State of South Carolina

Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

December 20, 2001

Mr. Craig G. DeKany, Reimbursement Manager
HCR-Manor Care
Post Office Box 10086
Toledo, Ohio 43699-0086

Re: AC# 3-MNC-J9 – ManorCare Health Services - Charleston

Dear Mr. DeKany:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period January 5, 1999 through September 30, 1999. That report was used to set the rate covering the contract periods beginning January 5, 1999.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph P. Hayes

MANORCARE HEALTH SERVICES - CHARLESTON

CHARLESTON, SOUTH CAROLINA

CONTRACT PERIODS
BEGINNING JANUARY 5, 1999
AC# 3-MNC-J9

AGREED-UPON PROCEDURES REPORT

ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

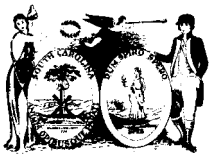
CONTENTS

	EXHIBIT OR SCHEDULE	PAGE
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIODS BEGINNING JANUARY 5, 1999	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD JANUARY 5, 1999 THROUGH JULY 31, 1999	B-1	4
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD AUGUST 1, 1999 THROUGH SEPTEMBER 30, 1999	B-2	5
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 1999 THROUGH SEPTEMBER 30, 2000	B-3	6
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 2000	B-4	7
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 1999 FOR THE CONTRACT PERIOD JANUARY 5, 1999 THROUGH JULY 31, 1999	C-1	8
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 1999 FOR THE CONTRACT PERIOD AUGUST 1, 1999 THROUGH SEPTEMBER 30, 1999	C-2	11
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 1999 FOR THE CONTRACT PERIOD OCTOBER 1, 1999 THROUGH SEPTEMBER 30, 2000	C-3	14
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 1999 FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 2000	C-4	17
ADJUSTMENT REPORT	1	20
COST OF CAPITAL REIMBURSEMENT ANALYSIS FOR THE CONTRACT PERIOD JANUARY 5, 1999 THROUGH JULY 31, 1999	2	25

CONTENTS

	EXHIBIT OR SCHEDULE	PAGE
COST OF CAPITAL REIMBURSEMENT ANALYSIS FOR THE CONTRACT PERIOD AUGUST 1, 1999 THROUGH SEPTEMBER 30, 1999	3	27
COST OF CAPITAL REIMBURSEMENT ANALYSIS FOR THE CONTRACT PERIOD OCTOBER 1, 1999 THROUGH SEPTEMBER 30, 2000	4	29
COST OF CAPITAL REIMBURSEMENT ANALYSIS FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 2000	5	31

State of South Carolina



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 30, 2001

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with ManorCare Health Services - Charleston, for the contract periods beginning January 5, 1999, and for the nine month cost report period ended September 30, 1999, as set forth in the accompanying schedules. The management of ManorCare Health Services – Charleston is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by ManorCare Health Services - Charleston, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summaries of Costs and Total Patient Days, and Cost of Capital Reimbursement Analyses sections of this report.

2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contracts between the Department of Health and Human Services and ManorCare Health Services - Charleston, dated as of October 1, 1994 and March 15, 1999 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
August 30, 2001

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

MANORCARE HEALTH SERVICES - CHARLESTON
Computation of Rate Change
For the Contract Periods
Beginning January 5, 1999
AC# 3-MNC-J9

	01/05/99-07/31/99	08/01/99-09/30/99	10/01/99-09/30/00	Beginning 10/01/00
Interim reimbursement rate (1)	$114.77	$80.07	$80.47	$80.55
Adjusted reimbursement rate	105.92	73.32	73.64	69.97
Decrease in reimbursement rate	$ 8.85	$ 6.75	$ 6.83	$10.58

(1) Interim reimbursement rate obtained from the South Carolina Department of Health and Human Services computation of Reimbursement Rate dated February 15, 2001

MANORCARE HEALTH SERVICES - CHARLESTON

Computation of Adjusted Reimbursement Rate
For the Contract Period January 5, 1999 Through July 31, 1999
AC# 3-MNC-J9

	Incentives	Allowable Cost	Cost Standard	Computed Rate
Costs Subject to Standards:				
General Services		$ 49.97	$64.31	
Dietary		10.42	12.02	
Laundry/Housekeeping/Maint.		9.23	9.81	
Subtotal	$6.03	69.62	86.14	$ 69.62
Administration & Med. Rec.	$ -	23.83	13.19	13.19
Subtotal		93.45	$99.33	82.81
Costs Not Subject to Standards:				
Utilities		3.88		3.88
Special Services		-		-
Medical Supplies & Oxygen		3.62		3.62
Taxes and Insurance		1.91		1.91
Legal Fees		-		-
TOTAL		$102.86		92.22
Inflation Factor (N/A)				-
Cost of Capital				18.33
Cost of Capital Limitation				(7.38)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				6.03
Effect of $1.75 Cap on Cost/Profit Incentives				(4.28)
Minimum Wage and CNA Add-Ons				1.00
ADJUSTED REIMBURSEMENT RATE				$105.92

MANORCARE HEALTH SERVICES - CHARLESTON

Computation of Adjusted Reimbursement Rate
For the Contract Period August 1, 1999 Through September 30, 1999
AC# 3-MNC-J9

	Incentives	Allowable Cost	Cost Standard	Computed Rate
Costs Subject to Standards:				
General Services		$29.57	$53.15	
Dietary		6.16	9.93	
Laundry/Housekeeping/Maint.		5.46	8.11	
Subtotal	$4.98	41.19	71.19	$41.19
Administration & Med. Rec.	$ -	14.10	10.90	10.90
Subtotal		55.29	$82.09	52.09
Costs Not Subject to Standards:				
Utilities		2.29		2.29
Special Services		-		-
Medical Supplies & Oxygen		2.14		2.14
Taxes and Insurance		1.13		1.13
Legal Fees		-		-
TOTAL		$60.85		57.65
Inflation Factor (3.60%)				2.08
Cost of Capital				10.84
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				4.98
Effect of $1.75 Cap on Cost/Profit Incentives				(3.23)
Minimum Wage and CNA Add-Ons				1.00
ADJUSTED REIMBURSEMENT RATE				$73.32

MANORCARE HEALTH SERVICES - CHARLESTON
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1999 Through September 30, 2000
AC# 3-MNC-J9

	Incentives	Allowable Cost	Cost Standard	Computed Rate
Costs Subject to Standards:				
General Services		$29.57	$54.26	
Dietary		6.16	10.24	
Laundry/Housekeeping/Maint.		5.46	8.89	
Subtotal	$5.14	41.19	73.39	$41.19
Administration & Med. Rec.	$ -	14.10	11.39	11.39
Subtotal		55.29	$84.78	52.58
Costs Not Subject to Standards:				
Utilities		2.29		2.29
Special Services		-		-
Medical Supplies & Oxygen		2.14		2.14
Taxes and Insurance		1.13		1.13
Legal Fees		-		-
TOTAL		$60.85		58.14
Inflation Factor (3.00%)				1.74
Cost of Capital				10.73
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				5.14
Effect of $1.75 Cap on Cost/Profit Incentives				(3.39)
Nurse Aide Staffing Add-On				.53
CNA Add-On				.75
ADJUSTED REIMBURSEMENT RATE				$73.64

MANORCARE HEALTH SERVICES - CHARLESTON
Computation of Adjusted Reimbursement Rate
For the Contract Period Beginning October 1, 2000
AC# 3-MNC-J9

	Incentives	Allowable Cost	Cost Standard	Computed Rate
Costs Subject to Standards:				
General Services		$27.72	$53.99	
Dietary		5.78	10.56	
Laundry/Housekeeping/Maint.		5.12	9.12	
Subtotal	$5.16	38.62	73.67	$38.62
Administration & Med. Rec.	$ -	13.22	11.20	11.20
Subtotal		51.84	$84.87	49.82
Costs Not Subject to Standards:				
Utilities		2.15		2.15
Special Services		-		-
Medical Supplies & Oxygen		2.01		2.01
Taxes and Insurance		1.06		1.06
Legal Fees		-		-
TOTAL		$57.06		55.04
Inflation Factor (3.20%)				1.76
Cost of Capital				9.99
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				5.16
Effect of $1.75 Cap on Cost/Profit Incentives				(3.41)
Nurse Aide Staffing Add-On 10/01/99				.53
Nurse Aide Staffing Add-On 10/01/00				.90
ADJUSTED REIMBURSEMENT RATE				$69.97

MANORCARE HEALTH SERVICES - CHARLESTON

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
For the Contract Period January 5, 1999 Through July 31, 1999
AC# 3-MNC-J9

Expenses	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments Debit	Adjustments Credit	Adjusted Totals
General Services	$ 664,951	$ 104,721 (9)	$ 322 (8)	$ 586,965
		30,380 (12)	94 (8)	
			11,016 (9)	
			10,826 (10)	
			5,958 (10)	
			2,303 (11)	
			153,458 (13)	
			29,110 (13)	
Dietary	131,715	6,527 (9)	831 (8)	122,372
		59,433 (12)	5,348 (10)	
			69,124 (13)	
Laundry	38,895	17,552 (12)	9,405 (2)	29,681
			596 (8)	
			16,765 (13)	
Housekeeping	42,992	26,453 (12)	1,018 (8)	41,858
			26,569 (13)	
Maintenance	40,438	24,584 (12)	2,602 (3)	36,880
			231 (8)	
			568 (9)	
			1,235 (10)	
			938 (11)	
			22,568 (13)	
Administration & Medical Records	381,178	8,400 (9)	1,779 (8)	279,856
		782 (10)	319 (8)	
		131,709 (12)	16,435 (9)	
		3,869 (12)	10,526 (10)	
			135,092 (11)	
			67,353 (13)	
			14,578 (13)	

MANORCARE HEALTH SERVICES - CHARLESTON

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
For the Contract Period January 5, 1999 Through July 31, 1999
AC# 3-MNC-J9

Expenses	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments Debit	Adjustments Credit	Adjusted Totals
Utilities	48,562	29,072 (12)	2,848 (4) 1,177 (8) 28,071 (13)	45,538
Special Services	-	4,441 (14)	3,663 (9) 778 (10)	-
Medical Supplies & Oxygen	51,107	-	2,223 (7) 175 (8) 617 (9) 523 (10) 1,500 (13) 3,551 (14)	42,518
Taxes and Insurance	36,818	19,259 (12)	6,102 (5) 14,731 (6) 443 (11) 12,322 (13)	22,479
Legal Fees	-	-	-	-
Cost of Capital	235,749	5,066 (1) 18,549 (12)	5,804 (11) 20,198 (13) 18,096 (15)	215,266
Subtotal	1,672,405	490,797	739,789	1,423,413
Ancillary	62,171	-	-	62,171

MANORCARE HEALTH SERVICES - CHARLESTON

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
For the Contract Period January 5, 1999 Through July 31, 1999
AC# 3-MNC-J9

Expenses	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments Debit	Adjustments Credit	Adjusted Totals
Non-Allowable	831,707	9,405 (2)	5,066 (1)	1,056,130
		1,252 (3)	104,026 (9)	
		2,848 (4)	360,860 (12)	
		6,102 (5)	890 (14)	
		14,731 (6)		
		2,223 (7)		
		34,412 (10)		
		144,580 (11)		
		461,616 (13)		
		18,096 (15)		
Total Operating Expenses	$2,566,283	$1,186,062	$1,210,631	$2,541,714
Total Patient Days	12,011	-	265 (18)	11,746
TOTAL BEDS	82			

MANORCARE HEALTH SERVICES - CHARLESTON

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
For the Contract Period August 1, 1999 Through September 30, 1999
AC# 3-MNC-J9

Expenses	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments Debit	Adjustments Credit	Adjusted Totals
General Services	$ 664,951	$ 104,721 (9)	$ 322 (8)	$ 586,965
		30,380 (12)	94 (8)	
			11,016 (9)	
			10,826 (10)	
			5,958 (10)	
			2,303 (11)	
			153,458 (13)	
			29,110 (13)	
Dietary	131,715	6,527 (9)	831 (8)	122,372
		59,433 (12)	5,348 (10)	
			69,124 (13)	
Laundry	38,895	17,552 (12)	9,405 (2)	29,681
			596 (8)	
			16,765 (13)	
Housekeeping	42,992	26,453 (12)	1,018 (8)	41,858
			26,569 (13)	
Maintenance	40,438	24,584 (12)	2,602 (3)	36,880
			231 (8)	
			568 (9)	
			1,235 (10)	
			938 (11)	
			22,568 (13)	
Administration & Medical Records	381,178	8,400 (9)	1,779 (8)	279,856
		782 (10)	319 (8)	
		131,709 (12)	16,435 (9)	
		3,869 (12)	10,526 (10)	
			135,092 (11)	
			67,353 (13)	
			14,578 (13)	

MANORCARE HEALTH SERVICES - CHARLESTON

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
For the Contract Period August 1, 1999 Through September 30, 1999
AC# 3-MNC-J9

Expenses	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments Debit	Adjustments Credit	Adjusted Totals
Utilities	48,562	29,072 (12)	2,848 (4) 1,177 (8) 28,071 (13)	45,538
Special Services	-	4,441 (14)	3,663 (9) 778 (10)	-
Medical Supplies & Oxygen	51,107	-	2,223 (7) 175 (8) 617 (9) 523 (10) 1,500 (13) 3,551 (14)	42,518
Taxes and Insurance	36,818	19,259 (12)	6,102 (5) 14,731 (6) 443 (11) 12,322 (13)	22,479
Legal Fees	-	-	-	-
Cost of Capital	235,749	5,066 (1) 18,549 (12)	5,804 (11) 20,198 (13) 18,096 (15)	215,266
Subtotal	1,672,405	490,797	739,789	1,423,413
Ancillary	62,171	-	-	62,171

MANORCARE HEALTH SERVICES - CHARLESTON

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
For the Contract Period August 1, 1999 Through September 30, 1999
AC# 3-MNC-J9

Expenses	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments Debit	Adjustments Credit	Adjusted Totals
Non-Allowable	831,707	9,405 (2)	5,066 (1)	1,056,130
		1,252 (3)	104,026 (9)	
		2,848 (4)	360,860 (12)	
		6,102 (5)	890 (14)	
		14,731 (6)		
		2,223 (7)		
		34,412 (10)		
		144,580 (11)		
		461,616 (13)		
		18,096 (15)		
Total Operating Expenses	$2,566,283	$1,186,062	$1,210,631	$2,541,714
Total Patient Days	19,852	-	-	19,852
TOTAL BEDS	82			

MANORCARE HEALTH SERVICES - CHARLESTON

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
For the Contract Period October 1, 1999 Through September 30, 2000
AC# 3-MNC-J9

Expenses	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments Debit	Adjustments Credit	Adjusted Totals
General Services	$ 664,951	$ 104,721 (9)	$ 322 (8)	$ 586,965
		30,380 (12)	94 (8)	
			11,016 (9)	
			10,826 (10)	
			5,958 (10)	
			2,303 (11)	
			153,458 (13)	
			29,110 (13)	
Dietary	131,715	6,527 (9)	831 (8)	122,372
		59,433 (12)	5,348 (10)	
			69,124 (13)	
Laundry	38,895	17,552 (12)	9,405 (2)	29,681
			596 (8)	
			16,765 (13)	
Housekeeping	42,992	26,453 (12)	1,018 (8)	41,858
			26,569 (13)	
Maintenance	40,438	24,584 (12)	2,602 (3)	36,880
			231 (8)	
			568 (9)	
			1,235 (10)	
			938 (11)	
			22,568 (13)	
Administration & Medical Records	381,178	8,400 (9)	1,779 (8)	279,856
		782 (10)	319 (8)	
		131,709 (12)	16,435 (9)	
		3,869 (12)	10,526 (10)	
			135,092 (11)	
			67,353 (13)	
			14,578 (13)	

MANORCARE HEALTH SERVICES - CHARLESTON

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
For the Contract Period October 1, 1999 Through September 30, 2000
AC# 3-MNC-J9

Expenses	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments Debit	Adjustments Credit	Adjusted Totals
Utilities	48,562	29,072 (12)	2,848 (4) 1,177 (8) 28,071 (13)	45,538
Special Services	-	4,441 (14)	3,663 (9) 778 (10)	-
Medical Supplies & Oxygen	51,107	-	2,223 (7) 175 (8) 617 (9) 523 (10) 1,500 (13) 3,551 (14)	42,518
Taxes and Insurance	36,818	19,259 (12)	6,102 (5) 14,731 (6) 443 (11) 12,322 (13)	22,479
Legal Fees	-	-	-	-
Cost of Capital	232,393	5,066 (1) 18,549 (12)	5,804 (11) 20,198 (13) 17,076 (16)	212,930
Subtotal	1,669,049	490,797	738,769	1,421,077
Ancillary	62,171	-	-	62,171

MANORCARE HEALTH SERVICES - CHARLESTON

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
For the Contract Period October 1, 1999 Through September 30, 2000
AC# 3-MNC-J9

Expenses	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments Debit	Adjustments Credit	Adjusted Totals
Non-Allowable	835,063	9,405 (2)	5,066 (1)	1,058,466
		1,252 (3)	104,026 (9)	
		2,848 (4)	360,860 (12)	
		6,102 (5)	890 (14)	
		14,731 (6)		
		2,223 (7)		
		34,412 (10)		
		144,580 (11)		
		461,616 (13)		
		17,076 (16)		
Total Operating Expenses	$2,566,283	$1,185,042	$1,209,611	$2,541,714
Total Patient Days	19,852	-	-	19,852
TOTAL BEDS	82			

MANORCARE HEALTH SERVICES - CHARLESTON

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
For the Contract Period Beginning October 1, 2000
AC# 3-MNC-J9

Expenses	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments Debit	Adjustments Credit	Adjusted Totals
General Services	$ 664,951	$ 104,721 (9)	$ 322 (8)	$ 586,965
		30,380 (12)	94 (8)	
			11,016 (9)	
			10,826 (10)	
			5,958 (10)	
			2,303 (11)	
			153,458 (13)	
			29,110 (13)	
Dietary	131,715	6,527 (9)	831 (8)	122,372
		59,433 (12)	5,348 (10)	
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Laundry	38,895	17,552 (12)	9,405 (2)	29,681
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			1,235 (10)	
			938 (11)	
			22,568 (13)	
Administration & Medical Records	381,178	8,400 (9)	1,779 (8)	279,856
		782 (10)	319 (8)	
		131,709 (12)	16,435 (9)	
		3,869 (12)	10,526 (10)	
			135,092 (11)	
			67,353 (13)	
			14,578 (13)	

MANORCARE HEALTH SERVICES - CHARLESTON

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
For the Contract Period Beginning October 1, 2000
AC# 3-MNC-J9

Expenses	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments Debit	Adjustments Credit	Adjusted Totals
Utilities	48,562	29,072 (12)	2,848 (4) 1,177 (8) 28,071 (13)	45,538
Special Services	-	4,441 (14)	3,663 (9) 778 (10)	-
Medical Supplies & Oxygen	51,107	-	2,223 (7) 175 (8) 617 (9) 523 (10) 1,500 (13) 3,551 (14)	42,518
Taxes and Insurance	36,818	19,259 (12)	6,102 (5) 14,731 (6) 443 (11) 12,322 (13)	22,479
Legal Fees	-	-	-	-
Cost of Capital	230,341	5,066 (1) 18,549 (12)	5,804 (11) 20,198 (13) 16,321 (17)	211,633
Subtotal	1,666,997	490,797	738,014	1,419,780
Ancillary	62,171	-	-	62,171

MANORCARE HEALTH SERVICES - CHARLESTON

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
For the Contract Period Beginning October 1, 2000
AC# 3-MNC-J9

Expenses	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments Debit	Adjustments Credit	Adjusted Totals
Non-Allowable	837,115	9,405 (2)	5,066 (1)	1,059,763
		1,252 (3)	104,026 (9)	
		2,848 (4)	360,860 (12)	
		6,102 (5)	890 (14)	
		14,731 (6)		
		2,223 (7)		
		34,412 (10)		
		144,580 (11)		
		461,616 (13)		
		16,321 (17)		
Total Operating Expenses	$2,566,283	$1,184,287	$1,208,856	$2,541,714
Total Patient Days	19,852	1,324 (19)	-	21,176
TOTAL BEDS	82			

MANORCARE HEALTH SERVICES - CHARLESTON
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-MNC-J9

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
1	Other Equity	$ 687,889	
	Cost of Capital	5,066	
	Fixed Assets		$ 541,645
	Accumulated Depreciation		146,244
	Nonallowable		5,066
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	9,405	
	Laundry		9,405
	To disallow expense due to lack of documentation HIM-15-1, Section 2304		
3	Retained Earnings	1,350	
	Nonallowable	1,252	
	Maintenance		2,602
	To properly charge expense applicable to the prior period and disallow cable TV expense HIM-15-1, Sections 2302.1 and 2106		
4	Nonallowable	2,848	
	Utilities		2,848
	To disallow expense due to lack of documentation HIM-15-1, Section 2304		
5	Nonallowable	6,102	
	Taxes and Insurance		6,102
	To adjust real property taxes HIM-15-1, Section 2304		
6	Nonallowable	14,731	
	Taxes and Insurance		14,731
	To adjust liability insurance expense HIM-15-1, Section 2304		

MANORCARE HEALTH SERVICES - CHARLESTON
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-MNC-J9

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
7	Nonallowable	2,223	
	Medical Supplies		2,223
	To remove cost not related to patient care HIM-15-1, Section 2102.3		
8	Retained Earnings	6,542	
	Nursing		322
	Restorative		94
	Dietary		831
	Laundry		596
	Housekeeping		1,018
	Maintenance		231
	Administration		1,779
	Medical Records		319
	Utilities		1,177
	Medical Supplies		175
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1		
9	Accrued Salaries	952	
	Retained Earnings	15,725	
	Nursing	104,721	
	Dietary	6,527	
	Medical Records	8,400	
	Restorative		11,016
	Maintenance		568
	Administration		16,435
	Medical Supplies		617
	Special Services		3,663
	Nonallowable		104,026
	To adjust salary expense HIM-15-1, Sections 2302.1 and 2304		

MANORCARE HEALTH SERVICES - CHARLESTON
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-MNC-J9

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
10	Medical Records	782	
	Nonallowable	34,412	
	Nursing		10,826
	Restorative		5,958
	Dietary		5,348
	Maintenance		1,235
	Administration		10,526
	Medical Supplies		523
	Special Services		778
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
11	Nonallowable	144,580	
	Nursing		2,303
	Maintenance		938
	Administration		135,092
	Taxes and Insurance		443
	Cost of Capital		5,804
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
12	Restorative	30,380	
	Dietary	59,433	
	Laundry	17,552	
	Housekeeping	26,453	
	Maintenance	24,584	
	Administration	131,709	
	Medical Records	3,869	
	Utilities	29,072	
	Taxes and Insurance	19,259	
	Cost of Capital	18,549	
	Nonallowable		360,860
	To reverse DH&HS adjustment to remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

MANORCARE HEALTH SERVICES - CHARLESTON

Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-MNC-J9

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
13	Nonallowable	461,616	
	Nursing		153,458
	Restorative		29,110
	Dietary		69,124
	Laundry		16,765
	Housekeeping		26,569
	Maintenance		22,568
	Administration		67,353
	Medical Records		14,578
	Utilities		28,071
	Taxes and Insurance		12,322
	Medical Supplies		1,500
	Cost of Capital		20,198
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
14	Special Services	4,441	
	Medical Supplies		3,551
	Nonallowable		890
	To adjust special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
15	Nonallowable	18,096	
	Cost of Capital		18,096
	To adjust capital return State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate periods 1/5/99 - 9/30/99)		
16	Nonallowable	17,076	
	Cost of Capital		17,076
	To adjust capital return State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate period 10/1/99 - 9/30/00)		

MANORCARE HEALTH SERVICES - CHARLESTON
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-MNC-J9

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
17	Nonallowable	16,321	
	Cost of Capital		16,321
	To adjust capital return State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate period beginning 10/1/00)		
18	Memo Adjustment: To decrease total patient days by 265 to 11,746		
	(This adjustment applies only to the rate period 1/5/99 - 7/31/99)		
19	Memo Adjustment: To increase total patient days by 1,324 to 21,176		
	(This adjustment applies only to the rate period beginning 10/1/00)		
	TOTAL ADJUSTMENTS	$1,931,917	$1,931,917

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

MANORCARE HEALTH SERVICES - CHARLESTON
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
For the Contract Period January 5, 1999 Through July 31, 1999
AC# 3-MNC-J9

Original Asset Cost (Per Bed)	$ 15,618
Inflation Adjustment	2.1814
Deemed Asset Value (Per Bed)	34,069
Number of Beds	82
Deemed Asset Value	2,793,658
Improvements Since 1981	1,696,829
Accumulated Depreciation at 9/30/99	(2,196,573)
Deemed Depreciated Value	2,293,914
Market Rate of Return	.067
Total Annual Return	153,692
Number of Days in Period	269/365
Adjusted Annual Return	113,269
Return Applicable to Non-Reimbursable Cost Centers	(16,091)
Allocation of Interest to Non-Reimbursable Cost Centers	1,500
Allowable Annual Return	98,678
Depreciation Expense	136,834
Amortization Expense	-
Capital Related Income Offsets	(48)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	(20,198)
Allowable Cost of Capital Expense	215,266
Total Patient Days (Actual)	11,746
Cost of Capital Per Diem	$ 18.33

MANORCARE HEALTH SERVICES - CHARLESTON
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
For the Contract Period January 5, 1999 Through July 31, 1999
AC# 3-MNC-J9

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	$ 6.96
Adjustment for Maximum Increase	3.99
Maximum Cost of Capital Per Diem	$10.95
Reimbursable Cost of Capital Per Diem	$10.95
Cost of Capital Per Diem	18.33
Cost of Capital Per Diem Limitation	$(7.38)

MANORCARE HEALTH SERVICES - CHARLESTON

Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
For the Contract Period August 1, 1999 Through September 30, 1999
AC# 3-MNC-J9

Original Asset Cost (Per Bed)	$ 15,618
Inflation Adjustment	2.1814
Deemed Asset Value (Per Bed)	34,069
Number of Beds	82
Deemed Asset Value	2,793,658
Improvements Since 1981	1,696,829
Accumulated Depreciation at 9/30/99	(2,196,573)
Deemed Depreciated Value	2,293,914
Market Rate of Return	.067
Total Annual Return	153,692
Number of Days in Period	269/365
Adjusted Annual Return	113,269
Return Applicable to Non-Reimbursable Cost Centers	(16,091)
Allocation of Interest to Non-Reimbursable Cost Centers	1,500
Allowable Annual Return	98,678
Depreciation Expense	136,834
Amortization Expense	-
Capital Related Income Offsets	(48)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	(20,198)
Allowable Cost of Capital Expense	215,266
Total Patient Days (Minimum 90% Occupancy)	19,852
Cost of Capital Per Diem	$ 10.84

MANORCARE HEALTH SERVICES - CHARLESTON
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
For the Contract Period August 1, 1999 Through September 30, 1999
AC# 3-MNC-J9

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	$ 6.96
Adjustment for Maximum Increase	3.99
Maximum Cost of Capital Per Diem	$10.95
Reimbursable Cost of Capital Per Diem	$10.84
Cost of Capital Per Diem	10.84
Cost of Capital Per Diem Limitation	$ -

MANORCARE HEALTH SERVICES - CHARLESTON

Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
For the Contract Period October 1, 1999 Through September 30, 2000
AC# 3-MNC-J9

Original Asset Cost (Per Bed)	$ 15,618
Inflation Adjustment	2.2493
Deemed Asset Value (Per Bed)	35,130
Number of Beds	82
Deemed Asset Value	2,880,660
Improvements Since 1981	1,696,829
Accumulated Depreciation at 9/30/99	(2,196,573)
Deemed Depreciated Value	2,380,916
Market Rate of Return	.063
Total Annual Return	149,998
Number of Days in Period	269/365
Adjusted Annual Return	110,546
Return Applicable to Non-Reimbursable Cost Centers	(15,704)
Allocation of Interest to Non-Reimbursable Cost Centers	1,500
Allowable Annual Return	96,342
Depreciation Expense	136,834
Amortization Expense	-
Capital Related Income Offsets	(48)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	(20,198)
Allowable Cost of Capital Expense	212,930
Total Patient Days (Minimum 90% Occupancy)	19,852
Cost of Capital Per Diem	$ 10.73

MANORCARE HEALTH SERVICES - CHARLESTON
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
For the Contract Period October 1, 1999 Through September 30, 2000
AC# 3-MNC-J9

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	$ 6.96
Adjustment for Maximum Increase	3.99
Maximum Cost of Capital Per Diem	$10.95
Reimbursable Cost of Capital Per Diem	$10.73
Cost of Capital Per Diem	10.73
Cost of Capital Per Diem Limitation	$ -

MANORCARE HEALTH SERVICES - CHARLESTON
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
For the Contract Period Beginning October 1, 2000
AC# 3-MNC-J9

Original Asset Cost (Per Bed)	$ 15,618
Inflation Adjustment	2.3156
Deemed Asset Value (Per Bed)	36,165
Number of Beds	82
Deemed Asset Value	2,965,530
Improvements Since 1981	1,696,829
Accumulated Depreciation at 9/30/99	(2,196,573)
Deemed Depreciated Value	2,465,786
Market Rate of Return	.060
Total Annual Return	147,947
Number of Days in Period	269/365
Adjusted Annual Return	109,035
Return Applicable to Non-Reimbursable Cost Centers	(15,490)
Allocation of Interest to Non-Reimbursable Cost Centers	1,500
Allowable Annual Return	95,045
Depreciation Expense	136,834
Amortization Expense	-
Capital Related Income Offsets	(48)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	(20,198)
Allowable Cost of Capital Expense	211,633
Total Patient Days (Minimum 96% Occupancy)	21,176
Cost of Capital Per Diem	$ 9.99

MANORCARE HEALTH SERVICES - CHARLESTON
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
For the Contract Period Beginning October 1, 2000
AC# 3-MNC-J9

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	$ 6.96
Adjustment for Maximum Increase	3.99
Maximum Cost of Capital Per Diem	$10.95
Reimbursable Cost of Capital Per Diem	$ 9.99
Cost of Capital Per Diem	9.99
Cost of Capital Per Diem Limitation	$ -

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