

*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  
FAX (803) 343-0723

June 11, 2009

Ms. Rhonda Nelson, Director of Accounting  
Epic Management, LLC  
402 Hunting Crest Court  
Boiling Springs, South Carolina 29316

Re: AC# 3-BAY-L5 – Bayview Manor, LLC

Dear Ms. Nelson:

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 May 7, 2005 through November 30, 2005. That report was used to set the rate covering the contract periods beginning May 7, 2005.

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.

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

**BAYVIEW MANOR, LLC  
BEAUFORT, SOUTH CAROLINA**

**CONTRACT PERIODS  
BEGINNING MAY 7, 2005  
AC# 3-BAY-L5**

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

## CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIODS BEGINNING MAY 7, 2005	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIODS MAY 7, 2005 THROUGH SEPTEMBER 30, 2005	B-1	4
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2005 THROUGH NOVEMBER 30, 2005	B-2	5
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD DECEMBER 1, 2005 THROUGH SEPTEMBER 30, 2006	B-3	6
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2006 THROUGH SEPTEMBER 30, 2007	B-4	7
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED NOVEMBER 30, 2005 FOR THE CONTRACT PERIODS MAY 7, 2005 THROUGH SEPTEMBER 30, 2005	C-1	8
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED NOVEMBER 30, 2005 FOR THE CONTRACT PERIODS OCTOBER 1, 2005 THROUGH SEPTEMBER 30, 2006	C-2	11
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED NOVEMBER 30, 2005 FOR THE CONTRACT PERIOD OCTOBER 1, 2006 THROUGH SEPTEMBER 30, 2007	C-3	14
ADJUSTMENT REPORT	1	17
COST OF CAPITAL REIMBURSEMENT ANALYSIS FOR THE CONTRACT PERIODS MAY 7, 2005 THROUGH SEPTEMBER 30, 2005	2	23
COST OF CAPITAL REIMBURSEMENT ANALYSIS FOR THE CONTRACT PERIODS OCTOBER 1, 2005 THROUGH SEPTEMBER 30, 2006	3	25
COST OF CAPITAL REIMBURSEMENT ANALYSIS FOR THE CONTRACT PERIOD OCTOBER 1, 2006 THROUGH SEPTEMBER 30, 2007	4	27

# 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  
FAX (803) 343-0723

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

September 25, 2008

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 Bayview Manor, LLC, for the contract periods beginning May 7, 2005, and for the seven month cost report period ended November 30, 2005, as set forth in the accompanying schedules. The management of Bayview Manor, LLC 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 Bayview Manor, LLC, 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 Bayview Manor, LLC dated as of October 1, 2001 and October 1, 2006, 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  
September 25, 2008

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

**BAYVIEW MANOR, LLC**  
 Computation of Rate Change  
 For the Contract Periods  
 Beginning May 7, 2005  
 AC# 3-BAY-L5

	<u>05/07/05-</u> <u>05/31/05</u>	<u>06/01/05-</u> <u>09/30/05</u>	<u>10/01/05-</u> <u>11/30/05</u>	<u>12/01/05-</u> <u>09/30/06</u>	<u>10/01/06-</u> <u>09/30/07</u>
Interim Reimbursement Rate (1)	\$130.99	\$127.74	\$127.81	\$133.34	\$131.63
Adjusted Reimbursement Rate	<u>121.99</u>	<u>121.99</u>	<u>122.04</u>	<u>127.34</u>	<u>125.75</u>
Decrease in Reimbursement Rate	<u>\$ 9.00</u>	<u>\$ 5.75</u>	<u>\$ 5.77</u>	<u>\$ 6.00</u>	<u>\$ 5.88</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated February 13, 2008.

**BAYVIEW MANOR, LLC**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Periods May 7, 2005 Through September 30, 2005  
 AC# 3-BAY-L5

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 58.36	\$ 70.99	
Dietary		14.92	12.15	
Laundry/Housekeeping/Maintenance		<u>10.78</u>	<u>10.42</u>	
Subtotal	\$ <u>6.55</u>	84.06	93.56	\$ 84.06
Administration & Medical Records	\$ <u>2.54</u>	<u>12.52</u>	<u>15.06</u>	<u>12.52</u>
Subtotal		96.58	<u>\$108.62</u>	96.58
<u>Costs Not Subject to Standards:</u>				
Utilities		4.03		4.03
Special Services		.33		.33
Medical Supplies & Oxygen		4.90		4.90
Taxes and Insurance		7.00		7.00
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$112.84</u>		112.84
Inflation Factor (N/A)				-
Cost of Capital				7.40
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				2.54
Cost Incentive				6.55
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(7.34)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$121.99</u>

**BAYVIEW MANOR, LLC**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2005 Through November 30, 2005  
 AC# 3-BAY-L5

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 58.36	\$ 75.11	
Dietary		14.92	12.63	
Laundry/Housekeeping/Maintenance		<u>10.78</u>	<u>10.97</u>	
Subtotal	<u>\$6.91</u>	84.06	98.71	\$ 84.06
Administration & Medical Records	<u>\$3.61</u>	<u>12.52</u>	<u>16.13</u>	<u>12.52</u>
Subtotal		96.58	<u>\$114.84</u>	96.58
<u>Costs Not Subject to Standards:</u>				
Utilities		4.03		4.03
Special Services		.33		.33
Medical Supplies & Oxygen		4.90		4.90
Taxes and Insurance		7.00		7.00
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$112.84</u>		112.84
Inflation Factor (N/A)				-
Cost of Capital				7.45
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.61
Cost Incentive				6.91
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(8.77)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$122.04</u>

**BAYVIEW MANOR, LLC**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period December 1, 2005 Through September 30, 2006  
 AC# 3-BAY-L5

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 58.36	\$ 75.11	
Dietary		14.92	12.63	
Laundry/Housekeeping/Maintenance		<u>10.78</u>	<u>10.97</u>	
Subtotal	<u>\$6.91</u>	84.06	98.71	\$ 84.06
Administration & Medical Records	<u>\$3.61</u>	<u>12.52</u>	<u>16.13</u>	<u>12.52</u>
Subtotal		96.58	<u>\$114.84</u>	96.58
<u>Costs Not Subject to Standards:</u>				
Utilities		4.03		4.03
Special Services		.33		.33
Medical Supplies & Oxygen		4.90		4.90
Taxes and Insurance		7.00		7.00
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$112.84</u>		112.84
Inflation Factor (4.70%)				5.30
Cost of Capital				7.45
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.61
Cost Incentive				6.91
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(8.77)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$127.34</u>

**BAYVIEW MANOR, LLC**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2006 Through September 30, 2007  
 AC# 3-BAY-L5

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 57.71	\$ 79.77	
Dietary		14.75	13.46	
Laundry/Housekeeping/Maintenance		<u>10.66</u>	<u>12.03</u>	
Subtotal	<u>\$7.37</u>	83.12	105.26	\$ 83.12
Administration & Medical Records	<u>\$4.49</u>	<u>12.38</u>	<u>16.87</u>	<u>12.38</u>
Subtotal		95.50	<u>\$122.13</u>	95.50
<u>Costs Not Subject to Standards:</u>				
Utilities		3.99		3.99
Special Services		.33		.33
Medical Supplies & Oxygen		4.86		4.86
Taxes and Insurance		6.92		6.92
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$111.60</u>		111.60
Inflation Factor (4.60%)				5.13
Cost of Capital				7.27
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.91
Cost Incentive				7.37
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(9.53)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$125.75</u>

**BAYVIEW MANOR, LLC**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended November 30, 2005  
 For the Contract Periods May 7, 2005 Through September 30, 2005  
 AC# 3-BAY-L5

<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	\$1,849,802	\$ 40 (24)	\$ 9,921 (21) 18,597 (22) 5,559 (23)	\$1,815,765
Dietary	471,747	-	4,576 (21) 2,387 (22) 713 (23)	464,071
Laundry	69,075	-	7,500 (21) 745 (22) 210 (23)	60,620
Housekeeping	190,919	-	1,961 (22) 570 (23)	188,388
Maintenance	144,451	-	3,600 (6) 53,852 (21) 360 (22) 111 (23) 59 (25)	86,469
Administration & Medical Records	413,727	2,191 (11) 5,764 (12)	17,500 (7) 815 (8) 287 (9) 4,200 (10) 1,016 (22) 340 (23) 8,045 (24)	389,479

**BAYVIEW MANOR, LLC**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended November 30, 2005  
For the Contract Periods May 7, 2005 Through September 30, 2005  
AC# 3-BAY-L5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
Utilities	129,768	-	922 (13) 3,194 (14) 136 (15)	125,516
Special Services	11,912	812 (25)	1,807 (22) 510 (23)	10,407
Medical Supplies & Oxygen	156,193	-	7 (23) 3,851 (25)	152,335
Taxes and Insurance	220,326	14,089 (18)	3,273 (16) 11,766 (17) 1,208 (19) 429 (20)	217,739
Legal Fees	-	-	-	-
Cost of Capital	262,235	-	4,314 (1) 26,422 (2) <u>1,263 (5)</u>	230,236
Subtotal	<u>3,920,155</u>	<u>22,896</u>	202,026	<u>3,741,025</u>
Ancillary	91,407	-	-	91,407

**BAYVIEW MANOR, LLC**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended November 30, 2005  
For the Contract Periods May 7, 2005 Through September 30, 2005  
AC# 3-BAY-L5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Nonallowable	716,821	26,422 (2)	14,089 (18)	815,943
		1,263 (5)		
		17,500 (7)		
		815 (8)		
		287 (9)		
		922 (13)		
		3,194 (14)		
		136 (15)		
		3,273 (16)		
		11,766 (17)		
		1,208 (19)		
		429 (20)		
		26,873 (22)		
		8,020 (23)		
		8,005 (24)		
		3,098 (25)		
 CNA Training and Testing	 <u>425</u>	 <u>-</u>	 <u>-</u>	 <u>425</u>
 Total Operating Expenses	 <u>\$4,728,808</u>	 <u>\$136,107</u>	 <u>\$216,115</u>	 <u>\$4,648,800</u>
 Total Patient Days	 * <u>31,113</u>	 <u>-</u>	 <u>-</u>	 <u>31,113</u>

\*Adjusted to 88% occupancy

Total Beds 170

**BAYVIEW MANOR, LLC**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended November 30, 2005  
 For the Contract Periods October 1, 2005 Through September 30, 2006  
 AC# 3-BAY-L5

<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	\$1,849,802	\$ 40 (24)	\$ 9,921 (21) 18,597 (22) 5,559 (23)	\$1,815,765
Dietary	471,747	-	4,576 (21) 2,387 (22) 713 (23)	464,071
Laundry	69,075	-	7,500 (21) 745 (22) 210 (23)	60,620
Housekeeping	190,919	-	1,961 (22) 570 (23)	188,388
Maintenance	144,451	-	3,600 (6) 53,852 (21) 360 (22) 111 (23) 59 (25)	86,469
Administration & Medical Records	413,727	2,191 (11) 5,764 (12)	17,500 (7) 815 (8) 287 (9) 4,200 (10) 1,016 (22) 340 (23) 8,045 (24)	389,479

**BAYVIEW MANOR, LLC**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended November 30, 2005  
For the Contract Periods October 1, 2005 Through September 30, 2006  
AC# 3-BAY-L5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
Utilities	129,768	-	922 (13) 3,194 (14) 136 (15)	125,516
Special Services	11,912	812 (25)	1,807 (22) 510 (23)	10,407
Medical Supplies & Oxygen	156,193	-	7 (23) 3,851 (25)	152,335
Taxes and Insurance	220,326	14,089 (18)	3,273 (16) 11,766 (17) 1,208 (19) 429 (20)	217,739
Legal Fees	-	-	-	-
Cost of Capital	264,308	-	4,314 (1) 26,852 (3) <u>1,263 (5)</u>	231,879
Subtotal	<u>3,922,228</u>	<u>22,896</u>	202,456	<u>3,742,668</u>
Ancillary	91,407	-	-	91,407

**BAYVIEW MANOR, LLC**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended November 30, 2005  
 For the Contract Periods October 1, 2005 Through September 30, 2006  
 AC# 3-BAY-L5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
Nonallowable	714,748	26,852 (3)	14,089 (18)	814,300
		1,263 (5)		
		17,500 (7)		
		815 (8)		
		287 (9)		
		922 (13)		
		3,194 (14)		
		136 (15)		
		3,273 (16)		
		11,766 (17)		
		1,208 (19)		
		429 (20)		
		26,873 (22)		
		8,020 (23)		
		8,005 (24)		
		3,098 (25)		
CNA Training and Testing	<u>425</u>	<u>-</u>	<u>-</u>	<u>425</u>
Total Operating Expenses	<u>\$4,728,808</u>	<u>\$136,537</u>	<u>\$216,545</u>	<u>\$4,648,800</u>
Total Patient Days	* <u>31,113</u>	<u>-</u>	<u>-</u>	<u>31,113</u>

\*Adjusted to 88% occupancy

Total Beds 170

**BAYVIEW MANOR, LLC**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended November 30, 2005  
 For the Contract Period October 1, 2006 Through September 30, 2007  
 AC# 3-BAY-L5

<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	\$1,849,802	\$ 40 (24)	\$ 9,921 (21) 18,597 (22) 5,559 (23)	\$1,815,765
Dietary	471,747	-	4,576 (21) 2,387 (22) 713 (23)	464,071
Laundry	69,075	-	7,500 (21) 745 (22) 210 (23)	60,620
Housekeeping	190,919	-	1,961 (22) 570 (23)	188,388
Maintenance	144,451	-	3,600 (6) 53,852 (21) 360 (22) 111 (23) 53 (26)	86,475
Administration & Medical Records	413,727	2,191 (11) 5,764 (12)	17,500 (7) 815 (8) 287 (9) 4,200 (10) 1,016 (22) 340 (23) 8,045 (24)	389,479

**BAYVIEW MANOR, LLC**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended November 30, 2005  
For the Contract Period October 1, 2006 Through September 30, 2007  
AC# 3-BAY-L5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
Utilities	129,768	-	922 (13) 3,194 (14) 136 (15)	125,516
Special Services	12,024	817 (26)	1,807 (22) 510 (23)	10,524
Medical Supplies & Oxygen	156,208	-	7 (23) 3,390 (26)	152,811
Taxes and Insurance	220,326	14,089 (18)	3,273 (16) 11,766 (17) 1,208 (19) 429 (20)	217,739
Legal Fees	-	-	-	-
Cost of Capital	260,725	-	4,314 (1) 26,423 (4) <u>1,263 (5)</u>	228,725
Subtotal	3,918,772	22,901	201,560	3,740,113
Ancillary	91,407	-	-	91,407

**BAYVIEW MANOR, LLC**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended November 30, 2005  
For the Contract Period October 1, 2006 Through September 30, 2007  
AC# 3-BAY-L5

<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>	
Nonallowable	718,204	26,423 (3)	14,089 (18)	816,855
		1,263 (5)		
		17,500 (7)		
		815 (8)		
		287 (9)		
		922 (13)		
		3,194 (14)		
		136 (15)		
		3,273 (16)		
		11,766 (17)		
		1,208 (19)		
		429 (20)		
		26,873 (22)		
		8,020 (23)		
		8,005 (24)		
		2,626 (26)		
 CNA Training and Testing	 <u>425</u>	 <u>-</u>	 <u>-</u>	 <u>425</u>
 Total Operating Expenses	 <u>\$4,728,808</u>	 <u>\$135,641</u>	 <u>\$215,649</u>	 <u>\$4,648,800</u>
 Total Patient Days	 * <u>31,463</u>	 <u>-</u>	 <u>-</u>	 <u>31,463</u>

\*Adjusted to 89% occupancy

Total Beds 170

**BAYVIEW MANOR, LLC**  
Adjustment Report  
Cost Report Period Ended November 30, 2005  
AC# 3-BAY-L5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation Other Equity Fixed Assets Cost of Capital	\$202,403	\$ 4,571 193,518 4,314
	To adjust assets and related depreciation expense to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable Cost of Capital	26,422	26,422
	To adjust capital return to allowable State Plan, Attachment 4.19D  (This adjustment applies only to the rate period 05/07/05 - 09/30/05)		
3	Nonallowable Cost of Capital	26,852	26,852
	To adjust capital return to allowable State Plan, Attachment 4.19D  (This adjustment applies only to the rate period 10/01/05 - 09/30/06)		
4	Nonallowable Cost of Capital	26,423	26,423
	To adjust capital return to allowable State Plan, Attachment 4.19D  (This adjustment applies only to the rate period 10/01/06 - 09/30/07)		
5	Nonallowable Cost of Capital	1,263	1,263
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		

**BAYVIEW MANOR, LLC**  
Adjustment Report  
Cost Report Period Ended November 30, 2005  
AC# 3-BAY-L5

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Prepaid Expenses Maintenance	3,600	3,600
	To remove expenses applicable to the subsequent period HIM-15-1, Section 2302.1		
7	Nonallowable Administration & Medical Records	17,500	17,500
	To reclassify expense to the proper cost center HIM-15-1, Section 2135 State Plan, Attachment 4.19D		
8	Nonallowable Administration & Medical Records	815	815
	To remove travel expense State Plan, Attachment 4.19D		
9	Nonallowable Administration & Medical Records	287	287
	To reclassify expense to the proper cost center HIM-15-1, Section 2300 DH&HS Crosswalk		
10	Prepaid Expenses Administration & Medical Records	4,200	4,200
	To remove expenses applicable to the subsequent period HIM-15-1, Section 2302.1		
11	Administration & Medical Records Accounts Payable	2,191	2,191
	To record expense applicable to the current period HIM-15-1, Section 2302.1		

**BAYVIEW MANOR, LLC**  
Adjustment Report  
Cost Report Period Ended November 30, 2005  
AC# 3-BAY-L5

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
12	Administration & Medical Records Accrued Expenses	5,764	5,764
	To record expense applicable to the current period and remove start-up costs HIM-15-1, Sections 2302.1 and 2132 State Plan, Attachment 4.19D		
13	Nonallowable Utilities	922	922
	To reclassify expense to the proper cost center HIM-15-1, Section 2300 DH&HS Crosswalk		
14	Nonallowable Utilities	3,194	3,194
	To remove duplicate expense HIM-15-1, Section 2304		
15	Nonallowable Utilities	136	136
	To reclassify expense to the proper cost center HIM-15-1, Section 2300 DH&HS Crosswalk		
16	Nonallowable Taxes and Insurance	3,273	3,273
	To adjust property taxes HIM-15-1, Section 2304		
17	Nonallowable Taxes and Insurance	11,766	11,766
	To adjust property insurance HIM-15-1, Section 2304		

**BAYVIEW MANOR, LLC**  
Adjustment Report  
Cost Report Period Ended November 30, 2005  
AC# 3-BAY-L5

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
18	Taxes and Insurance Nonallowable	14,089	14,089
	To adjust general insurance HIM-15-1, Section 2304		
19	Nonallowable Taxes and Insurance	1,208	1,208
	To remove expense not adequately documented HIM-15-1, Section 2304		
20	Nonallowable Taxes and Insurance	429	429
	To reclassify expense to the proper cost center HIM-15-1, Section 2300 State Plan, Attachment 4.19D		
21	Accrued Expenses	75,849	
	General Services		9,921
	Dietary		4,576
	Laundry		7,500
	Maintenance		53,852
	To remove expenses not related to the cost report period HIM-15-1, Sections 2302.1 and 2304		
22	Nonallowable	26,873	
	General Services		18,597
	Dietary		2,387
	Laundry		745
	Housekeeping		1,961
	Maintenance		360
	Administration & Medical Records		1,016
	Special Services		1,807
	To remove provider's Granted PTO accrual HIM-15-1, Section 2146.2C		

**BAYVIEW MANOR, LLC**  
Adjustment Report  
Cost Report Period Ended November 30, 2005  
AC# 3-BAY-L5

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
23	Nonallowable	8,020	
	Medical Supplies & Oxygen		7
	General Services		5,559
	Dietary		713
	Laundry		210
	Housekeeping		570
	Maintenance		111
	Administration & Medical Records		340
	Special Services		510
	To adjust fringe benefits and related allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
24	Nonallowable	8,005	
	General Services	40	
	Administration & Medical Records		8,045
	To adjust the home office allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
25	Special Services	812	
	Nonallowable	3,098	
	Maintenance		59
	Medical Supplies & Oxygen		3,851
	To adjust special (ancillary) services cost		
	State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate periods 05/07/05 - 09/30/06)		

**BAYVIEW MANOR, LLC**  
Adjustment Report  
Cost Report Period Ended November 30, 2005  
AC# 3-BAY-L5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
26	Special Services	817	
	Nonallowable	2,626	
	Maintenance		53
	Medical Supplies & Oxygen		3,390
	To adjust special (ancillary) services cost State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate period 10/01/06 - 09/30/07)		
		\$478,877	\$478,877
	TOTAL ADJUSTMENTS		

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.

**BAYVIEW MANOR, LLC**  
 Cost of Capital Reimbursement Analysis  
 For the Contract Periods May 7, 2005 Through September 30, 2005  
 AC# 3-BAY-L5

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>126</u>	<u>44</u>	
Deemed Asset Value	5,190,948	1,812,712	
Improvements Since 1981	647,751	60,079	
Accumulated Depreciation at 11/30/05	<u>(1,847,842)</u>	<u>(718,111)</u>	
Deemed Depreciated Value	3,963,857	1,154,680	
Market Rate of Return	<u>.0531</u>	<u>.0531</u>	
Total Annual Return	210,481	61,314	
Number of Days in Period	<u>208/365</u>	<u>208/365</u>	
Adjusted Annual Return	119,945	34,941	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	119,945	34,941	
Depreciation Expense	40,595	31,906	
Amortization Expense	2,849	-	
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	163,389	66,847	\$230,236
Total Patient Days	<u>23,060</u>	<u>8,053</u>	<u>31,113</u>
Cost of Capital Per Diem	\$ <u>7.09</u>	\$ <u>8.30</u>	\$ <u>7.40</u>

**BAYVIEW MANOR, LLC**  
Cost of Capital Reimbursement Analysis  
For the Contract Periods May 7, 2005 Through September 30, 2005  
AC# 3-BAY-L5

6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$4.89*	\$N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$8.88</u>	<u>\$N/A</u>
Reimbursable Cost of Capital Per Diem	\$7.40	
Cost of Capital Per Diem	<u>7.40</u>	
Cost of Capital Per Diem Limitation	<u>\$ -</u>	

\* - Cost of Capital and Return on Equity per diem as recalculated by DH&HS as a result of settlement agreement and communicated to the provider by letter dated January 6, 1995.

**BAYVIEW MANOR, LLC**  
 Cost of Capital Reimbursement Analysis  
 For the Contract Periods October 1, 2005 Through September 30, 2006  
 AC# 3-BAY-L5

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.71494</u>	<u>2.71494</u>	
Deemed Asset Value (Per Bed)	42,402	42,402	
Number of Beds	<u>126</u>	<u>44</u>	
Deemed Asset Value	5,342,652	1,865,688	
Improvements Since 1981	647,751	60,079	
Accumulated Depreciation at 11/30/05	(1,874,842)	(718,111)	
Deemed Depreciated Value	4,115,561	1,207,656	
Market Rate of Return	<u>.0516</u>	<u>.0516</u>	
Total Annual Return	212,363	62,315	
Number of Days in Period	<u>208/365</u>	<u>208/365</u>	
Adjusted Annual Return	121,018	35,511	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	121,018	35,511	
Depreciation Expense	40,595	31,906	
Amortization Expense	2,849	-	
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	164,462	67,417	\$231,879
Total Patient Days	<u>23,060</u>	<u>8,053</u>	<u>31,113</u>
Cost of Capital Per Diem	\$ <u>7.13</u>	\$ <u>8.37</u>	\$ <u>7.45</u>

**BAYVIEW MANOR, LLC**

Cost of Capital Reimbursement Analysis

For the Contract Periods October 1, 2005 Through September 30, 2006

AC# 3-BAY-L5

6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$4.89*	\$N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$8.88</u>	<u>\$N/A</u>
Reimbursable Cost of Capital Per Diem	\$7.45	
Cost of Capital Per Diem	<u>7.45</u>	
Cost of Capital Per Diem Limitation	<u>\$ -</u>	

\* - Cost of Capital and Return on Equity per diem as recalculated by DH&HS as a result of settlement agreement and communicated to the provider by letter dated January 6, 1995.

**BAYVIEW MANOR, LLC**  
 Cost of Capital Reimbursement Analysis  
 For the Contract Period October 1, 2006 Through September 30, 2007  
 AC# 3-BAY-L5

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.77878</u>	<u>2.77878</u>	
Deemed Asset Value (Per Bed)	43,399	43,399	
Number of Beds	<u>126</u>	<u>44</u>	
Deemed Asset Value	5,468,274	1,909,556	
Improvements Since 1981	647,751	60,079	
Accumulated Depreciation at 11/30/05	<u>(1,874,842)</u>	<u>(718,111)</u>	
Deemed Depreciated Value	4,241,183	1,251,524	
Market Rate of Return	<u>.0490</u>	<u>.0490</u>	
Total Annual Return	207,818	61,325	
Number of Days in Period	<u>208/365</u>	<u>208/365</u>	
Adjusted Annual Return	118,428	34,947	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	118,428	34,947	
Depreciation Expense	40,595	31,906	
Amortization Expense	2,849	-	
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	161,872	66,853	\$228,725
Total Patient Days	<u>23,320</u>	<u>8,143</u>	<u>31,463</u>
Cost of Capital Per Diem	\$ <u>6.94</u>	\$ <u>8.21</u>	\$ <u>7.27</u>

**BAYVIEW MANOR, LLC**

Cost of Capital Reimbursement Analysis  
For the Contract Period October 1, 2006 Through September 30, 2007  
AC# 3-BAY-L5

6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$4.89*	\$N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$8.88</u>	<u>\$N/A</u>
Reimbursable Cost of Capital Per Diem	\$7.27	
Cost of Capital Per Diem	<u>7.27</u>	
Cost of Capital Per Diem Limitation	<u>\$ -</u>	

\* - Cost of Capital and Return on Equity per diem as recalculated by DH&HS as a result of settlement agreement and communicated to the provider by letter dated January 6, 1995.

2 copies of this document were published at an estimated printing cost of \$1.90 each, and a total printing cost of \$3.80. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.