

State of South Carolina



Office of the State Auditor

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

RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

(803) 253-4160
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June 7, 2007

Mr. Shon Herron, Budget/Reimbursement Analyst
Oconee Memorial Hospital
298 Memorial Drive
Seneca, South Carolina 29672-9443

Re: AC# 3-LLD-K3 – Oconee Memorial Hospital, Inc. d/b/a Lila Doyle Nursing Care Facility

Dear Mr. Herron:

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 April 15, 2003 through October 31, 2003. That report was used to set the rate covering the contract periods beginning April 15, 2003.

We are recommending that the Department of Health and Human Services certify an accounts payable for amounts underpaid as a result of the rate changes shown on Exhibit A. You will be notified of settlement 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.

Yours very truly,

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

RHGjr/cwc

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

**OCONEE MEMORIAL HOSPITAL, INC.
D/B/A LILA DOYLE NURSING CARE FACILITY
SENECA, SOUTH CAROLINA**

**CONTRACT PERIODS
BEGINNING APRIL 15, 2003
AC# 3-LLD-K3**

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

March 30, 2007

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 Oconee Memorial Hospital, Inc. d/b/a Lila Doyle Nursing Care Facility, for the contract periods beginning April 15, 2003, and for the cost report period ended October 31, 2003, as set forth in the accompanying schedules. The management of Oconee Memorial Hospital, Inc. d/b/a Lila Doyle Nursing Care Facility 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 Oconee Memorial Hospital, Inc. d/b/a Lila Doyle Nursing Care Facility, 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 Oconee Memorial Hospital, Inc. d/b/a Lila Doyle Nursing Care Facility dated as of October 1, 2001, as amended. Our findings as a result of these procedures are presented in the Computations of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
March 30, 2007

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, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

LILA DOYLE NURSING CARE FACILITY
 Computation of Rate Change
 For the Contract Periods
 Beginning April 15, 2003
 AC# 3-LLD-K3

	<u>04/15/03-</u> <u>09/30/03</u>	<u>10/01/03-</u> <u>10/31/03</u>	<u>11/01/03-</u> <u>09/30/04</u>	<u>10/01/04-</u> <u>09/30/05</u>
Adjusted Reimbursement Rate	\$135.73	\$141.15	\$121.73	\$133.30
Interim Reimbursement Rate (1)	<u>134.17</u>	<u>139.59</u>	<u>120.53</u>	<u>133.88</u>
Increase/(Decrease) in Reimbursement Rate	\$ <u>1.56</u>	\$ <u>1.56</u>	\$ <u>1.20</u>	\$ <u>(.58)</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 24, 2007.

LILA DOYLE NURSING CARE FACILITY
 Computation of Adjusted Reimbursement Rate
 For the Contract Period April 15, 2003 Through September 30, 2003
 AC# 3-LLD-K3

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$108.74	\$ 70.20	
Dietary		19.86	13.45	
Laundry/Housekeeping/Maintenance		<u>25.58</u>	<u>11.60</u>	
Subtotal	\$ <u>-</u>	154.18	95.25	\$ 95.25
Administration & Medical Records	\$ <u>-</u>	<u>40.60</u>	<u>15.32</u>	<u>15.32</u>
Subtotal		194.78	<u>\$110.57</u>	110.57
<u>Costs Not Subject to Standards:</u>				
Utilities		3.45		3.45
Special Services		.49		.49
Medical Supplies & Oxygen		3.01		3.01
Taxes and Insurance		2.97		2.97
Legal Fees		<u>.60</u>		<u>.60</u>
TOTAL		<u>\$205.30</u>		121.09
Inflation Factor (N/A)				-
Cost of Capital				21.39
Cost of Capital Limitation				(6.75)
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>\$135.73</u>

LILA DOYLE NURSING CARE FACILITY
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2003 Through October 31, 2003
 AC# 3-LLD-K3

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$108.74	\$ 74.16	
Dietary		19.86	13.86	
Laundry/Housekeeping/Maintenance		<u>25.58</u>	<u>11.80</u>	
Subtotal	\$ <u>-</u>	154.18	99.82	\$ 99.82
Administration & Medical Records	\$ <u>-</u>	<u>40.60</u>	<u>16.15</u>	<u>16.15</u>
Subtotal		194.78	<u>\$115.97</u>	115.97
<u>Costs Not Subject to Standards:</u>				
Utilities		3.45		3.45
Special Services		.49		.49
Medical Supplies & Oxygen		3.01		3.01
Taxes and Insurance		2.97		2.97
Legal Fees		<u>.60</u>		<u>.60</u>
TOTAL		<u>\$205.30</u>		126.49
Inflation Factor (N/A)				-
Cost of Capital				21.49
Cost of Capital Limitation				(6.83)
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>\$141.15</u>

LILA DOYLE NURSING CARE FACILITY
 Computation of Adjusted Reimbursement Rate
 For the Contract Period November 1, 2003 Through September 30, 2004
 AC# 3-LLD-K3

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 79.21	\$61.80	
Dietary		14.47	11.55	
Laundry/Housekeeping/Maintenance		<u>18.63</u>	<u>9.83</u>	
Subtotal	\$ <u>-</u>	112.31	83.18	\$ 83.18
Administration & Medical Records	\$ <u>-</u>	<u>29.57</u>	<u>13.46</u>	<u>13.46</u>
Subtotal		141.88	<u>\$96.64</u>	96.64
<u>Costs Not Subject to Standards:</u>				
Utilities		2.51		2.51
Special Services		.36		.36
Medical Supplies & Oxygen		2.19		2.19
Taxes and Insurance		2.16		2.16
Legal Fees		<u>.44</u>		<u>.44</u>
TOTAL		<u>\$149.54</u>		104.30
Inflation Factor (4.70%)				4.90
Cost of Capital				15.57
Cost of Capital Limitation				(3.04)
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>\$121.73</u>

LILA DOYLE NURSING CARE FACILITY
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2004 Through September 30, 2005
 AC# 3-LLD-K3

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 74.26	\$ 70.99	
Dietary		13.56	12.15	
Laundry/Housekeeping/Maintenance		<u>17.47</u>	<u>10.42</u>	
Subtotal	\$ <u>-</u>	105.29	93.56	\$ 93.56
Administration & Medical Records	\$ <u>-</u>	<u>27.72</u>	<u>15.06</u>	<u>15.06</u>
Subtotal		133.01	<u>\$108.62</u>	108.62
<u>Costs Not Subject to Standards:</u>				
Utilities		2.36		2.36
Special Services		.33		.33
Medical Supplies & Oxygen		2.06		2.06
Taxes and Insurance		2.03		2.03
Legal Fees		<u>.41</u>		<u>.41</u>
TOTAL		<u>\$140.20</u>		115.81
Inflation Factor (4.70%)				5.44
Cost of Capital				14.58
Cost of Capital Limitation				(2.53)
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>\$133.30</u>

LILA DOYLE NURSING CARE FACILITY
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended October 31, 2003
 For the Contract Period April 15, 2003 Through September 30, 2003
 AC# 3-LLD-K3

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,510,745	\$200,208 (1)	\$ -	\$1,710,953
Dietary	435,025	-	122,538 (1)	312,487
Laundry	129,977	-	33,079 (1)	96,898
Housekeeping	114,790	42,639 (1)	-	157,429
Maintenance	79,667	68,486 (1)	-	148,153
Administration & Medical Records	367,239	271,513 (1)	-	638,752
Utilities	60,943	-	6,671 (1)	54,272
Special Services	15,935	-	8,224 (1)	7,711
Medical Supplies & Oxygen	56,800	-	9,428 (1)	47,372
Taxes and Insurance	548	46,120 (1)	-	46,668
Legal Fees	-	9,483 (1)	-	9,483
Cost of Capital	237,134	80,315 (1) 19,062 (2)	-	336,511
Subtotal	3,008,803	737,826	179,940	3,566,689

LILA DOYLE NURSING CARE FACILITY
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended October 31, 2003
 For the Contract Period April 15, 2003 Through September 30, 2003
 AC# 3-LLD-K3

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments		Adjusted Totals
		<u>Debit</u>	<u>Credit</u>	
Ancillary	5,309	-	4,410 (1)	899
Nonallowable	<u>(395,690)</u>	<u>439,621</u> (1)	<u>19,062</u> (2)	<u>24,869</u>
Total Operating Expenses	<u>\$2,618,422</u>	<u>\$1,177,447</u>	<u>\$203,412</u>	<u>\$3,592,457</u>
Total Patient Days	<u>15,734</u>	<u>-</u>	<u>-</u>	<u>15,734</u>
Total Beds	<u>120</u>			

LILA DOYLE NURSING CARE FACILITY
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended October 31, 2003
 For the Contract Period October 1, 2003 Through October 31, 2003
 AC# 3-LLD-K3

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,510,745	\$200,208 (1)	\$ -	\$1,710,953
Dietary	435,025	-	122,538 (1)	312,487
Laundry	129,977	-	33,079 (1)	96,898
Housekeeping	114,790	42,639 (1)	-	157,429
Maintenance	79,667	68,486 (1)	-	148,153
Administration & Medical Records	367,239	271,513 (1)	-	638,752
Utilities	60,943	-	6,671 (1)	54,272
Special Services	15,935	-	8,224 (1)	7,711
Medical Supplies & Oxygen	56,800	-	9,428 (1)	47,372
Taxes and Insurance	548	46,120 (1)	-	46,668
Legal Fees	-	9,483 (1)	-	9,483
Cost of Capital	237,562	79,887 (1) 20,649 (2)	-	338,098
Subtotal	3,009,231	738,985	179,940	3,568,276

LILA DOYLE NURSING CARE FACILITY
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended October 31, 2003
 For the Contract Period October 1, 2003 Through October 31, 2003
 AC# 3-LLD-K3

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments		Adjusted Totals
		<u>Debit</u>	<u>Credit</u>	
Ancillary	5,309	-	4,410 (1)	899
Nonallowable	<u>(396,119)</u>	<u>440,050</u> (1)	<u>20,649</u> (2)	<u>23,282</u>
Total Operating Expenses	<u>\$2,618,421</u>	<u>\$1,179,035</u>	<u>\$204,999</u>	<u>\$3,592,457</u>
Total Patient Days	<u>15,734</u>	<u>-</u>	<u>-</u>	<u>15,734</u>
Total Beds	<u>120</u>			

LILA DOYLE NURSING CARE FACILITY
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended October 31, 2003
 For the Contract Period November 1, 2003 Through September 30, 2004
 AC# 3-LLD-K3

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,510,745	\$200,208 (1)	\$ -	\$1,710,953
Dietary	435,025	-	122,538 (1)	312,487
Laundry	129,977	-	33,079 (1)	96,898
Housekeeping	114,790	42,639 (1)	-	157,429
Maintenance	79,667	68,486 (1)	-	148,153
Administration & Medical Records	367,239	271,513 (1)	-	638,752
Utilities	60,943	-	6,671 (1)	54,272
Special Services	15,935	-	8,224 (1)	7,711
Medical Supplies & Oxygen	56,800	-	9,428 (1)	47,372
Taxes and Insurance	548	46,120 (1)	-	46,668
Legal Fees	-	9,483 (1)	-	9,483
Cost of Capital	277,344	40,105 (1) 20,649 (2)	-	338,098
Subtotal	3,049,013	699,203	179,940	3,568,276

LILA DOYLE NURSING CARE FACILITY
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended October 31, 2003
 For the Contract Period November 1, 2003 Through September 30, 2004
 AC# 3-LLD-K3

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Ancillary	5,309	-	4,410 (1)	899
Nonallowable	<u>(435,901)</u>	<u>479,832</u> (1)	<u>20,649</u> (2)	<u>23,282</u>
Total Operating Expenses	<u>\$2,618,421</u>	<u>\$1,179,035</u>	<u>\$204,999</u>	<u>\$3,592,457</u>
Total Patient Days	<u>21,600</u>	<u>-</u>	<u>-</u>	<u>21,600</u>
Cost of Capital Patient Days				<u>21,712</u>
Total Beds	<u>120</u>			

LILA DOYLE NURSING CARE FACILITY
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended October 31, 2003
 For the Contract Period October 1, 2004 Through September 30, 2005
 AC# 3-LLD-K3

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,510,745	\$200,208 (1)	\$ -	\$1,710,953
Dietary	435,025	-	122,538 (1)	312,487
Laundry	129,977	-	33,079 (1)	96,898
Housekeeping	114,790	42,639 (1)	-	157,429
Maintenance	79,667	68,486 (1)	-	148,153
Administration & Medical Records	367,239	271,513 (1)	-	638,752
Utilities	60,943	-	6,671 (1)	54,272
Special Services	15,935	-	8,224 (1)	7,711
Medical Supplies & Oxygen	56,800	-	9,428 (1)	47,372
Taxes and Insurance	548	46,120 (1)	-	46,668
Legal Fees	-	9,483 (1)	-	9,483
Cost of Capital	<u>323,671</u>	<u>18,466 (2)</u>	<u>6,222 (1)</u>	<u>335,915</u>
Subtotal	3,095,340	656,915	186,162	3,566,093

LILA DOYLE NURSING CARE FACILITY
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended October 31, 2003
 For the Contract Period October 1, 2004 Through September 30, 2005
 AC# 3-LLD-K3

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments		Adjusted Totals
		<u>Debit</u>	<u>Credit</u>	
Ancillary	5,309	-	4,410 (1)	899
Nonallowable	<u>(482,228)</u>	<u>526,159</u> (1)	<u>18,466</u> (2)	<u>25,465</u>
Total Operating Expenses	<u>\$2,618,421</u>	<u>\$1,183,074</u>	<u>\$209,038</u>	<u>\$3,592,457</u>
Total Patient Days	<u>23,040</u>	<u>-</u>	<u>-</u>	<u>23,040</u>
Total Beds	<u>120</u>			

LILA DOYLE NURSING CARE FACILITY
Adjustment Report
Cost Report Period Ended October 31, 2003
AC# 3-LLD-K3

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	General Services	\$200,208	
	Housekeeping	42,639	
	Maintenance	68,486	
	Administration & Medical Records	271,513	
	Taxes and Insurance	46,120	
	Legal	9,483	
	Cost of Capital	80,315	
	Nonallowable	439,621	
	Dietary		\$122,538
	Laundry		33,079
	Utilities		6,671
	Special Services		8,224
	Medical Supplies		9,428
	Ancillary		4,410
	Other Equity		974,035

To adjust cost center amounts to amounts
per the as-filed Medicare cost report
HIM-15-1, Section 2300

(This adjustment applies to the
rate period 04/15/03 - 09/30/03)

1	General Services	200,208	
	Housekeeping	42,639	
	Maintenance	68,486	
	Administration & Medical Records	271,513	
	Taxes and Insurance	46,120	
	Legal	9,483	
	Cost of Capital	79,887	
	Nonallowable	440,050	
	Dietary		122,538
	Laundry		33,079
	Utilities		6,671
	Special Services		8,224
	Medical Supplies		9,428
	Ancillary		4,410
	Other Equity		974,036

To adjust cost center amounts to amounts
per the as-filed Medicare cost report
HIM-15-1, Section 2300

(This adjustment applies to the
rate period 10/01/03 - 10/31/03)

LILA DOYLE NURSING CARE FACILITY
Adjustment Report
Cost Report Period Ended October 31, 2003
AC# 3-LLD-K3

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	General Services	200,208	
	Housekeeping	42,639	
	Maintenance	68,486	
	Administration & Medical Records	271,513	
	Taxes and Insurance	46,120	
	Legal	9,483	
	Cost of Capital	40,105	
	Nonallowable	479,832	
	Dietary		122,538
	Laundry		33,079
	Utilities		6,671
	Special Services		8,224
	Medical Supplies		9,428
	Ancillary		4,410
	Other Equity		974,036

To adjust cost center amounts to amounts
per the as-filed Medicare cost report
HIM-15-1, Section 2300

(This adjustment applies to the
rate period 11/01/03 - 09/30/04)

1	General Services	200,208	
	Housekeeping	42,639	
	Maintenance	68,486	
	Administration & Medical Records	271,513	
	Taxes and Insurance	46,120	
	Legal	9,483	
	Nonallowable	526,159	
	Dietary		122,538
	Laundry		33,079
	Utilities		6,671
	Special Services		8,224
	Medical Supplies		9,428
	Cost of Capital		6,222
	Ancillary		4,410
	Other Equity		974,036

To adjust cost center amounts to amounts
per the as-filed Medicare cost report
HIM-15-1, Section 2300

(This adjustment applies to the
rate period 10/01/04 - 09/30/05)

LILA DOYLE NURSING CARE FACILITY
Adjustment Report
Cost Report Period Ended October 31, 2003
AC# 3-LLD-K3

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
2	Cost of Capital Nonallowable	19,062	19,062
	To adjust cost of capital to allowable State Plan, Attachment 4.19D		
	(This adjustment applies to the rate period 04/15/03 - 09/30/03)		
2	Cost of Capital Nonallowable	20,649	20,649
	To adjust cost of capital to allowable State Plan, Attachment 4.19D		
	(This adjustment applies to the rate period 10/01/03 - 10/31/03)		
2	Cost of Capital Nonallowable	20,649	20,649
	To adjust cost of capital to allowable State Plan, Attachment 4.19D		
	(This adjustment applies to the rate period 11/01/03 - 09/30/04)		
2	Cost of Capital Nonallowable	18,466	18,466
	To adjust cost of capital to allowable State Plan, Attachment 4.19D		
	(This adjustment applies to the rate period 10/01/04 - 09/30/05)		
	TOTAL ADJUSTMENTS	<u><u>\$4,718,591</u></u>	<u><u>\$4,718,591</u></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.

LILA DOYLE NURSING CARE FACILITY
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended October 31, 2003
 For the Contract Period April 15, 2003 Through September 30, 2003
 AC# 3-LLD-K3

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.4607</u>	<u>2.4607</u>	
Deemed Asset Value (Per Bed)	38,431	38,431	
Number of Beds	<u>79</u>	<u>41</u>	
Deemed Asset Value	3,036,049	1,575,671	
Improvements Since 1981	939,131	-	
Accumulated Depreciation at 10/31/03	<u>(1,429,091)</u>	<u>(51,920)</u>	
Deemed Depreciated Value	2,546,089	1,523,751	
Market Rate of Return	<u>.0577</u>	<u>.0577</u>	
Total Annual Return	146,909	87,920	
Number of Days in Period	<u>200/365</u>	<u>200/365</u>	
Adjusted Annual Return	80,498	48,175	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	80,498	48,175	
Depreciation Expense	82,684	125,154	
Amortization Expense	-	-	
Capital Related Income Offsets	-	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	163,182	173,329	\$336,511
Total Patient Days (Actual)	<u>8,242</u>	<u>7,492</u>	<u>15,734</u>
Cost of Capital Per Diem	\$ <u>19.80</u>	\$ <u>23.14</u>	\$ <u>21.39</u>

LILA DOYLE NURSING CARE FACILITY
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended October 31, 2003
 For the Contract Period April 15, 2003 Through September 30, 2003
 AC# 3-LLD-K3

6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$2.92	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$6.91</u>	<u>\$23.14</u>
Weighted Average Reimbursable Cost of		
Capital Per Diem*	\$14.64	
Cost of Capital Per Diem	<u>21.39</u>	
Cost of Capital Per Diem Limitation	<u>\$(6.75)</u>	

* $-\frac{[(6.91 \times 8,242) + 173,329]}{15,734}$

LILA DOYLE NURSING CARE FACILITY
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended October 31, 2003
 For the Contract Period October 1, 2003 Through October 31, 2003
 AC# 3-LLD-K3

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.55013</u>	<u>2.55013</u>	
Deemed Asset Value (Per Bed)	39,828	39,828	
Number of Beds	<u>79</u>	<u>41</u>	
Deemed Asset Value	3,146,412	1,632,948	
Improvements Since 1981	939,131	-	
Accumulated Depreciation at 10/31/03	<u>(1,429,091)</u>	<u>(51,920)</u>	
Deemed Depreciated Value	2,656,452	1,581,028	
Market Rate of Return	<u>.0561</u>	<u>.0561</u>	
Total Annual Return	149,027	88,696	
Number of Days in Period	<u>200/365</u>	<u>200/365</u>	
Adjusted Annual Return	81,659	48,601	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	81,659	48,601	
Depreciation Expense	82,684	125,154	
Amortization Expense	-	-	
Capital Related Income Offsets	-	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	164,343	173,755	\$338,098
Total Patient Days (Actual)	<u>8,242</u>	<u>7,492</u>	<u>15,734</u>
Cost of Capital Per Diem	\$ <u>19.94</u>	\$ <u>23.19</u>	\$ <u>21.49</u>

LILA DOYLE NURSING CARE FACILITY
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended October 31, 2003
 For the Contract Period October 1, 2003 Through October 31, 2003
 AC# 3-LLD-K3

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$2.92	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$6.91</u>	<u>\$23.19</u>
 Weighted Average Reimbursable Cost of Capital Per Diem*		 \$14.66
Cost of Capital Per Diem		<u>21.49</u>
Cost of Capital Per Diem Limitation		<u>\$(6.83)</u>

* $-\frac{[(6.91 \times 8,242) + 173,755]}{15,734}$

LILA DOYLE NURSING CARE FACILITY
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended October 31, 2003
 For the Contract Period November 1, 2003 Through September 30, 2004
 AC# 3-LLD-K3

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.55013</u>	<u>2.55013</u>	
Deemed Asset Value (Per Bed)	39,828	39,828	
Number of Beds	<u>79</u>	<u>41</u>	
Deemed Asset Value	3,146,412	1,632,948	
Improvements Since 1981	939,131	-	
Accumulated Depreciation at 10/31/03	<u>(1,429,091)</u>	<u>(51,920)</u>	
Deemed Depreciated Value	2,656,452	1,581,028	
Market Rate of Return	<u>.0561</u>	<u>.0561</u>	
Total Annual Return	149,027	88,696	
Number of Days in Period	<u>200/365</u>	<u>200/365</u>	
Adjusted Annual Return	81,659	48,601	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	81,659	48,601	
Depreciation Expense	82,684	125,154	
Amortization Expense	-	-	
Capital Related Income Offsets	-	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	164,343	173,755	\$338,098
Total Patient Days (Minimum 90% Occupancy)	<u>14,220</u>	<u>7,492</u>	<u>21,712</u>
Cost of Capital Per Diem	\$ <u>11.56</u>	\$ <u>23.19</u>	\$ <u>15.57</u>

LILA DOYLE NURSING CARE FACILITY
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended October 31, 2003
 For the Contract Period November 1, 2003 Through September 30, 2004
 AC# 3-LLD-K3

6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$2.92	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$6.91</u>	<u>\$23.19</u>
Weighted Average Reimbursable Cost of		
Capital Per Diem*	\$12.53	
Cost of Capital Per Diem	<u>15.57</u>	
Cost of Capital Per Diem Limitation	<u>\$(3.04)</u>	

* $-\frac{[(6.91 \times 14,220) + 173,755]}{21,712}$

LILA DOYLE NURSING CARE FACILITY
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended October 31, 2003
 For the Contract Period October 1, 2004 Through September 30, 2005
 AC# 3-LLD-K3

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.63785</u>	<u>2.63785</u>	
Deemed Asset Value (Per Bed)	41,198	41,198	
Number of Beds	<u>79</u>	<u>41</u>	
Deemed Asset Value	3,254,642	1,689,118	
Improvements Since 1981	939,131	-	
Accumulated Depreciation at 10/31/03	(<u>1,429,091</u>)	<u>(51,920)</u>	
Deemed Depreciated Value	2,764,682	1,637,198	
Market Rate of Return	<u>.0531</u>	<u>.0531</u>	
Total Annual Return	146,805	86,935	
Number of Days in Period	<u>200/365</u>	<u>200/365</u>	
Adjusted Annual Return	80,441	47,636	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	80,441	47,636	
Depreciation Expense	82,684	125,154	
Amortization Expense	-	-	
Capital Related Income Offsets	-	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	163,125	172,790	\$335,915
Total Patient Days (Minimum 96% Occupancy)	<u>15,168</u>	<u>7,872</u>	<u>23,040</u>
Cost of Capital Per Diem	\$ <u>10.75</u>	\$ <u>21.95</u>	\$ <u>14.58</u>

LILA DOYLE NURSING CARE FACILITY
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended October 31, 2003
 For the Contract Period October 1, 2004 Through September 30, 2005
 AC# 3-LLD-K3

6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$2.92	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$6.91</u>	<u>\$21.95</u>
Weighted Average Reimbursable Cost of		
Capital Per Diem*	\$12.05	
Cost of Capital Per Diem	<u>14.58</u>	
Cost of Capital Per Diem Limitation	<u>\$(2.53)</u>	

* $-\frac{[(6.91 \times 15,168) + 172,790]}{23,040}$

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