

State of South Carolina



Office of the State Auditor

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COLUMBIA, S.C. 29201

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

(803) 253-4160
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September 28, 2011

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

Re: AC# 3-JOL-C7 – Palmetto Jolley Acres Operating, LLC d/b/a
Jolley Acres 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 JOLLEY ACRES OPERATING, LLC D/B/A
JOLLEY ACRES HEALTHCARE CENTER**

ORANGEBURG, SOUTH CAROLINA

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

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

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 Jolley Acres Operating, LLC d/b/a Jolley Acres 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 Jolley Acres Operating, LLC d/b/a Jolley Acres 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 Jolley Acres Operating, LLC d/b/a Jolley Acres 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 Jolley Acres Operating, LLC d/b/a Jolley Acres 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

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

	09/29/06- <u>09/30/06</u>	10/01/06- <u>03/31/07</u>	04/01/07- <u>09/30/07</u>	10/01/07- <u>09/30/08</u>
Interim Reimbursement Rate (1)	\$154.34	\$154.34	\$161.06	\$164.15
Adjusted Reimbursement Rate	<u>138.45</u>	<u>139.80</u>	<u>145.86</u>	<u>148.96</u>
Decrease in Reimbursement Rate	\$ <u>15.89</u>	\$ <u>14.54</u>	\$ <u>15.20</u>	\$ <u>15.19</u>

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

JOLLEY ACRES HEALTHCARE CENTER

Computation of Adjusted Reimbursement Rate

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 74.23	\$ 78.07	
Dietary		13.38	14.25	
Laundry/Housekeeping/Maintenance		<u>14.08</u>	<u>11.97</u>	
Subtotal	\$ <u>2.60</u>	101.69	104.29	\$101.69
Administration & Medical Records	\$ <u>-</u>	<u>21.91</u>	<u>18.19</u>	<u>18.19</u>
Subtotal		123.60	<u>\$122.48</u>	119.88
<u>Costs Not Subject to Standards:</u>				
Utilities		2.72		2.72
Special Services		-		-
Medical Supplies & Oxygen		4.75		4.75
Taxes and Insurance		2.68		2.68
Legal Fees		<u>.29</u>		<u>.29</u>
TOTAL		<u>\$134.04</u>		130.32
Inflation Factor (N/A)				-
Cost of Capital				6.38
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				2.60
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(.85)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$138.45</u>

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 74.23	\$ 80.17	
Dietary		13.38	15.72	
Laundry/Housekeeping/Maintenance		<u>14.08</u>	<u>13.37</u>	
Subtotal	\$ <u>7.57</u>	101.69	109.26	\$101.69
Administration & Medical Records	\$ <u>-</u>	<u>21.91</u>	<u>19.65</u>	<u>19.65</u>
Subtotal		123.60	<u>\$128.91</u>	121.34
<u>Costs Not Subject to Standards:</u>				
Utilities		2.72		2.72
Special Services		-		-
Medical Supplies & Oxygen		4.75		4.75
Taxes and Insurance		2.68		2.68
Legal Fees		<u>.29</u>		<u>.29</u>
TOTAL		<u>\$134.04</u>		131.78
Inflation Factor (N/A)				-
Cost of Capital				6.27
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				7.57
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(5.82)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$139.80</u>

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 74.23	\$ 80.17	
Dietary		13.38	15.72	
Laundry/Housekeeping/Maintenance		<u>14.08</u>	<u>13.37</u>	
Subtotal	\$ <u>7.57</u>	101.69	109.26	\$101.69
Administration & Medical Records	\$ <u>-</u>	<u>21.91</u>	<u>19.65</u>	<u>19.65</u>
Subtotal		123.60	<u>\$128.91</u>	121.34
<u>Costs Not Subject to Standards:</u>				
Utilities		2.72		2.72
Special Services		-		-
Medical Supplies & Oxygen		4.75		4.75
Taxes and Insurance		2.68		2.68
Legal Fees		<u>.29</u>		<u>.29</u>
TOTAL		<u>\$134.04</u>		131.78
Inflation Factor (4.60%)				6.06
Cost of Capital				6.27
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				7.57
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(5.82)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$145.86</u>

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 74.23	\$ 85.55	
Dietary		13.38	16.36	
Laundry/Housekeeping/Maintenance		<u>14.08</u>	<u>13.89</u>	
Subtotal	\$ <u>8.11</u>	101.69	115.80	\$101.69
Administration & Medical Records	\$ <u>-</u>	<u>21.91</u>	<u>21.41</u>	<u>21.41</u>
Subtotal		123.60	<u>\$137.21</u>	123.10
<u>Costs Not Subject to Standards:</u>				
Utilities		2.72		2.72
Special Services		-		-
Medical Supplies & Oxygen		4.75		4.75
Taxes and Insurance		2.68		2.68
Legal Fees		<u>.29</u>		<u>.29</u>
TOTAL		<u>\$134.04</u>		133.54
Inflation Factor (4.60%)				6.14
Cost of Capital				6.42
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				8.11
Effect of \$1.75 Cap on Cost/Profit Incentives				(6.36)
Transportation Escort Add-On				<u>1.11</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$148.96</u>

JOLLEY ACRES 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-JOL-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	\$795,488	\$ -	\$ 4,998 (3) 2,907 (5) 199 (5) 710 (7) 11 (7)	\$786,663
Dietary	142,171	-	347 (5)	141,824
Laundry	25,491	-	55 (5)	25,436
Housekeeping	61,778	-	112 (5)	61,666
Maintenance	62,289	-	139 (5)	62,150
Administration & Medical Records	272,425	-	7,710 (2) 677 (5) 28,501 (6) 1,531 (7) 1,844 (8)	232,162
Utilities	28,812	-	-	28,812
Special Services	-	938 (8)	938 (5)	-
Medical Supplies & Oxygen	101,101	-	51 (5) 50,759 (8)	50,291
Taxes and Insurance	119,690	-	91,270 (4)	28,420

JOLLEY ACRES 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-JOL-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	3,092	-	1 (7)	3,091
Cost of Capital	<u>69,147</u>	<u>887 (9)</u>	<u>2,388 (1)</u>	<u>67,646</u>
Subtotal	1,681,484	1,825	195,148	1,488,161
Ancillary	69,906	-	-	69,906
Nonallowable	216,379	2,388 (1) 7,710 (2) 91,270 (4) 5,425 (5) 28,501 (6) 2,253 (7) 51,665 (8)	887 (9)	404,704
CNA Training and Testing	<u>150</u>	<u>-</u>	<u>-</u>	<u>150</u>
Total Operating Expenses	<u>\$1,967,919</u>	<u>\$191,037</u>	<u>\$196,035</u>	<u>\$1,962,921</u>
Total Patient Days	<u>10,598</u>	<u>-</u>	<u>-</u>	<u>10,598</u>
Total Beds	<u>60</u>			

JOLLEY ACRES 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-JOL-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	\$795,488	\$ -	\$ 4,998 (3) 2,907 (5) 199 (5) 710 (7) 11 (7)	\$786,663
Dietary	142,171	-	347 (5)	141,824
Laundry	25,491	-	55 (5)	25,436
Housekeeping	61,778	-	112 (5)	61,666
Maintenance	62,289	-	139 (5)	62,150
Administration & Medical Records	272,425	-	7,710 (2) 677 (5) 28,501 (6) 1,531 (7) 1,844 (8)	232,162
Utilities	28,812	-	-	28,812
Special Services	-	938 (8)	938 (5)	-
Medical Supplies & Oxygen	101,101	-	51 (5) 50,759 (8)	50,291
Taxes and Insurance	119,690	-	91,270 (4)	28,420

JOLLEY ACRES 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-JOL-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	3,092	-	1 (7)	3,091
Cost of Capital	69,147	-	2,388 (1) 342 (10)	66,417
Subtotal	1,681,484	938	195,490	1,486,932
Ancillary	69,906	-	-	69,906
Nonallowable	216,379	2,388 (1) 7,710 (2) 91,270 (4) 5,425 (5) 28,501 (6) 2,253 (7) 51,665 (8) 342 (10)	-	405,933
CNA Training and Testing	<u>150</u>	<u>-</u>	<u>-</u>	<u>150</u>
Total Operating Expenses	<u>\$1,967,919</u>	<u>\$190,492</u>	<u>\$195,490</u>	<u>\$1,962,921</u>
Total Patient Days	<u>10,598</u>	<u>-</u>	<u>-</u>	<u>10,598</u>
Total Beds	<u>60</u>			

JOLLEY ACRES 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-JOL-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	\$795,488	\$ -	\$ 4,998 (3) 2,907 (5) 199 (5) 710 (7) 11 (7)	\$786,663
Dietary	142,171	-	347 (5)	141,824
Laundry	25,491	-	55 (5)	25,436
Housekeeping	61,778	-	112 (5)	61,666
Maintenance	62,289	-	139 (5)	62,150
Administration & Medical Records	272,425	-	7,710 (2) 677 (5) 28,501 (6) 1,531 (7) 1,844 (8)	232,162
Utilities	28,812	-	-	28,812
Special Services	-	938 (8)	938 (5)	-
Medical Supplies & Oxygen	101,101	-	51 (5) 50,759 (8)	50,291
Taxes and Insurance	119,690	-	91,270 (4)	28,420

JOLLEY ACRES 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-JOL-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	3,092	-	1 (7)	3,091
Cost of Capital	70,578	-	2,388 (1) 148 (11)	68,042
Subtotal	1,682,915	938	195,296	1,488,557
Ancillary	69,906	-	-	69,906
Nonallowable	214,948	2,388 (1) 7,710 (2) 91,270 (4) 5,425 (5) 28,501 (6) 2,253 (7) 51,665 (8) 148 (11)	-	404,308
CNA Training and Testing	<u>150</u>	<u>-</u>	<u>-</u>	<u>150</u>
Total Operating Expenses	<u>\$1,967,919</u>	<u>\$190,298</u>	<u>\$195,296</u>	<u>\$1,962,921</u>
Total Patient Days	<u>10,598</u>	<u>-</u>	<u>-</u>	<u>10,598</u>
Total Beds	<u>60</u>			

JOLLEY ACRES HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended March 31, 2007
AC# 3-JOL-C7

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Other Equity	\$12,098	
	Nonallowable	2,388	
	Fixed Assets		\$ 4,010
	Accumulated Depreciation		8,088
	Cost of Capital		2,388
	To adjust fixed assets and related depreciation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
2	Nonallowable	7,710	
	Administration		7,710
	To disallow interest expense		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
3	Accounts Payable	4,998	
	Nursing		4,998
	To properly charge expense applicable to subsequent period		
	HIM-15-1, Section 2304		
4	Nonallowable	91,270	
	Taxes and Insurance		91,270
	To adjust liability insurance expense		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
5	Nonallowable	5,425	
	Nursing		2,907
	Restorative		199
	Dietary		347
	Laundry		55
	Housekeeping		112
	Maintenance		139
	Administration		677
	Medical Supplies		51
	Special Services		938
	To adjust fringe benefits and related allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		

JOLLEY ACRES HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended March 31, 2007
AC# 3-JOL-C7

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable Administration	28,501	28,501
	To disallow related party expense HIM-15-1, Sections 1005 and 2304		
7	Nonallowable Nursing Restorative Administration Legal	2,253	710 11 1,531 1
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Special Services Nonallowable Administration Medical Supplies	938 51,665	1,844 50,759
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
9	Cost of Capital Nonallowable	887	887
	To adjust capital return State Plan, Attachment 4.19D (This adjustment applies only to the contract period 9/29/06 - 9/30/06)		
10	Nonallowable Cost of Capital	342	342
	To adjust capital return State Plan, Attachment 4.19D (This adjustment applies only to the contract periods 10/1/06 - 9/30/07)		

JOLLEY ACRES HEALTHCARE CENTER
 Adjustment Report
 Cost Report Period Ended March 31, 2007
 AC# 3-JOL-C7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
11	Nonallowable Cost of Capital	148	148
	To adjust capital return State Plan, Attachment 4.19D (This adjustment applies only to the contract period 10/1/07 - 9/30/08)		
		_____	_____
	TOTAL ADJUSTMENTS	<u>\$208,623</u>	<u>\$208,623</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.

JOLLEY ACRES 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-JOL-C7

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>40</u>	<u>20</u>	
Deemed Asset Value	1,696,080	848,040	
Improvements Since 1981	247,817	48,895	
Accumulated Depreciation at 3/31/07	<u>(545,787)</u>	<u>(229,013)</u>	
Deemed Depreciated Value	1,398,110	667,922	
Market Rate of Return	<u>.0516</u>	<u>.0516</u>	
Total Annual Return	72,142	34,465	
Number of Days in Period	<u>184/365</u>	<u>184/365</u>	
Adjusted Annual Return	36,367	17,374	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	36,367	17,374	
Depreciation Expense	5,322	8,243	
Amortization Expense	66	274	
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	41,755	25,891	\$67,646
Total Patient Days (Minimum 96% Occupancy)	<u>7,065</u>	<u>3,533</u>	<u>10,598</u>
Cost of Capital Per Diem	\$ <u>5.91</u>	\$ <u>7.33</u>	\$ <u>6.38</u>

JOLLEY ACRES 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-JOL-C7

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$2.19	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$6.18</u>	<u>\$7.33</u>
 Reimbursable Cost of Capital Per Diem	 \$6.38	
Cost of Capital Per Diem	<u>6.38</u>	
Cost of Capital Per Diem Limitation	<u>\$ -</u>	

JOLLEY ACRES 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-JOL-C7

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>40</u>	<u>20</u>	
Deemed Asset Value	1,735,960	867,980	
Improvements Since 1981	247,817	48,895	
Accumulated Depreciation at 3/31/07	<u>(545,787)</u>	<u>(229,013)</u>	
Deemed Depreciated Value	1,437,990	687,862	
Market Rate of Return	<u>.0490</u>	<u>.0490</u>	
Total Annual Return	70,462	33,705	
Number of Days in Period	<u>184/365</u>	<u>184/365</u>	
Adjusted Annual Return	35,521	16,991	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	35,521	16,991	
Depreciation Expense	5,322	8,243	
Amortization Expense	66	274	
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	40,909	25,508	\$66,417
Total Patient Days (Minimum 96% Occupancy)	<u>7,065</u>	<u>3,533</u>	<u>10,598</u>
Cost of Capital Per Diem	\$ <u>5.79</u>	\$ <u>7.22</u>	\$ <u>6.27</u>

JOLLEY ACRES 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-JOL-C7

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$2.19	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$6.18</u>	<u>\$7.22</u>
 Reimbursable Cost of Capital Per Diem	 \$6.27	
Cost of Capital Per Diem	<u>6.27</u>	
Cost of Capital Per Diem Limitation	<u>\$ -</u>	

JOLLEY ACRES 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-JOL-C7

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.85382</u>	<u>2.85382</u>	
Deemed Asset Value (Per Bed)	44,571	44,571	
Number of Beds	<u>40</u>	<u>20</u>	
Deemed Asset Value	1,782,840	891,420	
Improvements Since 1981	247,817	48,895	
Accumulated Depreciation at 3/31/07	<u>(545,787)</u>	<u>(229,013)</u>	
Deemed Depreciated Value	1,484,870	711,302	
Market Rate of Return	<u>.0489</u>	<u>.0489</u>	
Total Annual Return	72,610	34,783	
Number of Days in Period	<u>184/365</u>	<u>184/365</u>	
Adjusted Annual Return	36,603	17,534	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	36,603	17,534	
Depreciation Expense	5,322	8,243	
Amortization Expense	66	274	
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	41,991	26,051	\$68,042
Total Patient Days (Minimum 96% Occupancy)	<u>7,065</u>	<u>3,533</u>	<u>10,598</u>
Cost of Capital Per Diem	\$ <u>5.94</u>	\$ <u>7.37</u>	\$ <u>6.42</u>

JOLLEY ACRES 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-JOL-C7

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$2.19	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$6.18</u>	<u>\$7.37</u>
Reimbursable Cost of Capital Per Diem	\$6.42	
Cost of Capital Per Diem	<u>6.42</u>	
Cost of Capital Per Diem Limitation	\$ <u>-</u>	

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