

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-CON-L5 – Conway 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

**CONWAY MANOR, LLC
CONWAY, SOUTH CAROLINA**

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

**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

September 17, 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 Conway 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 Conway 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 Conway 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 Conway 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 17, 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

CONWAY MANOR, LLC
 Computation of Rate Change
 For the Contract Periods
 Beginning May 7, 2005
 AC# 3-CON-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)	\$128.34	\$128.97	\$129.04	\$134.67	\$134.44
Adjusted Reimbursement Rate	<u>122.32</u>	<u>122.32</u>	<u>122.36</u>	<u>127.72</u>	<u>127.49</u>
Decrease in Reimbursement Rate	<u>\$ 6.02</u>	<u>\$ 6.65</u>	<u>\$ 6.68</u>	<u>\$ 6.95</u>	<u>\$ 6.95</u>

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

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 63.45	\$ 70.99	
Dietary		13.07	12.15	
Laundry/Housekeeping/Maintenance		<u>11.36</u>	<u>10.42</u>	
Subtotal	<u>\$5.68</u>	87.88	93.56	\$ 87.88
Administration & Medical Records	<u>\$4.38</u>	<u>10.68</u>	<u>15.06</u>	<u>10.68</u>
Subtotal		98.56	<u>\$108.62</u>	98.56
<u>Costs Not Subject to Standards:</u>				
Utilities		2.50		2.50
Special Services		.11		.11
Medical Supplies & Oxygen		6.51		6.51
Taxes and Insurance		6.34		6.34
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$114.02</u>		114.02
Inflation Factor (N/A)				-
Cost of Capital				6.55
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.99
Cost Incentive				5.68
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(7.92)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$122.32</u>

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 63.45	\$ 75.11	
Dietary		13.07	12.63	
Laundry/Housekeeping/Maintenance		<u>11.36</u>	<u>10.97</u>	
Subtotal	\$ <u>6.91</u>	87.88	98.71	\$ 87.88
Administration & Medical Records	\$ <u>5.45</u>	<u>10.68</u>	<u>16.13</u>	<u>10.68</u>
Subtotal		98.56	<u>\$114.84</u>	98.56
<u>Costs Not Subject to Standards:</u>				
Utilities		2.50		2.50
Special Services		.11		.11
Medical Supplies & Oxygen		6.51		6.51
Taxes and Insurance		6.34		6.34
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$114.02</u>		114.02
Inflation Factor (N/A)				-
Cost of Capital				6.59
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.99
Cost Incentive				6.91
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(9.15)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$122.36</u>

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 63.45	\$ 75.11	
Dietary		13.07	12.63	
Laundry/Housekeeping/Maintenance		<u>11.36</u>	<u>10.97</u>	
Subtotal	<u>\$6.91</u>	87.88	98.71	\$ 87.88
Administration & Medical Records	<u>\$5.45</u>	<u>10.68</u>	<u>16.13</u>	<u>10.68</u>
Subtotal		98.56	<u>\$114.84</u>	98.56
<u>Costs Not Subject to Standards:</u>				
Utilities		2.50		2.50
Special Services		.11		.11
Medical Supplies & Oxygen		6.51		6.51
Taxes and Insurance		6.34		6.34
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$114.02</u>		114.02
Inflation Factor (4.70%)				5.36
Cost of Capital				6.59
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.99
Cost Incentive				6.91
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(9.15)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$127.72</u>

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 63.45	\$ 79.77	
Dietary		13.07	13.46	
Laundry/Housekeeping/Maintenance		<u>11.36</u>	<u>12.03</u>	
Subtotal	<u>\$7.37</u>	87.88	105.26	\$ 87.88
Administration & Medical Records	<u>\$6.19</u>	<u>10.68</u>	<u>16.87</u>	<u>10.68</u>
Subtotal		98.56	<u>\$122.13</u>	98.56
<u>Costs Not Subject to Standards:</u>				
Utilities		2.50		2.50
Special Services		.11		.11
Medical Supplies & Oxygen		6.51		6.51
Taxes and Insurance		6.34		6.34
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$114.02</u>		114.02
Inflation Factor (4.60%)				5.24
Cost of Capital				6.48
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.99
Cost Incentive				7.37
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(9.61)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$127.49</u>

CONWAY 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-CON-L5

<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	\$2,394,644	\$ 48 (17)	\$19,089 (5) 893 (13) 12,587 (14) 16,062 (15) 10,460 (16)	\$2,335,601
Dietary	491,878	-	1,600 (12) 1,291 (13) 3,693 (14) 2,330 (15) 1,991 (16)	480,973
Laundry	96,970	-	26,014 (12) 1,335 (14) 689 (15) 627 (16)	68,305
Housekeeping	229,715	-	2,763 (14) 2,480 (15) 1,844 (16)	222,628
Maintenance	183,071	-	15,175 (6) 37,746 (12) 1,396 (14) 880 (15) 750 (16)	127,124
Administration & Medical Records	415,149	19,089 (5) 675 (14)	17,500 (7) 6,916 (12) 2,242 (15) 1,010 (16) 9,805 (17) 1,017 (19) 3,368 (20)	393,055

CONWAY 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-CON-L5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Utilities	92,091	-	-	92,091
Special Services	6,337	7,898 (18)	3,185 (12) 536 (13) 1,728 (14) 2,861 (15) 1,805 (16)	4,120
Medical Supplies & Oxygen	252,324	-	2,558 (12) 8,973 (13) 33 (16) 1,006 (18)	239,754
Taxes and Insurance	250,386	-	4,936 (8) 1,292 (9) 9,743 (10) 994 (11)	233,421
Legal Fees	-	-	-	-
Cost of Capital	270,882	-	8,098 (1) <u>21,755 (2)</u>	241,029
Subtotal	4,683,447	27,710	273,056	4,438,101
Ancillary	132,594	-	-	132,594

CONWAY 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-CON-L5

<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>	
Nonallowable	673,195	21,755 (2)	6,892 (18)	777,793
		17,500 (7)		
		1,292 (9)		
		9,743 (10)		
		994 (11)		
		27,544 (15)		
		18,520 (16)		
		9,757 (17)		
		1,017 (19)		
		3,368 (20)		
 CNA Training and Testing	 <u>2,658</u>	 <u>-</u>	 <u>-</u>	 <u>2,658</u>
 Total Operating Expenses	 <u>\$5,491,894</u>	 <u>\$139,200</u>	 <u>\$279,948</u>	 <u>\$5,351,146</u>
 Total Patient Days	 <u>36,812</u>	 <u>-</u>	 <u>-</u>	 <u>36,812</u>
 Total Beds	 <u>190</u>			

CONWAY 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-CON-L5

<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	\$2,394,644	\$ 48 (17)	\$19,089 (5) 893 (13) 12,587 (14) 16,062 (15) 10,460 (16)	\$2,335,601
Dietary	491,878	-	1,600 (12) 1,291 (13) 3,693 (14) 2,330 (15) 1,991 (16)	480,973
Laundry	96,970	-	26,014 (12) 1,335 (14) 689 (15) 627 (16)	68,305
Housekeeping	229,715	-	2,763 (14) 2,480 (15) 1,844 (16)	222,628
Maintenance	183,071	-	15,175 (6) 37,746 (12) 1,396 (14) 880 (15) 750 (16)	127,124
Administration & Medical Records	415,149	19,089 (5) 675 (14)	17,500 (7) 6,916 (12) 2,242 (15) 1,010 (16) 9,805 (17) 1,017 (19) 3,368 (20)	393,055

CONWAY 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-CON-L5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Utilities	92,091	-	-	92,091
Special Services	6,337	7,898 (18)	3,185 (12) 536 (13) 1,728 (14) 2,861 (15) 1,805 (16)	4,120
Medical Supplies & Oxygen	252,324	-	2,558 (12) 8,973 (13) 33 (16) 1,006 (18)	239,754
Taxes and Insurance	250,386	-	4,936 (8) 1,292 (9) 9,743 (10) 994 (11)	233,421
Legal Fees	-	-	-	-
Cost of Capital	273,382	-	8,098 (1) <u>22,742 (3)</u>	242,542
Subtotal	4,685,947	27,710	274,043	4,439,614
Ancillary	132,594	-	-	132,594

CONWAY 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-CON-L5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
Nonallowable	670,695	22,742 (3)	6,892 (18)	776,280
		17,500 (7)		
		1,292 (9)		
		9,743 (10)		
		994 (11)		
		27,544 (15)		
		18,520 (16)		
		9,757 (17)		
		1,017 (19)		
		3,368 (20)		
CNA Training and Testing	<u>2,658</u>	<u>-</u>	<u>-</u>	<u>2,658</u>
Total Operating Expenses	<u>\$5,491,894</u>	<u>\$140,187</u>	<u>\$280,935</u>	<u>\$5,351,146</u>
Total Patient Days	<u>36,812</u>	<u>-</u>	<u>-</u>	<u>36,812</u>
Total Beds	<u>190</u>			

CONWAY 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-CON-L5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$2,394,644	\$ 48 (17)	\$19,089 (5) 893 (13) 12,587 (14) 16,062 (15) 10,460 (16)	\$2,335,601
Dietary	491,878	-	1,600 (12) 1,291 (13) 3,693 (14) 2,330 (15) 1,991 (16)	480,973
Laundry	96,970	-	26,014 (12) 1,335 (14) 689 (15) 627 (16)	68,305
Housekeeping	229,715	-	2,763 (14) 2,480 (15) 1,844 (16)	222,628
Maintenance	183,071	-	15,175 (6) 37,746 (12) 1,396 (14) 880 (15) 750 (16)	127,124
Administration & Medical Records	415,149	19,089 (5) 675 (14)	17,500 (7) 6,916 (12) 2,242 (15) 1,010 (16) 9,805 (17) 1,017 (19) 3,368 (20)	393,055

CONWAY 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-CON-L5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Utilities	92,091	-	-	92,091
Special Services	6,337	7,898 (18)	3,185 (12) 536 (13) 1,728 (14) 2,861 (15) 1,805 (16)	4,120
Medical Supplies & Oxygen	252,324	-	2,558 (12) 8,973 (13) 33 (16) 1,006 (18)	239,754
Taxes and Insurance	250,386	-	4,936 (8) 1,292 (9) 9,743 (10) 994 (11)	233,421
Legal Fees	-	-	-	-
Cost of Capital	269,411	-	8,098 (1) <u>22,858 (4)</u>	238,455
Subtotal	4,681,976	27,710	274,159	4,435,527
Ancillary	132,594	-	-	132,594

CONWAY 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-CON-L5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
Nonallowable	674,666	22,858 (4)	6,892 (18)	780,367
		17,500 (7)		
		1,292 (9)		
		9,743 (10)		
		994 (11)		
		27,544 (15)		
		18,520 (16)		
		9,757 (17)		
		1,017 (19)		
		3,368 (20)		
 CNA Training and Testing	 <u>2,658</u>	 <u>-</u>	 <u>-</u>	 <u>2,658</u>
 Total Operating Expenses	 <u>\$5,491,894</u>	 <u>\$140,303</u>	 <u>\$281,051</u>	 <u>\$5,351,146</u>
 Total Patient Days	 <u>36,812</u>	 <u>-</u>	 <u>-</u>	 <u>36,812</u>
 Total Beds	 <u>190</u>			

CONWAY MANOR, LLC
Adjustment Report
Cost Report Period Ended November 30, 2005
AC# 3-CON-L5

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$288,483	
	Other Equity		\$ 400
	Fixed Assets		279,985
	Cost of Capital		8,098
	To adjust fixed assets and related depreciation expense to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	21,755	
	Cost of Capital		21,755
	To adjust capital return to allowable State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate period 06/01/05 - 09/30/05)		
3	Nonallowable	22,742	
	Cost of Capital		22,742
	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	22,858	
	Cost of Capital		22,858
	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	Administration & Medical Records	19,089	
	General Services		19,089
	To reclassify expense to the proper cost center		
	DH&HS Crosswalk		

CONWAY MANOR, LLC
Adjustment Report
Cost Report Period Ended November 30, 2005
AC# 3-CON-L5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Accrued Expenses Maintenance	15,175	15,175
	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	Prepaid Expense Taxes and Insurance	4,936	4,936
	To disallow expense applicable to the subsequent period HIM-15-1, Section 2302.1		
9	Nonallowable Taxes and Insurance	1,292	1,292
	To disallow expense not adequately documented HIM-15-1, Section 2304		
10	Nonallowable Taxes and Insurance	9,743	9,743
	To adjust property insurance HIM-15-1, Section 2304		
11	Nonallowable Taxes and Insurance	994	994
	To adjust general insurance HIM-15-1, Section 2304		

CONWAY MANOR, LLC
Adjustment Report
Cost Report Period Ended November 30, 2005
AC# 3-CON-L5

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
12	Accrued Expenses	78,019	
	Dietary		1,600
	Laundry		26,014
	Maintenance		37,746
	Administration & Medical Records		6,916
	Medical Supplies & Oxygen		2,558
	Special Services		3,185
	To remove expenses applicable to the subsequent period HIM-15-1, Sections 2302.1 and 2304		
13	Accrued Expenses	11,693	
	General Services		893
	Dietary		1,291
	Medical Supplies & Oxygen		8,973
	Special Services		536
	To remove expenses applicable to the subsequent period HIM-15-1, Sections 2302.1 and 2304		
14	Accrued Expenses	22,827	
	Administration & Medical Records	675	
	General Services		12,587
	Dietary		3,693
	Laundry		1,335
	Housekeeping		2,763
	Maintenance		1,396
	Special Services		1,728
	To properly charge PTO accrual HIM-15-1, Section 2302.1 State Plan, Attachment 4.19D		

CONWAY MANOR, LLC
Adjustment Report
Cost Report Period Ended November 30, 2005
AC# 3-CON-L5

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
15	Nonallowable	27,544	
	General Services		16,062
	Dietary		2,330
	Laundry		689
	Housekeeping		2,480
	Maintenance		880
	Administration & Medical Records		2,242
	Special Services		2,861
	To reclassify "granted" PTO to the proper cost center HIM-15-1, Section 2146.2C		
16	Nonallowable	18,520	
	General Services		10,460
	Dietary		1,991
	Laundry		627
	Housekeeping		1,844
	Maintenance		750
	Administration & Medical Records		1,010
	Medical Supplies & Oxygen		33
	Special Services		1,805
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
17	Nonallowable	9,757	
	General Services	48	
	Administration & Medical Records		9,805
	To adjust home office allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
18	Special Services	7,898	
	Medical Supplies & Oxygen		1,006
	Nonallowable		6,892
	To adjust special (ancillary) services cost State Plan, Attachment 4.19D		

CONWAY MANOR, LLC
Adjustment Report
Cost Report Period Ended November 30, 2005
AC# 3-CON-L5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
19	Nonallowable Administration & Medical Records	1,017	1,017
	To disallow travel expense State Plan, Attachment 4.19D		
20	Nonallowable Administration & Medical Records	3,368	3,368
	To remove directory advertising HIM-15-1, Section 2300 State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$605,933	\$605,933

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.

CONWAY MANOR, LLC
 Cost of Capital Reimbursement Analysis
 For the Contract Periods May 7, 2005 Through September 30, 2005
 AC# 3-CON-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>130</u>	<u>60</u>	
Deemed Asset Value	5,355,740	2,471,880	
Improvements Since 1981	1,147,845	46,049	
Accumulated Depreciation at 11/30/05	<u>(1,881,461)</u>	<u>(1,040,216)</u>	
Deemed Depreciated Value	4,622,124	1,477,713	
Market Rate of Return	<u>.0531</u>	<u>.0531</u>	
Total Annual Return	245,435	78,467	
Number of Days in Period	<u>208/365</u>	<u>208/365</u>	
Adjusted Annual Return	139,864	44,715	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	139,864	44,715	
Depreciation Expense	26,902	29,548	
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	166,766	74,263	\$241,029
Total Patient Days	<u>25,189</u>	<u>11,623</u>	<u>36,812</u>
Cost of Capital Per Diem	\$ <u>6.62</u>	\$ <u>6.39</u>	\$ <u>6.55</u>

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

6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$3.78*	\$N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$7.77</u>	<u>\$N/A</u>
Reimbursable Cost of Capital Per Diem	\$6.55	
Cost of Capital Per Diem	<u>6.55</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.

CONWAY MANOR, LLC
 Cost of Capital Reimbursement Analysis
 For the Contract Periods October 1, 2005 Through September 30, 2006
 AC# 3-CON-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>130</u>	<u>60</u>	
Deemed Asset Value	5,512,260	2,544,120	
Improvements Since 1981	1,147,845	46,049	
Accumulated Depreciation at 11/30/05	<u>(1,881,461)</u>	<u>(1,040,216)</u>	
Deemed Depreciated Value	4,778,644	1,549,953	
Market Rate of Return	<u>.0516</u>	<u>.0516</u>	
Total Annual Return	246,578	79,978	
Number of Days in Period	<u>208/365</u>	<u>208/365</u>	
Adjusted Annual Return	140,516	45,576	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	140,516	45,576	
Depreciation Expense	26,902	29,548	
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	167,418	75,124	\$242,542
Total Patient Days	<u>25,189</u>	<u>11,623</u>	<u>36,812</u>
Cost of Capital Per Diem	\$ <u>6.65</u>	\$ <u>6.46</u>	\$ <u>6.59</u>

CONWAY MANOR, LLC

Cost of Capital Reimbursement Analysis

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

AC# 3-CON-L5

6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$3.78*	\$N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$7.77</u>	<u>\$N/A</u>
Reimbursable Cost of Capital Per Diem	\$6.59	
Cost of Capital Per Diem	<u>6.59</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.

CONWAY MANOR, LLC
 Cost of Capital Reimbursement Analysis
 For the Contract Period October 1, 2006 Through September 30, 2007
 AC# 3-CON-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>130</u>	<u>60</u>	
Deemed Asset Value	5,641,870	2,603,940	
Improvements Since 1981	1,147,845	46,049	
Accumulated Depreciation at 11/30/05	<u>(1,881,461)</u>	<u>(1,040,216)</u>	
Deemed Depreciated Value	4,908,254	1,609,773	
Market Rate of Return	<u>.0490</u>	<u>.0490</u>	
Total Annual Return	240,504	78,879	
Number of Days in Period	<u>208/365</u>	<u>208/365</u>	
Adjusted Annual Return	137,055	44,950	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	137,055	44,950	
Depreciation Expense	26,902	29,548	
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	163,957	74,498	\$238,455
Total Patient Days	<u>25,189</u>	<u>11,623</u>	<u>36,812</u>
Cost of Capital Per Diem	\$ <u>6.51</u>	\$ <u>6.41</u>	\$ <u>6.48</u>

CONWAY MANOR, LLC

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

6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$3.78*	\$N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$7.77</u>	<u>\$N/A</u>
Reimbursable Cost of Capital Per Diem	\$6.48	
Cost of Capital Per Diem	<u>6.48</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.

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