

*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

May 22, 2006

Ms. Sybil B. Neaves, Director of Reimbursement  
UHS-Pruitt Corporation  
Post Office Box 1210  
Toccoa, Georgia 30577

Re: AC# 3-RHH-E3 – Rock Hill Healthcare, Inc.

Dear Ms. Neaves:

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 December 1, 2002 through May 31, 2003. That report was used to set the rate covering the contract periods beginning December 1, 2002.

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.

A handwritten signature in black ink that reads "Tom Wagner".

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Ms. Kathleen C. Snider

**ROCK HILL HEALTHCARE, INC.  
ROCK HILL, SOUTH CAROLINA**

**CONTRACT PERIODS  
BEGINNING DECEMBER 1, 2002  
AC# 3-RHH-E3**

**AGREED-UPON PROCEDURES REPORT  
ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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# State of South Carolina



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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 16, 2005

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

We have performed the procedures enumerated 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 Rock Hill Healthcare, Inc., for the contract periods beginning December 1, 2002, and for the six month cost report period ended May 31, 2003, as set forth in the accompanying schedules. The management of Rock Hill Healthcare, Inc. is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was conducted 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 South Carolina 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 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 Rock Hill Healthcare, Inc., 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 Summaries of Costs and Total Patient Days, Adjustment Report, 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 contract between the South Carolina Department of Health and Human Services and Rock Hill Healthcare, Inc. dated as of October 1, 2001, 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 16, 2005

We were not engaged to and did not conduct an examination, the objective of which would be 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.

A handwritten signature in black ink that reads "Tom Wagner". The signature is written in a cursive, flowing style.

Thomas L. Wagner, Jr., CPA  
State Auditor

**ROCK HILL HEALTHCARE, INC.**  
 Computation of Rate Change  
 For the Contract Periods  
 Beginning December 1, 2002  
 AC# 3-RHH-E3

	12/01/02- <u>12/31/02</u>	01/01/03- <u>05/31/03</u>	06/01/03- <u>09/30/03</u>	10/01/03- <u>09/30/04</u>
Interim Reimbursement Rate (1)	\$110.24	\$116.59	\$120.62	\$126.41
Adjusted Reimbursement Rate	<u>108.74</u>	<u>115.09</u>	<u>119.06</u>	<u>124.84</u>
Decrease in Reimbursement Rate	\$ <u>1.50</u>	\$ <u>1.50</u>	\$ <u>1.56</u>	\$ <u>1.57</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 6, 2004

**ROCK HILL HEALTHCARE, INC.**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period December 1, 2002 Through December 31, 2002  
 AC# 3-RHH-E3

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 64.74	\$53.97	
Dietary		11.04	10.74	
Laundry/Housekeeping/Maintenance		<u>10.38</u>	<u>9.23</u>	
Subtotal	\$ <u>-</u>	86.16	73.94	\$ 73.94
Administration & Medical Records	\$ <u>-</u>	<u>15.63</u>	<u>11.47</u>	<u>11.47</u>
Subtotal		101.79	<u>\$85.41</u>	85.41
<u>Costs Not Subject to Standards:</u>				
Utilities		3.65		3.65
Special Services		.19		.19
Medical Supplies & Oxygen		3.11		3.11
Taxes and Insurance		8.04		8.04
Legal Fees		<u>.19</u>		<u>.19</u>
<b>TOTAL</b>		<u>\$116.97</u>		100.59
Inflation Factor (N/A)				-
Cost of Capital				8.79
Cost of Capital Limitation				(1.03)
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Nurse Aide Staffing Add-On 10/01/00				<u>.39</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$108.74</u>

**ROCK HILL HEALTHCARE, INC.**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period January 1, 2003 Through May 31, 2003  
 AC# 3-RHH-E3

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 64.74	\$58.50	
Dietary		11.04	11.21	
Laundry/Housekeeping/Maintenance		<u>10.38</u>	<u>9.67</u>	
Subtotal	\$ <u>-</u>	86.16	79.38	\$ 79.38
Administration & Medical Records	\$ <u>-</u>	<u>15.63</u>	<u>12.77</u>	<u>12.77</u>
Subtotal		101.79	<u>\$92.15</u>	92.15
<u>Costs Not Subject to Standards:</u>				
Utilities		3.65		3.65
Special Services		.19		.19
Medical Supplies & Oxygen		3.11		3.11
Taxes and Insurance		8.04		8.04
Legal Fees		<u>.19</u>		<u>.19</u>
<b>TOTAL</b>		<u>\$116.97</u>		107.33
Inflation Factor (N/A)				-
Cost of Capital				8.96
Cost of Capital Limitation				(1.20)
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>-</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$115.09</u>

**ROCK HILL HEALTHCARE, INC.**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period June 1, 2003 Through September 30, 2003  
 AC# 3-RHH-E3

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 64.74	\$58.50	
Dietary		11.04	11.21	
Laundry/Housekeeping/Maintenance		<u>10.38</u>	<u>9.67</u>	
Subtotal	\$ <u>-</u>	86.16	79.38	\$ 79.38
Administration & Medical Records	\$ <u>-</u>	<u>15.63</u>	<u>12.77</u>	<u>12.77</u>
Subtotal		101.79	<u>\$92.15</u>	92.15
<u>Costs Not Subject to Standards:</u>				
Utilities		3.65		3.65
Special Services		.19		.19
Medical Supplies & Oxygen		3.11		3.11
Taxes and Insurance		8.04		8.04
Legal Fees		<u>.19</u>		<u>.19</u>
<b>TOTAL</b>		<u>\$116.97</u>		107.33
Inflation Factor (3.70%)				3.97
Cost of Capital				8.96
Cost of Capital Limitation				(1.20)
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>-</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$119.06</u>

**ROCK HILL HEALTHCARE, INC.**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2003 Through September 30, 2004  
 AC# 3-RHH-E3

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 64.74	\$61.80	
Dietary		11.04	11.55	
Laundry/Housekeeping/Maintenance		<u>10.38</u>	<u>9.83</u>	
Subtotal	\$ <u>-</u>	86.16	83.18	\$ 83.18
Administration & Medical Records	\$ <u>-</u>	<u>15.63</u>	<u>13.46</u>	<u>13.46</u>
Subtotal		101.79	<u>\$96.64</u>	96.64
<u>Costs Not Subject to Standards:</u>				
Utilities		3.65		3.65
Special Services		.19		.19
Medical Supplies & Oxygen		3.11		3.11
Taxes and Insurance		8.04		8.04
Legal Fees		<u>.19</u>		<u>.19</u>
<b>TOTAL</b>		<u>\$116.97</u>		111.82
Inflation Factor (4.70%)				5.26
Cost of Capital				9.01
Cost of Capital Limitation				(1.25)
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>-</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$124.84</u>

**ROCK HILL HEALTHCARE, INC.**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended May 31, 2003  
 For the Contract Period December 1, 2002 Through December 31, 2002  
 AC# 3-RHH-E3

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,498,801	\$ 1,913 (4) 29,964 (5)	\$ 276 (4) 3,272 (6) 30,680 (10) 3,376 (10)	\$1,493,074
Dietary	250,794	11,324 (5)	420 (4) 3,249 (6) 3,783 (10)	254,666
Laundry	67,387	-	1,598 (4) 2,429 (10)	63,360
Housekeeping	98,187	-	2,545 (10)	95,642
Maintenance	84,984	4,024 (6)	7,045 (1) 707 (4) 928 (10)	80,328
Administration & Medical Records	344,998	20,518 (6)	1,770 (4) 2,670 (10) 655 (10)	360,421
Utilities	69,685	7,045 (1) 7,267 (2) 160 (6)	-	84,157
Special Services	6,046	3,469 (5)	393 (4) 355 (6) 4,347 (7)	4,420
Medical Supplies & Oxygen	118,470	-	23,446 (3) 7,547 (4) 15,720 (7)	71,757

**ROCK HILL HEALTHCARE, INC.**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended May 31, 2003  
For the Contract Period December 1, 2002 Through December 31, 2002  
AC# 3-RHH-E3

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Taxes and Insurance	189,118	401 (6)	4,060 (9)	185,459
Legal Fees	3,576	729 (6)	-	4,305
Cost of Capital	204,078	582 (6)	2,388 (11)	202,727
	<u>                    </u>	<u>455 (8)</u>	<u>                    </u>	<u>                    </u>
Subtotal	2,936,124	87,851	123,659	2,900,316
Ancillary	91,642	23,446 (3)	26,184 (4)	101,655
		12,751 (7)		
Nonallowable	476,710	36,982 (4)	44,757 (5)	509,772
		7,316 (7)	19,538 (6)	
		4,060 (9)	455 (8)	
		47,066 (10)		
	<u>                    </u>	<u>2,388 (11)</u>	<u>                    </u>	<u>                    </u>
Total Operating Expenses	<u>\$3,504,476</u>	<u>\$221,860</u>	<u>\$214,593</u>	<u>\$3,511,743</u>
Total Patient Days	<u>23,190</u>	<u>-</u>	<u>127</u>	<u>23,063</u>
Total Beds	<u>132</u>			

**ROCK HILL HEALTHCARE, INC.**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended May 31, 2003  
 For the Contract Periods January 1, 2003 Through September 30, 2003  
 AC# 3-RHH-E3

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,498,801	\$ 1,913 (4) 29,964 (5)	\$ 276 (4) 3,272 (6) 30,680 (10) 3,376 (10)	\$1,493,074
Dietary	250,794	11,324 (5)	420 (4) 3,249 (6) 3,783 (10)	254,666
Laundry	67,387	-	1,598 (4) 2,429 (10)	63,360
Housekeeping	98,187	-	2,545 (10)	95,642
Maintenance	84,984	4,024 (6)	7,045 (1) 707 (4) 928 (10)	80,328
Administration & Medical Records	344,998	20,518 (6)	1,770 (4) 2,670 (10) 655 (10)	360,421
Utilities	69,685	7,045 (1) 7,267 (2) 160 (6)	-	84,157
Special Services	6,046	3,469 (5)	393 (4) 355 (6) 4,347 (7)	4,420
Medical Supplies & Oxygen	118,470	-	23,446 (3) 7,547 (4) 15,720 (7)	71,757

**ROCK HILL HEALTHCARE, INC.**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended May 31, 2003  
For the Contract Periods January 1, 2003 Through September 30, 2003  
AC# 3-RHH-E3

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Taxes and Insurance	189,118	401 (6)	4,060 (9)	185,459
Legal Fees	3,576	729 (6)	-	4,305
Cost of Capital	179,954	582 (6)	-	206,539
		455 (8)		
	<u>                    </u>	<u>25,548 (12)</u>	<u>                    </u>	<u>                    </u>
Subtotal	2,912,000	113,399	121,271	2,904,128
Ancillary	91,642	23,446 (3)	26,184 (4)	101,655
		12,751 (7)		
Nonallowable	500,834	36,982 (4)	44,757 (5)	505,960
		7,316 (7)	19,538 (6)	
		4,060 (9)	455 (8)	
	<u>                    </u>	<u>47,066 (10)</u>	<u>25,548 (12)</u>	<u>                    </u>
Total Operating Expenses	<u>\$3,504,476</u>	<u>\$245,020</u>	<u>\$237,753</u>	<u>\$3,511,743</u>
Total Patient Days	<u>23,190</u>	<u>-</u>	<u>127</u>	<u>23,063</u>
Total Beds	<u>132</u>			

**ROCK HILL HEALTHCARE, INC.**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended May 31, 2003  
 For the Contract Period October 1, 2003 Through September 30, 2004  
 AC# 3-RHH-E3

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,498,801	\$ 1,913 (4) 29,964 (5)	\$ 276 (4) 3,272 (6) 30,680 (10) 3,376 (10)	\$1,493,074
Dietary	250,794	11,324 (5)	420 (4) 3,249 (6) 3,783 (10)	254,666
Laundry	67,387	-	1,598 (4) 2,429 (10)	63,360
Housekeeping	98,187	-	2,545 (10)	95,642
Maintenance	84,984	4,024 (6)	7,045 (1) 707 (4) 928 (10)	80,328
Administration & Medical Records	344,998	20,518 (6)	1,770 (4) 2,670 (10) 655 (10)	360,421
Utilities	69,685	7,045 (1) 7,267 (2) 160 (6)	-	84,157
Special Services	6,046	3,469 (5)	393 (4) 355 (6) 4,347 (7)	4,420
Medical Supplies & Oxygen	118,470	-	23,446 (3) 7,547 (4) 15,720 (7)	71,757

**ROCK HILL HEALTHCARE, INC.**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended May 31, 2003  
For the Contract Period October 1, 2003 Through September 30, 2004  
AC# 3-RHH-E3

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Taxes and Insurance	189,118	401 (6)	4,060 (9)	185,459
Legal Fees	3,576	729 (6)	-	4,305
Cost of Capital	179,953	582 (6)	-	207,901
		455 (8)		
	<u>                    </u>	<u>26,911 (13)</u>	<u>                    </u>	<u>                    </u>
Subtotal	2,911,999	114,762	121,271	2,905,490
Ancillary	91,642	23,446 (3)	26,184 (4)	101,655
		12,751 (7)		
Nonallowable	500,835	36,982 (4)	44,757 (5)	504,598
		7,316 (7)	19,538 (6)	
		4,060 (9)	455 (8)	
	<u>                    </u>	<u>47,066 (10)</u>	<u>26,911 (13)</u>	<u>                    </u>
Total Operating Expenses	<u>\$3,504,476</u>	<u>\$246,383</u>	<u>\$239,116</u>	<u>\$3,511,743</u>
Total Patient Days	<u>23,190</u>	<u>-</u>	<u>127</u>	<u>23,063</u>
Total Beds	<u>132</u>			

**ROCK HILL HEALTHCARE, INC.**  
Adjustment Report  
Cost Report Period Ended May 31, 2003  
AC# 3-RHH-E3

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Utilities Maintenance	\$ 7,045	\$ 7,045
	To reclassify garbage collection fees DH&HS Crosswalk		
2	Utilities Other Equity	7,267	7,267
	To accrue electricity and water for 5/8/03 - 5/31/03 HIM-15-1, Section 2320		
3	Ancillary Medical Supplies & Oxygen	23,446	23,446
	To reclassify prescription drugs DH&HS Crosswalk		
4	Restorative Nonallowable	1,913 36,982	
	Nursing		276
	Dietary		420
	Laundry		1,598
	Maintenance		707
	Administration		1,770
	Medical Supplies & Oxygen		7,547
	Therapy		393
	Ancillary		26,184
	To adjust related party United Pharmacy expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
5	Nursing Dietary Therapy Nonallowable	29,964 11,324 3,469	44,757
	To adjust related party United Clinical expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

**ROCK HILL HEALTHCARE, INC.**  
Adjustment Report  
Cost Report Period Ended May 31, 2003  
AC# 3-RHH-E3

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Maintenance	4,024	
	Administration	20,518	
	Legal	729	
	Utilities	160	
	Taxes, Licenses & Insurance	401	
	Cost of Capital	582	
	Nursing		3,272
	Dietary		3,249
	Therapy		355
	Nonallowable		19,538
	To adjust home office costs		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
7	Ancillary	12,751	
	Nonallowable	7,316	
	Medical Supplies		15,720
	Therapy		4,347
	To remove special (ancillary) services		
	reimbursed by Medicare and reclassify		
	diabetic testing supplies		
	State Plan, Attachment 4.19D		
	DH&HS Crosswalk		
8	Accumulated Depreciation	8,838	
	Other Equity	19,027	
	Cost of Capital	455	
	Fixed Assets		27,865
	Nonallowable		455
	To adjust fixed assets and		
	related depreciation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
9	Nonallowable	4,060	
	Taxes, Licenses & Insurance		4,060
	To adjust liability insurance		
	HIM-15-1, Section 2304		

**ROCK HILL HEALTHCARE, INC.**  
Adjustment Report  
Cost Report Period Ended May 31, 2003  
AC# 3-RHH-E3

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Nonallowable	47,066	
	Nursing		30,680
	Restorative		3,376
	Dietary		3,783
	Laundry		2,429
	Housekeeping		2,545
	Maintenance		928
	Administration		2,670
	Medical Records		655
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
11	Nonallowable	2,388	
	Cost of Capital		2,388
	To adjust capital return State Plan, Attachment 4.19D (For the rate period 12/1/02 - 12/31/02)		
12	Cost of Capital	25,548	
	Nonallowable		25,548
	To adjust capital return State Plan, Attachment 4.19D (For the rate period 1/1/03 - 9/30/03)		
13	Cost of Capital	26,911	
	Nonallowable		26,911
	To adjust capital return State Plan, Attachment 4.19D (For the rate period 10/1/03 - 9/30/04)		

**ROCK HILL HEALTHCARE, INC.**  
 Adjustment Report  
 Cost Report Period Ended May 31, 2003  
 AC# 3-RHH-E3

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
14	<u>Memo Adjustment:</u> To decrease total patient days by 127 to 23,063 to reflect minimum occupancy for the cost report period ended May 31, 2003 verses the SENIORS date of June 1, 2003 State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<hr style="width: 100%;"/> <u>\$302,184</u>	<hr style="width: 100%;"/> <u>\$302,184</u>

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.

**ROCK HILL HEALTHCARE, INC.**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended May 31, 2003  
 For the Contract Period December 1, 2002 Through December 31, 2002  
 AC# 3-RHH-E3

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3848</u>
Deemed Asset Value (Per Bed)	37,246
Number of Beds	<u>132</u>
Deemed Asset Value	4,916,472
Improvements Since 1981	1,555,688
Accumulated Depreciation at 5/31/03	<u>(1,869,087)</u>
Deemed Depreciated Value	4,603,073
Market Rate of Return	<u>.058</u>
Total Annual Return	266,978
Number of Days in Period	<u>182/365</u>
Adjusted Annual Return	133,123
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	133,123
Depreciation Expense	69,829
Amortization Expense	-
Capital Related Income Offsets	(225)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	202,727
Total Patient Days (Minimum 96% Occupancy)	<u>23,063</u>
Cost of Capital Per Diem	\$ <u><u>8.79</u></u>

**ROCK HILL HEALTHCARE, INC.**

Cost of Capital Reimbursement Analysis

For the Cost Report Period Ended May 31, 2003

For the Contract Period December 1, 2002 Through December 31, 2002

AC# 3-RHH-E3

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 3.77
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>7.76</u>
Reimbursable Cost of Capital Per Diem	\$ 7.76
Cost of Capital Per Diem	<u>8.79</u>
Cost of Capital Per Diem Limitation	\$ <u>(1.03)</u>

**ROCK HILL HEALTHCARE, INC.**

Cost of Capital Reimbursement Analysis

For the Cost Report Period Ended May 31, 2003

For the Contract Periods January 1, 2003 Through September 30, 2003

AC# 3-RHH-E3

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.4607</u>
Deemed Asset Value (Per Bed)	38,431
Number of Beds	<u>132</u>
Deemed Asset Value	5,072,892
Improvements Since 1981	1,555,688
Accumulated Depreciation at 5/31/03	<u>(1,869,087)</u>
Deemed Depreciated Value	4,759,493
Market Rate of Return	<u>.0577</u>
Total Annual Return	274,623
Number of Days in Period	<u>182/365</u>
Adjusted Annual Return	136,935
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	136,935
Depreciation Expense	69,829
Amortization Expense	-
Capital Related Income Offsets	(225)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	206,539
Total Patient Days (Minimum 96% Occupancy)	<u>23,063</u>
Cost of Capital Per Diem	<u>\$ 8.96</u>

**ROCK HILL HEALTHCARE, INC.**

Cost of Capital Reimbursement Analysis

For the Cost Report Period Ended May 31, 2003

For the Contract Periods January 1, 2003 Through September 30, 2003

AC# 3-RHH-E3

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 3.77
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>7.76</u>
Reimbursable Cost of Capital Per Diem	\$ 7.76
Cost of Capital Per Diem	<u>8.96</u>
Cost of Capital Per Diem Limitation	\$ <u>(1.20)</u>

**ROCK HILL HEALTHCARE, INC.**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended May 31, 2003  
For the Contract Period October 1, 2003 Through September 30, 2004  
AC# 3-RHH-E3

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.55013</u>
Deemed Asset Value (Per Bed)	39,828
Number of Beds	<u>132</u>
Deemed Asset Value	5,257,296
Improvements Since 1981	1,555,688
Accumulated Depreciation at 5/31/03	<u>(1,869,087)</u>
Deemed Depreciated Value	4,943,897
Market Rate of Return	<u>.0561</u>
Total Annual Return	277,353
Number of Days in Period	<u>182/365</u>
Adjusted Annual Return	138,297
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	138,297
Depreciation Expense	69,829
Amortization Expense	-
Capital Related Income Offsets	(225)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	207,901
Total Patient Days (Minimum 96% Occupancy)	<u>23,063</u>
Cost of Capital Per Diem	\$ <u><u>9.01</u></u>

**ROCK HILL HEALTHCARE, INC.**

Cost of Capital Reimbursement Analysis

For the Cost Report Period Ended May 31, 2003

For the Contract Period October 1, 2003 Through September 30, 2004

AC# 3-RHH-E3

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 3.77
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>7.76</u>
Reimbursable Cost of Capital Per Diem	\$ 7.76
Cost of Capital Per Diem	<u>9.01</u>
Cost of Capital Per Diem Limitation	\$ <u>(1.25)</u>

2 copies of this document were published at an estimated printing cost of \$1.76 each, and a total printing cost of \$3.52. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.