

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

September 28, 2011

Mr. Fred Fauth, Controller
Millennium Management, LLC
10800 Biscayne Boulevard, Suite 600
Miami, Florida 33161

Re: AC# 3-FAI-C7 – Palmetto Faith Operating, LLC d/b/a Faith Healthcare Center

Dear Mr. Fauth:

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 September 29, 2006 through March 31, 2007. That report was used to set the rate covering the contract periods beginning September 29, 2006.

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.

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
Mr. Terry K. Schmoyer, Jr.

**PALMETTO FAITH OPERATING, LLC D/B/A
FAITH HEALTHCARE CENTER
FLORENCE, SOUTH CAROLINA**

**CONTRACT PERIODS
BEGINNING SEPTEMBER 29, 2006
AC# 3-FAI-C7**

**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 SEPTEMBER 29, 2006	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD SEPTEMBER 29, 2006 THROUGH SEPTEMBER 30, 2006	B-1	4
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2006 THROUGH MARCH 31, 2007	B-2	5
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD APRIL 1, 2007 THROUGH SEPTEMBER 30, 2007	B-3	6
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2007 THROUGH SEPTEMBER 30, 2008	B-4	7
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED MARCH 31, 2007 FOR THE CONTRACT PERIOD SEPTEMBER 29, 2006 THROUGH SEPTEMBER 30, 2006	C-1	8
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED MARCH 31, 2007 FOR THE CONTRACT PERIODS OCTOBER 1, 2006 THROUGH SEPTEMBER 30, 2007	C-2	10
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED MARCH 31, 2007 FOR THE CONTRACT PERIOD OCTOBER 1, 2007 THROUGH SEPTEMBER 30, 2008	C-3	12
ADJUSTMENT REPORT	1	14
COST OF CAPITAL REIMBURSEMENT ANALYSIS FOR THE CONTRACT PERIOD SEPTEMBER 29, 2006 THROUGH SEPTEMBER 30, 2006	2	17
COST OF CAPITAL REIMBURSEMENT ANALYSIS FOR THE CONTRACT PERIODS OCTOBER 1, 2006 THROUGH SEPTEMBER 30, 2007	3	19
COST OF CAPITAL REIMBURSEMENT ANALYSIS FOR THE CONTRACT PERIOD OCTOBER 1, 2007 THROUGH SEPTEMBER 30, 2008	4	21

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

February 22, 2011

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 Palmetto Faith Operating, LLC d/b/a Faith Healthcare Center, for the contract periods beginning September 29, 2006, and for the six month cost report period ended March 31, 2007, as set forth in the accompanying schedules. The management of Palmetto Faith Operating, LLC d/b/a Faith Healthcare Center 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 Palmetto Faith Operating, LLC d/b/a Faith Healthcare Center, 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 contracts between the South Carolina Department of Health and Human Services and Palmetto Faith Operating, LLC d/b/a Faith Healthcare Center dated as of October 1, 2001 and April 1, 2007, 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
February 22, 2011

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

FAITH HEALTHCARE CENTER
 Computation of Rate Change
 For the Contract Periods
 Beginning September 29, 2006
 AC# 3-FAI-C7

	<u>09/29/06-</u> <u>09/30/06</u>	<u>10/01/06-</u> <u>03/31/07</u>	<u>04/01/07-</u> <u>09/30/07</u>	<u>10/01/07-</u> <u>09/30/08</u>
Interim Reimbursement Rate (1)	\$140.45	\$140.45	\$146.59	\$148.54
Adjusted Reimbursement Rate	<u>117.25</u>	<u>117.25</u>	<u>122.32</u>	<u>122.86</u>
Decrease in Reimbursement Rate	\$ <u>23.20</u>	\$ <u>23.20</u>	\$ <u>24.27</u>	\$ <u>25.68</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated June 8, 2009.

FAITH HEALTHCARE CENTER

Computation of Adjusted Reimbursement Rate

For the Contract Period September 29, 2006 Through September 30, 2006
AC# 3-FAI-C7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 62.24	\$ 75.11	
Dietary		12.86	12.63	
Laundry/Housekeeping/Maintenance		<u>14.59</u>	<u>10.97</u>	
Subtotal	\$ <u>6.91</u>	89.69	98.71	\$ 89.69
Administration & Medical Records	\$ <u>1.41</u>	<u>14.72</u>	<u>16.13</u>	<u>14.72</u>
Subtotal		104.41	<u>\$114.84</u>	104.41
<u>Costs Not Subject to Standards:</u>				
Utilities		3.24		3.24
Special Services		.01		.01
Medical Supplies & Oxygen		.74		.74
Taxes and Insurance		1.59		1.59
Legal Fees		<u>.18</u>		<u>.18</u>
TOTAL		<u>\$110.17</u>		110.17
Inflation Factor (N/A)				-
Cost of Capital				6.68
Cost of Capital Limitation				(1.35)
Profit Incentive (Maximum 3.5% of Allowable Cost)				1.41
Cost Incentive				6.91
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(6.57)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$117.25</u>

FAITH HEALTHCARE CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2006 Through March 31, 2007
 AC# 3-FAI-C7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 62.24	\$ 79.77	
Dietary		12.86	13.46	
Laundry/Housekeeping/Maintenance		<u>14.59</u>	<u>12.03</u>	
Subtotal	<u>\$7.37</u>	89.69	105.26	\$ 89.69
Administration & Medical Records	<u>\$2.15</u>	<u>14.72</u>	<u>16.87</u>	<u>14.72</u>
Subtotal		104.41	<u>\$122.13</u>	104.41
<u>Costs Not Subject to Standards:</u>				
Utilities		3.24		3.24
Special Services		.01		.01
Medical Supplies & Oxygen		.74		.74
Taxes and Insurance		1.59		1.59
Legal Fees		<u>.18</u>		<u>.18</u>
TOTAL		<u>\$110.17</u>		110.17
Inflation Factor (N/A)				-
Cost of Capital				6.54
Cost of Capital Limitation				(1.21)
Profit Incentive (Maximum 3.5% of Allowable Cost)				2.15
Cost Incentive				7.37
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(7.77)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$117.25</u>

FAITH HEALTHCARE CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period April 1, 2007 Through September 30, 2007
 AC# 3-FAI-C7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 62.24	\$ 79.77	
Dietary		12.86	13.46	
Laundry/Housekeeping/Maintenance		<u>14.59</u>	<u>12.03</u>	
Subtotal	<u>\$7.37</u>	89.69	105.26	\$ 89.69
Administration & Medical Records	<u>\$2.15</u>	<u>14.72</u>	<u>16.87</u>	<u>14.72</u>
Subtotal		104.41	<u>\$122.13</u>	104.41
<u>Costs Not Subject to Standards:</u>				
Utilities		3.24		3.24
Special Services		.01		.01
Medical Supplies & Oxygen		.74		.74
Taxes and Insurance		1.59		1.59
Legal Fees		<u>.18</u>		<u>.18</u>
TOTAL		<u>\$110.17</u>		110.17
Inflation Factor (4.60%)				5.07
Cost of Capital				6.54
Cost of Capital Limitation				(1.21)
Profit Incentive (Maximum 3.5% of Allowable Cost)				2.15
Cost Incentive				7.37
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(7.77)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$122.32</u>

FAITH HEALTHCARE CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2007 Through September 30, 2008
 AC# 3-FAI-C7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 62.24	\$ 82.94	
Dietary		12.86	13.85	
Laundry/Housekeeping/Maintenance		<u>14.59</u>	<u>12.55</u>	
Subtotal	<u>\$7.65</u>	89.69	109.34	\$ 89.69
Administration & Medical Records	<u>\$3.50</u>	<u>14.72</u>	<u>18.22</u>	<u>14.72</u>
Subtotal		104.41	<u>\$127.56</u>	104.41
<u>Costs Not Subject to Standards:</u>				
Utilities		3.24		3.24
Special Services		.01		.01
Medical Supplies & Oxygen		.74		.74
Taxes and Insurance		1.59		1.59
Legal Fees		<u>.18</u>		<u>.18</u>
TOTAL		<u>\$110.17</u>		110.17
Inflation Factor (4.60%)				5.07
Cost of Capital				6.70
Cost of Capital Limitation				(1.37)
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.50
Cost Incentive				7.65
Effect of \$1.75 Cap on Cost/Profit Incentives				(9.40)
Transportation Escort Add-On				<u>.54</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$122.86</u>

FAITH HEALTHCARE CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended March 31, 2007
 For the Contract Period September 29, 2006 Through September 30, 2006
 AC# 3-FAI-C7

<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	\$1,297,665	\$ -	\$135,471 (3) 3,753 (7) 170 (7) 14,866 (8) 19 (8)	\$1,143,386
Dietary	243,740	-	7,001 (3) 498 (7)	236,241
Laundry	20,356	-	19 (7)	20,337
Housekeeping	98,241	-	164 (7)	98,077
Maintenance	148,333	4,500 (3)	3,100 (4) 148 (7)	149,585
Administration & Medical Records	334,670	-	19,680 (2) 41,318 (5) 620 (7) 42 (7) 2,614 (8)	270,396
Utilities	59,494	-	-	59,494
Special Services	314	1 (8) 460 (9)	615 (7)	160
Medical Supplies & Oxygen	81,270	-	38 (7) 67,597 (9)	13,635
Taxes and Insurance	187,465	-	158,201 (6)	29,264

FAITH HEALTHCARE CENTER

Summary of Costs and Total Patient Days
For the Cost Report Period Ended March 31, 2007
For the Contract Period September 29, 2006 Through September 30, 2006
AC# 3-FAI-C7

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Debit	Adjustments Credit	Adjusted Totals
Legal Fees	3,235	-	2 (8)	3,233
Cost of Capital	<u>97,917</u>	<u>26,085</u> (10)	<u>1,270</u> (1)	<u>122,732</u>
Subtotal	2,572,700	31,046	457,206	2,146,540
Ancillary	82,888	-	-	82,888
Nonallowable	94,395	1,270 (1) 19,680 (2) 3,100 (4) 41,318 (5) 158,201 (6) 6,067 (7) 17,500 (8) 67,137 (9)	26,085 (10)	382,583
CNA Training and Testing	<u>375</u>	<u>-</u>	<u>-</u>	<u>375</u>
Total Operating Expenses	<u>\$2,750,358</u>	<u>\$345,319</u>	<u>\$483,291</u>	<u>\$2,612,386</u>
Total Patient Days	<u>18,371</u>	<u>-</u>	<u>-</u>	<u>18,371</u>
Total Beds	<u>104</u>			

FAITH HEALTHCARE CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended March 31, 2007
 For the Contract Periods October 1, 2006 Through September 30, 2007
 AC# 3-FAI-C7

<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	\$1,297,665	\$ -	\$135,471 (3) 3,753 (7) 170 (7) 14,866 (8) 19 (8)	\$1,143,386
Dietary	243,740	-	7,001 (3) 498 (7)	236,241
Laundry	20,356	-	19 (7)	20,337
Housekeeping	98,241	-	164 (7)	98,077
Maintenance	148,333	4,500 (3)	3,100 (4) 148 (7)	149,585
Administration & Medical Records	334,670	-	19,680 (2) 41,318 (5) 620 (7) 42 (7) 2,614 (8)	270,396
Utilities	59,494	-	-	59,494
Special Services	314	1 (8) 460 (9)	615 (7)	160
Medical Supplies & Oxygen	81,270	-	38 (7) 67,597 (9)	13,635
Taxes and Insurance	187,465	-	158,201 (6)	29,264

FAITH HEALTHCARE CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended March 31, 2007
 For the Contract Periods October 1, 2006 Through September 30, 2007
 AC# 3-FAI-C7

<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>
Legal Fees	3,235	-	2 (8)	3,233
Cost of Capital	<u>97,917</u>	<u>23,582</u> (11)	<u>1,270</u> (1)	<u>120,229</u>
Subtotal	2,572,700	28,543	457,206	2,144,037
Ancillary	82,888	-	-	82,888
Nonallowable	94,395	1,270 (1) 19,680 (2) 3,100 (4) 41,318 (5) 158,201 (6) 6,067 (7) 17,500 (8) 67,137 (9)	23,582 (11)	385,086
CNA Training and Testing	<u>375</u>	<u>-</u>	<u>-</u>	<u>375</u>
Total Operating Expenses	<u>\$2,750,358</u>	<u>\$342,816</u>	<u>\$480,788</u>	<u>\$2,612,386</u>
Total Patient Days	<u>18,371</u>	<u>-</u>	<u>-</u>	<u>18,371</u>
Total Beds	<u>104</u>			

FAITH HEALTHCARE CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended March 31, 2007
 For the Contract Period October 1, 2007 Through September 30, 2008
 AC# 3-FAI-C7

<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	\$1,297,665	\$ -	\$135,471 (3) 3,753 (7) 170 (7) 14,866 (8) 19 (8)	\$1,143,386
Dietary	243,740	-	7,001 (3) 498 (7)	236,241
Laundry	20,356	-	19 (7)	20,337
Housekeeping	98,241	-	164 (7)	98,077
Maintenance	148,333	4,500 (3)	3,100 (4) 148 (7)	149,585
Administration & Medical Records	334,670	-	19,680 (2) 41,318 (5) 620 (7) 42 (7) 2,614 (8)	270,396
Utilities	59,494	-	-	59,494
Special Services	314	1 (8) 460 (9)	615 (7)	160
Medical Supplies & Oxygen	81,270	-	38 (7) 67,597 (9)	13,635
Taxes and Insurance	187,465	-	158,201 (6)	29,264

FAITH HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended March 31, 2007
For the Contract Period October 1, 2007 Through September 30, 2008
AC# 3-FAI-C7

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Legal Fees	3,235	-	2 (8)	3,233
Cost of Capital	<u>97,917</u>	<u>26,386</u> (12)	<u>1,270</u> (1)	<u>123,033</u>
Subtotal	2,572,700	31,347	457,206	2,146,841
Ancillary	82,888	-	-	82,888
Nonallowable	94,395	1,270 (1) 19,680 (2) 3,100 (4) 41,318 (5) 158,201 (6) 6,067 (7) 17,500 (8) 67,137 (9)	26,386 (12)	382,282
CNA Training and Testing	<u>375</u>	<u>-</u>	<u>-</u>	<u>375</u>
Total Operating Expenses	<u>\$2,750,358</u>	<u>\$345,620</u>	<u>\$483,592</u>	<u>\$2,612,386</u>
Total Patient Days	<u>18,371</u>	<u>-</u>	<u>-</u>	<u>18,371</u>
Total Beds	<u>104</u>			

FAITH HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended March 31, 2007
AC# 3-FAI-C7

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 95,976	
	Other Equity	12,018	
	Nonallowable	1,270	
	Accumulated Depreciation		\$107,994
	Cost of Capital		1,270
	To adjust fixed assets and related depreciation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
2	Nonallowable	19,680	
	Administration		19,680
	To disallow interest expense and related loan cost		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
3	Accounts Payable	137,972	
	Maintenance	4,500	
	Nursing		135,471
	Dietary		7,001
	To reclassify expense to the proper cost center and remove expense not applicable to the period		
	HIM-15-1, Section 2304		
	DH&HS Expense Crosswalk		
4	Nonallowable	3,100	
	Maintenance		3,100
	To disallow expense due to lack of adequate documentation		
	HIM-15-1, Section 2304		
5	Nonallowable	41,318	
	Administration		41,318
	To disallow related party expense		
	HIM-15-1, Sections 1005 and 2304		

FAITH HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended March 31, 2007
AC# 3-FAI-C7

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable Taxes and Insurance	158,201	158,201
	To adjust liability insurance expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Nonallowable	6,067	
	Nursing		3,753
	Restorative		170
	Dietary		498
	Laundry		19
	Housekeeping		164
	Maintenance		148
	Administration		620
	Medical Records		42
	Medical Supplies		38
	Special Services		615
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Special Services	1	
	Nonallowable	17,500	
	Nursing		14,866
	Restorative		19
	Administration		2,614
	Legal		2
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
9	Special Services	460	
	Nonallowable	67,137	
	Medical Supplies		67,597
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		

FAITH HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended March 31, 2007
AC# 3-FAI-C7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Cost of Capital Nonallowable To adjust capital return State Plan, Attachment 4.19D (This adjustment applies only to the contract period 9/29/06 - 9/30/06)	26,085	26,085
11	Cost of Capital Nonallowable To adjust capital return State Plan, Attachment 4.19D (This adjustment applies only to the contract periods 10/1/06 - 9/30/07)	23,582	23,582
12	Cost of Capital Nonallowable To adjust capital return State Plan, Attachment 4.19D (This adjustment applies only to the contract period 10/1/07 - 9/30/08)	26,386	26,386
TOTAL ADJUSTMENTS		\$641,253	\$641,253

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.

FAITH HEALTHCARE CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended March 31, 2007
 For the Contract Period September 29, 2006 Through September 30, 2006
 AC# 3-FAI-C7

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.71494</u>
Deemed Asset Value (Per Bed)	42,402
Number of Beds	<u>104</u>
Deemed Asset Value	4,409,808
Improvements Since 1981	424,455
Accumulated Depreciation at 3/31/07	<u>(969,927)</u>
Deemed Depreciated Value	3,864,336
Market Rate of Return	<u>.0516</u>
Total Annual Return	199,400
Number of Days in Period	<u>184/365</u>
Adjusted Annual Return	100,519
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	100,519
Depreciation Expense	22,213
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	122,732
Total Patient Days (Minimum 96% Occupancy)	<u>18,371</u>
Cost of Capital Per Diem	<u>\$ 6.68</u>

FAITH HEALTHCARE CENTER

Cost of Capital Reimbursement Analysis

For the Cost Report Period Ended March 31, 2007

For the Contract Period September 29, 2006 Through September 30, 2006

AC# 3-FAI-C7

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 1.34
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$ 5.33</u>
Reimbursable Cost of Capital Per Diem	\$ 5.33
Cost of Capital Per Diem	<u>6.68</u>
Cost of Capital Per Diem Limitation	<u>\$(1.35)</u>

FAITH HEALTHCARE CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended March 31, 2007
 For the Contract Periods October 1, 2006 Through September 30, 2007
 AC# 3-FAI-C7

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.77878</u>
Deemed Asset Value (Per Bed)	43,399
Number of Beds	<u>104</u>
Deemed Asset Value	4,513,496
Improvements Since 1981	424,455
Accumulated Depreciation at 3/31/07	<u>(969,927)</u>
Deemed Depreciated Value	3,968,024
Market Rate of Return	<u>.0490</u>
Total Annual Return	194,433
Number of Days in Period	<u>184/365</u>
Adjusted Annual Return	98,016
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	98,016
Depreciation Expense	22,213
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	120,229
Total Patient Days (Minimum 96% Occupancy)	<u>18,371</u>
Cost of Capital Per Diem	<u>\$ 6.54</u>

FAITH HEALTHCARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended March 31, 2007
For the Contract Periods October 1, 2006 Through September 30, 2007
AC# 3-FAI-C7

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 1.34
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$ 5.33</u>
Reimbursable Cost of Capital Per Diem	\$ 5.33
Cost of Capital Per Diem	<u>6.54</u>
Cost of Capital Per Diem Limitation	<u>\$(1.21)</u>

FAITH HEALTHCARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended March 31, 2007
For the Contract Period October 1, 2007 Through September 30, 2008
AC# 3-FAI-C7

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.85382</u>
Deemed Asset Value (Per Bed)	44,571
Number of Beds	<u>104</u>
Deemed Asset Value	4,635,384
Improvements Since 1981	424,455
Accumulated Depreciation at 3/31/07	<u>(969,927)</u>
Deemed Depreciated Value	4,089,912
Market Rate of Return	<u>.0489</u>
Total Annual Return	199,997
Number of Days in Period	<u>184/365</u>
Adjusted Annual Return	100,820
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	100,820
Depreciation Expense	22,213
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	123,033
Total Patient Days (Minimum 96% Occupancy)	<u>18,371</u>
Cost of Capital Per Diem	\$ <u><u>6.70</u></u>

FAITH HEALTHCARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended March 31, 2007
For the Contract Period October 1, 2007 Through September 30, 2008
AC# 3-FAI-C7

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 1.34
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$ 5.33</u>
Reimbursable Cost of Capital Per Diem	\$ 5.33
Cost of Capital Per Diem	<u>6.70</u>
Cost of Capital Per Diem Limitation	<u>\$(1.37)</u>

2 copies of this document were published at an estimated printing cost of \$1.73 each, and a total printing cost of \$3.46. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.