDGEWOOD**  
**RATE PERIODS OCTOBER 1, 2000 THROUGH DECEMBER 31, 2006**  
**OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES)**

	<u>COST</u>	<u>OPERATING EXPENSE COMPONENT</u>			
		<u>DESCRIPTION</u>	<u>DIRECT</u>	<u>INDIRECT</u>	<u>NON- COMP.</u>
Expense Allowed on HE12-B			\$ 2,580,073	\$ 1,315,194	\$ 387,448
Less Disallowances/(Allowances):					
<b>RECLASSIFICATION OF OXYGEN</b>					
Oxygen supplies are to be included in central service supply. However, the Facility included oxygen in inhalation therapy. Consequently, an adjustment was necessary to reclassify oxygen to its proper functional reporting cost center.		Inhalation Ther.			5,094
		Central Svc.	(5,094)		
<b>Regulations: 10 NYCRR Sections 455.35 and 458.5;</b>					
<b>NYS RHCF Accounting and Reporting Manual</b>					
<b>Total Disallowance/(Allowance)</b>			<u>\$ (5,094)</u>	<u>-</u>	<u>\$ 5,094</u>
<b>AUDITED OPERATING EXPENSE</b>			<u>\$ 2,585,167</u>	<u>\$ 1,315,194</u>	<u>\$ 382,354</u>



**ELDERWOOD HEALTH CARE AT WEDGEWOOD**  
**RATE PERIODS OCTOBER 1, 2000 THROUGH DECEMBER 31, 2006**  
**PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)**

	DESCRIPTION	COST CENTER	RATE PERIOD							
			10/01/00 - 12/31/00	01/01/01 - 12/31/01	01/01/02 - 12/31/02	01/01/03 - 12/31/03	01/01/04 - 12/31/04	01/01/05 - 12/31/05	01/01/06 - 12/31/06	
<b>5. AUTOMOBILE DEPRECIATION AND INSURANCE NOT RELATED TO PATIENT CARE</b>										
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. <b>Regulations: PRM-1 Sections 2102.3 &amp; 2304, and 10 NYCRR Sections 86-2.17(a) &amp; 86-2.17(d)</b>	ME Depn. Auto Insurance	002 005	1,961	1,961	1,961	1,961	1,261 323	1,847 479	1,896 501	
<b>6. OVERSTATED RETURN ON AVERAGE EQUITY</b>										
Historical cost allowances associated with adjustment #1 above resulted in disallowances to the return on average equity in 2004, 2005, and 2006. The return on average equity was adjusted to reflect the changes. See Exhibit VI for details. <b>Regulations: 10 NYCRR Sections 86-2.17(a), 86-2.21, &amp; 86-2.28</b>	Ret. On Ave. Eq.	002					1,658	3,696	27,522	
<b>7. DISALLOWANCE OF START-UP COSTS</b>										
Start-up costs incurred and amortized in the October 1, 2000 through December 31, 2006 rates were fully reimbursed in the 2005 rate year. The excess start-up cost amortization was disallowed. <b>Regulations: 10 NYCRR Sections 86-2.17(a) &amp; (d)</b>	Org./Start-Up	005						5,604	22,420	
<b>8. DISALLOWANCE OF WORKING CAPITAL INTEREST EXPENSE</b>										
Working capital interest was only incurred in one year for rate years 2000 through 2003, but was included in the promulgated rates for all four years. An adjustment was necessary to disallow the expense in three of the years. Additionally, working capital interest was disallowed in rate year 2006 because the interest incurred was on a loan that was used to purchase licenses for nine additional nursing home beds. <b>Regulations: 10 NYCRR Sections 86-2.17(d) &amp; (k), 86-2.20</b>	WC Int. Exp.	005	13,326		13,326	13,326			2,265	
<b>9. RELATED COMPANY INVESTMENT INCOME OFFSET</b>										
The audit determined that related company investment income was not offset in the original rate computation. An audit adjustment was necessary to offset this income. <b>Regulation: 10 NYCRR Part 86-2.20(c)(1)</b>	Rel. Co. Inv. Inc.	001	8,075	8,075	8,075	8,075	1,940	3,019	5,790	

**ELDERWOOD HEALTH CARE AT WEDGEWOOD**  
**RATE PERIODS OCTOBER 1, 2000 THROUGH DECEMBER 31, 2006**  
**PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)**

	DESCRIPTION	COST CENTER	RATE PERIOD								
			10/01/00 - 12/31/00	01/01/01 - 12/31/01	01/01/02 - 12/31/02	01/01/03 - 12/31/03	01/01/04 - 12/31/04	01/01/05 - 12/31/05	01/01/06 - 12/31/06		
<b>10. DISALLOWANCE OF BARBER AND BEAUTY EXPENSE</b>											
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.			Insurance	005	28	28	28	28	19	24	24
			Ret. On Equity	001	36	20	6		34	40	132
			Ret. Of Equity	001	234	234	234				
			Mtg. Int.	001	2,095	1,479	955	812	813	1,371	1,775
Regulation: 10 NYCRR Sections 86-2.17(a), 86-2.18(a), PRM-1 Section 2106.1, and the Medicare Benefit Policy Manual, Chapter 16			Mrtg. Amort.	001	226	234	257	285	324	358	422
80											
<b>Total Disallowance/(Allowance)</b>					<u>\$ (109,601)</u>	<u>\$ (78,550)</u>	<u>\$ (28,538)</u>	<u>\$ 10,406</u>	<u>\$ (22,840)</u>	<u>\$ (66,382)</u>	<u>\$ 309,665</u>
<b>AUDITED PROPERTY EXPENSE</b>					<u>\$ 838,170</u>	<u>\$ 700,623</u>	<u>\$ 527,590</u>	<u>\$ 423,489</u>	<u>\$ 448,810</u>	<u>\$ 626,485</u>	<u>\$ 721,924</u>

**ELDERWOOD HEALTH CARE AT WEDGEWOOD****RATE YEARS 2004 THROUGH 2006****RETURN ON REAL PROPERTY EQUITY DISALLOWANCE/(ALLOWANCE)**

	<b>Rate Years</b>		
	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>
Final APC #962345	\$ 6,513,746	\$ 6,513,746	\$ 6,513,746
Less: Movable Equipment	438,735	438,735	438,735
Add: Asset Purchases Subsequent to the APC	267,993	301,407	835,729
Audited Real Property Historical Cost	<u>\$ 6,343,004</u>	<u>\$ 6,376,418</u>	<u>\$ 6,910,740</u>
Less: Audited Mortgage Principal	<u>6,178,773</u>	<u>6,178,773</u>	<u>6,178,773</u>
Audited Net Investment	\$ 164,231	\$ 197,645	\$ 731,967
Rate of Return	x <u>5.15%</u> x	x <u>4.95%</u> x	x <u>4.45%</u>
Audited Return on Real Property Equity	\$ 8,458	\$ 9,783	\$ 32,573
Promulgated Return on Real Property Equity	<u>-</u>	<u>-</u>	<u>-</u>
Return on Real Property Equity Disallowance/(Allowance)	<u>\$ (8,458)</u>	<u>\$ (9,783)</u>	<u>\$ (32,573)</u>

**ELDERWOOD HEALTH CARE AT WEDGEWOOD**  
**RATE YEARS 2004 THROUGH 2006**  
**RETURN ON AVERAGE EQUITY DISALLOWANCE**

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Promulgated Adjusted Average Equity	\$ 289,551	\$ 889,366	\$ 777,798
Less: Promulgated Net Investment	-	-	-
Promulgated Remaining Equity	\$ 289,551	\$ 889,366	\$ 777,798
Less: Audited Net Investment (Exhibit V)	164,231	197,645	731,967
Audited Remaining Equity	\$ 125,320	\$ 691,721	\$ 45,831
Rate of Return	x 1.01% x	1.87% x	3.76%
Audited Return on Average Equity	\$ 1,266	\$ 12,935	\$ 1,723
Promulgated Return on Average Equity	2,924	16,631	29,245
Return on Average Equity Disallowance	<u>\$ 1,658</u>	<u>\$ 3,696</u>	<u>\$ 27,522</u>