

22288

THE STATE OF SOUTH CAROLINA
IN THE COURT OF APPEALS

ORIGINAL

RECEIVED

JAN 22 2016

SC Court of Appeals

APPEAL FROM THE ADMINISTRATIVE LAW COURT
The Honorable Deborah Brooks Durden, Administrative Law Judge

Appellate Case No. 2015-001986

Countrywood Nursing, LLC, ... Appellant,

v.

South Carolina Department of Health and Human Services, ... Respondent.

RECORD ON APPEAL
VOLUME III
Pages 787-1010

NICKLES LAW FIRM, LLC.
W. Allen Nickles, III
wanickles@nickleslaw.com
1122 Lady Street, Suite 610
Columbia, SC 29201
(803) 799-8080

*Attorney for Respondent, South Carolina
Department of Health and Human Services*

**NELSON MULLINS RILEY &
SCARBOROUGH LLP**
Daniel J. Westbrook
S. C. Bar No. 012939
Dan.westbrook@nelsonmullins.com
Alice V. Harris
S. C. Bar No. 066223
Alice.harris@nelsonmullins.com
1320 Main Street, 17th Floor
Post Office Box 11070 (29211-1070)
Columbia, SC 29201
(803) 799-2000
*Attorneys for Appellant Countrywood Nursing,
LLC.*

RECORD ON APPEAL INDEX

VOLUME I

ORDERS

1. Order of Administrative Law Judge Durden filed August 19, 2015	1
2. Denial of Motion to alter or amend filed January 23, 2015	9
3. Final Administrative Decision filed December 16, 2014.....	12

PLEADINGS/MOTIONS

4. Notice of Appeal filed on September 18, 2015	27
5. Reply Brief of Appellant Countrywood Nursing, LLC filed on May 27, 2015. ...	30
6. Brief of Respondent DHHS filed on May 12, 2015	51
7. Brief of Appellant Countrywood Nursing, LLC filed on April 13, 2015	72
8. Respondent's Reply to Petitioner's Motion to Alter or Amend Filed January 8, 2015	84
9. Petitioner's Motion to Alter or Amend filed December 29, 2014	86
10. Petitioner's Proposed Final Order dated October 17, 2014.....	91
11. Respondent's Proposed Final Order dated October 17, 2014	102

TRANSCRIPTS

12. Transcript of Hearing before DHHS Hearing Officer held September 17, 2014	119
--	-----

WITNESS TESTIMONY

13. Jeff Saxon	
Direct.....	142
Cross	160
Redirect	179
Recross.....	187
14. Terry Schmoyer	
Direct.....	189
Cross	209
Redirect	228
15. Petitioner's Exhibit 1	245
(Petitioner's Appeal re: SAO report of September 30, 2009, filed December 16, 2011)	
16. Petitioner's Exhibit 2	247
(Petitioner's Appeal re: SAO report of September 30, 2008 filed December 16, 2011)	
17. Petitioner's Exhibit 3	248
(Petitioner's Appeal of SAO report of May 31, 2008 filed on December 16, 2011)	
18. Petitioner's Exhibit 4	253

	(Petitioner's Motion for Partial Summary Judgment)	
19.	Petitioner's Exhibit 5	359
	(Petitioner's Reply on Summary Judgment)	
20.	Petitioner's Exhibit 6	369
	(Petitioner's Summary of Issues Resolved and Remaining)	

VOLUME II

21.	Petitioner's Exhibit 7	373
	(Petitioner's Prehearing Brief)	
22.	Petitioner's Exhibit 8	559
	(Transcripts of the depositions of Jeff Saxon and Terry Schmoyer)	
23.	Petitioner's Exhibit 9	696
	(Petitioner's Response to Objection to Parole Evidence)	
24.	Petitioner's Exhibit 10.....	701
	(Petitioner's Proposed Final Order)	
25.	Respondent's Exhibit 1	712
	(Respondent's Memo in Opposition to Partial Summary Judgment)	

VOLUME III

26.	Respondent's Exhibit 2.....	787
	(Respondent's Prehearing Brief)	
27.	Respondent's Exhibit 3.....	969
	(Respondent's Objection to Parole Evidence)	
28.	Respondent's Exhibit 4.....	972
	(Respondent's Proposed Order)	
29.	Hearing Officer's Exhibit 1	989
	(Hearing Notices/Orders)	
30.	Hearing Officer's Exhibit 2	1001
	(Order Denying Motion for Partial Summary Judgment)	
31.	Certification of Hearing Officer	1003
32.	Petitioner's Response to Respondent's Objection to Testimony dated September 30, 2014.....	1004
33.	Respondent's Objection to Testimony dated September 29, 2014	1005
34.	Petitioner's Response to Respondent's Objection to Testimony Dated September 24, 2014	1006
35.	Respondent's Objection to Testimony dated September 23, 2014	1008

NICKLES LAW FIRM, LLC

- ATTORNEYS AT LAW -

1122 Lady Street, Suite 610
Columbia, South Carolina 29201

W. Allen Nickles, III

Telephone: (803) 779-8080

Facsimile: (803) 256-1816

Email: waunickles@nickleslaw.co

September 4, 2014

Via Hand Delivery

Betsy Schindler, Hearing Officer
SC Department of Health & Human Services
Division of Appeals and Hearings
Post Office Box 8206
Columbia, South Carolina 29202-8206

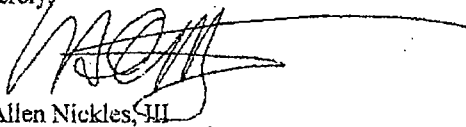
RE: Countrywood v. SCDHHS

Dear Ms. Schindler:

Please find Respondent's Prehearing Brief with attachments in the above appeal. This same material is being provided to counsel for Petitioners.

I appreciate your attention to this matter.

Sincerely,



W. Allen Nickles, III

WAN/pfb

Enclosure

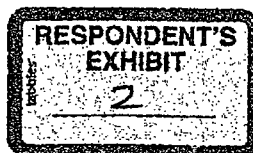
cc: Dan Westbrook, Esquire (via hand delivery)
Alice V. Harris, Esquire (via hand delivery)
Byron Roberts, Esquire (via email only)
Rick Hepfer, Esquire (via email only)

File #12-089

RECEIVED

SEP 04 2014

SCDHHS APPEALS



R0787

STATE OF SOUTH CAROLINA	)	BEFORE THE DIVISION OF APPEALS
	)	AND HEARINGS OF THE
COUNTY OF RICHLAND	)	SOUTH CAROLINA DEPARTMENT
	)	OF HEALTH AND HUMAN SERVICES
Countrywood Nursing Center, LLC,	)	AC #3-RDM-J8; AC #12-AUD-010
	)	AC #3-RDM-J9; AC #12-AUD-011
Petitioner,	)	AC #3-RDM-E8; AC #12-AUD-012
	)	
v.	)	
	)	RESPONDENT'S PREHEARING BRIEF
South Carolina Department of Health	)	
and Human Services,	)	
	)	
<u>Respondent.</u>	)	

Petitioner seeks relief from returning overpayments received from the State for Medicaid services, asserting that the audit report identifying such overpayments was not issued in a timely fashion. For the following reasons, Petitioner's request is without merit and should be denied.

STANDARD OF REVIEW

Where, as here, a contest involves review of a statute, regulation or other public document, the plain language of the document in question controls and there is no need for explanation by way of testimony. See, Paschal v. State Election Comm'n., 317 S.C. 434, 436, 454 S.E.2d 890, 892 (1995) If there is any question about the meaning or intent of the document, however, it is the responsibility of the reviewing body to ascertain the public interest at stake and to rule in a manner that serves that interest. Kiriakides v. United Artists Communications, Inc., 312 S.C. 271, 440 S.E.2d 364 (1994) (an interpretation that leads to an unintended result must be rejected) In detennining intent, the reviewing body may consider the interpretation and application of the agency responsible for execution of the legislation. See, Nucor Steel v. South Carolina Public Serv. Comm'n., 310 S.C. 539, 426 S.E. 2d 319 (1992)

RECEIVED

SEP 04 2014

SCDHHS APPEALS

STATEMENT OF FACTS

The South Carolina Department of Health and Human Services ("DHHS") is the single state agency designated to administer the South Carolina Medicaid program. As such, DHHS has the responsibility of determining whether providers of Medicaid services, such as Petitioner, have submitted records of costs sufficient to support reimbursement of services. Because costs are paid in advance, providers must submit to audit reviews and repay any amounts found to have been unjustified. DHHS contracts with the State Auditor's Office ("SAO") to conduct audit reviews and identify reported costs that do not meet program requirements.

Petitioner contends that it should be exempt from returning overpayments because the audit report designating adjustments to Petitioner's costs was issued more than three years following the initial six month cost report that established reimbursements for the rate periods 11/29/07 through 09/30/09. In support of this argument, Petitioner divides the "rate cycle" determined by its initial reports into separate periods of 11/29/07 - 5/31/08 (6 months); 06/01/08 - 09/30/08 (4 months); and 10/01/08 - 09/30/09 (12 months). Petitioner characterizes these varying time frames as "contract periods" and asserts that deadlines for issuing audit reports run from each.

Petitioner further contends that the contract between DHHS and SAO limits audit reviews to two cost reports, regardless of the time frames for which the reports establish reimbursement rates. Petitioner argues that the language of the DHHS/SAO contract prohibits SAO from reviewing costs reported by Medicaid providers despite plain language in its own contract and the controlling State Plan that requires retention and provides for inspection "upon demand" of cost records for a minimum of six years. (State Plan Attachment 419-D ¶ I (E) (p. 3)). The State Plan incorporated in both the DHHS/SAO contract and Petitioner's contract further provides that

"All cost reports are subject to on-site audit." (State Plan Attachment 419-D ¶ II (H), "Auditing" (p. 12); see also Saxon dep. pp. 104-105). Finally, the initial report that Petitioner seeks to bar from audit review contains the **same cost** as the succeeding twelve month report examined by SAO. (Schmoyer dep. pp. 35-36). Accordingly, Petitioner's argument would lead to the absurd result of requiring DHHS and SAO to ignore identified overpayments for Medicaid services.¹

Jeff Saxon is the Program Manager II for DHHS responsible for administration of the State's Medicaid reimbursement program. Mr. Saxon has had this responsibility for more than thirty years and has been involved in the State's Medicaid plan and associated contracts throughout that period. (Saxon dep. p. 5) As Mr. Saxon points out, the time limit for issuance of audit reports is governed by the State Plan. This Plan provides for two distinct forms of cost reports. In the present case, the initial cost report under review was prepared by the Petitioner for its first six months of operation. This report sets the rates for 11/29/07 – 9/30/09.

In keeping with DHHS directive, Petitioner's initial report was part of the SAO audit review. (Saxon dep. pp. 18, 35, 47) As explained by Mr. Saxon and as provided in the State Plan, the audit report deadline for the periods on appeal fell three years following 9/30/09. It is not disputed that the reports issued by SAO in this instance occurred on 11/22/11, within the three year period designated in the State Plan and Petitioner's contract. For this reason, there can be no factual dispute that the challenged audit reports were conducted in keeping with standard practice and issued in a timely fashion.

¹ All references to the State Plan are based upon the document provided as Exhibit 7 to Petitioner's brief. Although the State Plan is amended annually, the provisions cited were in effect during the period under review.

LEGAL ARGUMENT

I. The State Plan establishes that audit reports must be issued within three years of the close of the rate period established by a cost report.

Petitioner argues that auditors should be compelled to issue multiple audit reports following review of a single six month cost report. As explained by Mr. Saxon, this is not consistent with the controlling provisions of the State Plan or the routine operations of the South Carolina Medicaid program. (Saxon dep. pp. 55-56) Petitioner's attempt to interpret the contract between DHHS and the SAO to require multiple audit reports within a single rate cycle is not supportable. See, Peake v. S.C. Dept. of Motor Vehicles, 375 S.C. 589, 599, 654 S.E.2d 284, 289 (Ct. App. 2007)

The contract entered by Petitioner specifies that "the contract period will be the rate period as defined by the South Carolina State Plan." The State Plan identifies both initial cost reports (commonly called "six month reports" although the periods of less than a year may vary) and annual cost reports. Six month reports follow a change of ownership and allow the new owner an opportunity to obtain a new prospective reimbursement rate. The initial report sets the rates for extended periods of time, here 11/29/07 through 9/30/09. (Saxon dep. pp. 60-62) Differences in reimbursements during this extended period are based not upon changes in Petitioner's costs, but inflation and amendments to the State Plan. (Saxon dep. pp. 83, 90-91) Because the "rate period" determined by Petitioner's initial report extended far beyond the period reported and reviewed, Petitioner has enjoyed significantly enhanced reimbursements. See, Saxon Affidavit Attachment 5 (showing "extra" reimbursement in the amount of \$131,665.00 for non-recurring expenses claimed during Petitioner's six month reports)

Petitioner's attempt to circumvent the established treatment of six month reports in the State Plan is not proper or in keeping with longstanding DHHS practice. Similarly, Petitioner misconstrues the applicability of C.A.N. Enterprises, Inc. v. S.C. Health and Human Services Finance Commission, 296 S.C. 373, 373 S.E.2d 584 (S.C. 1988). This opinion addressed former contract language that required audits to be conducted "during the contract period and . . . after termination of **this contract** and for a period of three years thereafter." The court held that this language required audit reports to be issued within three years of the contract ending date. By way of contrast, the audit periods applicable to current contracts are governed by the "rate period as defined by the South Carolina State Plan." (Petitioner Contract Art. II, Definitions "Contract Period") As addressed above, the State Plan provides that for six month cost reports, the rate period (rate cycle) extends beyond the reporting date to all periods governed by the six month reports. Because the language construed in C.A.N. does not appear in Petitioner's contracts and does not appear in the State Plan, its holding does not apply to the present appeals.

Where an administrative agency has consistently applied a statute or regulation in a particular manner, its construction may not be overturned absent cogent reasons. S.C. Cable Television Ass'n. v. Southern Bell Tel. & Tel. Co., 308 S.C. 216, 417 S.E.2d 586 (1992); Emerson Electric Co. v. Wasson, 278 S.C. 394, 339 S.E.2d 118 (1986). Additionally, the words used in a statute or regulation should be given their ordinary and common meaning, consistent with their manifest purpose. See, Floyd v. Nationwide Mut. Ins. Co., 367 S.C. 253, 260, 626 S.E.2d 6, 10 (2005). A construction or interpretation that leads to an absurd or unintended result must be rejected. Peake v. S.C. Dept. of Motor Vehicles, 375 S.C. 589, 599, 654 S.E.2d 284, 289 (Ct. App. 2007); Jones v. State Farm Mut. Auto Ins. Co., 364 S.C. 222, 232, 612 S.E.2d 719, 724 (Ct. App. 2005).

The language of the State Plan as incorporated in Petitioner's contract establishes the deadline for issuance of an audit report based upon the conclusion of a "rate period." The "rate period" in this instance began on 11/29/07 and ended on 9/30/09. Accordingly, there can be no question that the challenged reports issued on 11/22/11 fell within the three year period allowed by contract and State Plan. For this reason, Petitioner's request to retain overpayments must be denied.

II. The contract between DHHS and SAO does not limit review to two cost report periods.

Petitioner contends that the contract between DHHS and SAO limits audit reviews to two cost report periods. This is incorrect. Instead, the DHHS/SAO contract clearly provides that SAO shall conduct "all engagements to determine if the reimbursement rate or amount is in accordance with the provision of the provider contracts, State Plan, and all state and federal laws and regulations." (DHHS/SAO Contract Art. III, ¶ B.3 (p. 3)) Attempts by DHHS or others to limit audit reviews in a manner inconsistent with governing law would be invalid.

There is need to interpret the contract between DHHS and the SAO. See, Lee v. University of South Carolina, 407 S.C. 512, 517, 757 S.E.2d 394, 397 (2014) (Contractual language is to be construed according to its plain terms and courts are not at liberty to consider unexpressed or secret intentions) The DHHS/SAO contract states that it is the complete integration of all understandings between the parties. (DHHS/SAO Contract Art. VIII, ¶ H (p. 10)) The contract's express purpose is to serve a "common and concurrent interest in ascertaining that the expenditure of Medicaid funds is in accordance with the Provider contracts and the South Carolina State Plan." Even without this language, the controlling State Plan

makes all records required to be maintained by Medicaid providers available on demand to SAO.
(State Plan Attachment 4.19-D, ¶ I (E) (p. 3))

The two reporting periods referenced in the contract, and identified by Petitioner as limiting audit reviews, instead establish a minimum obligation on the part of the State Auditor. See, (DHHS/State Auditor contract Art. III, ¶ D.1 (p. 4)) Similarly, the contract between Petitioner and DHHS makes clear that auditors shall have access to Petitioner's records for a period of six years following any contract, including amendments or extensions. See, Petitioner Contract Art. V, ¶ G.2 (p. 9) This is consistent with the State Plan section on "Auditing" authorizing on site audit of "all cost reports." (State Plan Attachment 419-D ¶ II (H) "Auditing" (p. 12))

Petitioner's self-serving reading of the contract between DHHS and SAO would lead to the absurd result of restricting SAO from examining available records and prohibiting recovery of unnecessary and undocumented costs even, when the provider reports and certifies costs without required documentation. Neither the plain language of the contract nor the State Plan supports such an outcome.²

III. The contract between DHHS and SAO does not create any right enforceable by Petitioner.

Petitioner is not an intended beneficiary of the contract between DHHS and SAO. Instead, as confirmed by Mr. Saxon, this contract is for the purpose of formalizing the relationship between two agencies of the State. Accordingly, Petitioner can identify no legal basis to support a private cause of action or remedy arising out of this document. See, Wogan v.

² Mr. Saxon is the person responsible for drafting both the DHHS/SAO contract and contract entered by Petitioner. In addition, Mr. Saxon is responsible for State Plan provisions. (Saxon dep. pp. 101, 104-105) Accordingly, any question concerning the construction of contractual or Plan language should take into account Mr. Saxon's testimony that, read together, these provisions are intended to allow SAO full access to Medicaid provider records.

Kunze, 366 S.C. 583, 604, 623 S.E.2d 107, 118 (Ct. App. 2007) (a third party has no right to enforce a contract absent a showing that the contract is intended to create a direct rather than incidental or consequential benefit to the third person)

Petitioner contends that "public interest" supports its intervention in the contract between DHHS and SAO. No authority offered by Petitioner supports this argument. For example, in Sloan Construction Co., Inc. v. Southco Grassing, Inc., 377 S.C. 108, 659 S.E.2d 158 (2008), the South Carolina Supreme Court determined that a third party breach of contract claim applies against a public entity only if supported by an expression of legislative intent. In Sloan, the Court found the required intent in a statute requiring contractors to maintain bonds protecting the interest of subcontractors on public projects. No such expression of intent is contained in the contract between DHHS and SAO. Additionally, legislation incorporated in the DHHS/SAO contract authorizes SAO to review Medicaid costs to the full extent available under state and federal law. (DHHS/SAO Contract, "Recitals") (p. 1)). Similarly, Petitioner has no standing to intervene in the relationship between DHHS and SAO under the "public importance" exception addressed in ATC South, Inc. v. Charleston County, 380 S.C. 191, 669 S.E.2d 337 (2008). Petitioner cannot identify an issue that transcends its private interest in maintaining unearned public funds sufficient to satisfy the "level of public importance" necessary to establish standing. For all these reasons, Petitioner cannot limit audit review or retain overpayments based upon the contract between DHHS and SAO.

IV. Petitioner has no contractual or equitable claim to retain overpayments for Medicaid services.

The contract between Petitioner and DHHS stipulates that Petitioner shall maintain records for a period of six years after the last payment made under contract and that these records

are available for inspection during that six year period. (Contract Art. V, ¶¶ G.1 and G.2 (p. 9))
The contract is subject to termination for breach of the records retention and inspection requirements. See, Saxon Affidavit Attachment 3A (Contract Art. VII, ¶ C (p. 11))

Petitioner is responsible for documenting costs sufficient to demonstrate that purchases were made, used for patient care and meet all requirements for reimbursement. (Saxon dep. p. 94) All transactions between related parties (entities that share common ownership or control) must be documented and limited to actual costs. Reporting undocumented related party costs is an irregularity warranting further review, even if the report related to a period outside the review process. (Saxon dep. pp. 95-96)

Terry Schmoyer is the person identified as Petitioner's expert and was responsible for preparing Petitioner's cost reports. Mr. Schmoyer admitted in his deposition of August 8, 2014 that undocumented related party transactions were reported for reimbursement. Mr. Schmoyer further admitted that these undocumented costs were known before the audit review. (Schmoyer dep. pp. 25-28) The reporting of these undocumented costs authorized review of Petitioner's initial report, regardless of the number or the timing of the report. (DSS/SAO Contract Art. 6, ¶ A(2); Provider Contract Art. 5, ¶ G; State Plan 419-D (pp. 1-3))

Because Petitioner must maintain records and afford access to inspection, there can be no basis for asserting prejudice by way of unreasonable delay. Furthermore, the report of undocumented related party claims for reimbursement renders all periods containing those costs subject to audit review. In this context, it is clear that Petitioner has neither a contractual or equitable claim to maintain unearned public funds.³

³ Any equitable claim asserted by Petitioner would fail because the alleged "delay" in issuing audit reports was neither unreasonable nor prejudicial to Petitioner. See generally, Emery v. Smith, 361 S.C. 207, 603 S.E.2d 598 (2004) (delay alone does not establish a right to relief from payment of monies due)

V. RESPONDENT'S EXHIBITS AND WITNESSES

A. Exhibits

See Attachment B

B. Witnesses

1. Terry Schmoyer
2. Jeff Saxon

VI. UNUSUAL PROBLEMS RELATED TO EVIDENCE

Petitioner has identified Terry Schmoyer as an expert witness. Mr. Schmoyer is employed by the Petitioner to maximize reimbursement and has served as an advocate for this and other providers of Medicaid services. For example, Mr. Schmoyer and his staff prepared the cost reports under review, obtaining reimbursement for undisclosed related party transactions even though documentation required to support reimbursement did not exist. (Schmoyer dep. pp. 25-28) By contract and State Plan, Petitioner agreed that its cost reports shall be certified as true and that no request for payment shall be submitted if it knows or has reason to know that the costs are not properly prepared or payable. (Petitioner Contract Art. V, ¶ G (p. 8); State Plan, Attachment 4.19-D (pp. 1-3)). Petitioner's contract is subject to termination upon discovery that it materially failed to comply with its obligations. (Petitioner Contract Art. VII, ¶ C (p. 11)).

Mr. Schmoyer also recommended retention of the Nelson Mullins law firm because Bill Prince, a member of the firm at the time, formerly served as Director of DHHS. Mr. Schmoyer observed that Mr. Prince "has many connections" that may assist with the contract issue on appeal and of interest to other "client groups." (Email to Jerry Hicks and Bob Hagen dated 12/29/11 provided as Attachment A). In view of his advocacy on the part of Medicaid providers

and his participation in preparation of cost reports containing undocumented costs, Respondent will object to the offering of any opinions by Mr. Schmoyer.

VII. UNUSUAL QUESTIONS OR MATTERS WHICH SHOULD BE BROUGHT TO THE ATTENTION OF THE HEARING OFFICER

See above.

VIII. SETTLEMENT STATUS

The parties have engaged in settlement discussions but have been unable to reach an agreement.

CONCLUSION

For the reasons stated above and supported in the attached materials, Petitioner cannot establish that the challenged audit reports were issued in an untimely fashion or that SAO's examination of costs exceeded its authority. Additionally, Petitioner has no enforceable claim in contract or equity to retain overpayments for Medicaid services. For these reasons, Petitioner's appeal must be denied.

NICKLES LAW FIRM, LLC

By: 

W. Allen Nickles, III
1122 Lady Street, Suite 610
Columbia, South Carolina 29201
(803) 779-8080

Attorneys for Respondent

September 4, 2014
Columbia, South Carolina

1 STATE OF SOUTH CAROLINA

DIVISION OF APPEALS AND HEARINGS
OF THE SOUTH CAROLINA DEPARTMENT
OF HEALTH AND HUMAN SERVICES

2
3 COUNTY OF RICHLAND

4

5 COUNTRYWOOD NURSING, LLC,

6 Petitioner,

7 vs.

Appeal Case Nos.

12-AUD-010,

8

12-AUD-011, and

9

12-AUD-012

10 SOUTH CAROLINA DEPARTMENT OF
HEALTH AND HUMAN SERVICES,

11 Respondent.

12 DEPOSITION

RECEIVED

13 WITNESS: JEFFERY ALLAN SAXON

SEP 04 2014

14 DATE: Friday, August 8, 2014

SCDHHS APPEALS

15 TIME: 9:04 a.m.

16 LOCATION: Nelson Mullins Riley & Scarborough LLP
17 Meridian
18 17th Floor
1320 Main Street
Columbia, South Carolina

19 TAKEN BY: Attorneys for the Petitioner

20 REPORTED BY: NISHA GORDON
21 Court Reporter

22 -----
COMPUSCRIPTS, INC.

Client Focused. Deadline Driven.

23

CHARLESTON COLUMBIA HILTON HEAD GREENVILLE MYRTLE BEACH

24

1-888-988-0086

25

www.southcarolinacourtreporters.com

1 Q. 1979?

2 A. Yes, sir.

3 Q. And what did you start out as?

4 A. An auditor 1.

5 Q. I'm sorry?

6 A. An auditor 1.

7 Q. Okay. And what's your position there?

8 A. Program manager 2.

9 Q. And what are your job duties as program
10 manager 2?

11 A. Oversee the rate, seeing activities of all
12 Medicaid contracting, and I wrote providers in the
13 state.

14 Q. How long have you been doing that, that
15 particular job presently, program manager 2?

16 A. Probably since 1995.

17 Q. What are your duties with respect -- or do
18 you have any duties with respect to the State Plan?

19 A. I oversee the submission of those bylaws,
20 and I also write the language for those bylaws or State
21 Plans.

22 Q. All right. You write the language
23 yourself?

24 A. Correct. I mean, the nursing facilities,
25 the hospitals, and the noninstitutional providers.

1 A. But it could go back for several years.

2 Q. Absent fraud -- absent some finding or
3 allegation of fraud, can they go back more than two cost
4 report periods?

5 A. If they see problems with cost reports,
6 they can.

7 Q. And aside from this appeal, this
8 Countrywood appeal, can you recall the last time that
9 SAO audited more than two cost reports when there was no
10 fraud allegation involved?

11 A. I can't recall off the top of my head
12 anybody, but for new providers that come into the
13 Medicaid Program, their first cost report is always
14 audited.

15 Q. And I understand that; but has it been your
16 experience -- let's say, in the last five years or so,
17 can you recall any nursing home where, absent fraud --
18 that had more than two cost report periods --

19 A. I -- I just can't remember. I mean, I
20 just -- I do not recall if I saw any or how many I've
21 seen, to be honest with you. I don't necessarily see
22 all the audit reports anymore. My staff do.

23 Q. Okay. Who in your staff? Well, who is
24 your staff?

25 How many staff folks do you have?

1 A. Yes.

2 Q. Is there -- can you tell me what the basis
3 of that opinion is? Is there contractual language or
4 plan language, or has that just been the practice, or --
5 or what's the basis of that opinion that you just
6 offered, that that's a minimum number?

7 A. I mean, the basis is this. If you --
8 nobody knows what they're going to find in an audit. If
9 a provider goes and sees -- if they look at the two cost
10 reports and there are significant issues, reimburse --
11 or allowable cost issues, then we -- I would think we
12 could go in and pull that information and look at it.

13 Q. Okay.

14 A. Now, on guys who change ownership who are
15 on the six-month cost report, those cost reports are
16 audited. That is their baseline cost when they enter
17 the Medicaid Program.

18 Q. All right.

19 A. And if all -- and if you want to get
20 providers on target for proper reporting and useful life
21 determinations that complies with allowable cost
22 definitions, you have to get to that one. That is the
23 basis.

24 Q. All right. But, again, is there any -- and
25 I understand what you just said.

1 Never mind. That's not what I was thinking.

2 Q. I'll tell you what. Let me ask you to look
3 back at the SAO contract, Exhibit 1, and turn over to
4 page 3, if you would.

5 A. Okay.

6 Q. Okay. And you see there, it says, Article
7 III, SAO Responsibilities.

8 A. Yes, sir.

9 Q. And then Section B says, SAO shall be
10 responsible for -- and then it lists a number of things.

11 A. That's correct.

12 Q. Look at number 3. Number 3 says, SAO shall
13 be responsible for conducting all engagements to
14 determine if the reimbursement rate or amount is in
15 accordance with the provisions of the provider
16 contracts, State Plan, and state and federal laws and
17 regulations, doesn't it?

18 Correct?

19 A. Correct.

20 Q. Now, that provision gives SAO authority --
21 not only authority, responsibility, to conduct these
22 kind of engagements that's described there, right?

23 A. Yes.

24 Q. And, in fact, SAO has exclusive
25 responsibility and authority to conduct those kind of

1 A. (Complying.)

2 Q. And this time I'm going to ask you to jump
3 over to page 2, please.

4 A. Okay.

5 Q. And that definition of contract period up
6 there towards the top of the page, it's actually got,
7 looks like, three definitions, right?

8 A. That's correct.

9 Q. And the last sentence says. For the
10 purposes of Article V, Section F only, the contract
11 period will be the rate period as defined by the South
12 Carolina State Plan, correct?

13 A. That's correct.

14 Q. And we were just talking about -- and why
15 don't we just turn back over on page 8, which is Article
16 V, Section F, the time limit.

17 So would it be your understanding, then,
18 when in this Section, V, F, when it uses the term
19 contract period, that means the rate period, as defined
20 in the State Plan?

21 A. Yes.

22 Q. Okay. Now, is rate -- is the term rate
23 period actually defined in the Plan?

24 A. There's a reference. I mean, most nursing
25 homes file annual reports, and our annual rate cycle is

1 October through September of every year.

2 Now, when providers under certain
3 circumstances qualify for six-month cost reports, those
4 cost reports are used to set rates for an extended
5 period of time, and you cannot list every possible rate
6 period that those -- that those cost reports can set a
7 rate for. Providers in the past have utilized this to
8 gain excess revenue through the manipulations or through
9 the purchasing of certain items since they know that
10 this cost report is used set a rate for as long as close
11 to two years, in some instances.

12 So, again, we cannot go in and state that
13 if you file an annual cost report, your rate is this.
14 If you file a six-month cost report, your rate period is
15 that.

16 Q. So is there any definition in the Plan of
17 the term rate period?

18 A. Again, the only reference to -- the State
19 Plan is effective every October, and rates are updated
20 every October.

21 MR. WESTBROOK: Okay. Let me ask you --
22 let's look at the Plan for a minute. I'm going to --
23 this will be Exhibit 6, I think.

24 (Petitioner's Exhibit Number 6, Plan Under
25 Title XIX of the Social Security Act, State of South

1 A. Actually, I think we froze -- if it was
2 in -- Robbie was then. It was either in -- I can't
3 remember the exact year. Maybe -- let's see.

4 He took that job in 2003. It was somewhere
5 between 2003 and 2007, is the best I can narrow that
6 down to. I think we did it for three months or
7 something, if I remember correctly.

8 But it has happened in the past.

9 Q. But ordinarily?

10 A. But ordinarily, our rate cycle does run a
11 12 month period; however, if you are a -- you know, if
12 you're under a change of ownership or you qualify for
13 those six-month cost reports, your rate period starts
14 changing.

15 In other words, you now are on a different
16 cost reporting period everybody else is on. We apply
17 your new cost to the rules that are in effect during
18 these rate periods.

19 And then the next time the Plan is updating
20 for the next October rate period, and if that same cost
21 report -- that short repeat is used for that, then those
22 set of rules apply to that same cost report.

23 Q. So it sounds like, if I'm
24 understanding what you're saying --

25 A. So we're trying to audit payment to cost

1 reports.

2 Q. Okay. It sounds like that rate cycle and
3 rate period aren't exactly the same thing then, right?
4 They're different concepts.

5 A. You know, they're -- to me, there a little
6 bit different, yes.

7 Q. All right. And we've already talked
8 about -- and they certainly are different than --
9 different concepts on the cost report period, are they
10 not?

11 A. You're right, because, I mean, the rate
12 period gives you prospective, and the cost report serves
13 as the basis of a prior year period.

14 Q. Okay. You said a minute ago in one of your
15 answers, and you say this in your affidavit, about --
16 you use the phrase "an extended period of time."

17 Now, what do you mean by that, an extended
18 period of time?

19 A. That --

20 Q. What does that mean?

21 A. -- the rates can run.

22 Q. Right.

23 A. The run for a -- that cost report sets the
24 rate for a longer than 12-month -- for a period longer
25 than 12 months.

1 Q. All right. And what is -- what's the basis
2 of that statement, that it lasted longer than 12 months?

3 A. Because if you look at the Plan language,
4 it talks about beginning providers for annual cost
5 reports, and the rates just updated in October. And you
6 go back to the sections that qualify -- or the
7 exceptions that qualify for a new cost report, and it
8 talks about that rate sets the rate for the first six
9 months, and then on the seventh month it starts being --
10 I mean, certain other rules start applying like, you
11 know, depending on what happened to that provider. And
12 it can be occupancy factors, inflation trends starts
13 being applied and stuff.

14 And then what happens, again, because of
15 the timing of the cost report and what the cost report
16 period covers, that cost report can be used in the next
17 rate cycle --

18 Q. Okay.

19 A. -- for the following October --

20 Q. Okay.

21 A. -- and apply against those whole new set of
22 rules.

23 Q. Now, look -- let's turn over to -- what
24 page is this -- page 20, please, of the Plan.

25 A. We're still on the Plan?

1 A. There's only one cost report that set the
2 rate for all of those, and it's the first one that's
3 listed, in that first paragraph.

4 Q. Okay. I understand that; but it doesn't
5 say -- but they're presented by Ms. Myers as three
6 separate rate periods, aren't they?

7 A. They're presented that way based upon what
8 I just explained.

9 Q. Okay.

10 A. With the changes in the inflation the
11 seventh month and then the new updated standards and
12 stuff. I mean, if its provider would have been happy
13 and not been willing to take the increases with it, we
14 would have been happy for them to give it back to us.

15 Q. Sure.

16 So from 11 -- and, again, I think -- if
17 I've already asked you this, I apologize. I know I've
18 asked you something similar to this, but from 11/29/07
19 through 5/31/08, that audited rate, that figure that's
20 listed there, \$129.21 -- and it didn't change during
21 that period, did it? From 11/29/07 through 5/31/08,
22 that did not change?

23 A. That's right. That's correct.

24 Q. And then inflation was added on June 1st.

25 A. Yes, sir.

1 matter what.

2 Q. So the cost report period would be the
3 same.

4 Right. I got you.

5 And this -- this is 11 or 12?

6 THE COURT REPORTER: Twelve.

7 MR. WESTBROOK: This will be Exhibit 12,
8 please.

9 (Petitioner's Exhibit Number 12, April 1,
10 2009 SCDHHS - Division of LTC Reimbursement, Cost of
11 Capital Analysis, 10/01/08 through 9/30/09, 2:05 p.m.
12 and 2:50 p.m., was marked for identification.)
13 BY MR. WESTBROOK:

14 Q. And, again, this would be -- and Mr. Saxon,
15 as you can imagine, this is the third of these.

16 A. Yeah. The October one, yeah.

17 Q. I knew you could figure -- knew where I was
18 going on this.

19 And, again, this shows a rate period of
20 10/01/08 through 9/30/09, again, reflecting that new
21 rate that came into being when the Plan was changed on
22 -- effective of 10/01/08, correct?

23 A. That's correct; but at the end of the day,
24 the common denominator there in all of this is the cost
25 reporting period.

1 Q. Okay.

2 A. That set the rate from 11/09 -- 29/07 to
3 September 30th, 2009.

4 Q. Okay. Even though the actual rates --

5 A. The rates were different because the
6 methodology -- you know, and, again, like I said, if the
7 provider didn't want them, we could have paid --

8 Q. All right.

9 A. -- at a lesser rate --

10 Q. And one -- once more, I know I asked you
11 this question, and I apologize, but I just want to make
12 sure that I understand your answer.

13 A. Okay.

14 Q. A rate period, that precise term, is not
15 defined anywhere in the Plan with a precise definition;
16 is that correct? There's no place you can turn where
17 like it's a page --

18 A. There's not a definition that says what a
19 rate period is.

20 Q. -- that specifically says a rate period is
21 this or means this. That doesn't say that in the Plan
22 anywhere, does it?

23 A. I -- let me see. What does that reference
24 in the State Plan say? Does that say rate cycle or rate
25 period?

1 some questions about your opinions relating to this
2 affidavit.

3 Have you in any way changed your opinions
4 as expressed in this affidavit based upon the
5 attachments identified?

6 A. No.

7 Q. Okay. There is, in paragraph 5 of this
8 affidavit, an example provided that Mr. Westbrook asked
9 you some questions about having to do with furniture
10 costs and equipment reported by this particular
11 facility.

12 Do you see that?

13 A. Yes, I do.

14 Q. What, if any, is the responsibility of a
15 nursing center to document its cost for reimbursement?

16 A. What's the responsibility of the --

17 Q. Yes.

18 A. -- nursing home?

19 I mean, again, they're supposed to have all
20 the financial-supporting documents to show that the
21 purchase was actually made, that it's used for patient
22 care, and it meets all allowable cost definitions; and
23 if it's -- you know, if it's capitalized, it has to be,
24 you know, depreciated, and if it's not capitalized, is
25 the expense the proper cost to them?

1 Q. Sure.

2 And with regard to purchases through
3 related entities or parties, are there any rules that
4 apply in those particular circumstances?

5 A. Yes. They're supposed to record those at
6 cost.

7 Q. Okay. Now, let me ask you, on Exhibit
8 Number 2 that was provided to you --

9 A. I had them all lying out here. I've got
10 them all out of the way now.

11 Q. Take your time.
12 I believe that's it (indicating).

13 A. There it is.

14 Q. Exhibit Number 2 is an e-mail to Terry
15 Schmoyer from Larry Warrington back in July of 2011; is
16 that correct?

17 A. That's correct.

18 Q. Now, counting back six years from
19 July 10th, 2011, would that take us back to July 15th of
20 2005?

21 A. Yes.

22 Q. Okay. And looking at what is --
23 Mr. Schmoyer's being advised here. What -- there is a
24 period of 10/01/08 to 9/30/09.

25 Do you see that?

1 A. Yes.

2 Q. It's number 3.

3 But number 2 and number 1 both begin at
4 11/29/07, do they not?

5 A. They do.

6 Q. So would the same costs be incurred in
7 11/29/07 to 5/31/08 as those included in 11/29/07 and
8 9/30/08?

9 A. Those same six months would show up in
10 both.

11 Q. All right, sir. If it were discovered in
12 examining the reported costs for the period 11/29/07 to
13 9/30/08 that there were some undocumented-related party
14 purchases, would that be an irregularity that would
15 prompt further review?

16 A. Yes, it would.

17 Q. Okay. In your judgment, would that warrant
18 examination of costs that even preceded that period of
19 time?

20 A. Yes, because that's a prime -- I mean,
21 that's an important reg to meet.

22 Q. I apologize. I didn't --

23 A. That's --

24 Q. -- quite understand what you said.

25 A. That was an important regulation to meet.

1 Do you see that?

2 A. Yes.

3 Q. All right. On the next page, page 14, you
4 were asked questions about the SAO will perform
5 agreed-upon procedures involving two cost report
6 periods.

7 Do you see that?

8 A. Yes.

9 Q. Does that language say the SAO is limited
10 to performing agreed-upon procedures?

11 A. No.

12 Q. And I apologize for sending you back and
13 forward, but I would like you to look, if you would, at
14 the contract between the MHS and this facility. I
15 believe it's Exhibit Number 4.

16 A. Okay.

17 Q. If you'll look at page 16 of this document,
18 please --

19 A. Okay.

20 Q. -- and it has provisions about Integration,
21 Governing Law, and Conflict of Law.

22 Do you see all those provisions there?

23 A. Yes, I did do.

24 Q. And with regard to this particular
25 agreement, it says, In the event of a conflict in the

1 designated by the General Assembly to administer this
2 federal program?

3 A. Yes.

4 Q. Okay. You were asked some questions, I
5 believe, about the State Plan and whether or not a
6 particular term had a designated definition in the Plan.

7 Do you remember that line of questioning?

8 A. Yes.

9 Q. Okay. Looking through this document that's
10 provided as Exhibit Number 6, it says on page 12,
11 attachment 4.19-D -- page 12 --

12 A. Yeah. I'm there.

13 Q. Under Auditing, page -- II, E --

14 A. Yep.

15 Q. -- what does it say about cost reports
16 being subject to audit for desk review?

17 A. It says, All costs reports will be desk
18 reviewed by the Medicaid agency.

19 Q. Does it say anything about any limitation
20 on those being subject to desk review?

21 A. No.

22 Q. What about in F, as to on-site audit? What
23 does it say in regards to cost reports there?

24 A. It says, All cost reports are subject to
25 on-site audit.

1 Q. Any limitation on the number of cost
2 reports there?

3 A. No.

4 Q. Let me ask you some questions about Exhibit
5 Number 8 provided to you. And this is a letter from
6 Ms. Myers to Mr. Hunt, December 16th, 2011.

7 A. There it is.

8 Q. Okay. Now, Mr. Westbrook asked you
9 questions, and, obviously, this document identifies
10 periods by audited rate.

11 Do you see that?

12 A. Yes.

13 Q. Okay. For these periods of time, it says
14 that certain cost reports were reviewed.

15 A. Yes, it does.

16 Q. Okay. Now, in this particular situation,
17 tell me, if you know, whether the initial cost report
18 was setting the rate for more than one period of time.

19 A. Yeah, I knew.

20 Q. Okay. And what is it?

21 A. What rate periods?

22 Q. Yes, sir.

23 A. 11/29/07 through 5/31/08, 6/30/08 through
24 9/30/08, and 10/01/08 to 9/30/09.

25 Q. Okay. So there didn't have to be a

1 STATE OF SOUTH CAROLINA

DIVISION OF APPEALS AND HEARINGS
OF THE SOUTH CAROLINA DEPARTMENT
OF HEALTH AND HUMAN SERVICES

2
3 COUNTY OF RICHLAND

4
5 COUNTRYWOOD NURSING, LLC,

6 Petitioner,

7 vs.

Appeal Case Nos.
12-AUD-010,
12-AUD-011, and
12-AUD-012

8
9 SOUTH CAROLINA DEPARTMENT OF
10 HEALTH AND HUMAN SERVICES,

11 Respondent.

RECEIVED

SEP 04 2014

12 D E P O S I T I O N

13 WITNESS: TERRY KENNETH SCHMOYER, JR.

SCDHHS APPEALS

14 DATE: Friday, August 8, 2014

15 TIME: 11:36 p.m.

16 LOCATION: Nelson Mullins Riley & Scarborough LLP
17 Meridian
18 17th Floor
1320 Main Street
Columbia, South Carolina

19 TAKEN BY: Attorneys for the Respondent

20 REPORTED BY: NISHA GORDON
Court Reporter

21
22 -----
COMPUSCRIPTS, INC.

Client Focused. Deadline Driven.

23
24 CHARLESTON COLUMBIA HILTON HEAD GREENVILLE MYRTLE BEACH

1-888-988-0086
25 www.southcarolinacourtreporters.com

1 A. Yes.

2 Q. Okay. All right.

3 So you're saying -- I believe you told me
4 that your opinion that you've offered to your customer
5 was that this six-month period was, in your words, not
6 auditable; is that correct?

7 A. That's correct.

8 Q. Okay. And then you said that the first
9 two, in your words, rate periods cannot be a basis for
10 recoupment; is that --

11 A. That's correct.

12 Q. -- your opinion?

13 Okay. Now, in offering that opinion,
14 you're not suggesting to your customer that everything
15 in that report is good, fine, and dandy, and it's
16 perfect. You're just saying a curtain has dropped, and
17 they can't collect; is that what you're saying?

18 A. Correct. I told them that the -- those
19 rate periods had expired for recoupment.

20 Q. Okay. And so you've got these costs when
21 you come on board, and they start up, and they set
22 these -- all these reimbursements that your customer
23 receives.

24 Now, are you suggesting that the auditors
25 have to come in like every six months or so in order to

1 have those costs subject to collection?

2 A. No.

3 Q. Okay. At what point in time did you raise
4 the issue, if you did, with your customer about the
5 collection of these payments and how they were barred in
6 your opinion?

7 A. When the payback letter was received, which
8 is I believe is one of these exhibits, is when I raised
9 that concern.

10 Q. When the payback letter was received; is
11 that you're telling me?

12 A. It would be sometime between the draft
13 report, final re -- somewhere in there.

14 Q. Well --

15 A. Somewhere in there in that letter of data,
16 it probably would have came up.

17 Q. Didn't you know the auditors were looking
18 at your customer's costs?

19 A. Well, there's a difference between expired
20 rate periods and the third cost report period.

21 Q. I understand what you're telling me; but
22 that's not my question.

23 A. Okay. Sorry.

24 Q. Didn't you know that the auditors were
25 looking at your customer's costs and your report for

1 this six-month period?

2 You knew that.

3 A. I was aware it was being audited, sure.

4 Q. Okay. And did you ever go to the auditor
5 and say, Hey, guys. You're wasting your time. You
6 can't collect this?

7 A. I did.

8 Q. When did you do that?

9 A. I did it the day that I received that
10 e-mail --

11 Q. Okay.

12 A. -- from Larry.

13 Q. On July the 15th, 2011?

14 A. I did.

15 Q. Did you send an e-mail back to him?

16 A. No. I called Mr. Von Kannel on the
17 telephone.

18 Q. You didn't send him a letter or anything
19 like that?

20 A. I did not.

21 Q. I guess Mr. Von Kannel didn't agree with
22 you, did he?

23 A. He did not.

24 Q. All right. Did you attempt to cooperate
25 with the Office of the State Auditor in gathering

1 information that they deemed appropriate to assess the
2 reimbursability of your client's services?

3 A. I did.

4 Q. Okay. And did they explain to you that
5 certain costs had not been adequately documented?

6 A. They did.

7 Q. But you already knew that, didn't you?

8 A. I did not.

9 Q. You didn't?

10 A. (Shaking head.)

11 Q. When you got the stuff from your customer
12 and you saw these costs for furnishings and other
13 things, home office and other things like that, you
14 didn't say, Where's the back up?

15 A. I did.

16 Q. Did they provide it to you?

17 A. They did not.

18 Q. Okay. So even before the auditor's came in
19 here and started looking around, you were aware that
20 there was some deficiencies in this particular
21 customer's record keeping; is that fair to say?

22 A. In that instance, yes.

23 Q. Okay. All right.

24 Did you provide a written opinion to your
25 customer on both of the opinions you've identified for

1 11/29/07 to 9/30/087.

2 When were those cost reports prepared, to
3 the best of your recollection?

4 A. They were probably prepared 120 days after
5 the year-end date.

6 Q. Okay.

7 A. Because they would have been due within 90
8 days, and you normally get a 30-day extension.

9 Q. And so tell me -- because my math is not
10 wonderful.

11 A. So that would be four months --

12 Q. You're a CPA, Terry.

13 A. -- after. So June, July, August,
14 September. So the first report, ended May 31st, '08.
15 It would have been prepared sometime before September of
16 '08.

17 And then the September 30th, '08 report
18 would have been prepared sometime before January 31st of
19 '09.

20 Q. Okay. And in order to prepare the 9/30/08
21 report, you had the utilize information beginning from
22 the first day of operation; is that correct?

23 A. That's correct.

24 Q. Okay. So it would have included all the
25 information that you utilized in preparing the 5/31/08

1 report, correct?

2 A. Those two periods overlap, but the
3 engagements are totally different.

4 Q. Okay. Let me make sure I understand and
5 make sure that you understand my question.

6 You would have utilized the same
7 information in the -- but not all of it, because it's a
8 longer period. But the period from 9/20 -- 11/29/07 to
9 5/31/08, the information from that period would have
10 also been utilized in the 9/30/08 report, correct?

11 A. It -- the financial information in the
12 initial report is the same information as in the second
13 report.

14 Q. Okay.

15 A. But not necessarily that I would have
16 utilized all of the same information.

17 Q. All right. But the information that is
18 contained in 11/30/08 is also contained in 9/30/08,
19 correct?

20 A. Correct.

21 Q. Okay. Now, Mr. Schmoyer, thank you for
22 doing that.

23 I've been informed that you participated in
24 preparing response to discovery in this case. I know
25 the lawyers sometimes exchange questions and ask for

ATTACHMENT A

RECEIVED

SEP 04 2014

SCDHHS APPEALS

Terry Schmoyer

From: Terry Schmoyer
Sent: Thursday, December 29, 2011 12:14 PM
To: jhicks@hicksclark.com; Bob Hagan
Co: 'William Haselden'; 'Joe Hunt'; Wendell Phillips
Subject: RE: SC Audit Letter
Attachments: GWO DHHS payback letter.pdf

Bob/Jerry

I am in receipt of the attached payback letter.

We have many issues to discuss and I would like to have a planning call next week to discuss. Would Wednesday Jan. 4th at 3pm work?

Issues;

- 1) We have a MCD Provider contract problem that the state issued an audit report outside of the 3 year statute of limitations. The facility's MCD contract says that a report must be issued within 3 years. All of the rates on the attached letter for 9/30/09 and prior expired on 9/30/11. They issued these audit reports post 9/30/11. This was in my appeal.
- 2) We have a DHHS contract issue as a fall back in that SAO can only audit a cost report currently setting a MCD rate (9/30/09) and the one prior (9/30/08). They issued a report on the 5/31/08 6 month actual report as well and this report is outside of the DHHS/SAO audit contract. This was in my appeal.
- 3) The appeals process and the collection process are separate. The fact that we have an appeal does not stop this collection letter. I will need to contact the fiscal affairs department and set up a payment plan. This can be a complicated process as they normally only give a term of 24 months, without going up the ladder.
- 4) We have many adjustments that need to be resolved. (minor equipment, home office, etc) The adjustments are significant mostly because SAO did not give us an exit to resolved issues because for some reason we did not receive a copy of the Draft audit reports. This issue is mute at this point as we are where we are. We have all of the work papers and William and I are working on reviewing them. We basically appealed all of the adjustments for now and some are correct.

The next step here will be to meet with the auditor to go over and provide additional documentation for them to review. This process does not have a time limit. At the conclusion of this process we will then evaluate if we have an issues that need to go to a formal appeal. The MCD auditor's office is normally closed until April of each year as they are working on the State audit for SC. It could take several months to work through this process. Not to mention my office will be preparing over 100 MCD and MCR cost reports between now and 2/28/12.

I want you to consider hiring the Nelson Mullin Law firm and use Bill Prince. Our office can handle items 4 and 3 but numbers 1 and 2 are unique. I currently have a client group with 9 homes that has a very similar issue. Thus the learning curve research should already be done. Bill is a past SC MCD director and has many connections. He will be able to get us the best (lowest) repayment terms while we are sorting through all this as he has a good relationship with the Deputy Commissioner that everyone reports to. If we can get the contract issue resolved our payback will go down by 1/2.

Please advise when you get a chance.

Many thanks

Terry

Terry K. Schmoyer, Jr. CPA
Managing Partner

CNC.0018

ATTACHMENT B
(Respondent Exhibits)

1. All exhibits identified by Petitioner
2. Cost reports for FPE 5/31/08 and 9/30/08
3. Consent Agreement to Assignment dated 11/29/07
4. Schmoyer email to Hagan and Hicks dated December 29, 2011
5. Warrington email to Schmoyer dated August 1, 2012
6. Schmoyer deposition of August 8, 2014 with attachments
7. Respondent's Memorandum in Opposition to Summary Judgment with attachments
8. DHHS/SAO contracts for 1997, 1998 and 1999
9. Annual report issuance listings showing greater than two cost report periods reviewed

RECEIVED
SEP 04 2014
SCDHHS APPEALS

EXHIBIT 2
(Cost reports for FPE 5/31/08 and 9/30/08)

RECEIVED
SEP 04 2014
SODHMS APPEALS

Save As: A25014
DHHS

RDM
Cost Report
11/22/07 - 5/31/08

QCE
7/19/11
11/1-40, 2008

The State of South Carolina
Department of Health & Human Services

Financial & Statistical Report
for Nursing Homes

All DHHS adjustments are posted to the cost report at 12/31/08. Only
cost report balances denoted by * are posted to the Summary of
DHHS Adjusted Costs at 12/31/08.

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2007 thru May 31, 2008

RECEIVED

FEB 17 2009

SCDHHS BUREAU OF REIM.
METHODOLOGY & POLICY

FACILITY OPERATOR AND COST REPORT PREPARER CERTIFICATION

Under penalties of perjury, I declare that I have examined this cost report, including any accompanying schedule and/or statement, and
to the best of my knowledge and belief, it is true, correct, and complete. Declaration of the preparer (other than facility
owner/personnel) is based on all information of which preparer has knowledge.

Robert W. Hagan 2-11-09
Owner's/Lessee's Signature Preparer's Signature Date

* - Account balance is adjusted by DHHS. See related cost center at left for details.
+ - Traced & agreed to Provider/DHHS adjusted amount at 11/22/07 + 11/22/07
- - Traced & agreed to Provider/DHHS adjusted amount at 11/22/07

January 31, 2009 12:04:48PM

General Information
Provider's Version

Page 1

R0829

COUNTRYWOOD NURSING CENTER, LLC

GENERAL INFORMATION

November 29, 2007 thru May 31, 2008

1. Facility Data

a. NAME COUNTRYWOOD NURSING CENTER, LLC
FACILITY LOCATION 1645 RIDGE ROAD
(STREET ADDRESS)
CITY HOPKINS STATE SC ZIP CODE 29061
PHONE (803) 776-3873 FAX # (803) 217-0365 E.I. No. 571073140
b. MEDICARE CERTIFIED Yes MEDICARE PROVIDER NUMBER 425370
c. CONTROL TYPE Proprietary Partnership
d. FACILITY TYPE Free Standing
e. EMAIL ADDRESS NP1 No. 1467517642

2. Administrator Data

NAME DENNIS CALDWELL LICENSE No. 533-D02
EMAIL ADDRESS

3. ACCOUNTING FIRM DATA

ACCOUNTING FIRM SCHMOYER AND COMPANY, LLC
ADDRESS 1330 LADY STREET
SUITE 507
CITY COLUMBIA STATE SC ZIP CODE 29201
PHONE (803) 254-2050
EMAIL ADDRESS

4. Report Preparer

NAME (FIRM) SCHMOYER AND COMPANY, LLC
ADDRESS 1330 LADY STREET
SUITE 507
CITY COLUMBIA STATE SC ZIP CODE 29201
PHONE (803) 254-2050
EMAIL ADDRESS

5. OPERATING ENTITY OWNER(S)

NAME BOB HAGAN
ADDRESS 16 NORCROSS STREET
SUITE 100
CITY ROSWELL
STATE GA ZIP CODE 30075 PHONE (770) 993-4000
TITLE OWNER 1.00
RELATIONSHIP TO ABOVE LISTED OWNER

6. FACILITY OWNER(S) (LAND AND BUILDING)

NAME RIDGEWOOD NURSING CENTER, LLC
ADDRESS 16 NORCROSS STREET
SUITE 100
CITY ROSWELL
STATE GA ZIP CODE 30075 PHONE (770) 993-4000
TITLE OWNERSHIP 1.00

COUNTRYWOOD NURSING CENTER, LLC

GENERAL INFORMATION

November 29, 2007 thru May 31, 2008

7. OWNER(S) COMPENSATION (DETAIL BELOW)

NAME	JOB TITLE	TOTAL HOURS WORKED	COMPENSATION DESCRIPTION	AMOUNT	FACILITY ACCOUNT NUMBER	DO YOU CLAIM COMPENSATION AT ANOTHER FACILITY
------	-----------	--------------------------	-----------------------------	--------	-------------------------------	--

8. RELATIVE'S COMPENSATION (DETAIL BELOW)

NAME	JOB TITLE	TOTAL HOURS WORKED	COMPENSATION DESCRIPTION	AMOUNT	FACILITY ACCOUNT NUMBER	DO YOU CLAIM COMPENSATION AT ANOTHER FACILITY
------	-----------	--------------------------	-----------------------------	--------	-------------------------------	--

9. RELATED FACILITIES (DETAIL BELOW)

NAME	CITY	STATE	CONTRACTOR(S) RELATIONSHIP
BROOKWOOD NURSING CENTER, LLC	DECATUR	TN	COMMON OWNERSHIP
CRESTWOOD NURSING CENTER, LLC	PALATKA	FL	COMMON OWNERSHIP
EDGEWOOD NURSING CENTER, LLC	JACKSONVILLE	FL	COMMON OWNERSHIP
KINGWOOD NURSING CENTER, LLC	ABERDEEN	NC	COMMON OWNERSHIP
LAKWOOD NURSING CENTER	CRESCENT CITY	FL	COMMON OWNERSHIP
LIBERTYWOOD NURSING CENTER, LLC	THOMASVILLE	NC	COMMON OWNERSHIP
MANATEE SPRINGS NURSING CENTER, LLC	BRADENTON	FL	COMMON OWNERSHIP
MEADOWWOOD NURSING CENTER, LLC	GASTONIA	NC	COMMON OWNERSHIP
OAKWOOD NURSING CENTER, LLC	OCALA	FL	COMMON OWNERSHIP
PINEWOOD NURSING CENTER	WHIGHAM	GA	COMMON OWNERSHIP
ROSEWOOD NURSING CENTER, LLC	MACON	GA	COMMON OWNERSHIP
SANDALWOOD NURSING CENTER, LLC	DAYTONA BEACH	FL	COMMON OWNERSHIP
RIVERWOOD NURSING CENTER, LLC	JACKSONVILLE	FL	COMMON OWNERSHIP
WESTWOOD NURSING CENTER, LLC	STATESBORO	GA	COMMON OWNERSHIP
WILLOWWOOD NURSING CENTER, LLC	FLOWERY BRANCH	GA	COMMON OWNERSHIP

10. DOES THIS FACILITY PARTICIPATE IN TRANSACTIONS WITH RELATED ORGANIZATIONS?

EXPENSE	RELATED ORGANIZATION NAME	ITEM DESCRIPTION	COST PER BOOKS	COST TO RELATED PARTY	DHHS ACCOUNT NUMBER	NON-RELATED VENDORS
	PUTNAM COUNCIL, INC.	MANAGEMENT FEES	\$66,000	\$21,563 only 10	4070210	No

11. RENT OR LEASED FACILITIES DESCRIPTION

Rent Type	MONTHS	EXPIRATION	PAYMENT	OPTION TO RENEW	OPTION TO BUY
BUILDING				No	No

COUNTRYWOOD NURSING CENTER, LLC

GENERAL INFORMATION

November 29, 2007 thru May 31, 2008

12. CONSTRUCTION OR ACQUISITION COST

ADDITIONS (DESCRIBE)	YEAR	SQUARE FEET	LICENSED BEDS	COST
BUILDING	1998	6,965.00	0.00	\$330,765.00
BUILDING-NEW	2000	12,269.00	38.00	\$853,777.00
<u>TOTAL BUILDING</u>		19,234.00	38.00	\$1,186,542.00
		T	T To 3/5	T To 3/5

13. RELATED LEASE

RIDGEWOOD NURSING CENTER, LLC
16 NORCROSS STREET
ROSWELL GA 30075
(770) 993-4000

14. RELATED ASSETS

<u>DESCRIPTION</u>	<u>AS OF DATE</u>	<u>ACTUAL COST</u>	<u>ACCUMULATED DEPRECIATION</u>
--------------------	-------------------	--------------------	---------------------------------

15. RELATED DEBT

<u>DEBT DESCRIPTION</u>	<u>OTHER DESCRIPTION</u>	<u>BOOK VALUE</u>	<u>BEGINNING DATE</u>	<u>ENDING DATE</u>
-------------------------	--------------------------	-------------------	-----------------------	--------------------

16. RELATED EXPENSE

<u>EXPENSE DESCRIPTION</u>	<u>OTHER DESCRIPTION</u>	<u>BOOK VALUE</u>	<u>BEGINNING DATE</u>	<u>ENDING DATE</u>
----------------------------	--------------------------	-------------------	-----------------------	--------------------

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2007 thru May 31, 2008

Census

Old Beds

NUMBER OF BEDS:	
Certified Licensed	38
Non-Certified Licensed	0
Total Licensed NF Beds	38
Retirement Center	0
Other Non-Licensed	0
Total	0

* Certified Licensed NF Beds Would Include NF Beds Certified as Medicare, Medicare/Medicaid Only (Dual) or Medicaid Only

Patient Classification	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Total
Medicare	0	110	121	115	97	101	86	0	0	0	0	0	630
Subtotal	0	110	121	115	97	101	86	0	0	0	0	0	630
Medicaid:Skilled	24	536	528	512	580	505	590	0	0	0	0	0	3,275
Medicaid:Intermediate	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	24	536	528	512	580	505	590	0	0	0	0	0	3,275
Medicaid Hospice:Skilled	37	196	219	206	235	255	249	0	0	0	0	0	1,397
Medicaid Hospice:Intermediate	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	37	196	219	206	235	255	249	0	0	0	0	0	1,397
Medicaid Subtotal	61	732	747	718	815	760	839	0	0	0	0	0	4,672
Other:Skilled	0	0	0	0	0	0	0	0	0	0	0	0	0
Other:Intermediate	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0
Private:Skilled	0	265	239	202	195	211	182	0	0	0	0	0	1,294
Private:Intermediate	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	0	265	239	202	195	211	182	0	0	0	0	0	1,294
Grand Total	61	1,107	1,107	1,035	1,107	1,072	1,107	0	0	0	0	0	6,596

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2007 thru May 31, 2008

Census

Other

NUMBER OF BEDS:	
Certified Licensed	0
Non-Certified Licensed	0
Total Licensed NF Beds	0
Retirement Center	26
Other Non-Licensed	0
Total	26

* Certified Licensed NF Beds Would Include NF Beds Certified as Medicare, Medicare/Medicaid Only (Dual) or Medicaid Only

Patient Classification	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Total
Medicare	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0
Medicaid-Skilled	0	0	0	0	0	0	0	0	0	0	0	0	0
Medicaid-Intermediate	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0
Medicaid Hospice-Skilled	0	0	0	0	0	0	0	0	0	0	0	0	0
Medicaid Hospice-Intermediate	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0
Medicaid Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0
Other-Skilled	0	341	341	318	386	415	439	0	0	0	0	0	2,240
Other-Intermediate	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	0	341	341	318	386	415	439	0	0	0	0	0	2,240
Private-Skilled	42	235	287	299	377	330	340	0	0	0	0	0	1,910
Private-Intermediate	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	42	235	287	299	377	330	340	0	0	0	0	0	1,910
Grand Total	42	576	628	617	763	745	779	0	0	0	0	0	4,150

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2007 thru May 31, 2008

Census

TOTAL FACILITY

NUMBER OF BEDS:	
Certified Licensed	38
Non-Certified Licensed	0
Total Licensed NF Beds	38
Retirement Center	
Other Non-Licensed	0
Total	26

* Certified Licensed NF Beds Would Include NF Beds Certified as Medicare, Medicare/Medicaid Only (Dual) or Medicaid Only

Patient Classification	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Total
Medicare	0	110	121	115	97	101	86	0	0	0	0	0	630
Subtotal	0	110	121	115	97	101	86	0	0	0	0	0	630
Medicaid:Skilled	24	536	528	512	580	505	590	0	0	0	0	0	3,275
Medicaid:Intermediate	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	24	536	528	512	580	505	590	0	0	0	0	0	3,275
Medicaid Hospice:Skilled	37	196	219	206	235	255	249	0	0	0	0	0	1,397
Medicaid Hospice:Intermediate	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	37	196	219	206	235	255	249	0	0	0	0	0	1,397
Medicaid Subtotal	61	732	747	718	815	760	839	0	0	0	0	0	4,672
Other:Skilled	0	341	341	318	386	415	439	0	0	0	0	0	2,240
Other:Intermediate	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	0	341	341	318	386	415	439	0	0	0	0	0	2,240
Private:Skilled	42	500	526	501	572	541	522	0	0	0	0	0	3,204
Private:Intermediate	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	42	500	526	501	572	541	522	0	0	0	0	0	3,204
Grand Total	103	1,683	1,735	1,652	1,870	1,817	1,886	0	0	0	0	0	10,746
Total Patient Days	103	1,683	1,735	1,652	1,870	1,817	1,886	0	0	0	0	0	10,746
Private Pay Wing - Other	42	576	628	617	763	745	779	0	0	0	0	0	4,150
Patient Days Used	61	1,107	1,107	1,035	1,107	1,072	1,107	0	0	0	0	0	6,596

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2007 thru May 31, 2008

Census

Patient Day Occupancy:						
Number of Certified Licensed Beds:	38	* / 5 days	Minimum Occupancy Percentage:	96 %	Total Bed Days at Min. Occup. :	6,749
Maximum Available Bed Days:	7,030		Patient Days Incurred:	6,596	Days Used in Rate Calculation:	6,749
* greater of bed days at min. occup. or patient days						

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2008 thru May 31, 2008

SPACE ALLOCATION

Dept	Unit	Source/Feet
Laundry	New Beds	71
Therapy	New Beds	330
Laundry	New Beds	468
Corridors	New Beds	6,916 (4,277) = 2,639
Kitchen	New Beds	228
Housekeeping	New Beds	174
Office	New Beds	737
Retirement Center	New Beds	2,688
Rooms	New Beds	5,100
Plant Operations	New Beds	250
Nurses Offices	New Beds	89
Nursing Station	New Beds	713
Dining Room	New Beds	1,154
Activities / Social Work	New Beds	316
Total:		19,234

7 to 14

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2001 thru May 31, 2003

Balance Sheet

DHHS ACCOUNT	PER BOOKS	ADJUSTMENTS DEBITS CREDIT		ADJUSTED
<u>Cash</u>				
Cash				
1010010 Asset Cash General	\$2,091	\$0	\$0	2,091
1010020 Asset Cash Payroll	\$0	\$0	\$0	0
1010030 Asset Cash Savings	\$0	\$0	\$0	0
1010040 Asset Cash Petty	\$0	\$0	\$0	0
1010050 Asset Cash Patient Persnl Needs	\$0	\$0	\$0	0
Subtotal	\$2,091	\$0	\$0	2,091
<u>Investments</u>				
1020010 Asset Invest Cert Of Deposit	\$0	\$0	\$0	0
1020020 Asset Invest Other	\$0	\$0	\$0	0
Subtotal	\$0	\$0	\$0	0
<u>Accounts Receivable</u>				
1030010 Asset Acct Rec Medicaid	\$330,949	\$0	\$0	330,949
1030020 Asset Acct Rec Medicare	\$80,385	\$0	\$0	80,385
1030030 Asset Acct Rec Private	\$125,787	\$0	\$0	125,787
1030040 Asset Acct Rec Related Party Note	\$0	\$0	\$0	0
1030050 Asset Acct Rec Third Party	\$16,525	\$0	\$0	16,525
1030060 Asset Acct Rec Other	\$231,446	\$0	\$0	231,446
1030070 Asset Acct Rec Bad Debt Allowance	\$(34,558)	\$0	\$0	(34,558)
1030080 Asset Acct Rec Other Fund	\$0	\$0	\$0	0
Subtotal	\$750,534	\$0	\$0	750,534
<u>Inventory</u>				
1040010 Asset Invent Pharmacy	\$0	\$0	\$0	0
1040020 Asset Invent Central Supply	\$0	\$0	\$0	0
1040030 Asset Invent Dietary	\$0	\$0	\$0	0
1040040 Asset Invent Plant Oper/maint	\$0	\$0	\$0	0
1040050 Asset Invent Linens	\$0	\$0	\$0	0
1040060 Asset Invent Other	\$0	\$0	\$0	0
Subtotal	\$0	\$0	\$0	0
<u>Prepaid Expenses</u>				
1050010 Asset Prepd Insurance	\$17,672	\$0	\$0	17,672
1050020 Asset Prepd Interest	\$0	\$0	\$0	0
1050030 Asset Prepd Rent	\$0	\$0	\$0	0
1050040 Asset Prepd Pension Plan	\$0	\$0	\$0	0
1050050 Asset Prepd Taxes	\$2,855	\$0	\$0	2,855
1050060 Asset Prepd Other	\$3,623	\$0	\$0	3,623
Subtotal	\$24,150	\$0	\$0	24,150

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2008 thru May 31, 2008

Balance Sheet

DHHS ACCOUNT	PER BOOKS	ADJUSTMENTS DEBITS	CREDIT	ADJUSTED
Fixed Assets				
1061001	Fixed Asset Land	\$0	② \$7,232	7,232
1061010	Fixed Asset Land Improvement	\$0	\$0	0
1061020	Fixed Asset Building	\$0	② \$1,186,542	1,186,542
1061030	Fixed Asset Bldg Improvement	\$0	② \$19,080	19,080
1061040	Fixed Asset Fixed Equipment	\$0	\$0	0
1061050	Fixed Asset Movable Equipment	\$73,382	③ \$83,632	83,632
1061060	Fixed Asset Leasehold Improvement	\$0	\$0	0
1061070	Fixed Asset Autos	\$0	\$0	0
1061080	Fixed Asset Constr In Progress	\$0	\$0	0
Subtotal		\$73,382	\$1,296,486	1,296,486
Accumulated Depreciation				
1071010	Acc Dep Land Improvement	\$0	\$0	0
1071020	Acc Dep Building	\$0	② \$224,949	(224,949)
1071030	Acc Dep Bldg Improvement	\$0	② \$4,756	(4,756)
1071040	Acc Dep Fixed Equipment	\$0	\$0	0
1071050	Acc Dep Movable Equipment	\$662	③ \$63,421	(63,421)
1071060	Acc Dep Leasehold Improvement	\$0	\$0	0
1071070	Acc Dep Autos	\$0	\$0	0
Subtotal		\$662	\$293,126	(293,126)
Long Term Investments				
1080010	Asset LT Invest Govt Securities	\$0	\$0	0
1080020	Asset LT Invest Held In Escrow	\$0	\$0	0
1080030	Asset LT Invest Funded Depreo	\$0	\$0	0
Subtotal		\$0	\$0	0
Other Assets				
1090010	Asset Deposits	\$845	\$0	845
1090020	Asset Patient Trust Funds	\$0	\$0	0
1090030	Asset Other	\$0	\$0	0
1090040	Asset Intangible	\$0	\$0	0
1090050	Asset Deferred Startup Cost	\$0	\$0	0
1090060	Asset Intercompany Acct	\$222,145	\$0	222,145
1090070	Asset Life Insurance	\$0	\$0	0
Subtotal		\$222,990	\$0	222,990
BALANCE SHEET ASSETS TOTALS		\$1,072,485	\$1,297,148	2,003,125

Accounts Payable

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2001 thru May 31, 2003

Balance Sheet

DRHS ACCOUNT	PER BOOKS	ADJUSTMENTS DEBITS	CREDIT	ADJUSTED
Accounts Payable				
2010010 Liab Acct Payable Trade	\$ (250,521)	\$0	\$0	(250,521)
2010020 Liab Acct Payable Other	\$ (53,873)	\$0	\$0	(53,873)
2010030 Liab Acct Payable Salary	\$ (48,842)	\$0	\$0	(48,842)
Subtotal	\$ (353,236)	\$0	\$0	(353,236)
Notes Payable				
2020010 Liab Note Payable Vendor/bank	\$0	\$0	\$0	0
2020020 Liab Note Payable Car Portion LTD	\$0	\$0	\$0	0
Subtotal	\$0	\$0	\$0	0
Payroll Taxes Withheld/Accrued				
2030010 Liab P/R FICA	\$ (28,708)	\$0	\$0	(28,708)
2030020 Liab P/R Federal Income Tax	\$ (2,195)	\$0	\$0	(2,195)
2030030 Liab P/R State Income Tax	\$ (3,122)	\$0	\$0	(3,122)
2030040 Liab P/R State/fed Unemployment	\$0	\$0	\$0	0
2030050 Liab P/R Hospitalization Insurance	\$0	\$0	\$0	0
2030060 Liab P/R Accrued Empl Benefit	\$ (507)	\$0	\$0	(507)
Subtotal	\$ (34,532)	\$0	\$0	(34,532)
Other Payable				
2040010 Liab Other Payable Interest	\$0	\$0	\$0	0
2040020 Liab Other Payable Rent	\$0	\$0	\$0	0
2040030 Liab Other Payable 3rd Party Payor	\$ (209,593)	\$0	\$0	(209,593)
2040040 Liab Other Payable Other Funds	\$0	\$0	\$0	0
2040050 Liab Other Payable Other	\$0	\$0	\$0	0
2040060 Liab Other Payable Patient Trust Fund	\$0	\$0	\$0	0
Subtotal	\$ (209,593)	\$0	\$0	(209,593)
Other Taxes Payable				
2050010 Liab Tax Payable Real & Personal Property Tax	\$ (22,437)	\$0	\$0	(22,437)
2050020 Liab Tax Payable Sales Tax	\$0	\$0	\$0	0
2050030 Liab Tax Payable Federal Income Tax	\$0	\$0	\$0	0
2050040 Liab Tax Payable State Income Tax	\$0	\$0	\$0	0
Subtotal	\$ (22,437)	\$0	\$0	(22,437)
Long Term Debt				
2060010 Liab LTD Notes Payable	\$ (5,876)	\$0	\$0	(5,876)
2060020 Liab LTD Deferred Tax Payable	\$0	\$0	\$0	0
2060030 Liab LTD Mortgage Payable	\$0	\$0	\$0	0
2060040 Liab LTD Constr Loan Payable	\$0	\$0	\$0	0
2060050 Liab LTD Due To Shareholder	\$0	\$0	\$0	0
2060060 Liab LTD Cap Lease Obligation	\$0	\$0	\$0	0
2060070 Liab LTD Inter Co Acct	\$ (332,206)	\$0	\$0	(332,206)
Subtotal	\$ (338,082)	\$0	\$0	(338,082)

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2008 thru May 31, 2008

Balance Sheet

DHHS ACCOUNT	PER BOOKS	ADJUSTMENTS		ADJUSTED
		DEBITS	CREDIT	
<u>Balance Sheet Equity</u>				
2070010 Equity Common Stock	\$0	\$0	\$0	0
2070020 Equity Preferred Stock	\$0	\$0	\$0	0
2070030 Equity Treasury Stock	\$0	\$0	\$0	0
2070040 Equity Addl Contributed Capital	\$0	\$0	\$0	0
2070050 Equity Paid Dividends	\$0	\$0	\$0	0
2070060 Equity Fund Balances	\$0	① \$72,720	② \$1,003,360	(930,640)
2070070 Equity Partner's Capital	\$0	\$0	\$0	0
2070080 Equity Retained Earnings	\$0	\$0	\$0	0
2070090 Equity Net Income/Loss <i>to Summary</i>	\$(114,605)	\$0	\$0	(114,605)
<u>Subtotal</u>	<u>\$(114,605)</u>	<u>\$72,720</u>	<u>\$1,003,360</u>	<u>(1,045,245)</u>
<u>TOTALS LIABILITY & EQUITY</u>	<u>\$(1,072,485)</u>	<u>\$72,720</u>	<u>\$1,003,360</u>	<u>(2,003,125)</u>

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2007 thru May 31, 2008

Revenue & Expense Summary

DHHS ACCOUNT	PER BOOKS	ADJUSTMENTS		ADJUSTED
		DEBITS	CREDITS	
<u>Revenues</u>				
Routine And Expanded Services	(1,040,425)	0	0	(1,040,425)
Ancillary Revenue	(243,231)	0	0	(243,231)
Other Revenue	(1,301)	1,301	0	0
Contract Adj/other Fund Trans	(8,473)	0	0	(8,473)
TOTAL	(1,293,430)	1,301	0	(1,292,129)

Expenses				
Nursing	414,717	131,926	0	546,643
Restorative	13,188	1,688	0	14,876
Dietary	124,497	506	47,427	172,430
Laundry	13,941	0	21	13,962
Housekeeping	44,081	0	2,113	46,194
Maintenance	33,530	2,345	14,539	50,414
Administration	271,405	80,287	215,076	546,708
Medical Records	6,464	0	0	6,464
Legal	0	0	0	0
Utilities	39,104	451	16,714	56,269
Taxes, Insurance & Licenses	32,615	449	12,913	45,977
Medical Supplies & Oxygen	59,756	0	6,311	66,067
Therapy	68,895	0	65,859	134,754
Cost Of Capital	117,750	20,116	118,287	235,963
Ancillary	22,799	0	0	22,799
Nonallowable	(83,917)	398,379	137,188	351,650
Certified Nurse Aide Training and Testing	0	0	0	0
TOTAL	1,178,825	636,147	637,448	1,177,520

LEDGER SUMMARY

Revenues	(1,293,430)	1,301	0	(1,292,129)
Expenses	1,178,825	636,147	637,448	1,177,520

NET INCOME (LOSS)	\$114,605	\$(637,448)	\$(637,448)	\$114,605
--------------------------	------------------	--------------------	--------------------	------------------

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2007 thru May 31, 2008

Revenue & Expense

DEHS ACCOUNT	PER BOOKS	ADJUSTMENTS DEBITS	CREDIT	ADJUSTED
-----------------	--------------	-----------------------	--------	----------

Routine & Expanded Service

Private

3010010	Rev Private SNF	(178,986)	0	0	(178,986)
3010020	Rev Private ICF	(71,290)	0	0	(71,290)
Subtotal		(250,276)	0	0	(250,276)
Private Total		(250,276)	0	0	(250,276)

Medicare

3020010	Rev Medicare SNF Part A	(78,265)	0	0	(78,265)
3020020	Rev Medicare Settlement	0	0	0	0
Subtotal		(78,265)	0	0	(78,265)
Medicare Total		(78,265)	0	0	(78,265)

Medicaid

3030010	Rev Medicaid SNP	(394,230)	0	0	(394,230)
3030015	Rev Hospice SNF	0	0	0	0
3030020	Rev Medicaid ICF	(128,719)	0	0	(128,719)
3030025	Rev Hospice ICF	0	0	0	0
3030030	Rev Medicaid Settlement	0	0	0	0
Subtotal		(522,949)	0	0	(522,949)
Medicaid Total		(522,949)	0	0	(522,949)

Other Routine

3040010	Rev Other Routine SNF VA	0	0	0	0
3040020	Rev Other Routine ICF VA	0	0	0	0
3040030	Rev Other Routine SNF Other	(188,935)	0	0	(188,935)
3040040	Rev Other Routine ICF Other	0	0	0	0
Subtotal		(188,935)	0	0	(188,935)
Other Routine Total		(188,935)	0	0	(188,935)

Expanded Service

3050010	Rev Expand Svcs Home Health	0	0	0	0
3050020	Rev Expand Svcs Meals On Wheels	0	0	0	0
3050030	Rev Expand Svcs Medical Day Care	0	0	0	0
3050040	Rev Expand Svcs Hospice	0	0	0	0
3050050	Rev Expand Svcs Other	0	0	0	0
Subtotal		0	0	0	0
Expanded Services Total		0	0	0	0

Ancillary

3060110	Rev Pharmacy & Lab Medicaid	0	0	0	0
3060120	Rev Pharmacy & Lab Medicare	(43,988)	0	0	(43,988)
3060130	Rev Pharmacy & Lab Private	0	0	0	0
3060135	Rev Pharmacy & Lab Other	(581)	0	0	(581)
Subtotal		(44,569)	0	0	(44,569)

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2007 thru May 31, 2008

Revenue & Expense

DHHS ACCOUNT	PER BOOKS	ADJUSTMENTS DEBITS	CREDIT	ADJUSTED
Ancillary				
Specialty Beds				
3060210 Rev Specialty Beds Medicaid	(5,720)	0	0	(5,720)
3060220 Rev Specialty Beds Medicare	(8,784)	0	0	(8,784)
3060230 Rev Specialty Beds Private	0	0	0	0
3060235 Rev Specialty Beds Other	0	0	0	0
Subtotal	(14,504)	0	0	(14,504)
Physical Therapy				
3060310 Rev Physical Ther Medicaid	(1,575)	0	0	(1,575)
3060320 Rev Physical Ther Medicare	(38,884)	0	0	(38,884)
3060330 Rev Physical Ther Private	0	0	0	0
3060335 Rev Physical Ther Other	0	0	0	0
Subtotal	(40,459)	0	0	(40,459)
Speech Therapy				
3060410 Rev Speech Ther Medicaid	0	0	0	0
3060420 Rev Speech Ther Medicare	(3,255)	0	0	(3,255)
3060430 Rev Speech Ther Private	0	0	0	0
3060435 Rev Speech Ther Other	0	0	0	0
Subtotal	(3,255)	0	0	(3,255)
Occupational Therapy				
3060510 Rev Occupational Ther Medicaid	(2,200)	0	0	(2,200)
3060520 Rev Occupational Ther Medicare	(77,568)	0	0	(77,568)
3060530 Rev Occupational Ther Private	(1,150)	0	0	(1,150)
3060535 Rev Occupational Ther Other	0	0	0	0
Subtotal	(80,918)	0	0	(80,918)
Oxygen & Respiratory Therapy				
3060610 Rev Oxygen & Respiratory Ther Medica	0	0	0	0
3060620 Rev Oxygen & Respiratory Ther Medica	0	0	0	0
3060630 Rev Oxygen & Respiratory Ther Private	0	0	0	0
3060635 Rev Oxygen & Respiratory Ther Other	0	0	0	0
Subtotal	0	0	0	0
Medical Supplies				
3060710 Rev Med Sup Medicaid	(40,972)	0	0	(40,972)
3060720 Rev Med Sup Medicare	(9,707)	0	0	(9,707)
3060730 Rev Med Sup Private	(8,721)	0	0	(8,721)
3060735 Rev Med Sup Other	0	0	0	0
Subtotal	(59,400)	0	0	(59,400)
Other Ancillary				
3060810 Rev Other Ancillary Medicaid	0	0	0	0
3060820 Rev Other Ancillary Medicare	0	0	0	0
3060830 Rev Other Ancillary Private	0	0	0	0
3060835 Rev Other Ancillary Other	(126)	0	0	(126)
Subtotal	(126)	0	0	(126)
Ancillary Total	(243,231)	0	0	(243,231)

Other Revenue

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2008 thru May 31, 2008

Revenue & Expense

DHHS ACCOUNT	PER BOOKS	ADJUSTMENTS DEBITS	CREDIT	ADJUSTED
-----------------	--------------	-----------------------	--------	----------

Other Revenue

3070110	Rev Interest Restricted	0	0	0	0
3070120	Rev Interest Unrestricted	0	0	0	0
3070130	Rev Investment	0	0	0	0
3070140	Rev Beauty/barber	0	0	0	0
3070150	Rev Vending Machine	(1,186)	1,186	0	0
3070160	Rev Employee/guest Meals	0	0	0	0
3070170	Rev Patient Laundry	0	0	0	0
3070180	Rev Rental	0	0	0	0
3070190	Rev Cable TV	0	0	0	0
3070200	Rev Telephone Commissions	0	0	0	0
3070210	Rev Personal Items	0	0	0	0
3070220	Rev Contributions	0	0	0	0
3070230	Rev Donated Commodities	0	0	0	0
3070240	Rev Bad Debt Recovery	0	0	0	0
3070250	Rev Eden's Alternative	0	0	0	0
3070299	Rev Other/misc	(115)	115	0	0
Subtotal		(1,301)	1,301	0	0

Other Revenue Total	(1,301)	1,301	0	0
---------------------	---------	-------	---	---

Contract Adj/other Fund Trans

3080010	Contract Adj Medicaid	(52,471)	0	0	(52,471)
3080020	Contract Adj Medicare	9,400	0	0	9,400
3080030	Contract Adj Private	0	0	0	0
3080035	Contract Adj Other	34,598	0	0	34,598
3080040	Contract Adj VA	0	0	0	0
3080050	Other Funds Transfer	0	0	0	0
3080060	Other Fund Transfer Contributions	0	0	0	0
Subtotal		(8,473)	0	0	(8,473)

Contract Adj/other Fund Trans Total	(8,473)	0	0	(8,473)
-------------------------------------	---------	---	---	---------

REVENUES TOTALS	\$1,293,430	\$1,301	\$0	(1,292,129)
------------------------	--------------------	----------------	------------	--------------------

Nursing

4010110	Nursing Salary DON	0	0	0	0
4010120	Nursing Salary RN	19,098	0	0	19,098
4010130	Nursing Salary LPN	196,166	0	0	196,166
4010140	Nursing Salary Certified Nurse Aide	154,243	0	0	154,243
4010150	Nursing Salary MDS Coordinator	17,751	0	0	17,751
4010199	Nursing Salary Other	27,039	0	0	27,039
Subtotal		414,297	0	0	414,297

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2006 thru May 31, 2008

Revenue & Expense

DRHS ACCOUNT	PER BOOKS	ADJUSTMENT'S DEBITS	CREDIT	ADJUSTED
-----------------	--------------	------------------------	--------	----------

Nursing

Nursing Other

4010201	Nursing Consultant	0	0	0
4010206	Nursing Purchased Service medical waste disposal	420	0	420
4010210	Nursing Home Office Allocation	0	0	0
4010219	Nursing Transportation Escort Service	0	0	0
4010220	Nursing Equipment Rent	0	0	0
4010221	Nursing Minor Equipment	0	58,833	58,833
4010230	Nursing Dues	0	0	0
4010231	Nursing Subscriptions	0	0	0
4010241	Nursing Mileage Reimb	0	0	0
4010244	Nursing Seminar/training	0	0	0
4010245	Nursing Inservice	0	0	0
4010260	Nursing Uniforms	0	0	0
4010270	Nursing Start Up Costs	0	0	0
4010271	Nursing Drug/background CK	0	0	0
4010299	Nursing Other	0	0	0
Subtotal		420	58,833	59,253

Nursing Step Down & Income Offset

4010610	Nursing Income Offset	0	0	0
4010620	Nursing Step Down	0	0	0
Subtotal		0	0	0

Nursing Fringes

4010710	Nursing Fringe Payroll Tax	0	0	0
4010720	Nursing Fringe Employee Benefits	0	73,093	73,093
4010730	Nursing Fringe Workmen's Comp.	0	0	0
4010740	Nursing Fringe Health Insurance	0	0	0
4010750	Nursing Fringe Group Life Insurance	0	0	0
4010760	Nursing Fringe Uniform Allow	0	0	0
Subtotal		0	73,093	73,093

Nursing Total		414,717	131,926	546,643
----------------------	--	----------------	----------------	----------------

Restorative

Rest Salaries

4020110	Rest Salary Social Services	0	0	0
4020120	Rest Salary Activities	9,568	0	9,568
4020199	Rest Salary Other	0	0	0
Subtotal		9,568	0	9,568

Rest Other

4020202	Rest Consultant Activity	0	0	0
4020203	Rest Consultant Social Service	0	0	0
4020204	Rest Consultant Pharmacist	1,026	0	1,026
4020205	Rest Consultant Dental	0	0	0
4020210	Rest Home Office Allocation	0	0	0
4020220	Rest Equipment Rent	0	0	0
4020221	Rest Minor Equipment	71,923	0	71,923
4020230	Rest Dues	0	0	0
4020231	Rest Subscriptions	0	0	0
4020240	Rest Spec Purpose Auto	0	0	0
4020241	Rest Mileage Reimb	0	0	0
4020250	Rest Supplies	671	0	671
4020260	Rest Uniforms	0	0	0
4020270	Rest Start Up Costs	0	0	0
4020271	Rest Drug/background CK	0	0	0
4020272	Rest Edens Alternative	0	0	0
4020299	Rest Other	0	0	0
Subtotal		3,620	0	3,620

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2007 thru May 31, 2008

Revenue & Expense

DEBIT ACCOUNT	PER BOOKS	ADJUSTMENTS DEBITS	CREDIT	ADJUSTED
------------------	--------------	-----------------------	--------	----------

Restorative

Rest Step Down & Income Offset

4020610	Rest Income Offset	0	0	0	0
4020620	Rest Step Down	0	0	0	0
Subtotal		0	0	0	0

Rest Fringes

4020710	Rest Fringe Payroll Tax	0	0	0	0
4020720	Rest Fringe Employee Benefits	0	5 1,688	0	1,688
4020730	Rest Fringe Workmen's Comp	0	0	0	0
4020740	Rest Fringe Health Insurance	0	0	0	0
4020750	Rest Fringe Group Life Insurance	0	0	0	0
4020760	Rest Fringe Uniform Allowance	0	0	0	0
Subtotal		0	1,688	0	1,688

Restorative Total		13,188	1,688	0	14,876
--------------------------	--	---------------	--------------	----------	---------------

Dietary

Diet Salaries

4030110	Diet Salary Supervisor	0	0	0	0
4030120	Diet Salary Cooks	2,869	0	0	2,869
4030130	Diet Salary Helpers	0	0	0	0
Subtotal		2,869	0	0	2,869

Diet Other

4030201	Diet Consultant 100% to n/l	2,196	0	0	2,196
4030206	Diet Purchased Service	107,596	0	0	107,596
4030210	Diet Home Office Allocation	0	0	0	0
4030220	Diet Equipment Rent	0	0	0	0
4030221	Diet Minor Equipment	0	0	0	0
4030230	Diet Dues	0	0	0	0
4030231	Diet Subscriptions	0	0	0	0
4030240	Diet Spec Purpose Auto	0	0	0	0
4030241	Diet Mileage Reimb	0	0	0	0
4030250	Diet Supplies	413	0	0	413
4030260	Diet Uniforms	0	0	0	0
4030270	Diet Start Up Costs	0	0	0	0
4030271	Diet Drug/background Ck	0	0	0	0
4030280	Diet Food/nutrients	11,423	0	0	11,423
4030281	Diet Enteral PEN Nonbillable	0	0	0	0
4030282	Diet Dishes/utensils	0	0	0	0
4030299	Diet Other	0	0	0	0
Subtotal		121,628	0	0	121,628

Diet Step Down & Income Offset

4030610	Diet Income Offset	0	0	0	0
4030620	Diet Step Down	0	0	47,427	(47,427)
Subtotal		0	0	47,427	(47,427)

Diet Fringes

4030710	Diet Fringe Payroll Tax	0	0	0	0
4030720	Diet Fringe Employee Benefits	0	506	0	506
4030730	Diet Fringe Workmen's Comp	0	0	0	0
4030740	Diet Fringe Health Insurance	0	0	0	0
4030750	Diet Fringe Group Life Insurance	0	0	0	0
4030760	Diet Fringe Uniform Allowance	0	0	0	0
Subtotal		0	506	0	506

Dietary Total		124,497	506	47,427	77,576
----------------------	--	----------------	------------	---------------	---------------

Laundry

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2006 thru May 31, 2008

Revenue & Expense

DHHS ACCOUNT	YER BOOKS	ADJUSTMENTS DEBITS	CREDIT	ADJUSTED
-----------------	--------------	-----------------------	--------	----------

Laundry

Laundry Salaries				
4040110 Laundry Salary General	0	0	0	0
Subtotal	0	0	0	0

Laundry Other				
4040206 Laundry Purchased Service 100% A/L	13,884	0	0	13,884
4040210 Laundry Home Office Allocation	0	0	0	0
4040220 Laundry Equipment Rent	0	0	0	0
4040221 Laundry Minor Equipment	0	0	0	0
4040230 Laundry Dues	0	0	0	0
4040231 Laundry Subscriptions	0	0	0	0
4040240 Laundry Spec Purpose Auto	0	0	0	0
4040241 Laundry Mileage Reimb	0	0	0	0
4040250 Laundry Supplies	0	0	0	0
4040260 Laundry Uniforms	0	0	0	0
4040270 Laundry Start Up Costs	0	0	0	0
4040271 Laundry Drug/Background Ck	0	0	0	0
4040280 Laundry Linen	57	0	0	57
4040281 Laundry Cloth Diapers	0	0	0	0
4040299 Laundry Other	0	0	0	0
Subtotal	13,941	0	0	13,941

Laundry Step Down & Income Offset				
4040610 Laundry Income Offset	0	0	0	0
4040620 Laundry Step Down	0	0	21	(21)
Subtotal	0	0	21	(21)

Laundry Fringes				
4040710 Laundry Fringe Payroll Tax	0	0	0	0
4040720 Laundry Fringe Employee Benefits	0	0	0	0
4040730 Laundry Fringe Workmen's Comp	0	0	0	0
4040740 Laundry Fringe Health Insurance	0	0	0	0
4040750 Laundry Fringe Group Life Insurance	0	0	0	0
4040760 Laundry Fringe Uniform Allowance	0	0	0	0
Subtotal	0	0	0	0

Laundry Total	13,941	0	21	13,920
----------------------	---------------	----------	-----------	---------------

Housekeeping

Hskp Salaries				
4050110 Hskp Salary Supervisor	0	0	0	0
4050120 Hskp Salary Housekeepers	0	0	0	0
4050130 Hskp Salary Janitors	0	0	0	0
Subtotal	0	0	0	0

Hskp Other				
4050206 Hskp Purchase Service 100% A/L	38,854	0	0	38,854
4050210 Hskp Home Office Allocation	0	0	0	0
4050220 Hskp Equipment Rent	0	0	0	0
4050221 Hskp Minor Equipment	0	0	0	0
4050230 Hskp Dues	0	0	0	0
4050231 Hskp Subscriptions	0	0	0	0
4050240 Hskp Spec Purpose Auto	0	0	0	0
4050241 Hskp Mileage Reimb	0	0	0	0
4050250 Hskp Supplies	5,227	0	0	5,227
4050260 Hskp Uniforms	0	0	0	0
4050270 Hskp Start Up Costs	0	0	0	0
4050271 Hskp Drug/Background Ck	0	0	0	0
4050299 Hskp Other	0	0	0	0
Subtotal	44,081	0	0	44,081

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2006 thru May 31, 2008

Revenue & Expense

DHHS ACCOUNT	PER BOOKS	ADJUSTMENTS DEBITS	CREDIT	ADJUSTED
-----------------	--------------	-----------------------	--------	----------

Housekeeping

Hskp Step Down & Income Offset

4050610	Hskp Income Offset	0	0	0
4050620	Hskp Step Down	0	2,113	(2,113)
Subtotal		0	2,113	(2,113)

Hskp Fringes

4050710	Hskp Fringe Payroll Tax	0	0	0
4050720	Hskp Fringe Employee Benefits	0	0	0
4050730	Hskp Fringe Workmen's Comp	0	0	0
4050740	Hskp Fringe Health Insurance	0	0	0
4050750	Hskp Fringe Group Life Insurance	0	0	0
4050760	Hskp Fringe Uniform Allowance	0	0	0
Subtotal		0	0	0

Housekeeping Total	44,081	0	2,113	41,968
---------------------------	--------	---	-------	--------

Maintenance

Maint Salaries

4060110	Maint Salary General	12,492	0	12,492
Subtotal		12,492	0	12,492

Maint Other

4060201	Maint Consultant	0	0	0
4060206	Maint Purchased Service	433	0	433
4060210	Maint Home Office Allocation	0	141	(41)
4060220	Maint Equipment Rent	1,134	0	1,134
4060221	Maint Minor Equipment	0	0	0
4060230	Maint Dues	0	0	0
4060231	Maint Subscriptions	0	0	0
4060240	Maint Spec Purpose Auto	0	0	0
4060241	Maint Mileage Reimb	0	0	0
4060250	Maint Supplies	932	0	932
4060260	Maint Uniforms	0	0	0
4060270	Maint Start Up Costs	0	0	0
4060271	Maint Drug/background Ck	0	0	0
4060280	Maint Non Capital Repair	3,590	0	3,590
4060281	Maint Lawn Services	1,897	0	1,897
4060282	Maint Painting	0	0	0
4060299	Maint Other	13,052	0	13,052
Subtotal		21,038	141	21,179

Maint Step Down & Income Offset

4060610	Maint Income Offset	0	0	0
4060620	Maint Step Down	0	14,539	(14,539)
Subtotal		0	14,539	(14,539)

Maint Fringes

4060710	Maint Fringe Payroll Tax	0	0	0
4060720	Maint Fringe Employee Benefits	0	2,204	2,204
4060730	Maint Fringe Workmen's Comp	0	0	0
4060740	Maint Fringe Health Insurance	0	0	0
4060750	Maint Fringe Group Life Insurance	0	0	0
4060760	Maint Fringe Uniform Allowance	0	0	0
Subtotal		0	2,204	2,204

Maintenance Total	33,530	2,345	14,539	21,336
--------------------------	--------	-------	--------	--------

Administration

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2008 thru May 31, 2008

Revenue & Expense

DEHS ACCOUNT	YER BOOKS	ADJUSTMENTS DEBITS	CREDIT	ADJUSTED
Administration				
Adm Salaries				
4070110 Adm Salary Administrator	0	0	0	0
4070120 Adm Salary Asst Administrator	0	0	0	0
4070130 Adm Salary Bookkeeper	0	0	0	0
4070140 Adm Salary Receptionist	0	0	0	0
4070150 Adm Salary Secretary	0	0	0	0
4070160 Adm Salary Clerk	41,414	0	0	41,414
4070170 Adm Salary Admissions Clerk	0	0	0	0
4070199 Adm Salary Admissions Coordinator	0	0	0	0
Subtotal	41,414	0	0	41,414
Adm Other				
4070206 Adm Purchased Service	6,030	30,443	33,352	33,171
4070207 Adm Professional Accounting	42,914	0	20,779	22,135
4070208 Adm Professional Other	0	0	0	0
4070209 Adm Management Fee Nonrelated Party	0	0	0	0
4070210 Adm Home Office Allocation	66,000	20,373	66,000	20,373
4070211 Adm Home Office Bldg Rent Non Rele	0	0	0	0
4070212 Adm Data Proc., software & Maint. Cont	556	0	0	556
4070213 Adm Cost Report Preparation Fee	0	0	0	0
4070220 Adm Equipment Rent	1,044	0	0	1,044
4070221 Adm Minor Equipment	0	19,759	0	19,759
4070230 Adm Dues	1,076	0	116	960
4070231 Adm Subscriptions	0	0	0	0
4070241 Adm Mileage Reimb	1,969	0	0	1,969
4070242 Adm Auto Mileage	0	0	0	0
4070243 Adm Board Of Dir Travel to Board Meet	0	0	0	0
4070244 Adm Seminar/Training Non Nursing	4,178	2,406	0	6,584
4070250 Adm Supplies	5,183	0	0	5,183
4070270 Adm Start Up Costs	0	0	0	0
4070271 Adm Drug/background Ck	1,425	0	0	1,425
4070280 Adm Advertising	0	0	0	0
4070281 Adm Relocate/recruitment	0	0	0	0
4070283 Adm Printing	0	0	0	0
4070284 Adm Postage	455	0	0	455
4070285 Adm Copier	0	0	0	0
4070286 Adm Bank/freight Fees	0	0	0	0
4070287 Adm Telephone	3,485	0	0	3,485
4070298 Adm Working Capital Interest	0	0	0	0
4070299 Adm Other	0	0	0	0
Subtotal	134,365	72,981	90,247	117,099
Adm Step Down & Income Offset				
4070610 Adm Income Offset	0	0	115	(115)
4070620 Adm Step Down	0	0	30,088	(30,088)
Subtotal	0	0	30,203	(30,203)
Fringes				
4070710 Adm Fringe Payroll Tax	53,266	0	53,266	0
4070720 Adm Fringe Employee Benefits	0	7,306	0	7,306
4070730 Adm Fringe Workmen's Comp	24,444	0	24,444	0
4070740 Adm Fringe Health Insurance	17,916	0	17,916	0
4070750 Adm Fringe Group Life Insurance	0	0	0	0
Subtotal	95,626	7,306	95,626	7,306
Administration Total	271,495	80,287	216,076	135,616

Medical Records

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2007 thru May 31, 2008

Revenue & Expense

DEBS ACCOUNT	PER BOOKS	ADJUSTMENTS DEBITS	CREDIT	ADJUSTED
-----------------	--------------	-----------------------	--------	----------

Medical Records

Med Rec Salaries

4080110	Med Rec Salary General	0	0	0	0
Subtotal		0	0	0	0

Med Rec Other

4080201	Med Rec Consultant	7,464	0	0	7,464
4080210	Med Rec Home Office Allocation	0	0	0	0
4080220	Med Rec Equipment Rent	0	0	0	0
4080221	Med Rec Minor Equipment	0	0	0	0
4080230	Med Rec Dues	0	0	0	0
4080231	Med Rec Subscriptions	0	0	0	0
4080241	Med Rec Mileage Reimb	0	0	0	0
4080250	Med Rec Supplies	0	0	0	0
4080271	Med Rec Drug/background Ck	0	0	0	0
4080280	Med Rec Medical Director Fees	6,000	0	0	6,000
4080281	Med Rec Utilization Review	0	0	0	0
4080299	Med Rec Other	0	0	0	0
Subtotal		6,464	0	0	6,464

Med Rec Step Down & Income Offset

4080610	Med Rec Income Offset	0	0	0	0
4080620	Med Rec Step Down	0	0	0	0
Subtotal		0	0	0	0

Med Rec Fringes

4080710	Med Rec Fringe Payroll Tax	0	0	0	0
4080720	Med Rec Fringe Employee Ben	0	0	0	0
4080730	Med Rec Fringe Workmen's Comp	0	0	0	0
4080740	Med Rec Fringe Health Insurance	0	0	0	0
4080750	Med Rec Fringe Group Life Insurance	0	0	0	0
4080760	Med Rec Fringe Uniform Allow	0	0	0	0
Subtotal		0	0	0	0

Medical Records Total		6,464	0	0	6,464
------------------------------	--	-------	---	---	-------

Legal

4090201	Legal Fees	0	0	0	0
4090210	Legal Home Office Allocation	0	0	0	0
4090610	Legal Income Offset	0	0	0	0
4090620	Legal Step Down	0	0	0	0
Subtotal		0	0	0	0

Legal Total		0	0	0	0
--------------------	--	---	---	---	---

Utilities

4100210	Utilities Home Office Allocation	0	451	0	451
4100280	Utilities Electricity	29,698	0	0	29,698
4100281	Utilities Garbage Collection Fees	0	0	0	0
4100282	Utilities Heating	708	0	0	708
4100283	Utilities Sewer	0	0	0	0
4100284	Utilities Water	4,718	0	0	4,718
4100299	Utilities Other (e.g. gas, oil, waste disposal)	3,980	0	0	3,980
4100610	Utilities Income Offset	0	0	1,186	(1,186)
4100620	Utilities Step Down	0	0	15,528	(15,528)
Subtotal		39,104	451	16,714	22,841

Utilities Total		39,104	451	16,714	22,841
------------------------	--	--------	-----	--------	--------

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2008 thru May 31, 2008

Revenue & Expense

DHHS ACCOUNT	PER BOOKS	ADJUSTMENTS DEBITS	CREDIT	ADJUSTED
Taxes, Insurance & License				
Taxes, Insurance & License:				
4110210 Taxes, Ins & Lic Home Office Allocation	0	449	0	449
4110280 Taxes, Ins & Lic Tax Business	0	0	0	0
4110281 Taxes, Ins & Lic Tax Personal Property	0	0	0	0
4110282 Taxes, Ins & Lic Tax Real Property	25,184	0	0	25,184
4110283 Taxes, Ins & Lic Insurance Property	4,863	0	0	4,863
4110284 Taxes, Ins & Lic Insurance General	547	0	0	547
4110285 Taxes, Ins & Lic Insurance Liability	0	0	0	0
4110286 Taxes, Ins & Lic Licenses	2,021	0	0	2,021
4110299 Taxes, Ins & Lic Other	0	0	0	0
4110610 Taxes, Ins & Lic Income Offset	0	0	0	0
4110620 Taxes, Ins & Lic Step Down	0	0	12,913	(12,913)
Subtotal	32,615	449	12,913	20,151
Taxes, Insurance & License Total	32,615	449	12,913	20,151
Medical Supplies & Oxygen				
MS & Oxy Salaries				
4120110 MS & Oxy Salary General	0	0	0	0
Subtotal	0	0	0	0
MS & Oxy Other				
4120271 MS & Oxy Drug/background Ck	0	0	0	0
4120281 MS & Oxy Enteral PEN Billable	0	0	0	0
4120290 MS & Oxy Med Sup Billable	19,395	0	0	19,395
4120291 MS & Oxy Med Sup Equip Rent	0	0	0	0
4120292 MS & Oxy Med Sup Minor Equip	0	0	0	0
4120299 MS & Oxy Med Sup Other	0	0	0	0
4120390 MS & Oxy Oxygen/RT Purchase	82	0	0	82
4120391 MS & Oxy Oxygen/RT Equip Rent	0	0	0	0
4120392 MS & Oxy Oxygen/RT Minor Equip	0	0	0	0
4120399 MS & Oxy Oxygen/RT Other	0	0	0	0
4120400 MS & Oxy Air Fluid/spec Bed	14,504	0	0	14,504
4120500 MS & Oxy IV Therapy Nonbillable	0	0	0	0
4120501 MS & Oxy Hepatitis B Vaccine	0	0	0	0
4120502 MS & Oxy Underpads	0	0	0	0
4120503 MS & Oxy Disposable Diapers	13,510	0	0	13,510
4120504 MS & Oxy Nursing Supplies Nonbillable	0	0	0	0
4120505 MS & Oxy OTC/non Legend Drugs	12,265	0	0	12,265
Subtotal	59,756	0	0	59,756
MS & Oxy Step Down & Income Offset				
4120510 MS & Oxy Income Offset	0	0	6,311	(6,311)
4120520 MS & Oxy Step Down	0	0	0	0
Subtotal	0	0	6,311	(6,311)
MS & Oxy Fringes				
4120710 MS & Oxy Fringe Payroll Tax	0	0	0	0
4120720 MS & Oxy Fringe Employee Benefits	0	0	0	0
4120730 MS & Oxy Fringe Workman's Comp	0	0	0	0
4120740 MS & Oxy Fringe Health Insurance	0	0	0	0
4120750 MS & Oxy Fringe Group Life Insurance	0	0	0	0
4120760 MS & Oxy Fringe Uniform Allowance	0	0	0	0
Subtotal	0	0	0	0
Medical Supplies & Oxygen Total	59,756	0	6,311	53,445

THERAPY

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2007 thru May 31, 2008

Revenue & Expense

DHES ACCOUNT	PER BOOKS	ADJUSTMENTS DEBITS	CREDIT	ADJUSTED
-----------------	--------------	-----------------------	--------	----------

THERAPY

Physical Therapy

<u>PT Salaries</u>				
4130110	PT Salary General	0	0	0
<u>Subtotal</u>		0	0	0
<u>PT Other</u>				
4130201	PT Consultant	0	0	0
4130206	PT Purchased Service	25,189	0	25,189
4130220	PT Equipment Rent	0	0	0
4130221	PT Minor Equipment	0	0	0
4130250	PT Supplies	0	0	0
4130271	PT Drug/background Ck	0	0	0
4130299	PT Other	0	0	0
<u>Subtotal</u>		25,189	0	25,189
<u>PT Step Down & Income Offset</u>				
4130610	PT Income Offset	0	23,773	(23,773)
4130620	PT Step Down	0	0	0
<u>Subtotal</u>		0	23,773	(23,773)
<u>PT Fringes</u>				
4130710	PT Fringe Payroll Tax	0	0	0
4130720	PT Fringe Employee Benefits	0	0	0
4130730	PT Fringe Workmen's Comp	0	0	0
4130740	PT Fringe Health Insurance	0	0	0
4130750	PT Fringe Group Life Insurance	0	0	0
4130760	PT Fringe Uniform Allowance	0	0	0
<u>Subtotal</u>		0	0	0
<u>Physical Therapy Total</u>		25,189	0	1,416

Speech Therapy

<u>ST Salaries</u>				
4140110	ST Salary General	0	0	0
<u>Subtotal</u>		0	0	0
<u>ST Other</u>				
4140201	ST Consultant	0	0	0
4140206	ST Purchased Service	2,452	0	2,452
4140220	ST Equipment Rent	0	0	0
4140221	ST Minor Equipment	0	0	0
4140250	ST Supplies	0	0	0
4140271	ST Drug/background Ck	0	0	0
4140299	ST Other	0	0	0
<u>Subtotal</u>		2,452	0	2,452
<u>ST Step Down & Income Offset</u>				
4140610	ST Income Offset	0	2,452	(2,452)
4140620	ST Step Down	0	0	0
<u>Subtotal</u>		0	2,452	(2,452)
<u>ST Fringes</u>				
4140710	ST Fringe Payroll Tax	0	0	0
4140720	ST Fringe Employee Benefits	0	0	0
4140730	ST Fringe Workmen's Comp	0	0	0
4140740	ST Fringe Health Insurance	0	0	0
4140750	ST Fringe Group Life Insurance	0	0	0
4140760	ST Fringe Uniform Allowance	0	0	0
<u>Subtotal</u>		0	0	0

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2007 thru May 31, 2008

Revenue & Expense

DHHS ACCOUNT	PIR BOOKS	ADJUSTMENTS DEBITS	CREDIT	ADJUSTED
THERAPY				
Speech Therapy Total	2,452	0	2,452	0
Occupational Therapy				
<u>OT Salaries</u>				
4150110 OT Salary General	0	0	0	0
Subtotal	0	0	0	0
<u>OT Other</u>				
4150201 OT Consultant	0	0	0	0
4150206 OT Purchased Service	41,254	0	0	41,254
4150220 OT Equipment Rent	0	0	0	0
4150221 OT Minor Equipment	0	0	0	0
4150250 OT Supplies	0	0	0	0
4150271 OT Drug/background Ck	0	0	0	0
4150299 OT Other	0	0	0	0
Subtotal	41,254	0	0	41,254
<u>OT Step Down & Income Offset</u>				
4150610 OT Income Offset	0	0	39,634	(39,634)
4150620 OT Step Down	0	0	0	0
Subtotal	0	0	39,634	(39,634)
<u>OT Fringes</u>				
4150710 OT Fringe Payroll Tax	0	0	0	0
4150720 OT Fringe Employee Benefits	0	0	0	0
4150730 OT Fringe Workmen's Comp	0	0	0	0
4150740 OT Fringe Health Insurance	0	0	0	0
4150750 OT Fringe Group Life Insurance	0	0	0	0
4150760 OT Fringe Uniform Allowance	0	0	0	0
Subtotal	0	0	0	0
Occupational Therapy Total	41,254	0	39,634	1,620
THERAPY Total	\$68,895	\$0	\$65,859	\$3,036

Cost of Capital

<u>Cost Of Capital</u>				
4250620 Coc Step Down	0	0	915	(915)
Subtotal	0	0	915	(915)
<u>Coc Depreciation</u>				
4251010 Coc Deprec Land Improvements	0	0	0	0
4251020 Coc Deprec Building	0	14,832	0	14,832
4251030 Coc Deprec Building Improvement	0	954	0	954
4251040 Coc Deprec Fixed Equipment	662	0	662	0
4251050 Coc Deprec Movable Equipment	0	3,182	0	4,182
4251060 Coc Deprec Leasehold Improvement	0	0	0	0
4251070 Coc Deprec Capitalized Lease	0	0	0	0
4251210 Coc Deprec Home Office Building	0	148	0	148
4251611 Coc Deprec Income/gain On Sale	0	0	0	0
4251612 Coc Deprec Loss On Sale Of Asset	0	0	0	0
Subtotal	662	20,116	662	20,116

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2008 thru May 31, 2008

Revenue & Expense

DRHS ACCOUNT	PER BOOKS	ADJUSTMENTS DEBITS	CREDIT	ADJUSTED
-----------------	--------------	-----------------------	--------	----------

Cost of Capital

<u>Coc Rent</u>				
4252010 Coc Rent Building	116,710	0	116,710	0
4252020 Coc Rent Equipment	0	0	0	0
4252299 Coc Rent Other	0	0	0	0
4252611 Coc Rent Income	0	0	0	0
Subtotal	116,710	0	116,710	0

<u>Coc Interest</u>				
4253010 Coc Interest Building	378	0	0	378
4253020 Coc Interest Equipment	0	0	0	0
4253210 Coc Interest Home Office Allocation	0	0	0	0
4253299 Coc Interest Other	0	0	0	0
4253611 Coc Interest Income	0	0	0	0
Subtotal	378	0	0	378

<u>Coc Amortization</u>				
4254010 Coc Amort Deferred Interest	0	0	0	0
4254020 Coc Amort Organization Cost	0	0	0	0
4254030 Coc Amort Loan Cost	0	0	0	0
4254210 Coc Amort Home Office Allocation	0	0	0	0
4254299 Coc Amort Other	0	0	0	0
4254611 Coc Amort Income	0	0	0	0
Subtotal	0	0	0	0

Cost of Capital Total	117,750	20,116	118,287	19,579
------------------------------	----------------	---------------	----------------	---------------

Ancillary

<u>Ancill Salaries</u>				
4260110 Ancill Salary Pharmacy	0	0	0	0
4260120 Ancill Salary Laboratory	0	0	0	0
4260130 Ancill Salary X Ray	0	0	0	0
4260199 Ancill Salary Other	0	0	0	0
Subtotal	0	0	0	0

<u>Ancill Other</u>				
4260206 Ancill Purchased Service	0	0	0	0
4260220 Ancill Equipment Rent	0	0	0	0
4260221 Ancill Minor Equipment	0	0	0	0
4260250 Ancill Supplies	0	0	0	0
4260260 Ancill Uniforms	0	0	0	0
4260271 Ancill Drug/background Ck	0	0	0	0
4260280 Ancill Prescription Drugs	20,875	0	0	20,875
4260299 Ancill Other	1,924	0	0	1,924
4260300 Ancill Iv Therapy Billable	0	0	0	0
4260611 Ancill Income	0	0	0	0
Subtotal	22,799	0	0	22,799

<u>Ancill Fringes</u>				
4260710 Ancill Fringe Payroll Tax	0	0	0	0
4260720 Ancill Fringe Employee Benefits	0	0	0	0
4260730 Ancill Fringe Worker's Comp	0	0	0	0
4260740 Ancill Fringe Health Insurance	0	0	0	0
4260750 Ancill Fringe Group Life Insurance	0	0	0	0
4260760 Ancill Fringe Uniform Allowance	0	0	0	0
Subtotal	0	0	0	0

Ancillary Total	22,799	0	0	22,799
------------------------	---------------	----------	----------	---------------

Nonallowable

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2008 thru May 31, 2008

Revenue & Expense

DEHS ACCOUNT	PRR BOOKS	ADJUSTMENTS DEBITS	CREDIT	ADJUSTED
Nonallowable				
4270201 Nonall Legal	30,912	0	0	30,912
4270210 Nonall Interest	379	0	0	379
4270211 Nonall Interest DEHS Payback	0	0	0	0
4270212 Nonall Amortization Goodwill	0	0	0	0
4270214 Nonall Salaries	61,380	0	0	61,380
4270215 Nonall Payroll Tax & Fringes	0	10,829	0	10,829
4270216 Nonall Insurance Officers Key Man Life	0	0	0	0
4270217 Nonall Federal Income Tax	0	0	0	0
4270218 Nonall State Income Tax	0	0	0	0
4270220 Nonall Equipment Rent	0	0	0	0
4270230 Nonall Dues	0	116	0	116
4270242 Nonall Admin Auto Cost	0	0	0	0
4270271 Nonall Drug/background Ck	0	0	0	0
4270280 Nonall Ads/public Relations	2,722	0	0	2,722
4270281 Nonall Vending Machines	0	0	0	0
4270282 Nonall Television	0	0	0	0
4270283 Nonall Beauty & Barber	0	0	0	0
4270284 Nonall Non NH Personal Laundry	0	0	0	0
4270285 Nonall Private Pay Wing	21,268	18,781	0	40,049
4270286 Nonall Gift Shop	0	0	0	0
4270287 Nonall Hospital	0	0	0	0
4270288 Nonall Apartments	0	0	0	0
4270289 Nonall Hospice	0	0	0	0
4270290 Nonall Physician Fees	0	0	0	0
4270291 Nonall Director Fees	0	0	0	0
4270292 Nonall Personal Items	0	0	0	0
4270293 Nonall Ambulance Service	0	0	0	0
4270294 Nonall Bad Debts	0	0	0	0
4270295 Nonall Cash Over/short	0	0	0	0
4270296 Nonall Contributions	0	0	0	0
4270297 Nonall Fund Raising Costs	0	0	0	0
4270298 Nonall Anti Union	0	0	0	0
4270299 Nonall Other	7(200,572)	245,109	137,188	(92,651)
4270620 Nonall Step Down	0	123,544	0	123,544
Subtotal	(83,917)	398,379	137,188	177,274
Nonallowable Total	(83,917)	398,379	137,188	177,274
CNA Training & Testing				
CNA Training Salaries				
4280110 CNA Training Salary DON	0	0	0	0
4280120 CNA Training Salary RN	0	0	0	0
4280130 CNA Training Salary LPN	0	0	0	0
Subtotal	0	0	0	0
CNA Training - OTHER				
4280206 CNA Testing Purchased Service	0	0	0	0
4280207 CNA Training Purchased Service	0	0	0	0
4280210 CNA Trng & Testing Home Office Allo	0	0	0	0
4280220 CNA Training Equipment Rent	0	0	0	0
4280221 CNA Training Minor Equipment	0	0	0	0
4280241 CNA Training Mileage Reimb	0	0	0	0
4280299 CNA Training Other	0	0	0	0
4280610 CNA Training Income Offset	0	0	0	0
Subtotal	0	0	0	0

COUNTRYWOOD NURSING CENTER, LLC

November 29, 201 thru May 31, 2008

Revenue & Expense

DHHS ACCOUNT	PER BOOKS	ADJUSTMENTS		ADJUSTED
		DEBITS	CREDIT	

CNA Training & Testing

CNA Training Fringes

4280140	Feeding Assistant Training Salary	0	0	0	0
4280710	CNA Training Fringe Payroll Tax	0	0	0	0
4280720	CNA Training Fringe Employee Benefits	0	0	0	0
4280730	CNA Training Fringe Workmen's Comp	0	0	0	0
4280740	CNA Training Fringe Health Insurance	0	0	0	0
4280750	CNA Training Fringe Group Life Insur	0	0	0	0
4280760	CNA Training Fringe Uniform Allow	0	0	0	0
<u>Subtotal</u>		0	0	0	0

CNA Training & Testing Total	0	0	0	0
------------------------------	---	---	---	---

EXPENSES TOTALS	\$1,178,825	\$636,147	\$637,448	1,177,524
-----------------	-------------	-----------	-----------	-----------

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2007 thru May 31, 2008

Adjustment Schedule

ADJ. No	ACCOUNT TITLE	EXPLANATION & CALCULATIONS	DEHS ACCOUNT NUMBER	AMOUNT DEBIT	CREDIT
1 TO REMOVE BOOK FIXED ASSETS					
	Acc Dep Movable Equipment		1071050	662	0
	Equity Fund Balances		2070060	72,720	0
	Nonall Other		4270299	662	0
	Fixed Asset Movable Equipment		1061050	0	73,382
	Coc Deprec Fixed Equipment		4251040	0	662
2 TO RECORD HISTORICAL COST FIXED ASSETS AND ASSISTED LIVING DEPRECIATION EXPENSE					
	Fixed Asset Land		1061001	7,232	0
	Fixed Asset Building		1061020	1,186,542	0
	Fixed Asset Bldg Improvement		1061030	19,080	0
	Fixed Asset Movable Equipment		1061050	83,632	0
	Coc Deprec Building		4251020	14,832	0
	Coc Deprec Building Improvement		4251030	954	0
	Coc Deprec Movable Equipment		4251050	4,182	0
	Nonall Private Pay Wing		4270285	13,395	0
	Acc Dep Building		1071020	0	224,949
	Acc Dep Bldg Improvement		1071030	0	4,756
	Acc Dep Movable Equipment		1071050	0	63,421
	Equity Fund Balances		2070060	0	1,003,360
	Nonall Other		4270299	0	33,363
3 TO EXPENSE MINOR EQUIPMENT PURCHASES LESS THAN \$5,000					
	Nursing Minor Equipment		4010221	58,833	0
	Adm Minor Equipment		4070221	9,163	0
	Nonall Private Pay Wing		4270285	5,386	0
	Nonall Other		4270299	0	73,382
4 TO OFFSET EXPENSE WITH RELATED INCOME					
	Rev Vending Machine		3070150	1,186	0
	Rev Other/wise		3070299	115	0
	Adm Income Offset		4070630	0	115
	Utilities Income Offset		4100610	0	1,186
5 TO ALLOCATE EMPLOYEE BENEFITS (SEE W/P)					
	Nursing Fringe Employee Benefits		4010720	73,093	0
	Rest Fringe Employee Benefits		4020720	1,688	0
	Diet Fringe Employee Benefits		4030720	506	0
	Maint Fringe Employee Benefits		4060720	2,204	0
	Adm Fringe Employee Benefits		4070720	7,306	0
	Nonall Payroll Tax & Fringes		4270215	10,829	0
	Adm Fringe Payroll Tax		4070710	0	53,266
	Adm Fringe Workmen's Comp		4070730	0	24,144
	Adm Fringe Health Insurance		4070740	0	17,916
6 TO RECLASSIFY NONALLOWABLE SCHCA DUES PER MEDICAID GUIDELINES					
	Nonall Dues		4270230	116	0
	Adm Dues		4070230	0	116
7 TO REMOVE NONALLOWABLE ACCOUNTING FEES					
	Nonall Other		4270299	1,777	0

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2007 thru May 31, 2008

Adjustment Schedule

ADJ. No	ACCOUNT TITLE	EXPLANATION & CALCULATIONS	DEMS ACCOUNT NUMBER	AMOUNT DEBIT	CREDIT
7 TO REMOVE NONALLOWABLE ACCOUNTING FEES					
	Adm Professional Accounting		4070207	0	7,777
8 TO RECLASSIFY EXPENSE TO THE PROPER COST ACCOUNT					
	Adm Minor Equipment		4070221	10,596	
	Adm Seminar/Training Non Nursing		4070244	2,405	
	Adm Professional Accounting		4070207	0	13,002
9 TO REMOVE NONALLOWABLE ARCHITECT FEES					
	Nonall Other		4270299	3,552	
	Adm Purchased Service		4070206	0	3,552
10 TO UNBUNDLE HOME OFFICE COSTS					
	Maint Home Office Allocation		4060210	141	
	Adm Home Office Allocation		4070210	20,373	
	Utilities Home Office Allocation		4100210	451	
	Taxes, Ins & Lic Home Office Allocation		4110210	449	
	Coc Deprec Home Office Building		4251210	148	
	Nonall Other		4270299	44,438	
	Adm Home Office Allocation		4070210	0	66,000
11 TO REMOVE NONMEDICAD ANCILLARY EXPENSE (see 7/13)					
	Nonall Other		4270299	72,170	
	MS & Oxy Income Offset		4120610	0	6,311
	PT Income Offset		4130610	0	23,773
	ST Income Offset		4140610	0	2,452
	OT Income Offset		4150610	0	39,634
12 TO REMOVE NON-ALLOWABLE STEP DOWN (see 4/13)					
	Nonall Step Down		4270620	123,544	
	Diet Step Down		4030620	0	47,427
	Laundry Step Down		4040620	0	21
	Hskp Step Down		4050620	0	2,113
	Maint Step Down		4060620	0	14,539
	Adm Step Down		4070620	0	30,088
	Utilities Step Down		4100620	0	15,528
	Taxes, Ins & Lic Step Down		4110620	0	12,913
	Coc Step Down		4250620	0	915
13 TO RECLASSIFY BUILDING RENT					
	Nonall Other		4270299	116,710	
	Coc Rent Building		4252010	0	116,710
14 TO RECORD CONTRACT ADMINISTRATOR SERVICES AT 5/31/2008					
	Adm Purchased Service		4070206	30,443	
	Nonall Other		4270299	0	30,443
ADJUSTMENT TOTALS				2,007,316	2,007,316

Thru

DEBT AND INTEREST SCHEDULE

Type Debt	Interest Rate	Balance @	Additions	Payments	Ending Balance @	Interest Paid to	DHHS Account Number	Name of Lending Institutions	Reason for Financing Item
Total:									

44

R0860

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2007 Thru May 31, 2008

FIXED ASSET ADDITIONS AND DISPOSALS SCHEDULE (Reimbursable)

Description	Acquisition Date	Classification	Historical Cost	Estimated Life	Accumulated Depreciation	Depreciation Expense	Disposal Gain/Loss
<u>Prior Balance</u>							
			<i>T to PY</i> \$1,302,754		<i>DW to PY</i> \$273,158	\$0	\$0
		SUB TOTAL	\$1,302,754		\$273,158	\$0	\$0
<u>Depreciation Expense</u>							
			\$0		\$19,968	\$19,968	\$0
		SUB TOTAL	\$0		\$19,968	\$19,968	\$0
		Balance Per Cost Report	\$1,302,754		\$293,126	\$19,968	
		<i>estimated large loss</i>	<i>< 6,244 ></i>		<i>T to Dep</i>		
			1,246,440				

A-1

R0861

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2007 Thru May 31, 2008

AUTO (VEHICLES) SCHEDULE

Make/Model	Date Purchased	Cost	Useful Life Claimed	Months in Credit Period	Percentage Depreciation Expense	Depreciation Claimed	DHHS Account Number	Cost Center Charged
------------	-------------------	------	------------------------	----------------------------	---------------------------------------	-------------------------	---------------------------	---------------------------

TOTAL:

R0862

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2007 thru May 31, 2008

ACCOUNT ANALYSIS

Account Type Number	Vendor	Check Date	Amount	Description
Accounting Services				
4070207	SCHMOYER AND COMPANY, LLC	5/31/2008	\$816	OTHER REIMBURSEMENT CONSULTING
4070207	NIELSON FINANCIAL SERVICES, INC.	5/31/2008	\$8,869	FINANCIAL AND ACCOUNTING CONSULTING SERVICES
4070207	GEORGE CLARK	5/31/2008	\$2,795	MONTHLY PAYROLL PREPARATION
4070207	MEDEASY	5/31/2008	\$750	ACCOUNTING SOFTWARE
4070207	SCHMOYER AND COMPANY, LLC	9/30/2008	\$4,250	SNF BUDGET MEDICAID COST REPORT
4070207	SCHMOYER AND COMPANY, LLC	9/30/2008	\$996	SNF MEDICAID PERCENT LEVEL A REVIEW
4070207	SCHMOYER AND COMPANY, LLC	9/30/2008	\$4,500	SNF MEDICAID SPENDING BUDGET & MCD RATE ESTIMATE
			Adjusted Amount Claimed	\$22,976
Administrative Dues				
4070230	SCHCA	5/31/2008	\$861	DUES
4070230	ACTIVITY CONNECTION	5/31/2008	\$15	DUES
4070230	INFECTION CONTROL LTC	5/31/2008	\$200	DUES
4070230	CR AJE #6	9/30/2008	\$116	TO REMOVE NONALLOWABLE SCHCA DUES PER MCD
			Adjusted Amount Claimed	\$960

* Information required would include, but not be limited to management consultant services, accounting services, & auditing. Services performed must be related to patient care, not corporate investments.

NURSE'S AIDE TRAINING & TESTING

November 29, 2007 thru May 31, 2008

MMIS	Facility Name	Trained	Tested	Certified	Recertified
------	---------------	---------	--------	-----------	-------------

Provider Version
K2726 Services Ancillary
COUNTRYWOOD_NURSING_CENTER_LLC_2008_ANC_0701NF_01_01.xls

SCOHHS - Div of LTC Reimb

3/25/2009, 9:20 AM

ANCILLARY WORKSHEET

PROVIDER: COUNTRYWOOD NURSING CENTER, LLC
C/R PERIOD 11/29/2007-5/31/2008

SPECIAL (ANCILLARY) SERVICES DATA ENTRY

	MEDICAL SUPPLIES	OXYGEN RT	SPECIALTY BEDS	PHYSICAL THERAPY	SPEECH THERAPY	OCCUP THERAPY	PEN THERAPY	OTHER SVCS
Total Costs Per Books	19395	0	14504	25188	2452	41254	0	0
Medicaid Charges	40972	0	5720	1575	0	2200	0	6311
Medicare Charges	9707	0	8784	38884	3255	77566	0	0
Private/Other Charges	21378	0	0	0	0	1150	0	0

CALCULATION OF SPECIAL (ANCILLARY) SERVICES AND DIETARY COST ADJUSTMENT

	MEDICAL SUPPLIES	OXYGEN RT	SPECIALTY BEDS	PHYSICAL THERAPY	SPEECH THERAPY	OCCUP THERAPY	PEN THERAPY	OTHER SVCS
TOTAL COSTS PER BOOKS	\$19,395	\$0	\$14,504	\$25,188	\$2,452	\$41,254	\$0	\$0
TOTAL CHARGES	\$59,400	\$0	\$14,504	\$40,459	\$3,255	\$80,918	\$0	\$6,311
RATIO OF COST TO CHARGES (Line 1 / Line 2)	0.326515	0.000000	1.000000	0.622591	0.753303	0.509825	0.000000	0.000000
MEDICAID CHARGES	\$40,972	\$0	\$5,720	\$1,575	\$0	\$2,200	\$0	\$6,311
MEDICAID COST (Line 3 x Line 4)	\$13,378	\$0	\$5,720	\$981	\$0	\$1,122	\$0	\$0
TOTAL PATIENT DAYS @ 96%	6,749	6,749	6,749	6,749	6,749	6,749	6,749	6,749
MEDICAID PATIENT DAYS	4,672	4,672	4,672	4,672	4,672	4,672	4,672	4,672
MAXIMUM REIMBURSABLE COST (Line 5 x Line 6 / Line 7)	\$19,325	\$0	\$8,263	\$1,417	\$0	\$1,620	\$0	\$0
ENTER LARGER OF LINE 1 OR LINE 8	\$19,395	\$0	\$14,504	\$25,188	\$2,452	\$41,254	\$0	\$0
ADJUSTMENT TO COST - L. 11	* (\$70)	\$0	(\$6,241)	(\$23,773)	(\$2,452)	(\$39,634)	\$0	\$0

CLK
K2726
#11

R0865

Provider Version

SCDHHS- Div of LTC Reimb

2/27/2008, 12:25 PM

NAME: COUNTRYWOOD NURSING CENTER
 DETERMINATION OF COST BEFORE STEP-DOWN
 C/R PERIOD: 11/28/2007-5/31/2008

NAME: _____
 PPD BY: _____

COST CENTERS	COSTS PER BOOKS	Adj #	DEBIT	Adj #	CREDIT	AS ADJ. BY PROVIDER	SQUARE FOOTAGE
COST OF CAPITAL-original	20,494					20494	
Cost of Capital - Addition	0					0	
TAXES AND INSURANCE	32,064					33064	
ADMINISTRATION	165,704				9746 cannot track	156958	
LEGAL	0					0	
MAINTENANCE	35,875					35875	
UTILITIES	38,369					38369	
LAUNDRY	13,841				13884	57	
HOUSEKEEPING	44,081				38854	5227	
DIETARY	125,003				2186	122807	
MEDICAL RECORDS	8,464					6464	
RESTORATIVE	14,876					14876	
MEDICAL SUPPLIES	53,445					53445	
SNFIC NURSING, OXYGEN & THERAPY	549,878		→ 72170			821849	
SUBTOTAL	1,100,995		72170		64660	1108486	0
NON-REIMBURSABLE							
RETIREMENT CENTER	112258					112258	Now Salaries are in the fund
GIFT SHOP	0					0	
PERSONAL PATIENT LAUNDRY	0					0	
BEAUTY AND BARBER	0					0	
PRIVATE PAY WING	0					0	
OTHER—	0					0	
TOTAL	1213263		72170		64660	1220743	0

R0866

Provider Version

SCCHS- DR of LTC Reimb

2/27/2005, 12:25 PM

COUNTRYWOOD NURSING CENTER, LLC
11/29/2007-01/20/08

PART 1: STEP-DOWN ALLOCATION OF COSTS

Cost Center	Net Expense Per Cost Allocation	Cost of Capital - Orig Code	Cost of Capital - Addition	Taxes and Insurance	Subtotal	Admin Allocation	Legal	Maintenance	Utilities	Laundry	House- keeping	Dietary	Medical Records	Restorative	Medical Supplies	Total
Cost of Capital - Original Code	20,484	20,484														
Cost of Capital - Addition	0	0	0													
Taxes and Insurance	33,034	0	0	33,034												
Administration	155,858	1,231	0	1,231	157,089											
Legal	0	0	0	0	0											
Maintenance	30,875	418	0	418	31,293											
Utilities	38,358	0	0	0	38,358											
Laundry	57	900	0	927	1,054											
Housekeeping	6,227	231	0	231	6,458											
Dietary	122,807	381	0	381	123,188											
Medical Records	8,404	0	0	0	8,404											
Restorative	14,876	0	0	0	14,876											
Medical Supplies	53,448	0	0	0	53,448											
SAFEC	431,859	12,272	0	12,272	444,131											
Non-Refundable Cost Center																
Recreation Center	112,258	0	0	0	112,258											
Clubhouse	0	0	0	0	0											
Physical Therapy Laundry	0	0	0	0	0											
Beauty & Barber	0	0	0	0	0											
Private Pay Wing	0	0	0	0	0											
Other	0	0	0	0	0											
Archival - Non-Covered	0	0	0	0	0											
Total - Non-Refundable	112,258	0	0	0	112,258											
Total - All	1,222,752	20,484	0	33,763	1,276,999	159,459	0	42,200	44,029	4,714	7,827	143,150	7,428	17,085	61,417	2,455,932

NR - Cost of Capital - Original Code	0		
NR - Cost of Capital - Addition	0	0	
NR - Taxes and Insurance	144	0	144
NR - Administration	0	0	0
NR - Legal	0	0	0
NR - Maintenance	160	0	160
NR - Utilities	0	0	0
NR - Laundry	348	0	348
NR - Housekeeping	116	0	116
NR - Dietary	427	0	427
NR - Medical Records	0	0	0
NR - Restorative	0	0	0
NR - Medical Supplies	0	0	0
Sum Down of N/A	815	0	12,815
Sum Amount To Avoid Double	0	0	0
Net Amount To Be Adjusted	815	0	12,815

15,331																
0	0															
2,091	0	10,148														
2,185	0	0	16,630													
103	0	462	503													
116	0	187	0	3,042												
7,115	0	204	213	0	33,389											
0	0	0	0	0	0											
0	0	0	0	0	0											
0	0	0	0	0	0											
30,360	0	18,364	17,713	1,821	3,029	85,299	0	0	0	0	0	0	0	0	0	132,015
282	0	2,415	2,183	1,600	177	7,872	0	0	0	0	0	0	0	0	0	19,421
30,642	0	18,579	19,896	21	3,206	93,171	0	0	0	0	0	0	0	0	0	151,436

47

R0867

COUNTRYWOOD NURSING CENTER, LLC
11242007-84111008

PART B-ALLOCATION OF EXPENSES

Cost Center	Cost of Capital - Original Beds (per bed)	Cost of Capital - Addition (per bed)	Taxes and Insurance (per bed)	Administration (per bed)	Legal (per bed)	Maintenance (per bed)	Utilities (per bed)	Laundry (per bed)	Housekeeping (per bed)	Dietary (per meal)	Medical Records (per day)	Restorative (per day)	Medical Supplies (per day)
Cost of Capital - Original Beds													
Cost of Capital - Addition													
Taxes and Insurance													
Administration	737		737										
Legal													
Maintenance	250		250										
Utilities													
Laundry	630		630										
Housekeeping	174		174										
Dietary	326		326										
Medical Records													
Restorative													
Medical Supplies													
ENH/MSF	10,341		10,341										
Non-Reimbursable Cost Centers:													
Nursing Center			6,988										
Gift Shop													
Permit Personnel Laundry													
Shedding & Barley													
Office Pay Wkg													
Other													
Arbitary - Non-Covered													
Total - All	12,200	0	13,231										
Amount To Be Allocated	20,494	0	22,064										
Unit Cost Multiplier	1.270189	0.000000	1.718222										

PART C-REPORT ON ADJUSTMENTS

Account	Debit	Credit
Nonreimbursable	122,544	
Cost of Capital - Original Beds		915
Cost of Capital - Addition		425-0000
Taxes and Insurance	12,813	411-0000
Administration	32,088	427-0000
Legal		0
Maintenance	14,529	449-0000
Utilities	15,828	410-0000
Laundry	21	404-0000
Housekeeping	2,110	408-0000
Dietary	47,421	403-0000
Medical Records		0
Restorative		0
Medical Supplies		0
Total Adjustment	122,544	122,544

CLK ATE #12

To remove indirect costs applicable to non-reimbursable cost centers
HAB-15-1, Section 2102.3

R0868

Supervisor As Res'd
DHHS

RDM
Cost Report
11/29/07 - 9/30/08

Wk
7/19/11
#1-91/20

The State of South Carolina
Department of Health & Human Services

Financial & Statistical Report
for Nursing Homes

All DHHS adjustments are posted to the cost report at P. 11 (initial)
Only cost report adjustments denoted by "A" are posted to
the Summary of DHHS Adjusted Costs at A + or J.

COUNTRYWOOD NURSING CENTER LLC

November 29, 2007 thru September 30, 2008

FACILITY OPERATOR AND COST REPORT PREPARER CERTIFICATION

Under penalties of perjury, I declare that I have examined this cost report, including any accompanying schedule and/or statement, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of the preparer (other than facility owner/operator) is based on all information of which preparer has knowledge.

See Accountants Report
Operator/Leader's Signature: [Signature] Preparer's Signature: [Signature] Date: 5-12-09

- Account balance is adjusted by DHHS. See related cost center at left for details.
- + Traced & agreed to provide DHHS adjusted amount at $\frac{1}{4}$.

1/24

COUNTRYWOOD NURSING CENTER, LLC

GENERAL INFORMATION

November 29, 2007 thru September 30, 2008

(This is the old
NMIS # for the
prior owner.)
↓

Facility Data

a. NAME COUNTRYWOOD NURSING CENTER, LLC

FACILITY LOCATION 1645 RIDGE ROAD
(STREET ADDRESS)

CITY HOPKINS

PHONE (803) 776-3873

STATE SC
FAX # (803) 217-0163

ZIP CODE 29061

NMIS No. 0787NF 0946NF

b. MEDICARE
CERTIFIED Yes

E.L. No. 571073140

MEDICARE PROVIDER
NUMBER 425370

c. CONTROL TYPE Proprietary

Partnership

d. FACILITY TYPE Free Standing

e. EMAIL ADDRESS

NPI No. 1467517649

Administrator Data

NAME DENNIS CALDWELL

LICENSE No. 133-D02

EMAIL ADDRESS

ACCOUNTING FIRM DATA

ACCOUNTING FIRM SCHMOYER AND COMPANY, LLC

ADDRESS 1330 LADY STREET
SUITE 307

CITY COLUMBIA

PHONE (803) 254-2050

STATE SC ZIP CODE 29201

EMAIL ADDRESS

Report Preparer

NAME (FIRM) SCHMOYER AND COMPANY, LLC

ADDRESS 1330 LADY STREET
SUITE 307

CITY COLUMBIA

PHONE (803) 254-2050

STATE SC ZIP CODE 29201

EMAIL ADDRESS

5. OPERATING ENTITY OWNER(S)

NAME BOB HAGAN

ADDRESS 16 NORCROSS STREET
SUITE 100

CITY ROSWELL

STATE GA ZIP CODE 30075

PHONE (770) 993-4000

TITLE OWNER LOR

RELATIONSHIP TO ABOVE LISTED OWNER

6. FACILITY OWNER(S) (LAND AND BUILDING)

NAME RIDGEWOOD NURSING CENTER, LLC

ADDRESS 16 NORCROSS STREET
SUITE 100

CITY ROSWELL

STATE GA ZIP CODE 30075

PHONE (770) 993-4000

TITLE OWNERSHIP 1.00

COUNTRYWOOD NURSING CENTER, LLC

GENERAL INFORMATION

November 29, 2007 thru September 30, 2008

OWNER(S) COMPENSATION (DETAIL BELOW)

NAME	JOB TITLE	TOTAL HOURS WORKED	COMPENSATION DESCRIPTION	AMOUNT	FACILITY ACCOUNT NUMBER	DO YOU CLAIM COMPENSATION AT ANOTHER FACILITY?
------	-----------	--------------------------	-----------------------------	--------	-------------------------------	---

3. RELATIVE'S COMPENSATION (DETAIL BELOW)

NAME	JOB TITLE	TOTAL HOURS WORKED	COMPENSATION DESCRIPTION	AMOUNT	FACILITY ACCOUNT NUMBER	DO YOU CLAIM COMPENSATION AT ANOTHER FACILITY?
------	-----------	--------------------------	-----------------------------	--------	-------------------------------	---

1. RELATED FACILITIES (DETAIL BELOW)

NAME	CITY	STATE	CONTRACTOR(S) RELATIONSHIP
BROOKWOOD NURSING CENTER, LLC	DECATUR	TN	COMMON OWNERSHIP
CRESTWOOD NURSING CENTER, LLC	PALATKA	FL	COMMON OWNERSHIP
EDGEWOOD NURSING CENTER, LLC	JACKSONVILLE	FL	COMMON OWNERSHIP
KINGSWOOD NURSING CENTER, LLC	ABERDEEN	NC	COMMON OWNERSHIP
LAKEWOOD NURSING CENTER	CRESCENT CITY	FL	COMMON OWNERSHIP
LIBERTYWOOD NURSING CENTER, LLC	THOMASVILLE	NC	COMMON OWNERSHIP
MANATEE SPRINGS NURSING CENTER, LLC	BRADENTON	FL	COMMON OWNERSHIP
MEADOWWOOD NURSING CENTER, LLC	GASTONIA	NC	COMMON OWNERSHIP
OAKWOOD NURSING CENTER, LLC	OCALA	FL	COMMON OWNERSHIP
PINEWOOD NURSING CENTER	WHIGHAM	GA	COMMON OWNERSHIP
ROSEWOOD NURSING CENTER, LLC	MACON	GA	COMMON OWNERSHIP
SANDALWOOD NURSING CENTER, LLC	DAYTONA BEACH	FL	COMMON OWNERSHIP
RIVERWOOD NURSING CENTER, LLC	JACKSONVILLE	FL	COMMON OWNERSHIP
WESTWOOD NURSING CENTER, LLC	STATESBORO	GA	COMMON OWNERSHIP
WILLOWWOOD NURSING CENTER, LLC	FLOWERY BRANCH	GA	COMMON OWNERSHIP

10. DOES THIS FACILITY PARTICIPATE IN TRANSACTIONS WITH RELATED ORGANIZATIONS?

EXPENSE	RELATED ORGANIZATION NAME	ITEM DESCRIPTION	COST PER BOOKS	COST TO RELATED PARTY	DHHS ACCOUNT NUMBER	NON-RELATED VENDORS
	UTNAM COUNCIL, INC.	MANAGEMENT FEES	\$110,000	\$38,945	4070210	No

7 AGE 10
\$3731 from H.O. Sch (N/A Amt)

11. RENT OR LEASED FACILITIES DESCRIPTION

Rent Type	MONTHS	EXPIRATION	PAYMENT	OPTION TO RENEW	OPTION TO BUY
BUILDING				No	No

COUNTRYWOOD NURSING CENTER, LLC

GENERAL INFORMATION

November 29, 2007 thru September 30, 2008

12. CONSTRUCTION OR ACQUISITION COST

ADDITIONS (DESCRIBE)	YEAR	SQUARE FEET	LICENSED BEDS	COST
BUILDING	1998	6,965.00	0.00	\$330,765.00
BUILDING-NEW	2000	12,269.00	38.00	\$855,777.00
<u>TOTAL BUILDING</u>		19,234.00	38.00	\$1,186,542.00

10/29/09
4 months Actual
10/29/11
4 months Actual
4 months

13. RELATED LEASE

RIDGEWOOD NURSING CENTER, LLC
16 NORCROSS STREET
ROSWELL GA 30075
(770) 993-4000

14. RELATED ASSETS

DESCRIPTION AS OF DATE ACTUAL COST ACCUMULATED DEPRECIATION

15. RELATED DEBT

DEBT DESCRIPTION OTHER DESCRIPTION BOOK VALUE BEGINNING DATE ENDING DATE

16. RELATED EXPENSE

EXPENSE DESCRIPTION OTHER DESCRIPTION BOOK VALUE BEGINNING DATE ENDING DATE

A-1
4/11

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2007 thru September 30, 2008

Census

Old Beds

NUMBER OF BEDS:	
Certified Licensed	38
Non-Certified Licensed	0
Total Licensed NF Beds	38
Retirement Center	
Other Non-Licensed	0
Total	0

* Certified Licensed NF Beds Would Include NF Beds Certified as Medicare, Medicare/Medicaid Only (Dual) or Medicaid Only

Patient Classification	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Total
Medicare	6	110	121	115	97	101	86	95	135	181	156	0	1,203
Subtotal	6	110	121	115	97	101	86	95	135	181	156	0	1,203
Medicaid: Skilled	40	604	574	529	563	548	579	580	573	526	604	0	5,720
Medicaid: Intermediate	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	40	604	574	529	563	548	579	580	573	526	604	0	5,720
Medicaid Hospice: Skilled	15	196	219	228	248	235	249	247	256	269	210	0	2,372
Medicaid Hospice: Intermediate	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	15	196	219	228	248	235	249	247	256	269	210	0	2,372
Medicaid Subtotal	55	800	793	757	811	783	828	827	829	795	814	0	8,092
Other: Skilled	0	0	0	0	0	0	0	0	0	0	0	0	0
Other: Intermediate	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0
Private: Skilled	12	221	217	186	223	210	217	172	167	155	124	0	1,904
Private: Intermediate	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	12	221	217	186	223	210	217	172	167	155	124	0	1,904
Grand Total	73	1,131	1,131	1,058	1,131	1,094	1,131	1,094	1,131	1,131	1,094	0	11,199

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2007 thru September 30, 2008

Census

Other

NUMBER OF BEDS:													
Certified Licensed													0
Non-Certified Licensed													0
Total Licensed NF Beds													0
Retirement Center													26
Other Non-Licensed													0
Total													26
* Certified Licensed NF Beds Would Include NF Beds Certified as Medicare, Medicare/Medicaid Only (Dual) or Medicaid Only													
Patient Classification	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Total
Medicare	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0
Medicaid: Skilled	0	0	0	0	0	0	0	0	0	0	0	0	0
Medicaid: Intermediate	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0
Medicaid Hospice: Skilled	0	0	0	0	0	0	0	0	0	0	0	0	0
Medicaid Hospice: Intermediate	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0
Medicaid Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0
Other: Skilled	22	341	310	289	320	330	403	390	434	430	456	0	3,725
Other: Intermediate	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	22	341	310	289	320	330	403	390	434	430	456	0	3,725
Private: Skilled	19	248	255	233	324	330	310	293	300	290	234	0	2,836
Private: Intermediate	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	19	248	255	233	324	330	310	293	300	290	234	0	2,836
Grand Total	41	589	565	522	644	660	713	683	734	720	690	0	6,561

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2007 thru September 30, 2008

Census

TOTAL FACILITY

NUMBER OF BEDS:	
Certified Licensed	38
Non-Certified Licensed	0
Total Licensed NF Beds	38
Refirement Center	26
Other Non-Licensed	0
Total	26

* Certified Licensed NF Beds Would Include NF Beds Certified as Medicare, Medicare/Medicaid Only (Dual) or Medicaid Only

Patient Classification	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Total
Medicare	6	110	121	115	97	101	86	95	135	181	156	0	1,203
Subtotal	6	110	121	115	97	101	86	95	135	181	156	0	1,203
Medicaid:Skilled	40	604	574	529	563	548	579	580	573	526	604	0	5,720
Medicaid:Intermediate	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	40	604	574	529	563	548	579	580	573	526	604	0	5,720
Medicaid Hospice:Skilled	15	196	219	228	248	235	249	247	256	269	210	0	2,372
Medicaid Hospice:Intermediate	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	15	196	219	228	248	235	249	247	256	269	210	0	2,372
Medicaid Subtotal	55	800	793	757	811	783	828	827	829	795	814	0	8,092
Other:Skilled	22	341	310	289	320	330	403	390	434	430	456	0	3,725
Other:Intermediate	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	22	341	310	289	320	330	403	390	434	430	456	0	3,725
Private:Skilled	31	469	472	419	547	540	527	465	467	445	358	0	4,740
Private:Intermediate	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	31	469	472	419	547	540	527	465	467	445	358	0	4,740
Grand Total	114	1,720	1,696	1,580	1,775	1,754	1,844	1,777	1,865	1,851	1,784	0	17,760
Total Patient Days	114	1,720	1,696	1,580	1,775	1,754	1,844	1,777	1,865	1,851	1,784	0	17,760
Private Pay Wing - Other	41	589	565	522	644	660	713	683	734	728	690	0	6,561
Patient Days Used	73	1,131	1,131	1,058	1,131	1,094	1,131	1,094	1,131	1,131	1,094	0	11,199

May 20, 2009

8:15:16AM

Census

Provider Version

Page 7

R0875

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2007 thru September 30, 2008

Census

Patient Day Occupancy:					
Number of Certified Licensed Beds:	38	TPG 4, 10/11/08	Minimum Occupancy Percentage:	96 %	Total Bed Days at Min. Occup. : 11,199
Maximum Available Bed Days:	11,666	Actual	Patient Days Incurred:	11,199	Days Used in Rate Calculation: 11,199
(907 days)		+ 11/11/08			* greater of bed days at min. occup. or patient days

R0876

COUNTRYWOOD NURSING CENTER, LLC

November 29, 201 thru September 30, 2008

SPACE ALLOCATION

Dept	Unit	SquareFeet
Nursing Station	New Beds	713
Dining Room	New Beds	1,154
Kitchen	New Beds	228
Laundry	New Beds	71
Office	New Beds	737
Laundry	New Beds	468
Nurses Offices	New Beds	89
Activities / Social Work	New Beds	316
Rooms	New Beds	5,100
Retirement Center	New Beds	2,688
Therapy	New Beds	330
Corridors	New Beds	6,916
Housekeeping	New Beds	174
Plant Operations	New Beds	250
Total:		19,234

539

Fig 4
+ Lemmon
Actual

A
11

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2008 thru September 30, 2008

Balance Sheet

DEHS ACCOUNT	PER BOOKS	ADJUSTMENTS DEBITS	CREDIT	ADJUSTED
Cash				
1010010 Asset Cash General	\$0	\$0	\$0	0
1010020 Asset Cash Payroll	\$0	\$0	\$0	0
1010030 Asset Cash Savings	\$0	\$0	\$0	0
1010040 Asset Cash Petty	\$0	\$0	\$0	0
1010050 Asset Cash Patient Persnl Needs	\$0	\$0	\$0	0
Subtotal	\$0	\$0	\$0	0
Investments				
1020010 Asset Invest Cert Of Deposit	\$0	\$0	\$0	0
1020020 Asset Invest Other	\$0	\$0	\$0	0
Subtotal	\$0	\$0	\$0	0
Accounts Receivable				
1030010 Asset Acct Rec Medicaid	\$535,807.7	\$0	\$0	535,807
1030020 Asset Acct Rec Medicare	\$104,717.7	\$0	\$0	104,717
1030030 Asset Acct Rec Private	\$195,079.7	\$0	\$0	195,079
1030040 Asset Acct Rec Related Party Note	\$0	\$0	\$0	0
1030050 Asset Acct Rec Third Party	\$0	\$0	\$0	0
1030060 Asset Acct Rec Other	\$79,783.7	\$0	\$0	79,783
1030070 Asset Acct Rec Bad Debt Allowance	\$(256,696.7)	\$0	\$0	(256,696)
1030080 Asset Acct Rec Other Fund	\$0	\$0	\$0	0
Subtotal	\$658,690	\$0	\$0	658,690
Inventory				
1040010 Asset Invent Pharmacy	\$0	\$0	\$0	0
1040020 Asset Invent Central Supply	\$0	\$0	\$0	0
1040030 Asset Invent Dietary	\$0	\$0	\$0	0
1040040 Asset Invent Plant Oper/maint	\$0	\$0	\$0	0
1040050 Asset Invent Linens	\$0	\$0	\$0	0
1040060 Asset Invent Other	\$0	\$0	\$0	0
Subtotal	\$0	\$0	\$0	0
Prepaid Expenses				
1050010 Asset Prepd Insurance	\$17,672.7	\$0	\$0	17,672
1050020 Asset Prepd Interest	\$0	\$0	\$0	0
1050030 Asset Prepd Rent	\$0	\$0	\$0	0
1050040 Asset Prepd Pension Plan	\$0	\$0	\$0	0
1050050 Asset Prepd Taxes	\$(1,453.7)	\$1,453.7	\$0	0
1050060 Asset Prepd Other	\$0	\$0	\$0	0
Subtotal	\$16,219	\$1,453	\$0	17,672

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2008 thru September 30, 2008

Balance Sheet

DHHS ACCOUNT	PER BOOKS	ADJUSTMENTS DEBITS	CREDIT	ADJUSTED
Fixed Assets				
1061001 Fixed Asset Land	\$0	\$7,232 (3)	\$0	7,232
1061010 Fixed Asset Land Improvement	\$0	\$0	\$0	0
1061020 Fixed Asset Building	\$0	\$1,186,542 (3)	\$0	1,186,542
1061030 Fixed Asset Bldg Improvement	\$0	\$19,080 (2)	\$0	19,080
1061040 Fixed Asset Fixed Equipment	\$0	\$0	\$0	0
1061050 Fixed Asset Movable Equipment	\$73,382	\$83,632 (2)	\$73,382 (1)	83,632
1061060 Fixed Asset Leasehold Improvement	\$0	\$0	\$0	0
1061070 Fixed Asset Autos	\$0	\$0	\$0	0
1061080 Fixed Asset Constr In Progress	\$0	\$0	\$0	0
Subtotal	\$73,382	\$1,296,486	\$73,382	1,296,486
Accumulated Depreciation				
1071010 Acc Dep Land Improvement	\$0	\$0	\$0	0
1071020 Acc Dep Building	\$0	\$0	\$234,999 (2)	(234,999)
1071030 Acc Dep Bldg Improvement	\$0	\$0	\$5,402 (2)	(5,402)
1071040 Acc Dep Fixed Equipment	\$0	\$0	\$0	0
1071050 Acc Dep Movable Equipment	\$(793)	\$793 (1)	\$66,254 (2)	(66,254)
1071060 Acc Dep Leasehold Improvement	\$0	\$0	\$0	0
1071070 Acc Dep Autos	\$0	\$0	\$0	0
Subtotal	\$(793)	\$793	\$306,655	(306,655)
Long Term Investments				
1080010 Asset LT Invest Govt Securities	\$0	\$0	\$0	0
1080020 Asset LT Invest Held In Escrow	\$0	\$0	\$0	0
1080030 Asset LT Invest Funded Deprec	\$0	\$0	\$0	0
Subtotal	\$0	\$0	\$0	0
Other Assets				
1090010 Asset Deposits	\$844	\$0	\$0	844
1090020 Asset Patient Trust Funds	\$0	\$0	\$0	0
1090030 Asset Other	\$0	\$0	\$0	0
1090040 Asset Intangible	\$0	\$0	\$0	0
1090050 Asset Deferred Startup Cost	\$0	\$0	\$0	0
1090060 Asset Intercompany Acct	\$222,145	\$0	\$0	222,145
1090070 Asset Life Insurance	\$0	\$0	\$0	0
Subtotal	\$222,989	\$0	\$0	222,989
BALANCE SHEET ASSETS TOTALS	\$976,487	\$1,298,732	\$380,037	1,889,182

Accounts Payable

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2008 thru September 30, 2008

Balance Sheet

DHHS ACCOUNT		P/R BOOKS	ADJUSTMENTS DEBITS	CREDIT	ADJUSTED
Accounts Payable					
2010010	Liab Acct Payable Trade	\$(386,968)✓	\$0	\$0	(386,968)
2010020	Liab Acct Payable Other	\$(32,845)✓	\$0	\$0	(32,845)
2010030	Liab Acct Payable Salary	\$(56,743)✓	\$0	\$0	(56,743)
	Subtotal	\$(476,556)	\$0	\$0	(476,556)
Notes Payable					
2020010	Liab Note Payable Vendor/bank	\$0	\$0	\$0	0
2020020	Liab Note Payable Cur Portion LTD	\$0	\$0	\$0	0
	Subtotal	\$0	\$0	\$0	0
Payroll Taxes Withheld/Accrued					
2030010	Liab P/R FICA	\$(29,149)✓	\$0	\$0	(29,149)
2030020	Liab P/R Federal Income Tax	\$(3,208)✓	\$0	\$0	(3,208)
2030030	Liab P/R State Income Tax	\$1,351 ✓	\$0	\$0	1,351
2030040	Liab P/R State/fed Unemployment	\$0	\$0	\$0	0
2030050	Liab P/R Hospitalization Insurance	\$0	\$0	\$0	0
2030060	Liab P/R Accrued Empl Benefit	\$(767)✓	\$0	\$0	(767)
	Subtotal	\$(31,773)	\$0	\$0	(31,773)
Other Payable					
2040010	Liab Other Payable Interest	\$0	\$0	\$0	0
2040020	Liab Other Payable Rent	\$0	\$0	\$0	0
2040030	Liab Other Payable 3rd Party Payor	\$(253,356)✓	\$0	\$0	(253,356)
2040040	Liab Other Payable Other Funds	\$0	\$0	\$0	0
2040050	Liab Other Payable Other	\$0	\$0	\$0	0
2040060	Liab Other Payable Patient Trust Fund	\$0	\$0	\$0	0
	Subtotal	\$(253,356)	\$0	\$0	(253,356)
Other Taxes Payable					
2050010	Liab Tax Payable Real & Personal Property Tax	\$(40,386)✓	\$0	\$0	(40,386)
2050020	Liab Tax Payable Sales Tax	\$0	\$0	\$0	0
2050030	Liab Tax Payable Federal Income Tax	\$0	\$0	\$0	0
2050040	Liab Tax Payable State Income Tax	\$0	\$0	\$0	0
	Subtotal	\$(40,386)	\$0	\$0	(40,386)
Long Term Debt					
2060010	Liab LTD Notes Payable	\$(5,876)✓	\$0	\$0	(5,876)
2060020	Liab LTD Deferred Tax Payable	\$0	\$0	\$0	0
2060030	Liab LTD Mortgage Payable	\$0	\$0	\$0	0
2060040	Liab LTD Constr Loan Payable	\$0	\$0	\$0	0
2060050	Liab LTD Due To Shareholder	\$0	\$0	\$0	0
2060060	Liab LTD Cap Lease Obligation	\$0	\$0	\$0	0
2060070	Liab LTD Inter Co Acct	\$(374,694)✓	\$0	\$0	(374,694)
	Subtotal	\$(380,570)	\$0	\$0	(380,570)

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2008 thru September 30, 2008

Balance Sheet

DEBITS ACCOUNT		PER BOOKS	ADJUSTMENTS		
			DEBITS	CREDIT	ADJUSTED
<u>Balance Sheet Equity</u>					
2070010	Equity Common Stock	\$0	\$0	\$0	0
2070020	Equity Preferred Stock	\$0	\$0	\$0	0
2070030	Equity Treasury Stock	\$0	\$0	\$0	0
2070040	Equity Addl Contributed Capital	\$0	\$0	\$0	0
2070050	Equity Paid Dividends	\$0	\$0	\$0	0
2070060	Equity Fund Balances	\$0	\$72,589 (1)	\$991,284 (15) 991,284	(918,695)
2070070	Equity Partner's Capital	\$0	\$0	\$0	0
2070080	Equity Retained Earnings	\$0	\$0	\$0	0
2070090	Equity Net Income/loss Not on 10	\$212,154	\$0	\$0	212,154
<u>Subtotal</u>		<u>\$212,154</u>	<u>\$72,589</u>	<u>\$991,284</u>	<u>(706,541)</u>
<u>TOTALS LIABILITY & EQUITY</u>		<u>\$(970,487)</u>	<u>\$72,589</u>	<u>\$991,284</u>	<u>(1,889,182)</u>

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2001 thru September 30, 2008

Revenue & Expense Summary

DEHS ACCOUNT	PER BOOKS	ADJUSTMENTS DEBITS	CREDITS	ADJUSTED
Revenues				
Routine And Expanded Services	(2,064,593)	0	0	(2,064,593)
Ancillary Revenue	(467,939)	0	0	(467,939)
Other Revenue	(1,554)	1,554	0	0
Contract Adj/other Fund Trans	418,641	0	0	418,641
TOTAL	(2,115,445)	1,554	0	(2,113,891)

Expenses				
Nursing	701,697	176,909	0	878,606
Restorative	22,440	2,753	0	25,193
Dietary	202,970	877	73,963	129,884
Laundry	23,088	0	21	23,067
Housekeeping	73,734	544	3,964	70,314
Maintenance	49,790	3,136	21,397	31,529
Administration	411,643	123,460	333,446	201,657
Medical Records	9,845	1,200	0	11,045
Legal	0	0	0	0
Utilities	68,985	754	29,008	40,731
Taxes, Insurance & Licenses	58,807	749	23,831	35,725
Medical Supplies & Oxygen	88,562	3,516	5,999	86,079
Therapy	133,538	0	129,009	4,529
Cost Of Capital	211,248	33,744	212,999	31,993
Ancillary	34,133	0	0	34,133
Nonallowable	237,119	679,481	195,040	721,560
Certified Nurse Aide Training and Testing	0	0	0	0
TOTAL	2,327,599	1,027,123	1,028,677	2,326,045

LEDGER SUMMARY

Revenues	(2,115,445)	1,554	0	(2,113,891)
Expenses	2,327,599	1,027,123	1,028,677	2,326,045

NET INCOME/(LOSS)	\$(212,154)	\$(1,028,677)	\$(1,028,677)	\$(212,154)
--------------------------	--------------------	----------------------	----------------------	--------------------

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2008 thru September 30, 2008

Revenue & Expense

DHHS ACCOUNT	PER BOOKS	ADJUSTMENTS DEBITS	CREDIT	ADJUSTED
-----------------	--------------	-----------------------	--------	----------

Routine & Expanded Service

Private

3010010	Rev Private SNF	(293,073)	0	0	(293,073)
3010020	Rev Private ICF	(108,300)	0	0	(108,300)
Subtotal		(401,373)	0	0	(401,373)
Private Total		(401,373)	0	0	(401,373)

Medicare

3020010	Rev Medicare SNF Part A	(164,110)	0	0	(164,110)
3020020	Rev Medicare Settlement	0	0	0	0
Subtotal		(164,110)	0	0	(164,110)
Medicare Total		(164,110)	0	0	(164,110)

Medicaid

3030010	Rev Medicaid SNF	(752,535)	0	0	(752,535)
3030015	Rev Hospice SNF	0	0	0	0
3030020	Rev Medicaid ICF	(390,415)	0	0	(390,415)
3030025	Rev Hospice ICF	0	0	0	0
3030030	Rev Medicaid Settlement	0	0	0	0
Subtotal		(1,142,950)	0	0	(1,142,950)
Medicaid Total		(1,142,950)	0	0	(1,142,950)

Other Routine

3040010	Rev Other Routine SNF VA	0	0	0	0
3040020	Rev Other Routine ICF VA	0	0	0	0
3040030	Rev Other Routine SNF Other	(356,160)	0	0	(356,160)
3040040	Rev Other Routine ICF Other	0	0	0	0
Subtotal		(356,160)	0	0	(356,160)
Other Routine Total		(356,160)	0	0	(356,160)

Expanded Service

3050010	Rev Expand Svcs Home Health	0	0	0	0
3050020	Rev Expand Svcs Meals On Wheels	0	0	0	0
3050030	Rev Expand Svcs Medical Day Care	0	0	0	0
3050040	Rev Expand Svcs Hospice	0	0	0	0
3050050	Rev Expand Svcs Other	0	0	0	0
Subtotal		0	0	0	0
Expanded Service Total		0	0	0	0

Ancillary

3060110	Rev Pharmacy & Lab Medicaid	(581)	0	0	(581)
3060120	Rev Pharmacy & Lab Medicare	(71,450)	0	0	(71,450)
3060130	Rev Pharmacy & Lab Private	0	0	0	0
3060135	Rev Pharmacy & Lab Other	0	0	0	0
Subtotal		(72,031)	0	0	(72,031)

COLLETRYWOOD NURSING CENTER, LLC

November 29, 2008 thru September 30, 2008

Revenue & Expense

DKHS ACCOUNT	PER BOOKS	ADJUSTMENTS DEBITS	CREDIT	ADJUSTED
Ancillary				
Specialty Beds				
3060210 Rev Specialty Beds Medicaid	(16,319)	0	0	(16,319)
3060220 Rev Specialty Beds Medicare	(17,568)	0	0	(17,568)
3060230 Rev Specialty Beds Private	0	0	0	0
3060235 Rev Specialty Beds Other	0	0	0	0
Subtotal	(33,887)	0	0	(33,887)
Physical Therapy				
3060310 Rev Physical Ther Medicaid	(3,690)	0	0	(3,690)
3060320 Rev Physical Ther Medicare	(87,804)	0	0	(87,804)
3060330 Rev Physical Ther Private	0	0	0	0
3060335 Rev Physical Ther Other	0	0	0	0
Subtotal	(91,494)	0	0	(91,494)
Speech Therapy				
3060410 Rev Speech Ther Medicaid	0	0	0	0
3060420 Rev Speech Ther Medicare	(3,960)	0	0	(3,960)
3060430 Rev Speech Ther Private	0	0	0	0
3060435 Rev Speech Ther Other	0	0	0	0
Subtotal	(3,960)	0	0	(3,960)
Occupational Therapy				
3060510 Rev Occupational Ther Medicaid	(2,200)	0	0	(2,200)
3060520 Rev Occupational Ther Medicare	(148,749)	0	0	(148,749)
3060530 Rev Occupational Ther Private	(1,150)	0	0	(1,150)
3060535 Rev Occupational Ther Other	0	0	0	0
Subtotal	(152,099)	0	0	(152,099)
Oxygen & Respiratory Therapy				
3060610 Rev Oxygen & Respiratory Ther Medica	0	0	0	0
3060620 Rev Oxygen & Respiratory Ther Medica	0	0	0	0
3060630 Rev Oxygen & Respiratory Ther Private	0	0	0	0
3060635 Rev Oxygen & Respiratory Ther Other	0	0	0	0
Subtotal	0	0	0	0
Medical Supplies				
3060710 Rev Med Sup Medicaid	(81,845)	0	0	(81,845)
3060720 Rev Med Sup Medicare	(18,371)	0	0	(18,371)
3060730 Rev Med Sup Private	(14,126)	0	0	(14,126)
3060735 Rev Med Sup Other	0	0	0	0
Subtotal	(114,342)	0	0	(114,342)
Other Ancillary				
3060810 Rev Other Ancillary Medicaid	0	0	0	0
3060820 Rev Other Ancillary Medicare	(126)	0	0	(126)
3060830 Rev Other Ancillary Private	0	0	0	0
3060835 Rev Other Ancillary Other	0	0	0	0
Subtotal	(126)	0	0	(126)
Ancillary Total	(467,939)	0	0	(467,939)

Other Revenue

COLUMBIA WOOD NURSING CENTER, LLC

November 29, 2001 thru September 30, 2008

Revenue & Expense

DRHS ACCOUNT	PER BOOKS	ADJUSTMENTS DEBITS	CREDIT	ADJUSTED
-----------------	--------------	-----------------------	--------	----------

Other Revenue

Other Revenue

3070110	Rev Interest Restricted	0	0	0	0
3070120	Rev Interest Unrestricted	0	0	0	0
3070130	Rev Investment	0	0	0	0
3070140	Rev Beauty/barber	0	0	0	0
3070150	Rev Vending Machine	(1,439) T	1,439 (4) Utilities	0	0
3070160	Rev Employee/guest Meals	0	0	0	0
3070170	Rev Patient Laundry	0	0	0	0
3070180	Rev Rental	0	0	0	0
3070190	Rev Cable TV	0	0	0	0
3070200	Rev Telephone Commissions	0	0	0	0
3070210	Rev Personal Items	0	0	0	0
3070220	Rev Contributions	0	0	0	0
3070230	Rev Donated Commodities	0	0	0	0
3070240	Rev Bad Debt Recovery	0	0	0	0
3070250	Rev Edens Alternative	0	0	0	0
3070299	Rev Other/misc	(115) T	115 (4) Admin	0	0
Subtotal		(1,554)	1,554	0	0

Other Revenue Total	(1,554)	1,554	0	0
----------------------------	----------------	--------------	----------	----------

Contract Adj/other Fund Trans

Contract Adj/other Fund Trans

3080010	Contract Adj Medicaid	180,271 T	0	0	180,271
3080020	Contract Adj Medicare	176,573 T	0	0	176,573
3080030	Contract Adj Private	0	0	0	0
3080035	Contract Adj Other	61,797 T	0	0	61,797
3080040	Contract Adj VA	0	0	0	0
3080050	Other Funds Transfer	0	0	0	0
3080060	Other Fund Transfer Contributions	0	0	0	0
Subtotal		418,641	0	0	418,641

Contract Adj/other Fund Trans Total	418,641	0	0	418,641
--	----------------	----------	----------	----------------

REVENUES TOTALS	\$(2,115,445)	\$1,554	\$0	(2,113,891)
------------------------	----------------------	----------------	------------	--------------------

Nursing

Nursing Salaries

4010110	Nursing Salary DON	0	0	0	0
4010120	Nursing Salary RN	77,477 T	0	0	77,477
4010130	Nursing Salary LPN	310,391 T	0	0	310,391
4010140	Nursing Salary Certified Nurse Aide	260,992 T	0	0	260,992
4010150	Nursing Salary MDS Coordinator	31,800 T	0	0	31,800
4010199	Nursing Salary Other	21,037 T	0	0	21,037
Subtotal		701,697	0	0	701,697

COLLETRYWOOD NURSING CENTER, LLC

November 29, 2001 thru September 30, 2009

Revenue & Expense

DEHS ACCOUNT	PER BOOKS	ADJUSTMENTS DEBITS	CREDIT	ADJUSTED
-----------------	--------------	-----------------------	--------	----------

Nursing

Nursing Other

4010201	Nursing Consultant	0	0	0	0
4010206	Nursing Purchased Service	0	0	0	0
4010210	Nursing Home Office Allocation	0	0	0	0
4010219	Nursing Transportation Escort Service	0	0	0	0
4010220	Nursing Equipment Rent	0	0	0	0
4010221	Nursing Minor Equipment	0	58,833	0	58,833
4010230	Nursing Dues	0	0	0	0
4010231	Nursing Subscriptions	0	0	0	0
4010241	Nursing Mileage Reimb	0	0	0	0
4010244	Nursing Seminar/training	0	0	0	0
4010245	Nursing Inservice	0	0	0	0
4010260	Nursing Uniforms	0	0	0	0
4010270	Nursing Start Up Costs	0	0	0	0
4010271	Nursing Drug/background Ck	0	0	0	0
4010299	Nursing Other	0	0	0	0
Subtotal		0	58,833	0	58,833

Nursing Step Down & Income Offset

4010610	Nursing Income Offset	0	0	0	0
4010620	Nursing Step Down	0	0	0	0
Subtotal		0	0	0	0

Nursing Fringes

4010710	Nursing Fringe Payroll Tax	0	0	0	0
4010720	Nursing Fringe Employee Benefits	0	118,076	0	118,076
4010730	Nursing Fringe Workmen's Comp	0	0	0	0
4010740	Nursing Fringe Health Insurance	0	0	0	0
4010750	Nursing Fringe Group Life Insurance	0	0	0	0
4010760	Nursing Fringe Uniform Allow	0	0	0	0
Subtotal		0	118,076	0	118,076

Nursing Total		701,697	176,909	0	878,606
----------------------	--	---------	---------	---	---------

Restorative

Rest Salaries

4020110	Rest Salary Social Services	0	0	0	0
4020120	Rest Salary Activities	16,363	0	0	16,363
4020199	Rest Salary Other	0	0	0	0
Subtotal		16,363	0	0	16,363

Rest Other

4020202	Rest Consultant Activity	0	0	0	0
4020203	Rest Consultant Social Services	0	0	0	0
4020204	Rest Consultant Pharmacist	1,582	0	0	1,582
4020205	Rest Consultant Dental	0	0	0	0
4020210	Rest Home Office Allocation	0	0	0	0
4020220	Rest Equipment Rent	0	0	0	0
4020221	Rest Minor Equipment	2,984	0	0	2,984
4020230	Rest Dues	0	0	0	0
4020231	Rest Subscriptions	0	0	0	0
4020240	Rest Spec Purpose Auto	0	0	0	0
4020241	Rest Mileage Reimb	0	0	0	0
4020250	Rest Supplies	1,511	0	0	1,511
4020260	Rest Uniforms	0	0	0	0
4020270	Rest Start Up Costs	0	0	0	0
4020271	Rest Drug/background Ck	0	0	0	0
4020272	Rest Edens Alternative	0	0	0	0
4020299	Rest Other	0	0	0	0
Subtotal		6,077	0	0	6,077

COLUMBIA WOOD NURSING CENTER, LLC

November 29, 2008 thru September 30, 2008

Revenue & Expense

DEBS ACCOUNT	PER BOOKS	ADJUSTMENTS DEBITS	CREDIT	ADJUSTED
-----------------	--------------	-----------------------	--------	----------

Restorative

Rest Step Down & Income Offset

4020610	Rest Income Offset	0	0	0	0
4020620	Rest Step Down	0	0	0	0
Subtotal		0	0	0	0

Rest Fringes

4020710	Rest Fringe Payroll Tax	0	0	0	0
4020720	Rest Fringe Employee Benefits	0	2,753	0	2,753
4020730	Rest Fringe Workmen's Comp	0	0	0	0
4020740	Rest Fringe Health Insurance	0	0	0	0
4020750	Rest Fringe Group Life Insurance	0	0	0	0
4020760	Rest Fringe Uniform Allowance	0	0	0	0
Subtotal		0	2,753	0	2,753

Restorative Total		22,440	2,753	0	25,193
--------------------------	--	---------------	--------------	----------	---------------

Dietary

Diet Salaries

4030110	Diet Salary Supervisor	0	0	0	0
4030120	Diet Salary Cooks	5,209	0	0	5,209
4030130	Diet Salary Helpers	0	0	0	0
Subtotal		5,209	0	0	5,209

Diet Other

4030201	Diet Consultant	3,636	0	0	3,636
4030206	Diet Purchased Service	178,516	0	0	178,516
4030210	Diet Home Office Allocation	0	0	0	0
4030220	Diet Equipment Rent	0	0	0	0
4030221	Diet Minor Equipment	0	0	0	0
4030230	Diet Dues	0	0	0	0
4030231	Diet Subscriptions	0	0	0	0
4030240	Diet Spec Purpose Auto	0	0	0	0
4030241	Diet Mileage Reimb	0	0	0	0
4030250	Diet Supplies	826	0	0	826
4030260	Diet Uniforms	0	0	0	0
4030270	Diet Start Up Costs	0	0	0	0
4030271	Diet Drug/background Ck	0	0	0	0
4030280	Diet Food/nutrients	14,783	0	0	14,783
4030281	Diet Enteral PBN Nonbillable	0	0	0	0
4030282	Diet Dishes/utensils	0	0	0	0
4030299	Diet Other	0	0	0	0
Subtotal		197,761	0	0	197,761

Diet Step Down & Income Offset

4030610	Diet Income Offset	0	0	0	0
4030620	Diet Step Down	0	0	73,963	(73,963)
Subtotal		0	0	73,963	(73,963)

Diet Fringes

4030710	Diet Fringe Payroll Tax	0	0	0	0
4030720	Diet Fringe Employee Benefits	0	877	0	877
4030730	Diet Fringe Workmen's Comp	0	0	0	0
4030740	Diet Fringe Health Insurance	0	0	0	0
4030750	Diet Fringe Group Life Insurance	0	0	0	0
4030760	Diet Fringe Uniform Allowance	0	0	0	0
Subtotal		0	877	0	877

Dietary Total		202,970	877	73,963	129,884
----------------------	--	----------------	------------	---------------	----------------

Laundry

May 20, 2009

8:16:07AM

Revenue & Expense
Provider Version

Page 19

R0887

COLUMBIA WOOD NURSING CENTER, LLC

November 29, 2001 thru September 30, 2008

Revenue & Expense

DHHS ACCOUNT	PER BOOKS	ADJUSTMENTS DEBITS	CREDIT	ADJUSTED
-----------------	--------------	-----------------------	--------	----------

Laundry

Laundry Salaries

4040110	Laundry Salary General	0	0	0	0
Subtotal		0	0	0	0

Laundry Other

4040206	Laundry Purchased Service	23,031	0	0	23,031
4040210	Laundry Home Office Allocation	0	0	0	0
4040220	Laundry Equipment Rent	0	0	0	0
4040221	Laundry Minor Equipment	0	0	0	0
4040230	Laundry Dues	0	0	0	0
4040231	Laundry Subscriptions	0	0	0	0
4040240	Laundry Spec Purpose Auto	0	0	0	0
4040241	Laundry Mileage Reimb	0	0	0	0
4040250	Laundry Supplies	0	0	0	0
4040260	Laundry Uniforms	0	0	0	0
4040270	Laundry Start Up Costs	0	0	0	0
4040271	Laundry Drug/background Ck	0	0	0	0
4040280	Laundry Linen	57	0	0	57
4040281	Laundry Cloth Diapers	0	0	0	0
4040299	Laundry Other	0	0	0	0
Subtotal		23,088	0	0	23,088

Laundry Step Down & Income Offset

4040610	Laundry Income Offset	0	0	0	0
4040620	Laundry Step Down	0	0	21	(21)
Subtotal		0	0	21	(21)

Laundry Fringes

4040710	Laundry Fringe Payroll Tax	0	0	0	0
4040720	Laundry Fringe Employee Benefits	0	0	0	0
4040730	Laundry Fringe Workmen's Comp	0	0	0	0
4040740	Laundry Fringe Health Insurance	0	0	0	0
4040750	Laundry Fringe Group Life Insurance	0	0	0	0
4040760	Laundry Fringe Uniform Allowance	0	0	0	0
Subtotal		0	0	0	0

Laundry Total		23,088	0	21	23,067
----------------------	--	---------------	----------	-----------	---------------

Housekeeping

Housekeeping Salaries

4050110	Hskp Salary Supervisor	0	0	0	0
4050120	Hskp Salary Housekeepers	0	0	0	0
4050130	Hskp Salary Janitors	0	0	0	0
Subtotal		0	0	0	0

Housekeeping Other

4050206	Hskp Purchase Service	64,465	0	0	64,465
4050210	Hskp Home Office Allocation	0	0	0	0
4050220	Hskp Equipment Rent	0	0	0	0
4050221	Hskp Minor Equipment	0	0	0	0
4050230	Hskp Dues	0	0	0	0
4050231	Hskp Subscriptions	0	0	0	0
4050240	Hskp Spec Purpose Auto	0	0	0	0
4050241	Hskp Mileage Reimb	0	0	0	0
4050250	Hskp Supplies	9,269	544	0	9,813
4050260	Hskp Uniforms	0	0	0	0
4050270	Hskp Start Up Costs	0	0	0	0
4050271	Hskp Drug/background Ck	0	0	0	0
4050299	Hskp Other	0	0	0	0
Subtotal		73,734	544	0	74,278

COLLINSWOOD NURSING CENTER, LLC

November 29, 2008 thru September 30, 2008

Revenue & Expense

DHHS ACCOUNT	PER BOOKS	ADJUSTMENTS DEBITS	CREDIT	ADJUSTED
-----------------	--------------	-----------------------	--------	----------

Housekeeping

Step Down & Income Offset

4050610	Hskp Income Offset	0	0	0	0
4050620	Hskp Step Down	0	0	3,964 (12)	(3,964)
Subtotal		0	0	3,964	(3,964)

Hskp Fringes

4050710	Hskp Fringe Payroll Tax	0	0	0	0
4050720	Hskp Fringe Employee Benefits	0	0	0	0
4050730	Hskp Fringe Workmen's Comp	0	0	0	0
4050740	Hskp Fringe Health Insurance	0	0	0	0
4050750	Hskp Fringe Group Life Insurance	0	0	0	0
4050760	Hskp Fringe Uniform Allowance	0	0	0	0
Subtotal		0	0	0	0

Housekeeping Total		73,734	544	3,964	70,314
---------------------------	--	---------------	------------	--------------	---------------

Maintenance

Maint Salaries

4060110	Maint Salary General	17,235	0	0	17,235
Subtotal		17,235	0	0	17,235

Maint Other

4060201	Maint Consultant	0	0	0	0
4060206	Maint Purchased Service	433	0	0	433
4060210	Maint Home Office Allocation	0	236 (10)	0	236
4060220	Maint Equipment Rent	1,719	0	0	1,719
4060221	Maint Minor Equipment	0	0	0	0
4060230	Maint Dues	0	0	0	0
4060231	Maint Subscriptions	0	0	0	0
4060240	Maint Spec Purpose Auto	0	0	0	0
4060241	Maint Mileage Reimb	0	0	0	0
4060250	Maint Supplies	932	0	0	932
4060260	Maint Uniforms	0	0	0	0
4060270	Maint Start Up Costs	0	0	0	0
4060271	Maint Drug/background Ck	0	0	0	0
4060280	Maint Non Capital Repair	9,717	0	0	9,717
4060281	Maint Lawn Services	3,897	0	0	3,897
4060282	Maint Painting	0	0	0	0
4060299	Maint Other	15,857	0	0	15,857
Subtotal		32,555	236	0	32,791

Maint Step Down & Income Offset

4060610	Maint Income Offset	0	0	0	0
4060620	Maint Step Down	0	0	21,397 (12)	(21,397)
Subtotal		0	0	21,397	(21,397)

Maint Fringes

4060710	Maint Fringe Payroll Tax	0	0	0	0
4060720	Maint Fringe Employee Benefits	0	2,900 (5)	0	2,900
4060730	Maint Fringe Workmen's Comp	0	0	0	0
4060740	Maint Fringe Health Insurance	0	0	0	0
4060750	Maint Fringe Group Life Insurance	0	0	0	0
4060760	Maint Fringe Uniform Allowance	0	0	0	0
Subtotal		0	2,900	0	2,900

Maintenance Total		49,790	3,136	21,397	31,529
--------------------------	--	---------------	--------------	---------------	---------------

Administration

COL RYWOOD NURSING CENTER, LLC

November 29, 2001 thru September 30, 2008

Revenue & Expense

DHHS ACCOUNT	PER BOOKS	ADJUSTMENTS DEBITS	CREDIT	ADJUSTED
Administration				
Adm Salaries				
4070110 Adm Salary Administrator	0	0	0	0
4070120 Adm Salary Asst Administrator	0	0	0	0
4070130 Adm Salary Bookkeeper	0	0	0	0
4070140 Adm Salary Receptionist	0	0	0	0
4070150 Adm Salary Secretary	0	0	0	0
4070160 Adm Salary Clerk	61,693 T	0	0	61,693
4070170 Adm Salary Admissions Clerk	0	0	0	0
4070199 Adm Salary Admissions Coordinator	0	0	0	0
Subtotal	61,693	0	0	61,693
Adm Other				
4070206 Adm Purchased Service	6,284 T	49,178 (15)	3,357 (11) 2559	52,110
4070207 Adm Professional Accounting	50,621 T	0	17,736 (11) 3111	32,885
4070208 Adm Professional Other	0	0	0	0
4070209 Adm Management Fee Nonrelated Party	0	0	0	0
4070210 Adm Home Office Allocation	110,000 T	33,029 (10)	110,000 (10)	33,029
4070211 Adm Home Office Bldg Rent Non Rela	0	0	0	0
4070212 Adm Data Proc., software & Maint. Cost	1,580 T	2,455 (2)	0	4,035
4070213 Adm Cost Report Preparation Fee	0	0	0	0
4070220 Adm Equipment Rent	3,156 T	0	0	3,156
4070221 Adm Minor Equipment	0	21,485 (11) 12,322	0	21,485
4070230 Adm Dues	2,415 T	0	685 (11) 154	1,730
4070231 Adm Subscriptions	0	0	0	0
4070241 Adm Mileage Reimb	4,373 T	0	0	4,373
4070242 Adm Auto Mileage	0	0	0	0
4070243 Adm Board Of Dir Travel to Board Meet	0	0	0	0
4070244 Adm Seminar/Training Non Nursing	4,608 T	0	0	4,608
4070250 Adm Supplies	7,459 T	0	0	7,459
4070270 Adm Start Up Costs	0	0	0	0
4070271 Adm Drug/background Ck	2,450 T	0	0	2,450
4070280 Adm Advertising	0	0	0	0
4070281 Adm Relocate/recruitment	0	0	0	0
4070283 Adm Printing	0	0	0	0
4070284 Adm Postage	623 T	0	0	623
4070285 Adm Copier	0	0	0	0
4070286 Adm Bank/freight Fees	4,682 T	0	3,931 (11)	751
4070287 Adm Telephone	6,058 T	0	0	6,058
4070298 Adm Working Capital Interest	0	0	0	0
4070299 Adm Other	0	0	0	0
Subtotal	204,309	106,147	135,704	174,752
Adm Step Down & Income Offset				
4070610 Adm Income Offset	0	0	115 (4)	(115)
4070620 Adm Step Down	0	0	45,054 (12)	(45,054)
Subtotal	0	0	45,169	(45,169)
Fringes				
4070710 Adm Fringe Payroll Tax	86,219 T	0	86,219 (5)	0
4070720 Adm Fringe Employee Benefits	0	10,381 (5)	0	10,381
4070730 Adm Fringe Workmen's Comp	36,437 T	3,998 (10)	40,435 (5)	0
4070740 Adm Fringe Health Insurance	22,985 T	2,934 (13)	25,919 (5)	0
4070750 Adm Fringe Group Life Insurance	0	0	0	0
Subtotal	145,641	17,313	152,573	10,381
Administration Total	411,643	123,460	333,446	201,657

Medical Records

CO. TRYWOOD NURSING CENTER, LLC

November 29, 2008 thru September 30, 2008

Revenue & Expense

DHHS ACCOUNT	PER BOOKS	ADJUSTMENTS DEBITS	CREDIT	ADJUSTED
-----------------	--------------	-----------------------	--------	----------

Medical Records

Med Rec Salaries

4080110	Med Rec Salary General	0	0	0	0
Subtotal		0	0	0	0

Med Rec Other

4080201	Med Rec Consultant	845	0	0	845
4080210	Med Rec Home Office Allocation	0	0	0	0
4080220	Med Rec Equipment Rent	0	0	0	0
4080221	Med Rec Minor Equipment	0	0	0	0
4080230	Med Rec Dues	0	0	0	0
4080231	Med Rec Subscriptions	0	0	0	0
4080241	Med Rec Mileage Reimb	0	0	0	0
4080250	Med Rec Supplies	0	0	0	0
4080271	Med Rec Drug/background Ck	0	0	0	0
4080280	Med Rec Medical Director Fees	9,000	1,200	0	10,200
4080281	Med Rec Utilization Review	0	0	0	0
4080299	Med Rec Other	0	0	0	0
Subtotal		9,845	1,200	0	11,045

Med Rec Step Down & Income Offset

4080610	Med Rec Income Offset	0	0	0	0
4080620	Med Rec Step Down	0	0	0	0
Subtotal		0	0	0	0

Med Rec Fringes

4080710	Med Rec Fringe Payroll Tax	0	0	0	0
4080720	Med Rec Fringe Employee Ben	0	0	0	0
4080730	Med Rec Fringe Workmen's Comp	0	0	0	0
4080740	Med Rec Fringe Health Insurance	0	0	0	0
4080750	Med Rec Fringe Group Life Insurance	0	0	0	0
4080760	Med Rec Fringe Uniform Allow	0	0	0	0
Subtotal		0	0	0	0

Medical Records Total		9,845	1,200	0	11,045
------------------------------	--	--------------	--------------	----------	---------------

Legal

Legal

4090201	Legal Fees	0	0	0	0
4090210	Legal Home Office Allocation	0	0	0	0
4090610	Legal Income Offset	0	0	0	0
4090620	Legal Step Down	0	0	0	0
Subtotal		0	0	0	0

Legal Total		0	0	0	0
--------------------	--	----------	----------	----------	----------

Utilities

Utilities

4100210	Utilities Home Office Allocation	0	754	0	754
4100280	Utilities Electricity	52,742	0	0	52,742
4100281	Utilities Garbage Collection Fees	0	0	0	0
4100282	Utilities Heating	940	0	0	940
4100283	Utilities Sewer	0	0	0	0
4100284	Utilities Water	8,323	0	0	8,323
4100299	Utilities Other (Peak Control Purchase to	6,980	0	0	6,980
4100610	Utilities Income Offset	0	0	1,439	(1,439)
4100620	Utilities Step Down	0	0	27,369	(27,369)
Subtotal		68,985	754	29,008	40,731

Utilities Total		68,985	754	29,008	40,731
------------------------	--	---------------	------------	---------------	---------------

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2008 thru September 30, 2008

Revenue & Expense

DHHS ACCOUNT	PER BOOKS	ADJUSTMENTS DEBITS	CREDIT	ADJUSTED
-----------------	--------------	-----------------------	--------	----------

Taxes, Insurance & License

Taxes, Insurance & Licenses

4110210	Taxes, Ins & Lic Home Office Allocation	0	749 (10)	0	749
4110280	Taxes, Ins & Lic Tax Business	0	0	0	0
4110281	Taxes, Ins & Lic Tax Personal Property	0	0	0	0
4110282	Taxes, Ins & Lic Tax Real Property	43,133 T	0	0	43,133
4110283	Taxes, Ins & Lic Insurance Property	9,599 T	0	0	9,599
4110284	Taxes, Ins & Lic Insurance General	1,083 T	0	0	1,083
4110285	Taxes, Ins & Lic Insurance Liability	0	0	0	0
4110286	Taxes, Ins & Lic Licenses	4,992 T	0	999 (10)	3,993
4110299	Taxes, Ins & Lic Other	0	0	0	0
4110610	Taxes, Ins & Lic Income Offset	0	0	0	0
4110620	Taxes, Ins & Lic Step Down	0	0	22,832 (10)	(22,832) S
Subtotal		58,807	749	23,831	35,725

Taxes, Insurance & License Total

		58,807	749	23,831	35,725
--	--	--------	-----	--------	--------

Medical Supplies & Oxygen

MS & Oxy Salaries

4120110	MS & Oxy Salary General	0	0	0	0
Subtotal		0	0	0	0

MS & Oxy Other

4120271	MS & Oxy Drug/background Ck	0	0	0	0
4120281	MS & Oxy External PEN Billable	0	0	0	0
4120290	MS & Oxy Med Sup Billable	34,416 T	2,720 (10)	0	37,136
4120291	MS & Oxy Med Sup Equip Rent	0	0	0	0
4120292	MS & Oxy Med Sup Minor Equip	0	0	0	0
4120299	MS & Oxy Med Sup Other	0	0	0	0
4120390	MS & Oxy Oxygen/RT Purchase	1,373 T	0	0	1,373
4120391	MS & Oxy Oxygen/RT Equip Rent	0	0	0	0
4120392	MS & Oxy Oxygen/RT Minor Equip	0	0	0	0
4120399	MS & Oxy Oxygen/RT Other	0	0	0	0
4120400	MS & Oxy Air Fluid/spec Bed	16,944 T	0	0	16,944
4120500	MS & Oxy IV Therapy Nonbillable	0	0	0	0
4120501	MS & Oxy Hepatitis B Vaccine	0	0	0	0
4120502	MS & Oxy Underpads	0	0	0	0
4120503	MS & Oxy Disposable Diapers	18,216 T	796 (10)	0	19,012
4120504	MS & Oxy Nursing Supplies Nonbillable	0	0	0	0
4120505	MS & Oxy OTC/Non Legend Drugs	17,613 T	0	0	17,613
Subtotal		88,562	3,516	0	92,078

MS & Oxy Step Down & Income Offset

4120610	MS & Oxy Income Offset	0	0	5,999 (10)	(5,999)
4120620	MS & Oxy Step Down	0	0	0	0
Subtotal		0	0	5,999	(5,999)

MS & Oxy Fringes

4120710	MS & Oxy Fringe Payroll Tax	0	0	0	0
4120720	MS & Oxy Fringe Employee Benefits	0	0	0	0
4120730	MS & Oxy Fringe Workmen's Comp	0	0	0	0
4120740	MS & Oxy Fringe Health Insurance	0	0	0	0
4120750	MS & Oxy Fringe Group Life Insurance	0	0	0	0
4120760	MS & Oxy Fringe Uniform Allowance	0	0	0	0
Subtotal		0	0	0	0

Medical Supplies & Oxygen Total

		88,562	3,516	5,999	86,079
--	--	--------	-------	-------	--------

OTHER

COUNTRYWOOD NURSING CENTER, L.

November 29, 2008 thru September 30, 2008

Revenue & Expense

DIHS ACCOUNT	PER BOOKS	ADJUSTMENTS DEBITS	CREDIT	ADJUSTED
-----------------	--------------	-----------------------	--------	----------

THERAPY

Physical Therapy

PT Salaries

4130110	PT Salary General	0	0	0	0
Subtotal		0	0	0	0

PT Other

4130201	PT Consultant	0	0	0	0
4130206	PT Purchased Service	53,541	0	0	53,541
4130220	PT Equipment Rent	0	0	0	0
4130221	PT Minor Equipment	0	0	0	0
4130250	PT Supplies	0	0	0	0
4130271	PT Drug/background Ck	0	0	0	0
4130299	PT Other	0	0	0	0
Subtotal		53,541	0	0	53,541

PT Step Down & Income Offset

4130610	PT Income Offset	0	0	50,553	(50,553)
4130620	PT Step Down	0	0	0	0
Subtotal		0	0	50,553	(50,553)

PT Fringes

4130710	PT Fringe Payroll Tax	0	0	0	0
4130720	PT Fringe Employee Benefits	0	0	0	0
4130730	PT Fringe Workmen's Comp	0	0	0	0
4130740	PT Fringe Health Insurance	0	0	0	0
4130750	PT Fringe Group Life Insurance	0	0	0	0
4130760	PT Fringe Uniform Allowance	0	0	0	0
Subtotal		0	0	0	0

Physical Therapy Total		53,541	0	50,553	2,988
-------------------------------	--	--------	---	--------	-------

Speech Therapy

ST Salaries

4140110	ST Salary General	0	0	0	0
Subtotal		0	0	0	0

ST Other

4140201	ST Consultant	0	0	0	0
4140206	ST Purchased Service	3,032	0	0	3,032
4140220	ST Equipment Rent	0	0	0	0
4140221	ST Minor Equipment	0	0	0	0
4140250	ST Supplies	0	0	0	0
4140271	ST Drug/background Ck	0	0	0	0
4140299	ST Other	0	0	0	0
Subtotal		3,032	0	0	3,032

ST Step Down & Income Offset

4140610	ST Income Offset	0	0	3,032	(3,032)
4140620	ST Step Down	0	0	0	0
Subtotal		0	0	3,032	(3,032)

ST Fringes

4140710	ST Fringe Payroll Tax	0	0	0	0
4140720	ST Fringe Employee Benefits	0	0	0	0
4140730	ST Fringe Workmen's Comp	0	0	0	0
4140740	ST Fringe Health Insurance	0	0	0	0
4140750	ST Fringe Group Life Insurance	0	0	0	0
4140760	ST Fringe Uniform Allowance	0	0	0	0
Subtotal		0	0	0	0

COUNTRYWOOD NURSING CENTER, LL

November 29, 2001 thru September 30, 2008

Revenue & Expense

DEHS ACCOUNT	PER BOOKS	ADJUSTMENTS DEBITS	CREDIT	ADJUSTED
-----------------	--------------	-----------------------	--------	----------

THERAPY

Speech Therapy Total	3,032	0	3,032	0
----------------------	-------	---	-------	---

Occupational Therapy

OT Salaries

4150110 OT Salary General	0	0	0	0
Subtotal	0	0	0	0

OT Other

4150201 OT Consultant	0	0	0	0
4150206 OT Purchased Service	76,965	0	0	76,965
4150220 OT Equipment Rent	0	0	0	0
4150221 OT Minor Equipment	0	0	0	0
4150250 OT Supplies	0	0	0	0
4150271 OT Drug/background Ck	0	0	0	0
4150299 OT Other	0	0	0	0
Subtotal	76,965	0	0	76,965

OT Step Down & Income Offset

4150610 OT Income Offset	0	0	75,424 (1)	(75,424)
4150620 OT Step Down	0	0	0	0
Subtotal	0	0	75,424	(75,424)

OT Fringes

4150710 OT Fringe Payroll Tax	0	0	0	0
4150720 OT Fringe Employee Benefits	0	0	0	0
4150730 OT Fringe Workmen's Comp	0	0	0	0
4150740 OT Fringe Health Insurance	0	0	0	0
4150750 OT Fringe Group Life Insurance	0	0	0	0
4150760 OT Fringe Uniform Allowance	0	0	0	0
Subtotal	0	0	0	0

Occupational Therapy Total	76,965	0	75,424	1,541
----------------------------	--------	---	--------	-------

THERAPY Total	\$133,538	\$0	\$129,009	4,529
---------------	-----------	-----	-----------	-------

Cost of Capital

Cost Of Capital

4250620 Coc Step Down	0	0	1,751 (12)	(1,751)
Subtotal	0	0	1,751	(1,751)

Coc Depreciation

4251010 Coc Deprec Land Improvements	0	0	0	0
4251020 Coc Deprec Building	0	24,882 (1)	0	24,882
4251030 Coc Deprec Building Improvement	0	1,600 (2)	0	1,600
4251040 Coc Deprec Fixed Equipment	793	0	793 (1)	0
4251050 Coc Deprec Movable Equipment	0	7,015 (2)	0	7,015
4251060 Coc Deprec Leasehold Improvement	0	0	0	0
4251070 Coc Deprec Capitalized Lease	0	0	0	0
4251210 Coc Deprec Home Office Building	0	247 (10)	0	247
4251611 Coc Deprec Income/gain On Sale	0	0	0	0
4251612 Coc Deprec Loss On Sale Of Asset	0	0	0	0
Subtotal	793	33,744	793	33,744

(247)

33,497

Dep.
Exp.

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2008 thru September 30, 2008

Revenue & Expense

DEHS ACCOUNT	PER BOOKS	ADJUSTMENTS DEBITS	CREDIT	ADJUSTED
-----------------	--------------	-----------------------	--------	----------

Cost of Capital

<u>Coc Rent</u>				
4252010 Coc Rent Building	210,077	0	210,077	0
4252020 Coc Rent Equipment	0	0	0	0
4252299 Coc Rent Other	0	0	0	0
4252611 Coc Rent Income	0	0	0	0
<u>Subtotal</u>	<u>210,077</u>	<u>0</u>	<u>210,077</u>	<u>0</u>

<u>Coc Interest</u>				
4253010 Coc Interest Building	378	0	378	0
4253020 Coc Interest Equipment	0	0	0	0
4253030 Coc Interest Historical	0	0	0	0
4253210 Coc Interest Home Office Allocation	0	0	0	0
4253299 Coc Interest Other	0	0	0	0
4253611 Coc Interest Income	0	0	0	0
<u>Subtotal</u>	<u>378</u>	<u>0</u>	<u>378</u>	<u>0</u>

<u>Coc Amortization</u>				
4254010 Coc Amort Deferred Interest	0	0	0	0
4254020 Coc Amort Organization Cost	0	0	0	0
4254030 Coc Amort Loan Cost	0	0	0	0
4254210 Coc Amort Home Office Allocation	0	0	0	0
4254299 Coc Amort Other	0	0	0	0
4254511 Coc Amort Income	0	0	0	0
<u>Subtotal</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

Cost of Capital Total	211,248	33,744	212,999	31,993
-----------------------	---------	--------	---------	--------

Ancillary

<u>Ancill Salaries</u>				
4260110 Ancill Salary Pharmacy	0	0	0	0
4260120 Ancill Salary Laboratory	0	0	0	0
4260130 Ancill Salary X Ray	0	0	0	0
4260199 Ancill Salary Other	0	0	0	0
<u>Subtotal</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

<u>Ancill Other</u>				
4260206 Ancill Purchased Service	0	0	0	0
4260220 Ancill Equipment Rent	0	0	0	0
4260221 Ancill Minor Equipment	0	0	0	0
4260250 Ancill Supplies	0	0	0	0
4260260 Ancill Uniforms	0	0	0	0
4260271 Ancill Drug/background Ck	0	0	0	0
4260280 Ancill Prescription Drugs	33,169	0	0	33,169
4260299 Ancill Other X Ray + Lab	964	0	0	964
4260500 Ancill Iv Therapy Billable	0	0	0	0
4260611 Ancill Income	0	0	0	0
<u>Subtotal</u>	<u>34,133</u>	<u>0</u>	<u>0</u>	<u>34,133</u>

<u>Ancill Fringes</u>				
4260710 Ancill Fringe Payroll Tax	0	0	0	0
4260720 Ancill Fringe Employee Benefits	0	0	0	0
4260730 Ancill Fringe Workmen's Comp	0	0	0	0
4260740 Ancill Fringe Health Insurance	0	0	0	0
4260750 Ancill Fringe Group Life Insurance	0	0	0	0
4260760 Ancill Fringe Uniform Allowance	0	0	0	0
<u>Subtotal</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

Ancillary Total	34,133	0	0	34,133
-----------------	--------	---	---	--------

Nonallowable

May 20, 2009 8:16:07AM

Revenue & Expense
Provider Version

Page 27

R0895

COUNTRYWOOD NURSING CENTER, L.

November 29, 2008 - thru September 30, 2008

Revenue & Expense

DHHS ACCOUNT	PER BOOKS	ADJUSTMENTS DEBITS	CREDIT	ADJUSTED
-----------------	--------------	-----------------------	--------	----------

Nonallowable

Nonallowable

4270201	Nonall Legal	66,630	0	0	66,630
4270210	Nonall Interest	379	0	0	379
4270211	Nonall Interest DHHS Payback	0	0	0	0
4270212	Nonall Amortization Goodwill	0	0	0	0
4270214	Nonall Salaries	104,509	0	0	104,509
4270215	Nonall Payroll Tax & Fringes	0	17,586	0	17,586
4270216	Nonall Insurance Officers Key Man Life	0	0	0	0
4270217	Nonall Federal Income Tax	0	0	0	0
4270218	Nonall State Income Tax	0	0	0	0
4270220	Nonall Equipment Rent	0	0	0	0
4270230	Nonall Dues	0	231	0	231
4270242	Nonall Admin Auto Cost	0	0	0	0
4270271	Nonall Drug/background Ck	0	0	0	0
4270280	Nonall Ads/public Relations	5,838	0	0	5,838
4270281	Nonall Vending Machines	0	0	0	0
4270282	Nonall Television	0	0	0	0
4270283	Nonall Beauty & Barber	0	0	0	0
4270284	Nonall Non NHI Personal Laundry	0	0	0	0
4270285	Nonall Private Pay Wing	35,284	32,177	0	67,461
4270286	Nonall Gift Shop	0	0	0	0
4270287	Nonall Hospital	0	0	0	0
4270288	Nonall Apartments	0	0	0	0
4270289	Nonall Hospice	0	0	0	0
4270290	Nonall Physician Fees	0	0	0	0
4270291	Nonall Director Fees	0	0	0	0
4270292	Nonall Personal Items	0	0	0	0
4270293	Nonall Ambulance Service	1,140	0	0	1,140
4270294	Nonall Bad Debts	222,135	0	0	222,135
4270295	Nonall Cash Over/short	0	0	0	0
4270296	Nonall Contributions	0	0	0	0
4270297	Nonall Fund Raising Costs	0	0	0	0
4270298	Nonall Ann Union	0	0	0	0
4270299	Nonall Other	(198,796)	432,936	195,040	39,100
4270620	Nonall Step Down	0	196,551	0	196,551

Subtotal	237,119	679,481	195,040	721,560
----------	---------	---------	---------	---------

Nonallowable Total	237,119	679,481	195,040	721,560
--------------------	---------	---------	---------	---------

CNA Training & Testing

CNA Training Salaries

4280110	CNA Training Salary DON	0	0	0	0
4280120	CNA Training Salary RN	0	0	0	0
4280130	CNA Training Salary LPN	0	0	0	0

Subtotal	0	0	0	0
----------	---	---	---	---

CNA Training - OTHER

4280206	CNA Testing Purchased Service	0	0	0	0
4280207	CNA Training Purchased Service	0	0	0	0
4280210	CNA Trng & Testing Home Office Allo	0	0	0	0
4280220	CNA Training Equipment Rent	0	0	0	0
4280221	CNA Training Minor Equipment	0	0	0	0
4280241	CNA Training Mileage Reimb	0	0	0	0
4280299	CNA Training Other	0	0	0	0
4280610	CNA Training Income Offset	0	0	0	0

Subtotal	0	0	0	0
----------	---	---	---	---

COUNTRYWOOD NURSING CENTER, LA.

November 29, 2006 thru September 30, 2008

Revenue & Expense

DHHS ACCOUNT	PER BOOKS	ADJUSTMENTS		ADJUSTED
		DEBITS	CREDIT	

CNA Training & Testing

<u>CNA Training Fringe</u>				
4280140	Feeding Assistant Training Salary	0	0	0
4280710	CNA Training Fringe Payroll Tax	0	0	0
4280720	CNA Training Fringe Employee Benefits	0	0	0
4280730	CNA Training Fringe Workmen's Comp	0	0	0
4280740	CNA Training Fringe Health Insurance	0	0	0
4280750	CNA Training Fringe Group Life Insur	0	0	0
4280760	CNA Training Fringe Uniform Allow	0	0	0
<u>Subtotal</u>		0	0	0

CNA Training & Testing Total	0	0	0	0
------------------------------	---	---	---	---

EXPENSES TOTALS	\$2,327,599	\$1,027,123	\$1,028,677	2,326,045
-----------------	-------------	-------------	-------------	-----------

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2007 thru September 30, 2008

Adjustment Schedule

ADJ. No	ACCOUNT TITLE	EXPLANATION & CALCULATIONS	DHHS ACCOUNT NUMBER	AMOUNT DEBIT	CREDIT
1 TO REMOVE BOOK FIXED ASSETS					
	Acc Dep Movable Equipment		1071050	793 T	0
	Equity Fund Balances		2070060	72,589 T	0
	Nonall Other		4270299	793 T	0
	Fixed Asset Movable Equipment		1061050	0	73,382 T
	Coc Deprec Fixed Equipment		4251040	0	793 T
2 TO RECORD HISTORICAL COST FIXED ASSETS AND ASSISTED LIVING DEPRECIATION EXPENSE					
	Fixed Asset Land		1061001	7,232 T	0
	Fixed Asset Building		1061020	1,186,542 T	0
	Fixed Asset Bldg Improvement		1061030	19,080 T	0
	Fixed Asset Movable Equipment		1061050	83,632 T	0
	Coc Deprec Building		4251020	24,882 T	0
	Coc Deprec Building Improvement		4251030	1,600 T	0
	Coc Deprec Movable Equipment		4251050	7,015 T	0
	Nonall Private Pay Wing		4270285	26,791 T	0
	Acc Dep Building		1071020	0	234,999 T
	Acc Dep Bldg Improvement		1071030	0	5,402 T
	Acc Dep Movable Equipment		1071050	0	66,254 T
	Equity Fund Balances		2070060	0	989,831 T
	Nonall Other		4270299	0	60,288 T
3 TO EXPENSE MINOR EQUIPMENT PURCHASES LESS THAN \$5,000					
	Nursing Minor Equipment		4010221	58,833 T	0
	Adm Minor Equipment		4070221	9,163 T	0
	Nonall Private Pay Wing		4270285	5,386 T	0
	Nonall Other		4270299	0	73,382 T
4 TO OFFSET EXPENSE WITH RELATED INCOME					
	Rev Vending Machine		3070150	1,439 T	0
	Rev Other/misc		3070299	115 T	0
	Adm Income Offset		4070610	0	115 T
	Utilities Income Offset		4100610	0	1,439 T
5 TO ALLOCATE EMPLOYEE BENEFITS (SE W/P)					
	Nursing Fringe Employee Benefits		4010720	118,076 T	0
	Rest Fringe Employee Benefits		4020720	2,753 T	0
	Diet Fringe Employee Benefits		4030720	877 T	0
	Maint Fringe Employee Benefits		4060720	2,900 T	0
	Adm Fringe Employee Benefits		4070720	10,381 T	0
	Nonall Payroll Tax & Fringes		4270215	17,586 T	0
	Adm Fringe Payroll Tax		4070710	0	86,219 T
	Adm Fringe Workmen's Comp		4070730	0	40,435 T
	Adm Fringe Health Insurance		4070740	0	25,919 T
6 TO RECLASSIFY NONALLOWABLE SCHCA DUES PER MEDICAID GUIDELINES					
	Nonall Dues		4270230	231 T	0
	Adm Dues		4070230	0	231 T
7 TO REMOVE NONALLOWABLE ACCOUNTING FEES					
	Nonall Other		4270299	2,939 T	0

COUNTRYWOOD NURSING CENTER, L.

November 29, 2007 thru September 30, 2008

Adjustment Schedule

ADJ. No	ACCOUNT TITLE	EXPLANATION & CALCULATIONS	DEHS ACCOUNT NUMBER	DEBIT	CREDIT
7 TO REMOVE NONALLOWABLE ACCOUNTING FEES					
	Adm Professional Accounting		4070207	0	2,959 T
8 TO RECLASSIFY EXPENSE TO THE PROPER COST ACCOUNT					
	Adm Data Proc., software & Maint. Contract		4070212	2,455 T	0
	Adm Minor Equipment		4070221	12,322 T	0
	Adm Professional Accounting		4070207	0	14,777 T
9 TO REMOVE NONALLOWABLE ARCHITECT FEES					
	Nonall Other		4270299	3,352 T	0
	Adm Purchased Service		4070206	0	3,352 T
10 TO UNBUNDLE HOME OFFICE COSTS					
	Maint Home Office Allocation		4060210	236 T	0
	Adm Home Office Allocation		4070210	33,029 T	0
	Utilities Home Office Allocation		4100210	754 T	0
	Taxes, Ins & Lic Home Office Allocation		4110210	749 T	0
	Coc Deprec Home Office Building		4251210	247 T	0
	Nonall Other		4270299	74,985 T	0
	Adm Home Office Allocation		4070210	0	110,000 T
11 TO REMOVE NONMEDICAID ANCILLARY EXPENSE (see 38/11)					
	Nonall Other		4270299	135,008 T	0
	MS & Oxy Income Offset		4120610	0	5,999 T
	PT Income Offset		4130610	0	50,553 T
	ST Income Offset		4140610	0	3,032 T
	OT Income Offset		4150610	0	75,424 T
12 TO REMOVE NON-ALLOWABLE STEP DOWN (see 11/11)					
	Nonall Step Down		4270620	196,551 T	0
	Diet Step Down		4030620	0	73,963 T
	Laundry Step Down		4040620	0	21 T
	Hskp Step Down		4050620	0	3,964 T
	Maint Step Down		4060620	0	21,397 T
	Adm Step Down		4070620	0	45,054 T
	Utilities Step Down		4100620	0	27,569 T
	Taxes, Ins & Lic Step Down		4110620	0	22,832 T
	Coc Step Down		4250620	0	1,751 T
13 TO RECLASSIFY BUILDING RENT AND NONALLOWABLE INTEREST					
	Nonall Other		4270299	210,455 T	0
	Coc Rent Building		4252010	0	210,977 T
	Coc Interest Building		4253010	0	378 T
14 TO RECORD CONTRACT ADMINISTRATOR SERVICES AT 9/30/2008					
	Adm Purchased Service		4070206	49,178 T	0
	Nonall Other		4270299	0	49,178 T
15 TO RECLASSIFY TWO MONTHS OF PRORATED DUES AS PREPAID, PAID THROUGH DECEMBER 2008.					

COUNTRYWOOD NURSING CENTER, L.L.C.

November 29, 2007 thru September 30, 2008

Adjustment Schedule

ADJ. No	ACCOUNT TITLE	EXPLANATION & CALCULATIONS	DHHS ACCOUNT NUMBER	AMOUNT DEBIT	CREDIT
15 TO RECLASSIFY TWO MONTHS OF PRORATED DUES AS PREPAID. PAID THROUGH DECEMBER 2008.					
	Asset Prepd Taxes		1050050	454 T	0
	Nonall Other		4270299	454 T	0
	Equity Fund Balances		2070060	0	454 T
	Adm Dues		4070230	0	454 T
16 TO RECLASSIFY LICENSE FEE AS PREPAID @ 9/30/2008.					
	Asset Prepd Taxes		1050050	999 T	0
	Nonall Other		4270299	999 T	0
	Equity Fund Balances		2070060	0	999 T
	Taxes, Ins & Lic Licenses		4110286	0	999 T
17 TO RECLASSIFY NONALLOWABLE NSF FEES.					
	Nonall Other		4270299	3,931 T	0
	Adm Bank/freight Fees		4070286	0	3,931 T
18 TO RECORD UNRECORDED EXPENSES PER CLIENT @ 9/30/08.					
	Hskp Supplies		4050250	544 T	0
	Adm Fringe Workmen's Comp		4070730	3,998 T	0
	Adm Fringe Health Insurance		4070740	2,934 T	0
	Med Rec Medical Director Fees		4080280	1,200 T	0
	MS & Oxy Med Sup Billable		4120290	2,720 T	0
	MS & Oxy Disposable Diapers		4120503	796 T	0
	Nonall Other		4270299	0	12,192 T
ADJUSTMENT TOTALS				2,399,998	2,399,998

Thru

DEBT AND INTEREST SCHEDULE

Type Debt	Interest Rate	Balance @	Additions	Payments	Ending Balance @	Interest Paid to	DIHS Account Number	Name of Lending Institutions	Reason for Financing Item
Total:									

N/A

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2007 Thru September 30, 2008

FIXED ASSET ADDITIONS AND DISPOSALS SCHEDULE (Reimbursable)

Description	Acquisition Date	Classification	Historical Cost	Estimated Life	Accumulated Depreciation	Depreciation Expense	Disposal Gain/Loss
-------------	------------------	----------------	-----------------	----------------	--------------------------	----------------------	--------------------

Prior Balance

SUB TOTAL

\$1,302,754
\$1,302,754 6 month
T cycle

293,126

\$273,158
\$273,158 6 month
T cycle

\$0
\$0

\$0
\$0

Depreciation Expense

SUB TOTAL

\$0
\$0

appears
Provider
exp for value
Included to us + 2007
\$39,935
\$39,936

\$39,936
\$39,936 Par c/n
Dep. sch
6.434

\$0
\$0

Balance Per Cost Report

\$1,302,754

s/a 306,635

\$313,093 DNT pg. 11

\$39,936

A/L 49,218

1,296,486 T pg. 11 + Dep. Sch

or Dep. Sch.

DNT pg. 26

or Dep. Sch.

Note: Page 11 traces
to M.Don Dep. Sch.

Note: Page 26 traces
to Dep. Exp on
Dep. Schedule.

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2007 Thru September 30, 2008

AUTO (VEHICLES) SCHEDULE

Make/Model	Date Purchased	Cost	Useful Life Claimed	Months in Credit Period	Percentage Depreciation Expense	Depreciation Claimed	DBHS Account Number	Cost Center Charged
------------	-------------------	------	------------------------	----------------------------	---------------------------------------	-------------------------	---------------------------	---------------------------

TOTAL:

N/A

COUNTRYWOOD NURSING CENTER, LLC

November 29, 2007 thru September 30, 2008

ACCOUNT ANALYSIS

Account Type Number	Vendor	Check Date	Amount	Description
Accounting Services				
4070207	SCHMOYER AND COMPANY, LLC	5/31/2008	\$992	OTHER REIMBURSEMENT CONSULTING
4070207	NIELSON FINANCIAL SERVICES, INC.	5/31/2008	\$14,260	FINANCIAL AND ACCOUNTING CONSULTING SERVICES
4070207	GEORGE CLARK	5/31/2008	\$3,962	MONTHLY PAYROLL PREPARATION
4070207	SCHMOYER AND COMPANY, LLC	9/30/2008	\$4,250	SNF BUDGET MEDICAID COST REPORT
4070207	SCHMOYER AND COMPANY, LLC	9/30/2008	\$996	SNF MEDICAID PERCENT LEVEL A REVIEW
4070207	SCHMOYER AND COMPANY, LLC	9/30/2008	\$4,500	SNF MEDICAID SPENDING BUDGET & MCD RATE ESTIMATE
4070207	SCHMOYER AND COMPANY	9/30/2008	\$3,925	CONSULTING
			Adjusted Amount Claimed	<u>\$32,885</u> <i>Page 22</i>
Administrative Dues				
4070230	SCHCA	5/31/2008	\$1,722	DUES
4070230	ACTIVITY CONNECTION	5/31/2008	\$15	DUES
4070230	INFECTION CONTROL LTC	5/31/2008	\$224	DUES
4070230	CR AJE #6	9/30/2008	\$(231)	TO REMOVE NONALLOWABLE SCHCA DUES PER MCD
			Adjusted Amount Claimed	<u>\$1,730</u> <i>Page 22</i>

Information required would include, but not be limited to management consultant services, accounting services, & auditing. Services performed must be related to patient care, not corporate investments.

NURSE'S AIDE TRAINING & TESTING

November 29, 2007 thru September 30, 2008

MMIS	Facility Name	Trained	Tested	Certified	Recertified
------	---------------	---------	--------	-----------	-------------

N/A

Provider Version
 L52908 Services Worksheet
 COUNTRYWOOD_NURSING_CENTER_LLC_2008_AHC_0707NF_01_01_20

SCDHHS- Div of LTC Reimb

5/20/2009, 8:17 AM

ANCILLARY WORKSHEET

PROVIDER: COUNTRYWOOD NURSING CENTER, LLC
 C/R PERIOD 11/29/2007-9/30/2008

SPECIAL (ANCILLARY) SERVICES DATA ENTRY

	MEDICAL SUPPLIES	OXYGEN RT	SPECIALTY BEDS	PHYSICAL THERAPY	SPEECH THERAPY	OCCUP THERAPY	PEN THERAPY	OTHER SVCS
Total Costs Per Books	T 37136		T 16944	T 53541	T 3032	T 76965		
Medicaid Charges	T 81845		T 16319	T 3680		T 2200		
Medicare Charges	T 18371		T 17569	T 87804	T 3680	T 148749		
Private/Other Charges	T 14128					T 1150		

CALCULATION OF SPECIAL (ANCILLARY) SERVICES AND DIETARY COST ADJUSTMENT

	MEDICAL SUPPLIES	OXYGEN RT	SPECIALTY BEDS	PHYSICAL THERAPY	SPEECH THERAPY	OCCUP THERAPY	PEN THERAPY	OTHER SVCS
TOTAL COSTS PER BOOKS	T \$37,136	\$0	T \$16,944	T \$53,541	T \$3,032	T \$76,965	\$0	\$0
TOTAL CHARGES	T \$114,342	\$0	T \$33,887	T \$91,494	T \$3,960	T \$152,099	\$0	\$0
RATIO OF COST TO CHARGES (Line 1/Line 2)	0.324780	0.000000	0.500315	0.585186	0.765657	0.506019	0.000000	0.000000
MEDICAID CHARGES	\$81,845	\$0	\$10,319	\$3,690	\$0	\$2,200	\$0	\$0
MEDICAID COST (Line 3 x Line 4)	\$26,582	\$0	\$8,160	\$2,159	\$0	\$1,113	\$0	\$0
TOTAL PATIENT DAYS @ 86% ✓	11,199	11,199	11,199	11,199	11,199	11,199	11,199	11,199
MEDICAID PATIENT DAYS ✓	8,092	8,092	8,092	8,092	8,092	8,092	8,092	8,092
MAXIMUM REIMBURSABLE COST (Line 5 x Line 6/ Line 7)	\$36,786	\$0	\$11,293	\$2,988	\$0	\$1,541	\$0	\$0
ENTER LARGER OF LINE 1 OR LINE 8	\$37,136	\$0	\$16,944	\$53,541	\$3,032	\$76,965	\$0	\$0
ADJUSTMENT TO COST ATEll	(\$348)	\$0	(\$5,651)	(\$50,553)	(\$3,032)	(\$75,424)	\$0	\$0

(See c/o ATE #11 at 11/4/11)

R0906

Provider Version

SCOHHS- Div of LTC Reimb

6/20/2009, 8:17 AM

NAME: WYOMING NURSING CENTER
 DETERMINATION OF COST BEFORE STEP-DOWN
 C/R PERIOD: 11/29/2007-9/30/2008

FILE NO:
 PPD BY:

COST CENTERS	COSTS PER BOOKS	Adj #	DEBIT	Adj #	CREDIT	AS ADJ. BY PROVIDER	SQUARE FOOTAGE
COST OF CAPITAL-original	40,183					40183	
Cost of Capital - Addition	0					0	
TAXES AND INSURANCE	58,557					58557	
ADMINISTRATION	248,711				9745	238965	
LEGAL	0					0	
MAINTENANCE	52,928					52928	
UTILITIES	68,300					68300	
LAUNDRY	23,083				23031	57	
HOUSEKEEPING	74,278				64465	9813	
DIETARY	203,847				3836	200211	
MEDICAL RECORDS	11,045					11045	
RESTORATIVE	25,193					25193	
MEDICAL SUPPLIES	86,079					86079	
SNFICC NURSING, OXYGEN & THERAPY	917,269		135007			1052276	
SUBTOTAL	1,807,476		135007		100878	1841005	0
NON-REIMBURSABLE							
RETIREMENT CENTER	189556					189556	
GIFT SHOP	0					0	
PERSONAL PATIENT LAUNDRY	0					0	
BEAUTY AND BARBER	0					0	
PRIVATE PAY WING	0					0	
OTHER--	0					0	
TOTAL	1897032		135007		100878	2031151	0

R0907

COUNTRYWOOD NURSING CENTER, LLC
10/1/2009-09/30/2009

STATE OF OHIO - SURVIVAL COSTS - 10/1/2009

Cost Center	Net Expense For Cost Allocation	Cost of Capital - Orig Beds	Cost of Capital - Addition	Taxes and Insurance	Subtotal	Admin Fees	Legal	Maintenance	Utilities	Laundry	House- Keeping	Dietary	Medical Records	Recreative	Medical Supplies	Total
Cost of Capital - Original Beds	40,183	40,183														
Cost of Capital - Addition	0	0	0													
Taxes and Insurance	58,557	0	0	58,557												
Administration	238,860	2,414	0	2,414	241,274											
Legal	0	0	0	0	0											
Maintenance	53,826	818	0	781	54,607	1,359	0	51,865								
Utilities	58,300	0	0	0	58,300	9,222	0	77,512								
Laundry	87	1,705	0	1,841	1,841	463	0	1,827	2,350	6,648						
Housekeeping	9,873	570	0	530	10,513	1,472	0	650	759	22,715						
Dietary	200,211	747	0	584	201,542	27,727	0	774	859	0	176	234,786				
Medical Records	11,045	0	0	0	11,045	1,481	0	0	0	0	0	12,618				
Recreative	25,753	0	0	0	25,753	3,402	0	0	0	0	0	0	29,155			
Medical Supplies	85,079	0	0	0	85,079	11,872	0	0	0	0	0	0	0	20,505		
STAFF	1,052,378	35,869	0	31,463	1,119,607	162,812	0	33,000	14,534	5,071	0,568	145,532	12,530	24,505	87,701	
Non-Reimbursable Cost Center:																
Relocation Center	180,554	0	0	21,205	201,759	26,457	0	23,814	27,691	2,673	4,449	85,233	0	0	0	285,107
Outings	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Private Personal Laundry	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unlabeled & Dishes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Private Day Wing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Amalgam - Non-Covered	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total - Non-Reimbursable	180,554	0	0	21,205	201,759	26,457	0	23,814	27,691	2,673	4,449	85,233	0	0	0	285,107
Total - All	1,232,932	40,183	0	58,557	1,339,629	241,620	0	61,674	77,512	8,048	13,715	220,769	12,530	24,505	87,701	383,107
NR - Cost of Capital - Original Beds	0	0	0													
NR - Cost of Capital - Addition	0	0	0													
NR - Taxes and Insurance	0	0	0	58,557												
NR - Administration	238,860	2,414	0	2,414	241,274											
NR - Legal	0	0	0	0	0											
NR - Maintenance	53,826	818	0	781	54,607	1,359	0	51,865								
NR - Utilities	58,300	0	0	0	58,300	9,222	0	77,512								
NR - Laundry	87	1,705	0	1,841	1,841	463	0	1,827	2,350	6,648						
NR - Housekeeping	9,873	570	0	530	10,513	1,472	0	650	759	22,715						
NR - Dietary	200,211	747	0	584	201,542	27,727	0	774	859	0	176	234,786				
NR - Medical Records	11,045	0	0	0	11,045	1,481	0	0	0	0	0	12,618				
NR - Recreative	25,753	0	0	0	25,753	3,402	0	0	0	0	0	0	20,505			
NR - Medical Supplies	85,079	0	0	0	85,079	11,872	0	0	0	0	0	0	0	20,505		
NR - Medical Supplies	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sum Down of NRs	1,761	0	0	72,819	74,580	0	0	24,509	21,083	1,573	5,514	85,263	0	0	0	219,963
Sum Across To Avoid Double Count	0	0	0	0	0	0	0	3,412	2,520	2,592	1,530	11,200	0	0	0	23,754
Net Amount To Be Adjusted	1,761	0	0	72,819	74,580	0	0	27,921	23,603	3,165	7,044	96,463	0	0	0	243,717

R0908

R0909

COUNTRYWOOD NURSING CENTER, LLC
11/22/2021-03/22/2022

STATE & ALLOCATION STANDARDS

Cost Center	Cost of Capital - Orig Debit (pt day)	Cost of Capital - Addition (pt day)	Taxes and Insurance (pt day)	Admin (pt day)	Legal (pt day)	Maintenance (pt day)	Utilities (pt day)	Laundry (pt day)	Housekeeping (pt day)	Dietary (pt day)	Medical Records (pt day)	Restorative (pt day)	Medical Supplies (pt day)
Cost of Capital - Original Debit													
Cost of Capital - Addition													
Taxes and Insurance													
Administration	737		737										
Legal													
Maintenance	250		250										
Utilities													
Laundry	534		534										
Housekeeping	174		174										
Dietary	225		225										
Medical Records													
Restorative													
Medical Supplies													
Medical	10,341		10,341										
Non-Refundable Cost Centers:													
Restorative Center			8,605										
Diabetes													
Private Personal Laundry													
Beauty & Barber													
Private Pay Wing													
Other													
Auxiliary - Non-Covered													
Total - All	12,269	0	19,254	1,729,078	1,709,839	15,247	15,247	12,780	17,314	17,200	100	100	100
Amount To Be Allocated	49,763	0	58,897	241,823	0	81,963	77,523	8,049	13,715	22,178	12,500	26,885	27,261
Unit Cost Multiplier	3.77565	0.00000	3.04450	0.125220	0.000000	2.220420	4.248470	0.453183	0.785195	13.995410	125.360003	268.850000	277.010000

STATE & ALLOCATION STANDARDS

Account	Debit	Credit	WHS acc
Non-refundable	125,561		427-0620
Cost of Capital - Original Debit		1,751	475-0520
Cost of Capital - Addition		0	425-0620
Taxes and Insurance		27,892	411-0520
Administration		45,664	407-0520
Legal		0	400-0620
Maintenance		21,297	409-0520
Utilities		27,589	410-0520
Laundry		21	404-0520
Housekeeping		3,664	408-0520
Dietary		73,833	405-0520
Medical Records		0	409-0520
Restorative		0	402-0520
Medical Supplies		0	415-0620
Total refundable	125,561	125,561	

To remove indirect costs applicable to non-refundable cost centers
MHA-15-1, Section 2102.3
State Plan Attachment 4.12D

(see LK ASE 12 at 3/1/21)

EXHIBIT 3
(Consent Agreement to Assignment dated 11/29/07)

RECEIVED
SEP 04 2014
SODHMS APPEALS

CONSENT TO ASSIGNMENT

WHEREAS, the South Carolina Department of Health and Human Services, 1801 Main Street, Post Office Box 3206, Columbia, South Carolina, 29202-8206, hereinafter referred to as "SCDHHS", entered into a contract with Ridgeview of the Midlands d.b.a. Ridgeview Manor Nursing Facility, 1645 Ridge Road, Hopkins, South Carolina, 29061, therein referred to as "Provider", with provider number 0787NF and Contract Number C 1 3733 N, on October 1, 2006, for the purchase and provision of Nursing Care.

NOW THEREFORE, SCDHHS and the below named Provider hereby consents to the assignment of all interests, rights, liabilities, responsibilities and obligations of the above named Provider, including any obligations under the Provider number stated above, under the above mentioned contract, together with any and all appendices and addenda thereto, for the remaining contract period to Countrywood Nursing Center, L.L.C., 1645 Ridge Road, Hopkins, South Carolina, 29061, provider number 0946NF and Contract Number C 1 4877 N.

IN WITNESS WHEREOF, SCDHHS and below named Provider agree to the above referenced assignment as of the twenty-ninth day of November 2007.

SOUTH CAROLINA DEPARTMENT OF
HEALTH AND HUMAN SERVICES
"SCDHHS"

COUNTRYWOOD NURSING
CENTER, L.L.C.
"PROVIDER"

BY:

Emma Forkner
Emma Forkner
Director

BY:

Lenny Haynes
Authorized Signature

Lenny Haynes
Print Name

WITNESSES:

Sharon Kluender

Sharon Kluender

WITNESSES:

Marcell R. White

Marcell R. White

EXHIBIT 4

(Schmoyer email to Hagan and Hicks dated December 29, 2011)

RECEIVED

SEP 04 2014

SCDHHS APPEALS

Terry Schmoyer

From: Terry Schmoyer
Sent: Thursday, December 29, 2011 12:14 PM
To: jhicks@hicksclark.com; Bob Hagan
Cc: William Haselden; Joe Hunt; Wendell Phillips
Subject: RE: SC Audit Letter
Attachments: CWD DHHS payback letter.pdf

Bob/Jerry

I am in receipt of the attached payback letter.

We have many issues to discuss and I would like to have a planning call next week to discuss. Would Wednesday Jan. 4th at 3pm work?

Issues:

- 1) We have a MCD Provider contract problem that the state issued an audit report outside of the 3 year statute of limitations. The facility's MCD contract says that a report must be issued within 3 years. All of the rates on the attached letter for 9/30/09 and prior expired on 9/30/11. They issued these audit reports post 9/30/11. This was in my appeal.
- 2) We have a DHHS contract issue as a fall back in that SAO can only audit a cost report currently setting a MCD rate (9/30/09) and the one prior (9/30/08). They issued a report on the 5/31/08 6 month actual report as well and this report is outside of the DHHS/ SAO audit contract. This was in my appeal.
- 3) The appeals process and the collection process are separate. The fact that we have an appeal does not stop this collection letter. I will need to contact the fiscal affairs department and set up a payment plan. This can be a complicated process as they normally only give a term of 24 months, without going up the ladder.
- 4) We have many adjustments that need to be resolved. (minor equipment, home office, etc) The adjustments are significant mostly because SAO did not give us an exit to resolved issues because for some reason we did not received a copy of the Draft audit reports. This issue is mute at this point as we are where we are. We have all of the work papers and William and I are working on reviewing them. We basically appealed all of the adjustments for now and some are correct.

The next step here will be to meet with the auditor to go over and provide additional documentation for them to review. This process does not have a time limit. At the conclusion of this process we will then evaluate if we have an issues that need to go to a formal appeal. The MCD auditor's office is normally closed until April of each year as they are working on the State audit for SC. It could take several months to work through this process. Not to mention my office will be preparing over 100 MCD and MCR cost reports between now and 2/28/12.

I want you to consider hiring the Nelson Mullin Law firm and use Bill Prince. Our office can handle items 4 and 3 but numbers 1 and 2 are unique. I currently have a client group with 9 homes that has a very similar issue. Thus the learning-curve research should already be done. Bill is a past SC MCD director and has many connections. He will be able to get us the best (lowest) repayment terms while we are sorting through all this as he has a good relationship with the Deputy Commissioner that everyone reports to. If we can get the contract issue resolved our payback will go down by 1/2.

Please advise when you get a chance.
Many thanks
Terry

Terry K. Schmoyer, Jr. CPA
Managing Partner

CNC.0018

EXHIBIT 5
(Warrington email to Schmoyer dated August 1, 2012)

RECEIVED

SEP 04 2014

SODHHS APPEALS

Vonkannel, Jay

From: Warrington, Larry
Sent: Wednesday, August 01, 2012 4:25 PM
To: tschmoyer@schmoyercpa.com; William Haselden
Cc: Vonkannel, Jay
Subject: Countrywood

Gentlemen,

Just wanted to touch base with you concerning where we stand on Countrywood. As you know all additional documentation submissions were to be to us on Friday July 20, 2012. To date we have received information related to the following two issues:

- 1) The split of housekeeping and laundry expense between the SNF and ALF. In regards to this submission, we do not believe a change in our treatment is warranted. The submission does not include any documentation that supports the determined percentages like staffing time studies, laundry studies, etc.
- 2) Home office costs for Putnam Council. We have received general ledgers for FYE 6/30/08 and FYE 6/30/09 along with quarterly payroll reports that apply to FYE 6/30/08 and FPE 12/31/08. For our work related to home office costs the following additional information is required: a) Job descriptions for Chad Hagan and Mary Lu Flory, b) Contract between Robert Hagan and Putnam Council for contracted administrative services, c) Copies of workpapers/support for reclassification adjustment numbers 1 and 2 on the 12/31/08 Florida C/R.

-Since the summary of issues is due to the hearing officer by 8/10/12, please supply the requested information and any additional documentation you are planning to submit by no later than Monday August 6, 2012.

Lawrence Warrington, CPA
Audit Supervisor
Office of the State Auditor
1401 Main Street, Ste 1200
Columbia, SC 29201
Phone: 803.832.8258
Fax: 803.343.0723

Effective August 1, 2012 – my e-mail address will change to lwarrington@osa.sc.gov

EXHIBIT 6
(Schmoyer deposition of August 8, 2014 with attachments)

Excerpts provided with Respondent's Brief

RECEIVED

SEP 04 2014

SCDHHS APPEALS

EXHIBIT 7
(Respondent's Memorandum in Opposition to Summary Judgment with attachments)

Previously Filed

RECEIVED
SEP 04 2014
SODHHS APPEALS

EXHIBIT 3
(DHHS/SAO contracts for 1997, 1998 and 1999)

RECEIVED

SEP 04 2014

SODHHS APPEALS

RECEIVED

MAY 23 1997

CONTRACT

STATE AUDITOR'S OFFICE

BETWEEN

SOUTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES

AND

THE SOUTH CAROLINA STATE AUDITOR'S OFFICE

FOR THE PURCHASE AND PROVISION OF

AUDIT ACTIVITIES RELATED TO MEDICAID INSTITUTIONAL PROVIDERS

DATED AS OF

JULY 1, 1997

A 8 0004 A

R0919

INDEX

	<u>Page</u>
RECITALS	1
ARTICLE I CONTRACT PERIOD	2
ARTICLE II DEFINITION OF TERMS	2
ARTICLE III SAO RESPONSIBILITIES	3
ARTICLE IV SCDHHS RESPONSIBILITIES	4
ARTICLE V CONDITIONS FOR REIMBURSEMENT BY SCDHHS	5
ARTICLE VI RECORDS AND AUDITS	5
A. Accuracy of Data and Reports	
1. Maintenance of Records	
2. Inspection of Records	
B. Audits	
1. Notice of Exceptions and Disallowances	
2. Disallowances - Appeals	
3. Disallowed Sums - Set-off	
ARTICLE VII TERMINATION OF CONTRACT	6

ARTICLE VIII

COVENANTS AND CONDITIONS

6

- A. Applicable Laws and Regulations
 - 1. Clean Air Act
 - 2. Title VI of Civil Rights Act
 - 3. Title VII of Civil Rights Act
 - 4. Section 504 of Rehabilitation Act
 - 5. Age Discrimination Act
 - 6. Omnibus Budget Reconciliation Act
 - 7. Americans with Disabilities Act
 - 8. Drug Free Workplace Acts
- B. Employees of Provider
- C. Information of Persons Convicted of Crimes
- D. Safeguarding Information
- E. Political Activity
- F. Restrictions on Lobbying
- G. Reporting of Fraudulent Activity
- H. Integration
- I. Governing Law
- J. Severability
- K. Non-Waiver of Breach
- L. Non-Waiver of Rights
- M. Non-Assignability
- N. Venue of Actions
- O. Place of Suit
- P. Amendment
- Q. Extension
- R. Subcontracts
- S. Copyrights
- T. Safety Precautions
- U. Procurement Code
- V. Titles
- W. Incorporation of Schedules/Appendices

TESTIMONIUM

10

CONTRACT
BETWEEN
SOUTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES
AND
SOUTH CAROLINA STATE AUDITOR'S OFFICE

FOR THE PURCHASE AND PROVISION OF AUDIT ACTIVITIES RELATED TO
MEDICAID INSTITUTIONAL PROVIDERS.

This contract entered into as of the first day of July, 1997, by and between the South Carolina Department of Health and Human Services, 1801 Main Street, Post Office Box 8206, Columbia, South Carolina, 29202-8206, hereinafter referred to as "SCDHHS" and the South Carolina State Auditor's Office, 1401 Main Street, Suite 1200, Columbia, South Carolina, 29201, hereinafter referred to as "SAO".

RECITALS

WHEREAS, SCDHHS is the single state agency responsible for the administration in South Carolina of the Medical Assistance Program under Title XIX of the Social Security Act;

WHEREAS, SCDHHS desires, further to comply with 42 C.F.R. 431.10(e) (1995) and 42 C.F.R. 447.202 (1995);

WHEREAS, SCDHHS receives state and federal funds to administer the Medicaid Program;

WHEREAS, pursuant to S.C. Code Ann. §11-7-20 (1976, as amended) the State Auditors Office is authorized to examine at least once each year the books, accounts, receipts, vouchers and records of all State Officers charged with the receipt and expenditure of public funds appropriated by the General Assembly;

WHEREAS, SCDHHS and SAO have a common and concurrent interest in ascertaining that the expenditure of Medicaid funds is in accordance with the Provider contracts and the South Carolina State Plan;

SCDHHS and SAO mutually recognize that information/data available to one party may be beneficial to the other party in its general administration and protection of the integrity of the Medicaid Program, thus they agree that coordination and cooperation between them shall serve the best interests of both agencies;

THEREFORE, the parties to this contract, in consideration of the mutual promises, covenants, and stipulations set forth herein, agree as follows:

ARTICLE I

CONTRACT PERIOD

This contract shall take effect as of July 1, 1997, and shall unless sooner terminated in accordance with Article VII hereof, continue in full force and effect through June 30, 1998.

ARTICLE II

DEFINITIONS

As used in this contract, the following terms shall have the following defined meanings:

C.F.R.: Code of Federal Regulations

Full Scope Audit: An audit performed by independent auditor(s) to determine if the rate or amount of reimbursement to a Provider complies with:

- A. The South Carolina State Plan for Medical Assistance.
- B. The applicable contract between SCDHHS and the Medicaid Provider.
- C. All applicable state and federal laws and regulations.

The work shall be performed in compliance with:

- A. Generally accepted auditing standards.
- B. "Government Audit Standards", when applicable.

Limited Scope Audit: Agreed upon procedures performed by an independent auditor(s) similar to a full scope audit defined herein; except the only costs or potential problem areas tested are based on results of a previously performed full scope audit or areas which an independent auditor would otherwise have reason to believe may contain material findings or exceptions. Applicable audit standards will be followed.

Medicaid Program: A program for the provision of Title XIX (Medicaid) Services.

Medicaid Provider: The certified, when applicable, contractual entity which provides services under the Title XIX Program.

South Carolina State Plan for Medical Assistance: A plan, approved by the Secretary of HHS, which complies with 42 U.S.C.A. §1396a and provides for the methodology of furnishing services to recipients pursuant to Title XIX.

Title XIX: Title 42, United States Code, Chapter 7, subchapter XIX, as amended.

ARTICLE III

SAO RESPONSIBILITIES

- A. The SAO shall provide the SCDHHS Agency Director and the Director of the Office of Internal Audits a consolidated list of recommended engagements of provider contracts engagements and selection criteria in June of each year for the subsequent year contract period. This list should include uncompleted engagements and engagements of the current contract period.
- B. SAO shall be responsible for:
 - 1. Conducting all full scope audits and limited scope engagements of Medicaid cost reports for nursing facilities, and federally qualified health care centers (FQHC). Conducting limited-scope audits of hospital cost reports and home health cost reports as requested by SCDHHS.
 - 2. Determining the materiality limits for the selection of and adjustment to costs or areas tested, or as otherwise directed by SCDHHS.
 - 3. Simultaneously forwarding copies of all "Final" reports including the management letter, if applicable, to SCDHHS and the Provider.
 - 4. Referring any questionable practice or fraudulent activity relative to the provision of Medicaid services to the SCDHHS Agency Director and upon request, to the Attorney General, providing further detailed information relative to said matters when requested.
 - 5. Testing of patients' personal needs funds.
 - 6. Incorporating the testing of Medicare Part B settlements in the nursing facility reports to determine if duplicate payments have been properly reported and offset.
 - 7. Preparing appeals packages, and compiling all additional documentation necessary following an appeal.
 - 8. Conducting all engagements to determine if the reimbursement rate or amount is in accordance with the provisions of the provider contracts, State Plan, and state and federal laws and regulations.
- C. SAO shall provide the SCDHHS Agency Director and the Director of the Office of Internal Audits in July an annual activity report comparing planned activity of the prior contract year with actual reports completed. The activity report should include extent of planned activity accomplished (i.e., draft reports issued, final reports issued, audits and engagements in process on June 30 and other information considered pertinent by the SAO concerning previous year's activity.)
- D. Disproportionate share financial and statistical information shall be reviewed as requested by SCDHHS.

ARTICLE IV

SCDHHS RESPONSIBILITIES

- A. SCDHHS shall, upon resolution of any concerns, provide SAO a letter of concurrence as to Medicaid Providers selected.
- B. SCDHHS shall be responsible for:
 - 1. Conducting desk reviews of Medicaid (Nursing Facility, Hospital, Federally Qualified Health Care Centers (FQHC) and Home Health) Providers cost reports, if applicable.
 - 2. Deriving appropriate settlements resulting from desk audits.
 - 3. Informing SAO of any unusual or questionable issues arising from desk audits.
 - 4. Establishing interim rates for reimbursement of the aforementioned Medicaid Providers.
 - 5. Reviewing all "Draft" reports received from the SAO and submitting any written comments within the required ten (10) day period.
 - 6. Determining appropriate action resulting from audit activities conducted or subcontracted through the SAO.
 - 7. Adjusting any account receivable which must be changed as a result of an Audit and Appeals decision and advising SAO in a timely manner of all such adjustments.
 - 8. Providing staff to address specific, technical appeal questions related to the rate setting methodology.
 - 9. Referring any special requests for Medicaid audits to the SAO.
 - 10. Forwarding promptly to SAO copies of all executed contracts, desk audit adjustments, rate revisions, Medicaid Bulletins, settlement agreements, State Plan amendments, notice of contract terminations, and related documents necessary for audit purposes of aforementioned Providers.
 - 11. Forwarding promptly to SAO copies of all settlements made regarding Medicare Part B recoupments applicable to nursing facility Providers.
- C. After receipt and approval of the monthly reimbursement report, SCDHHS shall comply with the 1997-1998 State Appropriations Act.

ARTICLE V

CONDITIONS FOR REIMBURSEMENT BY SCDHHS

SAO shall submit a monthly reimbursement invoice to SCDHHS in accordance with the 1997-1998 State Appropriations Act as it relates to the SAO. Bills shall be submitted to:

Department of Contractual and Child Care Expenditures
Bureau of Fiscal Affairs
South Carolina Department of Health and Human Services
Post Office Box 8206
Columbia, South Carolina 29202-8206

ARTICLE VI

RECORDS AND AUDITS

A. Accuracy of Data and Reports

The SAO agrees that all statements, reports and claims, financial and otherwise related to costs incurred under this contract, shall be certified as true, accurate, and complete, and SAO shall not submit for payment purposes those claims, statements, or reports which he knows, or has reason to know, are not properly prepared or payable pursuant to federal and state law, applicable regulations and this contract.

1. Maintenance of Records

SAO must maintain an accounting system with supporting fiscal records adequate to assure that claims for funds are in accordance with this contract and all applicable laws, regulations, and policies. The SAO further agrees to retain all financial records, supporting documents and statistical records under this contract for a period of three (3) years after the last payment made under this contract (including any amendments and/or extensions to the contract). If any audit, litigation, claims, or other actions involving the records have been initiated prior to the expiration of the three (3) year period, the records shall be retained until completion of the action and resolution of all issues. This provision is applicable to any subcontractor. SAO agrees to retain SCDHHS Provider programmatic and/or financial records including all applicable SAO audit working papers related to these documents, for a period of three (3) years after the expiration of the contract period being audited (including any amendments and/or extensions to the contract). If any audit litigation, claims, or other actions involving the Provider records have been initiated prior to the expiration of the three (3) year period, the records shall be retained until completion of the action and resolution of all issues.

2. Inspection of Records

At any time during normal business hours and as often as SCDHHS, the Office of the Attorney General, GAO, and USDHHS and/or any of the designees of the above may deem necessary during the contract period (including any amendments and/or extensions to the contract) and for a period of three (3) years after the last payment under this contract, SAO shall make financial

records open to the representatives of USDHHS, GAO, the State Attorney General's Office, SCDHHS and/or any designees of the above. DHHS, GAO, the Office of the Attorney General and/or the designees of any of the above shall have the right to examine and make copies, excerpts or transcripts from all records, contact and conduct private interviews with SAO employees and do on-site reviews of all matters relating to this contract. If any audit, litigation, claim, or other action involving the records has been initiated prior to the expiration of the three (3) year period, this paragraph and the terms thereunder shall continue to apply until the action is completed and the issues are resolved. This provision is applicable to any subcontractor. SAO shall make SCDHHS Provider programmatic and/or financial records including all applicable SAO audit working papers related to these documents, available to SCDHHS, or its designee for a period of three (3) years after the expiration of the contract period being audited provided SCDHHS or its designee adheres to the statutory provisions regarding confidentiality of records of the respective agency or organization under review. If any audit, litigation, claim, or other action involving the Provider records have been initiated prior to the expiration of the three (3) year period, this paragraph and the terms thereunder shall continue to apply until the action is completed and the issues are resolved.

ARTICLE VII

TERMINATION OF CONTRACT

The parties hereto covenant and agree that their liabilities and responsibilities, one to another shall be contingent upon the availability of state and federal funds and that this contract shall be subject to renegotiation or termination if such funding ceases to be available.

ARTICLE VIII

COVENANTS AND CONDITIONS

In addition to all other covenants and conditions contained herein, the parties to this contract agree to the following covenants and conditions:

A. Applicable Laws and Regulations

The SAO agrees to comply with all applicable federal and state laws and regulations including constitutional provisions regarding due process and equal protection of the laws and including, but not limited to:

1. All applicable standards, orders, or regulations issued pursuant to the Clean Air Act of 1970, as amended (U.S.C. 7401, et seq.).
2. Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d) and regulations issued pursuant thereto, 45 CFR Part 80.
3. Title VII of the Civil Rights Act of 1964 (42 U.S.C. 2000e) in regard to employees or applicants for employment.

4. Section 504 of the Rehabilitation Act of 1973, as amended, (29 U.S.C. 794), which prohibits discrimination on the basis of handicap in programs and activities receiving or benefiting from federal financial assistance, and regulations issued pursuant thereto, (45 CFR Part 84, 1995)
5. The Age Discrimination Act of 1975, as amended, (42 U.S.C. 6101 et seq., which prohibits discrimination on the basis of age in programs or activities receiving or benefiting from federal financial assistance.
6. The Omnibus Budget Reconciliation Act of 1981, P.E. 97-35, which prohibits discrimination on the basis of sex and religion in programs and activities receiving or benefiting from federal financial assistance.
7. Americans with Disabilities Act, (42 U.S.C. Sections 12101 et seq., and regulations issued pursuant thereto, 42 CFR Parts 35 and 36.
8. Drug Free Workplace Acts, S.C. Code Ann. §§44-107-10 et seq. (1976, as amended), and the Federal Drug Free Workplace Act of 1988 as set forth in 45 CFR Part 76, Subpart F (1995).

B. Employees of SAO

No services required to be provided under this contract shall be provided by anyone other than the SAO or the SAO's subcontractor.

C. Information on Persons Convicted of Crimes

The SAO agrees to furnish SCDHHS or to the USDHHS information related to any person convicted of a criminal offense under a program relating to Medicare (Title XVIII), Medicaid (Title XIX), or the Social Services Block Grant program as set forth in 42 CFR 455.106 (1995). Failure to comply with this requirement may lead to termination of this contract.

D. Safeguarding Information

The SAO shall safeguard the use and disclosure of information concerning applicants for or recipients of Title XIX services in accordance with 42 CFR Part 431, Subpart F, (1995), SCDHHS's regulations R, 126 - 170, et seq., Code of Laws of South Carolina (1976), Volume 27, as amended, and all other applicable state and federal laws and regulations and shall restrict access to, and use and disclosure of, such information in compliance with said laws and regulations.

E. Political Activity

None of the funds, materials, property, or services provided directly or indirectly under this contract shall be used for any partisan political activity, or to further the election or defeat of any candidate for public office, or otherwise in violation of the provisions of the "Hatch Act".

F. Restrictions on Lobbying

In accordance with 31 U.S.C. 1352, funds received through this contract may not be expended to pay any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with any of the following covered Federal actions: the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement. This restriction is applicable to all subcontractors.

G. Reporting of Fraudulent Activity

If at any time during the term of this contract, the SAO becomes aware of or has reason to believe by whatever means that, under this or any other program administered by SCDHHS, a recipient of or applicant for services, an employee of the SAO or SCDHHS, and/or subcontractor or its employees, have improperly or fraudulently applied for or received benefits, monies, or services pursuant to this or any other contract, such information shall be reported in confidence by the SAO to SCDHHS.

H. Integration

This contract shall be construed to be the complete integration of all understandings between the parties hereto. No prior or contemporaneous addition, deletion, or other amendment hereto shall have any force or effect whatsoever, unless embodied herein in writing. No subsequent novation, renewal, addition, deletion, or other amendment hereto shall have any force or effect unless embodied in a written amendment executed and approved pursuant to Section P of this Article.

I. Governing Law

It is mutually understood and agreed that this contract shall be governed by the laws of the State of South Carolina and federal laws as they pertain to the performance of services provided under this contract.

J. Severability

Any provision of this contract prohibited by the laws of the State of South Carolina shall be ineffective to the extent of such prohibition without invalidating the remaining provisions of this contract.

K. Non-Waiver of Breach

The failure of SCDHHS at any time to require performance by the SAO of any provision of this contract or the continued payment of the SAO by SCDHHS shall in no way affect the right of SCDHHS to enforce any provision of this contract; nor shall the waiver by SCDHHS of any breach of any provision hereof be taken or held to be a waiver of any succeeding breach of such provision or as a waiver of the provision itself.

L. Non-Waiver of Rights

SCDHHS and the SAO hereby agree that the execution and any performance pursuant to this contract does not constitute a waiver, each to the other, of any claims, rights, or obligations which shall or have arisen by virtue of any previous agreement between the parties. Any such claims, rights, or obligations are hereby preserved, protected, and reserved.

M. Non-Assignability

No assignment or transfer of this contract or of any rights hereunder by the SAO shall be valid without the prior written consent of SCDHHS.

N. Venue of Actions

Any and all suits or actions for the enforcement of the obligations of this contract and for any and every breach thereof, or for the review of a SCDHHS final agency decision with respect to this contract or audit disallowances, and any judicial review sought thereon and brought pursuant to the S.C. Code Ann. §1-23-380 (1976, as amended) shall be instituted and maintained in any court of competent jurisdiction in the County of Richland, State of South Carolina.

O. Place of Suit

Any action at law, suit in equity, or judicial proceeding for the enforcement of this contract or any provision thereof shall be instituted only in the courts of the State of South Carolina.

P. Amendment

No amendment or modification of this contract shall be valid unless it shall be in writing and signed by both parties hereto.

Q. Extension

At the end of the term of this contract, SCDHHS shall have the option to extend or renew this contract upon the same terms and conditions as contained herein for a period not to exceed four years; provided, however, that any rate adjustment(s) shall be negotiated and set forth in writing and signed by both parties pursuant to Section P of this Article.

R. Subcontracts

Subcontracts under this contract shall be in writing and shall be subject to the terms and conditions of this contract. The SAO shall be solely responsible for the performance of any subcontractor.

S. Copyrights

If any copyrightable material is developed in the course of or under this contract, SCDHHS shall have a royalty free, non-exclusive, and irrevocable right to reproduce, publish, or otherwise use the work for SCDHHS purposes.

T. Safety Precautions

SCDHHS and USDHHS assume no responsibility with respect to accidents, illnesses, or claims arising out of any activity performed under this contract. The SAO shall take necessary steps to insure or protect its recipients, itself, and its personnel. The SAO agrees to comply with all applicable local, state, and federal occupational and safety acts, rules, and regulations.

U. Procurement Code

When applicable, the SAO must comply with the terms and conditions of the South Carolina Consolidated Procurement Code in the acquisition of equipment and supplies and in all subcontracts.

V. Titles

All titles used herein are for the purpose of clarification and shall not be construed to infer a contractual construction of language.

W. Incorporation of Schedules/Appendices

All schedules/appendices referred to in this contract are attached hereto, are expressly made a part hereof, and are incorporated as if fully set forth herein.

IN WITNESS WHEREOF, SCDHHS and SAO by their authorized agents, have executed this contract as of the first day of July, 1997.

SOUTH CAROLINA DEPARTMENT OF
HEALTH AND HUMAN SERVICES
"SCDHHS"

SOUTH CAROLINA
STATE AUDITOR'S OFFICE
"SAO"

BY: Gwen Power
Gwen Power
Director

BY: Edgar A. Vaughn, Jr.
Edgar A. Vaughn, Jr.
State Auditor

WITNESSES:

Sylvia Sampson
Helen-Joy Hawkins

WITNESSES:

Justine Parker
Dan McEwen

CONTRACT

BETWEEN

SOUTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES

AND

THE SOUTH CAROLINA STATE AUDITOR'S OFFICE

FOR THE PURCHASE AND PROVISION OF
AUDIT ACTIVITIES RELATED TO MEDICAID INSTITUTIONAL PROVIDERS

DATED AS OF:

JULY 1, 1988

A 9 0004 A

R0932

INDEX

	<u>Page</u>
RECITALS	1
ARTICLE I - CONTRACT PERIOD	2
ARTICLE II - DEFINITION OF TERMS	2
ARTICLE III - SAO RESPONSIBILITIES	3
ARTICLE IV - SCDHHS RESPONSIBILITIES	4
ARTICLE V - CONDITIONS FOR REIMBURSEMENT BY SCDHHS	5
ARTICLE VI - RECORDS AND AUDITS	5
A. Accuracy of Data and Reports	
1. Maintenance of Records	
2. Inspection of Records	
B. Audits	
1. Notice of Exceptions and Disallowances	
2. Disallowances - Appeals	
3. Disallowed Sums, Set-off	
ARTICLE VII - TERMINATION OF CONTRACT	6

ARTICLE VIII

COVENANTS AND CONDITIONS

7

- A. Applicable Laws and Regulations
 - 1. Clean Air Act
 - 2. Title VI of Civil Rights Act
 - 3. Title VII of Civil Rights Act
 - 4. Section 504 of Rehabilitation Act
 - 5. Age Discrimination Act
 - 6. Omnibus Budget Reconciliation Act
 - 7. Americans with Disabilities Act
 - 8. Drug Free Workplace Acts
- B. Employees of Provider
- C. Information of Persons Convicted of Crimes
- D. Safeguarding Information
- E. Political Activity
- F. Restrictions on Lobbying
- G. Reporting of Fraudulent Activity
- H. Integration
- I. Governing Law
- J. Severability
- K. Non-Waiver of Breach
- L. Non-Waiver of Rights
- M. Non-Assignability
- N. Venue of Actions
- O. Place of Suit
- P. Amendment
- Q. Extension
- R. Subcontracts
- S. Copyrights
- T. Safety Precautions
- U. Procurement Code
- V. Titles
- W. Incorporation of Schedules/Appendices
- X. Equipment

TESTIMONIUM

11

**CONTRACT
BETWEEN
SOUTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES
AND
SOUTH CAROLINA STATE AUDITOR'S OFFICE**

**FOR THE PURCHASE AND PROVISION OF AUDIT ACTIVITIES RELATED TO
MEDICAID INSTITUTIONAL PROVIDERS.**

This contract entered into as of the first day of July, 1998, by and between the South Carolina Department of Health and Human Services, 1801 Main Street, Post Office Box 8206, Columbia, South Carolina, 29202-8206, hereinafter referred to as "SCDHHS" and the South Carolina State Auditor's Office, 1401 Main Street, Suite 1200, Columbia, South Carolina, 29201, hereinafter referred to as "SAO".

RECITALS

WHEREAS, SCDHHS is the single state agency responsible for the administration in South Carolina of the Medical Assistance Program under Title XIX of the Social Security Act;

WHEREAS, SCDHHS desires, further to comply with 42 CFR 431.10(e) (1996, as amended) and 42 CFR 447.202 (1996, as amended);

WHEREAS, SCDHHS receives state and federal funds to administer the Medicaid Program;

WHEREAS, pursuant to S.C. Code Ann. §11-7-20 (1976, as amended) the State Auditors Office is authorized to examine at least once each year the books, accounts, receipts, vouchers and records of all State Officers charged with the receipt and expenditure of public funds appropriated by the General Assembly;

WHEREAS, SCDHHS and SAO have a common and concurrent interest in ascertaining that the expenditure of Medicaid funds is in accordance with the Provider contracts and the South Carolina State Plan;

WHEREAS, SCDHHS and SAO mutually recognize that information/data available to one party may be beneficial to the other party in its general administration and protection of the integrity of the Medicaid Program, thus they agree that coordination and cooperation between them shall serve the best interests of both agencies;

THEREFORE, the parties to this contract, in consideration of the mutual promises, covenants, and stipulations set forth herein, agree as follows:

ARTICLE I

CONTRACT PERIOD

This contract shall take effect as of July 1, 1998, and shall unless sooner terminated in accordance with Article VII hereof, continue in full force and effect through June 30, 1999.

ARTICLE II

DEFINITIONS

As used in this contract, the following terms shall have the following defined meanings:

CFR: Code of Federal Regulations

Full Scope Audit: An audit performed by independent auditor(s) in compliance with generally accepted auditing standards and "Government Audit Standards", when applicable, to determine if the rate or amount of reimbursement to a Provider complies with:

- A. The South Carolina State Plan for Medical Assistance.
- B. The applicable contract between SCDHHS and the Medicaid Provider.
- C. All applicable state and federal laws and regulations.

Limited Scope Audit: Agreed upon procedures performed by an independent auditor(s) similar to a full scope audit defined herein; except the only costs or potential problem areas tested are based on results of a previously performed full scope audit or areas which an independent auditor would otherwise have reason to believe may contain material findings or exceptions. Applicable audit standards will be followed.

Medicaid Program: A program for the provision of Title XIX (Medicaid) Services.

Medicaid Provider: Entity, appropriately certified, if applicable, which contracts or enrolls to provide services under the Title XIX Program.

South Carolina State Plan for Medical Assistance: A plan, approved by the Secretary of DHHS, which complies with 42 USCA §1396a and provides for the methodology of furnishing services to recipients pursuant to Title XIX.

Title XIX: Title 42, United States Code, Chapter 7, subchapter XIX, as amended.

ARTICLE III

SAO RESPONSIBILITIES

- A. The SAO shall provide the SCDHHS Agency Director and the Director of the Office of Internal Audits a consolidated list of recommended engagements of provider contracts engagements and selection criteria in June of each year for the subsequent year contract period. This list should include uncompleted engagements and engagements of the current contract period.
- B. SAO shall be responsible for:
1. Conducting all full scope audits and limited scope engagements of Medicaid cost reports for nursing facilities, and federally qualified health care centers (FQHC). Conducting limited scope audits of hospital cost reports and home health cost reports as requested by SCDHHS.
 2. Determining the materiality limits for the selection of and adjustment to costs or areas tested, or as otherwise directed by SCDHHS.
 3. Simultaneously forwarding copies of all "Final" reports including the management letter, if applicable, to SCDHHS and the Provider.
 4. Referring any questionable practice or fraudulent activity relative to the provision of Medicaid services to the SCDHHS Agency Director and upon request, to the Attorney General, providing further detailed information relative to said matters when requested.
 5. Testing of patients' personal needs funds.
 6. Incorporating the testing of Medicare Part B settlements in the nursing facility reports to determine if duplicate payments have been properly reported and offset.
 7. Preparing appeals packages, and compiling all additional documentation necessary following an appeal.
 8. Conducting all engagements to determine if the reimbursement rate or amount is in accordance with the provisions of the provider contracts, State Plan, and state and federal laws and regulations.
- C. SAO shall provide the SCDHHS Agency Director and the Director of the Office of Internal Audits in July an annual activity report comparing planned activity of the prior contract year with actual reports completed. The activity report should include extent of planned activity accomplished (i.e., draft reports issued, final reports issued, audits and engagements in process on June 30 and other information considered pertinent by the SAO concerning previous year's activity.)
- D. Disproportionate share financial and statistical information shall be reviewed as requested by SCDHHS.

E. Nursing Facility Audit Requirements:

1. The SAO will audit two cost report periods. For non-hospital based/related nursing facilities, the periods will be defined as the cost report period which was used to set the provider's Medicaid rate in effect at the time the audit field work was initiated, plus the preceding cost report period. For hospital based/related nursing facilities, the periods will be defined as the two most recently audited Medicare hospital cost reports.

For non-hospital based/related nursing facilities, the SAO will be required to issue the final audit reports of the two cost report periods no later than two (2) years after the end of the closed rate period that is associated with the preceding cost report period. For hospital based/hospital related nursing facilities, the SAO will be required to issue the final audit report no later than one (1) year after the receipt of the audited Medicare hospital cost report.

2. Each nursing facility must be audited at least once out of every four (4) consecutive cost reporting years.
3. Audits should be performed more frequently if previous audits identify significant problems.
4. These restrictions do not apply in relation to any audit initiated subsequent to or in relation to any investigation of fraud.

ARTICLE IV

SCDHHS RESPONSIBILITIES

- A. SCDHHS shall, upon resolution of any concerns, provide SAO a letter of concurrence as to Medicaid Providers selected.
- B. SCDHHS shall be responsible for:
 1. Conducting desk reviews of Medicaid (Nursing Facility, Hospital, Federally Qualified Health Care Centers (FQHC) and Home Health) Providers cost reports, if applicable.
 2. Deriving appropriate settlements resulting from desk audits.
 3. Informing SAO of any unusual or questionable issues arising from desk audits.
 4. Establishing interim rates for reimbursement of the aforementioned Medicaid Providers.
 5. Reviewing all "Draft" reports received from the SAO and submitting any written comments within the required ten (10) day period.
 6. Determining appropriate action resulting from audit activities conducted or subcontracted through the SAO.

7. Adjusting any account receivable which must be changed as a result of an Audit and Appeals decision and advising SAO in a timely manner of all such adjustments.
 8. Providing staff to address specific, technical appeal questions related to the rate setting methodology.
 9. Referring any special requests for Medicaid audits to the SAO.
 10. Forwarding promptly to SAO copies of all executed contracts, desk audit adjustments, rate revisions, Medicaid Bulletins, settlement agreements, State Plan amendments, notice of contract terminations, and related documents necessary for audit purposes of aforementioned Providers.
 11. Forwarding promptly to SAO copies of all settlements made regarding Medicare Part B recoupments applicable to nursing facility Providers.
- C. After receipt and approval of the monthly reimbursement report, SCDHHS shall comply with the 1998-1999 State Appropriations Act.

ARTICLE V

CONDITIONS FOR REIMBURSEMENT BY SCDHHS

SAO shall submit a monthly reimbursement invoice to SCDHHS in accordance with the 1998-1999 State Appropriations Act as it relates to the SAO. Bills shall be submitted to:

Department of Contractual and Child Care Expenditures
Bureau of Fiscal Affairs
South Carolina Department of Health and Human Services
Post Office Box 8206
Columbia, South Carolina 29202-8206

ARTICLE VI

RECORDS AND AUDITS

A. Accuracy of Data and Reports

The SAO agrees that all statements, reports and claims, financial and otherwise related to costs incurred under this contract, shall be certified as true, accurate, and complete, and SAO shall not submit for payment purposes those claims, statements, or reports which he knows, or has reason to know, are not properly prepared or payable pursuant to federal and state law, applicable regulations and this contract.

1. Maintenance of Records

SAO must maintain an accounting system with supporting fiscal records adequate to assure that claims for funds are in accordance with this contract and all applicable laws, regulations, and policies. The SAO further agrees to retain all financial records, supporting documents and statistical records under this contract for a period of three (3) years after the last payment made under

this contract (including any amendments and/or extensions to the contract). If any audit, litigation, claims, or other actions involving the records have been initiated prior to the expiration of the three (3) year period, the records shall be retained until completion of the action and resolution of all issues. This provision is applicable to any subcontractor. SAO agrees to retain SCDHHS Provider programmatic and/or financial records including all applicable SAO audit working papers related to these documents, for a period of three (3) years after the expiration of the contract period being audited (including any amendments and/or extensions to the contract). If any audit litigation, claims, or other actions involving the Provider records have been initiated prior to the expiration of the three (3) year period, the records shall be retained until completion of the action and resolution of all issues.

2. Inspection of Records

At any time during normal business hours and as often as SCDHHS, the Office of the Attorney General, GAO, and USDHHS and/or any of the designees of the above may deem necessary during the contract period (including any amendments and/or extensions to the contract) and for a period of three (3) years after the last payment under this contract, SAO shall make financial records open to the representatives of USDHHS, GAO, the State Attorney General's Office, SCDHHS and/or any designees of the above. DHHS, GAO, the Office of the Attorney General and/or the designees of any of the above shall have the right to examine and make copies, excerpts or transcripts from all records, contact and conduct private interviews with SAO employees and do on-site reviews of all matters relating to this contract. If any audit, litigation, claim, or other action involving the records has been initiated prior to the expiration of the three (3) year period, this paragraph and the terms thereunder shall continue to apply until the action is completed and the issues are resolved. This provision is applicable to any subcontractor. SAO shall make SCDHHS Provider programmatic and/or financial records including all applicable SAO audit working papers related to these documents, available to SCDHHS, or its designee for a period of three (3) years after the expiration of the contract period being audited provided SCDHHS or its designee adheres to the statutory provisions regarding confidentiality of records of the respective agency or organization under review. If any audit, litigation, claim, or other action involving the Provider records have been initiated prior to the expiration of the three (3) year period, this paragraph and the terms thereunder shall continue to apply until the action is completed and the issues are resolved.

ARTICLE VII

TERMINATION OF CONTRACT

The parties hereto covenant and agree that their liabilities and responsibilities, one to another shall be contingent upon the availability of state and federal funds and that this contract shall be subject to renegotiation or termination if such funding ceases to be available.

ARTICLE VIII
COVENANTS AND CONDITIONS

In addition to all other covenants and conditions contained herein, the parties to this contract agree to the following covenants and conditions:

A. Applicable Laws and Regulations

The SAO agrees to comply with all applicable federal and state laws and regulations including constitutional provisions regarding due process and equal protection of the laws and including, but not limited to:

1. All applicable standards, orders, or regulations issued pursuant to the Clean Air Act of 1970, as amended (U.S.C. 7401, et seq.).
2. Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d) and regulations issued pursuant thereto, 45 CFR Part 80 (1996, as amended).
3. Title VII of the Civil Rights Act of 1964 (42 U.S.C. 2000e) in regard to employees or applicants for employment.
4. Section 504 of the Rehabilitation Act of 1973, as amended, (29 U.S.C. 794), which prohibits discrimination on the basis of handicap in programs and activities receiving or benefiting from federal financial assistance, and regulations issued pursuant thereto, (45 CFR Part 84, 1996, as amended).
5. The Age Discrimination Act of 1975, as amended, (42 U.S.C. 6101 et seq.), which prohibits discrimination on the basis of age in programs or activities receiving or benefiting from federal financial assistance.
6. The Omnibus Budget Reconciliation Act of 1981, P.L. 97-35, which prohibits discrimination on the basis of sex and religion in programs and activities receiving or benefiting from federal financial assistance.
7. Americans with Disabilities Act, (42 U.S.C. Sections 12101 et seq.), and regulations issued pursuant thereto, 42 CFR Parts 35 and 36 (1996, as amended).
8. Drug Free Workplace Acts, S.C. Code Ann. §§44-107-10 et seq. (1976, as amended), and the Federal Drug Free Workplace Act of 1988 as set forth in 45 CFR Part 76, Subpart F (1996, as amended).

B. Employees of SAO

No services required to be provided under this contract shall be provided by anyone other than the SAO or the SAO's subcontractor.

C. Information on Persons Convicted of Crimes

The SAO agrees to furnish SCDHHS or to the USDHHS information related to any person convicted of a criminal offense under a program relating to Medicare (Title XVIII), Medicaid (Title XIX), or the Social Services Block Grant program as set forth in 42 CFR 455.106 (1996, as amended). Failure to comply with this requirement may lead to termination of this contract.

D. Safeguarding Information

The SAO shall safeguard the use and disclosure of information concerning applicants for or recipients of Title XIX services in accordance with 42 CFR Part 431, Subpart F, (1996, as amended), SCDHHS's regulations R. 126 - 170, et seq., Code of Laws of South Carolina (1976), Volume 27, as amended, and all other applicable state and federal laws and regulations and shall restrict access to, and use and disclosure of, such information in compliance with said laws and regulations.

E. Political Activity

None of the funds, materials, property, or services provided directly or indirectly under this contract shall be used for any partisan political activity, or to further the election or defeat of any candidate for public office, or otherwise in violation of the provisions of the "Hatch Act".

F. Restrictions on Lobbying

In accordance with 31 U.S.C. 1352, funds received through this contract may not be expended to pay any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with any of the following covered Federal actions: the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement. This restriction is applicable to all subcontractors.

G. Reporting of Fraudulent Activity

If at any time during the term of this contract, the SAO becomes aware of or has reason to believe by whatever means that, under this or any other program administered by SCDHHS, a recipient of or applicant for services, an employee of the SAO or SCDHHS, and/or subcontractor or its employees, have improperly or fraudulently applied for or received benefits, monies, or services pursuant to this or any other contract, such information shall be reported in confidence by the SAO to SCDHHS.

H. Integration

This contract shall be construed to be the complete integration of all understandings between the parties hereto. No prior or contemporaneous addition, deletion, or other amendment hereto shall have any force or effect whatsoever, unless embodied herein in writing. No subsequent novation, renewal, addition, deletion, or other amendment hereto shall have any force or effect unless embodied in a written amendment executed and approved pursuant to Section P of this Article.

I. Governing Law

It is mutually understood and agreed that this contract shall be governed by the laws of the State of South Carolina and federal laws as they pertain to the performance of services provided under this contract.

J. Severability

Any provision of this contract prohibited by the laws of the State of South Carolina shall be ineffective to the extent of such prohibition without invalidating the remaining provisions of this contract.

K. Non-Waiver of Breach

The failure of SCDHHS at any time to require performance by the SAO of any provision of this contract or the continued payment of the SAO by SCDHHS shall in no way affect the right of SCDHHS to enforce any provision of this contract; nor shall the waiver by SCDHHS of any breach of any provision hereof be taken or held to be a waiver of any succeeding breach of such provision or as a waiver of the provision itself.

L. Non-Waiver of Rights

SCDHHS and the SAO hereby agree that the execution and any performance pursuant to this contract does not constitute a waiver, each to the other, of any claims, rights, or obligations which shall or have arisen by virtue of any previous agreement between the parties. Any such claims, rights, or obligations are hereby preserved, protected, and reserved.

M. Non-Assignability

No assignment or transfer of this contract or of any rights hereunder by the SAO shall be valid without the prior written consent of SCDHHS.

N. Venue of Actions

Any and all suits or actions for the enforcement of the obligations of this contract and for any and every breach thereof, or for the review of a SCDHHS final agency decision with respect to this contract or audit disallowances, and any judicial review sought thereon and brought pursuant to the S.C. Code Ann. §1-23-380 (1976, as amended) shall be instituted and maintained in any court of competent jurisdiction in the County of Richland, State of South Carolina.

O. Place of Suit

Any action at law, suit in equity, or judicial proceeding for the enforcement of this contract or any provision thereof shall be instituted only in the courts of the State of South Carolina.

P. Amendment

No amendment or modification of this contract shall be valid unless it shall be in writing and signed by both parties hereto.

Q. Extension

At the end of the term of this contract, SCDHHS shall have the option to extend or renew this contract upon the same terms and conditions as contained herein for a period not to exceed four years; provided, however, that any rate adjustment(s) shall be negotiated and set forth in writing and signed by both parties pursuant to Section P of this Article.

R. Subcontracts

Subcontracts under this contract shall be in writing and shall be subject to the terms and conditions of this contract. The SAO shall be solely responsible for the performance of any subcontractor.

S. Copyrights

If any copyrightable material is developed in the course of or under this contract, SCDHHS shall have a *royalty free, non-exclusive, and irrevocable right to reproduce, publish, or otherwise use the work for SCDHHS purposes.*

T. Safety Precautions

SCDHHS and USDHHS assume no responsibility with respect to accidents, illnesses, or claims arising out of any activity performed under this contract. The SAO shall take necessary steps to insure or protect its recipients, itself, and its personnel. The SAO agrees to comply with all applicable local, state, and federal occupational and safety acts, rules, and regulations.

U. Procurement Code

When applicable, the SAO must comply with the terms and conditions of the South Carolina Consolidated Procurement Code in the acquisition of equipment and supplies and in all subcontracts.

V. Titles

All titles used herein are for the purpose of clarification and shall not be construed to infer a contractual construction of language.

W. Incorporation of Schedules/Appendices

All schedules/appendices referred to in this contract are attached hereto, are expressly made a part hereof, and are incorporated as if fully set forth herein.

X. Equipment

Equipment is defined as an article of tangible property that has a useful life of more than two years and an acquisition cost of One Thousand dollars (\$1,000) or more. Title to all equipment purchased with funds provided under this contract shall rest with the provider as long as the equipment is no longer required for the program for which it was purchased. SCDHHS shall be notified and instructions will be issued by SCDHHS pertaining to the disposition of the property.

IN WITNESS WHEREOF, SCDHHS and SAO by their authorized agents, have executed this contract as of the first day of July, 1998.

SOUTH CAROLINA DEPARTMENT OF
HEALTH AND HUMAN SERVICES
"SCDHHS"

SOUTH CAROLINA
STATE AUDITOR'S OFFICE
"SAO"

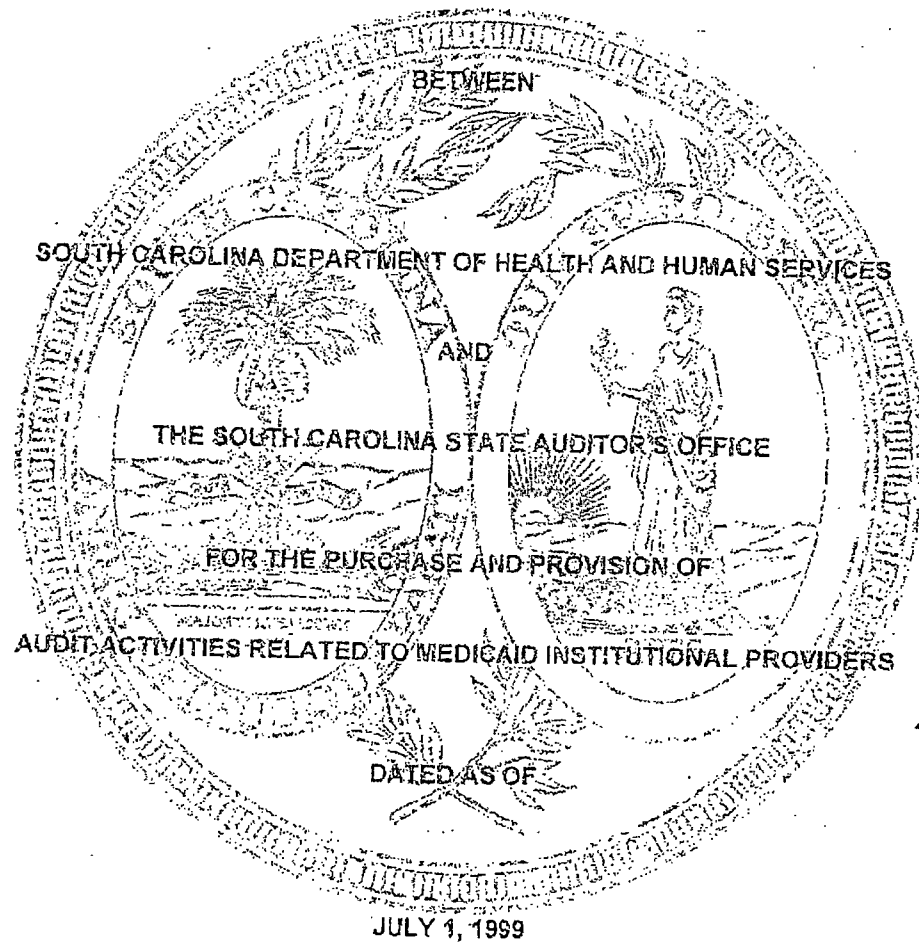
BY: _____
Gwen Power
Director

BY: _____
Edgar A. Vaughn, Jr.
State Auditor

WITNESSES:

WITNESSES:

CONTRACT



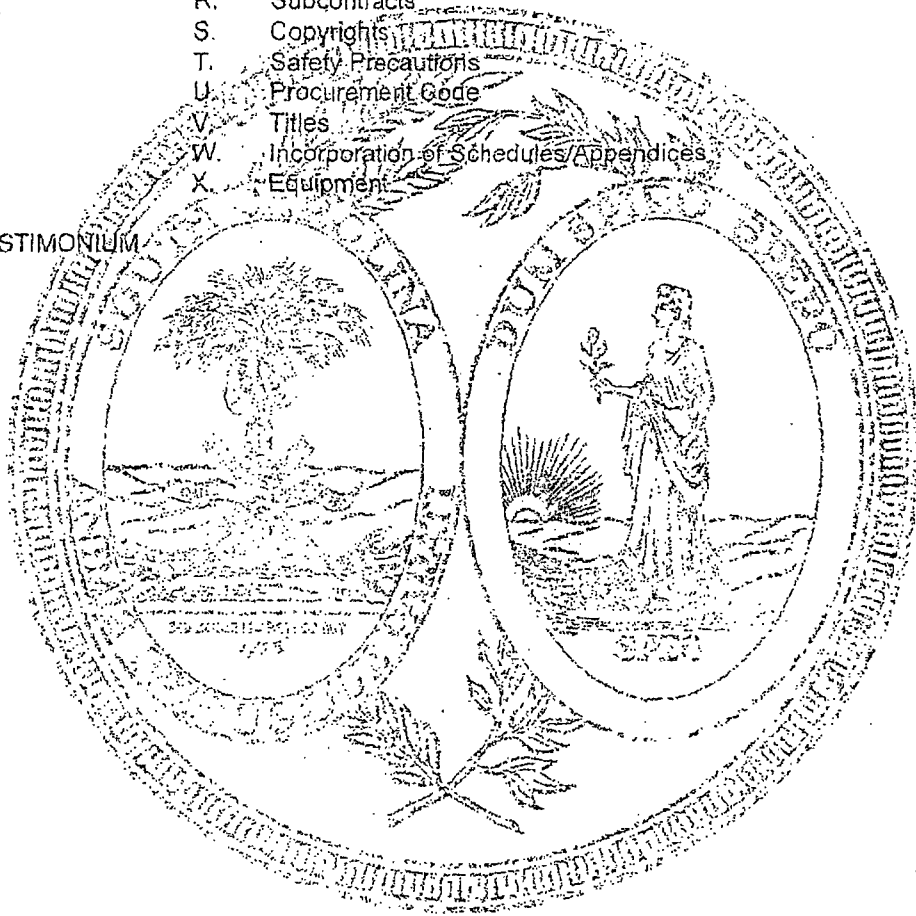
A 0 0004 A

INDEX

	Page
RECITALS	1
ARTICLE I CONTRACT PERIOD	2
ARTICLE II DEFINITION OF TERMS	2
ARTICLE III SAO RESPONSIBILITIES	3
ARTICLE IV SCDHHS RESPONSIBILITIES	4
ARTICLE V CONDITIONS FOR REIMBURSEMENT BY SCDHHS	5
ARTICLE VI RECORDS AND AUDITS	5
A. Non-federal Share of Costs	
B. Accuracy of Data and Reports	
1. Maintenance of Records	
2. Inspection of Records	
ARTICLE VII TERMINATION OF CONTRACT	7
ARTICLE VIII COVENANTS AND CONDITIONS	7
A. Applicable Laws and Regulations	
1. Clean Air Act	
2. Title VI of Civil Rights Act	
3. Title VII of Civil Rights Act	
4. Section 504 of Rehabilitation Act	
5. Age Discrimination Act	
6. Omnibus Budget Reconciliation Act	
7. Americans with Disabilities Act	
8. Drug Free Workplace Acts	
B. Employees of Provider	
C. Information of Persons Convicted of Crimes	
D. Safeguarding Information	
E. Political Activity	
F. Restrictions on Lobbying	
G. Reporting of Fraudulent Activity	
H. Integration	
I. Governing Law	
J. Severability	

- K. Non-Waiver of Breach
- L. Non-Waiver of Rights
- M. Non-Assignability
- N. Venue of Actions
- O. Place of Suit
- P. Amendment
- Q. Extension
- R. Subcontracts
- S. Copyrights
- T. Safety Precautions
- U. Procurement Code
- V. Titles
- W. Incorporation of Schedules/Appendices
- X. Equipment

TESTIMONIUM



11

CONTRACT
BETWEEN
SOUTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES
AND
SOUTH CAROLINA STATE AUDITOR'S OFFICE

**FOR THE PURCHASE AND PROVISION OF AUDIT ACTIVITIES RELATED TO
MEDICAID INSTITUTIONAL PROVIDERS.**

This contract entered into as of the first day of July, 1999, by and between the South Carolina Department of Health and Human Services, 1801 Main Street, Post Office Box 8206, Columbia, South Carolina, 29202-8206, hereinafter referred to as "SCDHHS" and the South Carolina State Auditor's Office, 1401 Main Street, Suite 1200, Columbia, South Carolina, 29201, hereinafter referred to as "SAO".

RECITALS

WHEREAS, SCDHHS is the single state agency responsible for the administration in South Carolina of the Medical Assistance Program under Title XIX of the Social Security Act;

WHEREAS, SCDHHS desires, further to comply with 42 CFR 431.10(e) (1996, as amended) and 42 CFR 447.202 (1996, as amended);

WHEREAS, SCDHHS receives state and federal funds to administer the Medicaid Program;

WHEREAS, pursuant to S.C. Code Ann. § 11-7-20 (1976, as amended) the State Auditors Office is authorized to examine at least once each year the books, accounts, receipts, vouchers and records of all State Officers charged with the receipt and expenditure of public funds appropriated by the General Assembly;

WHEREAS, SCDHHS and SAO have a common and concurrent interest in ascertaining that the expenditure of Medicaid funds is in accordance with the Provider contracts and the South Carolina State Plan;

WHEREAS, SCDHHS and SAO mutually recognize that information/data available to one party may be beneficial to the other party in its general administration and protection of the integrity of the Medicaid Program, thus they agree that coordination and cooperation between them shall serve the best interests of both agencies;

THEREFORE, the parties to this contract, in consideration of the mutual promises, covenants, and stipulations set forth herein, agree as follows:

ARTICLE I

CONTRACT PERIOD

This contract shall take effect as of July 1, 1999, and shall unless sooner terminated in accordance with Article VII hereof, continue in full force and effect through June 30, 2000.

ARTICLE II

DEFINITIONS

As used in this contract, the following terms shall have the following defined meanings:

CFR: Code of Federal Regulations.

Full Scope Audit: An audit performed by independent auditor(s) in compliance with generally accepted auditing standards and "Government Audit Standards", when applicable, to determine if the rate or amount of reimbursement to a Provider complies with:

- A. The South Carolina State Plan for Medical Assistance.
- B. The applicable contract between SCDHHS and the Medicaid Provider.
- C. All applicable state and federal laws and regulations.

Limited Scope Audit: Agreed upon procedures performed by an independent auditor(s) similar to a full scope audit defined herein, except the only costs or potential problem areas tested are based on results of a previously performed full scope audit or areas which an independent auditor would otherwise have reason to believe may contain material findings or exceptions. Applicable audit standards will be followed.

Medicaid Program: A program for the provision of Title XIX (Medicaid) Services.

Medicaid Provider Entity: appropriately certified, if applicable, which contracts or enrolls to provide services under the Title XIX Program.

South Carolina State Plan for Medical Assistance: A plan, approved by the Secretary of DHHS, which complies with 42 USCA §1396a and provides for the methodology of furnishing services to recipients pursuant to Title XIX.

Title XIX: Title 42, United States Code, Chapter 7, subchapter XIX, as amended.

ARTICLE III

SAO RESPONSIBILITIES

- A. The SAO shall provide the SCDHHS Agency Director and the Director of the Office of Internal Audits a consolidated list of recommended engagements of provider contracts engagements and selection criteria in September of each year for the subsequent year contract period. This list should include uncompleted engagements and engagements of the current contract period.
- B. SAO shall be responsible for:
1. Conducting all full scope audits and limited scope engagements of Medicaid cost reports for nursing facilities, federally qualified health care centers (FQHC), and free-standing residential treatment facilities (RTFs). Conducting limited scope audits of hospital cost reports and home health cost reports as requested by SCDHHS.
 2. Determining the materiality limits for the selection of and adjustment to costs or areas tested, or as otherwise directed by SCDHHS.
 3. Simultaneously forwarding copies of all "Final" reports including the management letter, if applicable, to SCDHHS and the Provider.
 4. Referring any questionable practice or fraudulent activity relative to the provision of Medicaid services to the SCDHHS Agency Director and upon request to the Attorney General, providing further detailed information relative to said matters when requested.
 5. Testing of patients' personal needs funds.
 6. Incorporating the testing of Medicare Part B settlements in the nursing facility reports to determine if duplicate payments have been properly reported and offset.
 7. Preparing appeals packages, and compiling all additional documentation necessary following an appeal.
 8. Conducting all engagements to determine if the reimbursement rate or amount is in accordance with the provisions of the provider contracts, State Plan, and state and federal laws and regulations.
- C. SAO shall provide the SCDHHS Agency Director and the Director of the Office of Internal Audits in October an annual activity report comparing planned activity of the prior contract year with actual reports completed. The activity report should include extent of planned activity accomplished (i.e., draft reports issued, final reports issued, audits and engagements in process on September 30 and other information considered pertinent by the SAO concerning previous year's activity).
- D. Disproportionate share financial and statistical information shall be reviewed as requested by SCDHHS.

E. Nursing Facility Audit Requirements:

1. The SAO will audit two cost report periods. For non-hospital based/related nursing facilities, the periods will be defined as the cost report period which was used to set the provider's Medicaid rate in effect at the time the audit field work was initiated, plus the preceding cost report period. For hospital based/related nursing facilities, the periods will be defined as the two most recently audited Medicare hospital cost reports.

For non-hospital based/related nursing facilities, the SAO will be required to issue the final audit reports of the two cost report periods no later than two (2) years after the end of the closed rate period that is associated with the preceding cost report period. For hospital based/hospital related nursing facilities, the SAO will be required to issue the final audit report no later than one (1) year after the receipt of the audited Medicare hospital cost report.

2. Each nursing facility must be audited at least once out of every four (4) consecutive cost reporting years.
3. Audits should be performed more frequently if previous audits identify significant problems.
4. These restrictions do not apply in relation to any audit initiated subsequent to or in relation to any investigation of fraud.

ARTICLE IV

SCDHHS RESPONSIBILITIES

- A. SCDHHS shall, upon resolution of any concerns, provide SAO a letter of concurrence as to Medicaid Providers selected.
- B. SCDHHS shall be responsible for:
 1. Conducting desk reviews of Medicaid (Nursing Facility, Hospital, Federally Qualified Health Care Centers (FQHC), Home Health and free-standing residential treatment facility (RTF)) Providers cost reports, if applicable.
 2. Deriving appropriate settlements resulting from desk audits.
 3. Informing SAO of any unusual or questionable issues arising from desk audits.
 4. Establishing interim rates for reimbursement of the aforementioned Medicaid Providers.
 5. Reviewing all "Draft" reports received from the SAO and submitting any written comments within the required ten (10) day period.
 6. Determining appropriate action resulting from audit activities conducted or subcontracted through the SAO.

7. Adjusting any account receivable which must be changed as a result of an Audit and Appeals decision and advising SAO in a timely manner of all such adjustments.
 8. Providing staff to address specific, technical appeal questions related to the rate setting methodology.
 9. Referring any special requests for Medicaid audits to the SAO.
 10. Forwarding promptly to SAO copies of all executed contracts, desk audit adjustments, rate revisions, Medicaid Bulletins, settlement agreements, State Plan amendments, notice of contract terminations, and related documents necessary for audit purposes of aforementioned Providers.
 11. Forwarding promptly to SAO copies of all settlements made regarding Medicare Part B recoupments applicable to nursing facility Providers.
- C. After receipt and approval of the monthly reimbursement report, SCDHHS shall comply with the 1999-2000 State Appropriations Act.

ARTICLE V

CONDITIONS FOR REIMBURSEMENT BY SCDHHS

SAO shall submit a monthly reimbursement invoice to SCDHHS in accordance with the 1999-2000 State Appropriations Act as it relates to the SAO. Bills shall be submitted to:

Department of Medicaid Payables
Bureau of Fiscal Affairs
South Carolina Department of Health and Human Services
Post Office Box 8206
Columbia, South Carolina 29202-8206

ARTICLE VI

RECORDS AND AUDITS

A. Non-Federal Share of Costs

SAO agrees to bear the non-federal share of costs from state or other funds as necessary to receive FFP under this contract.

B. Accuracy of Data and Reports

The SAO agrees that all statements, reports and claims, financial and otherwise related to costs incurred under this contract, shall be certified as true, accurate, and complete, and SAO shall not submit for payment purposes those claims, statements, or reports which he knows, or has reason to know, are not properly prepared or payable pursuant to federal and state law, applicable regulations and this contract.

1. Maintenance of Records

SAO must maintain an accounting system with supporting fiscal records adequate to assure that claims for funds are in accordance with this contract and all applicable laws, regulations, and policies. The SAO further agrees to retain all financial records, supporting documents and statistical records under this contract for a period of three (3) years after the last payment made under this contract (including any amendments and/or extensions to the contract). If any audit, litigation, claims, or other actions involving the records have been initiated prior to the expiration of the three (3) year period, the records shall be retained until completion of the action and resolution of all issues. This provision is applicable to any subcontractor. SAO agrees to retain SCDHHS Provider programmatic and/or financial records including all applicable SAO audit working papers related to these documents for a period of three (3) years after the expiration of the contract period being audited (including any amendments and/or extensions to the contract). If any audit, litigation, claims, or other actions involving the Provider records have been initiated prior to the expiration of the three (3) year period, the records shall be retained until completion of the action and resolution of all issues.

2. Inspection of Records

At any time during normal business hours and as often as SCDHHS, the Office of the Attorney General, GAO, and USDHHS and/or any of the designees of the above may deem necessary during the contract period (including any amendments and/or extensions to the contract) and for a period of three (3) years after the last payment under this contract, SAO shall make financial records open to the representatives of USDHHS, GAO, the State Attorney General's Office, SCDHHS and/or any designees of the above. DHHS, GAO, the Office of the Attorney General and/or the designees of any of the above shall have the right to examine and make copies, excerpts or transcripts from all records, contact and conduct private interviews with SAO employees and do on-site reviews of all matters relating to this contract. If any audit, litigation, claim, or other action involving the records has been initiated prior to the expiration of the three (3) year period, this paragraph and the terms thereunder shall continue to apply until the action is completed and the issues are resolved. This provision is applicable to any subcontractor. SAO shall make SCDHHS Provider programmatic and/or financial records including all applicable SAO audit working papers related to these documents, available to SCDHHS, or its designee for a period of three (3) years after the expiration of the contract period being audited provided SCDHHS or its designee adheres to the statutory provisions regarding confidentiality of records of the respective agency or organization under review. If any audit, litigation, claim, or other action involving the Provider records have been initiated prior to the expiration of the three (3) year period, this paragraph and the terms thereunder shall continue to apply until the action is completed and the issues are resolved.

ARTICLE VII
TERMINATION OF CONTRACT

The parties hereto covenant and agree that their liabilities and responsibilities, one to another shall be contingent upon the availability of state and federal funds and that this contract shall be subject to renegotiation or termination if such funding ceases to be available.

ARTICLE VIII
COVENANTS AND CONDITIONS

In addition to all other covenants and conditions contained herein, the parties to this contract agree to the following covenants and conditions:

A. Applicable Laws and Regulations

The SAO agrees to comply with all applicable federal and state laws and regulations including constitutional provisions regarding due process and equal protection of the laws and including, but not limited to:

1. All applicable standards, orders, or regulations issued pursuant to the Clean Air Act of 1970, as amended (U.S.C. 7401, *et seq.*)
2. Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d) and regulations issued pursuant thereto, 45 CFR Part 80 (1996, as amended)
3. Title VII of the Civil Rights Act of 1964 (42 U.S.C. 2000e) in regard to employees or applicants for employment
4. Section 504 of the Rehabilitation Act of 1973, as amended, (29 U.S.C. 794), which prohibits discrimination on the basis of handicap in programs and activities receiving or benefiting from federal financial assistance, and regulations issued pursuant thereto, (45 CFR Part 84, 1996, as amended)
5. The Age Discrimination Act of 1975, as amended, (42 U.S.C. 6101 *et seq.*, which prohibits discrimination on the basis of age in programs or activities receiving or benefiting from federal financial assistance.
6. The Omnibus Budget Reconciliation Act of 1981, P.L. 97-35, which prohibits discrimination on the basis of sex and religion in programs and activities receiving or benefiting from federal financial assistance.
7. Americans with Disabilities Act, (42 U.S.C. Sections 12101 *et seq.*, and regulations issued pursuant thereto, 42 CFR Parts 35 and 36 (1996, as amended).
8. Drug Free Workplace Acts, S.C. Code Ann. §§44-107-10 *et seq.* (1976, as amended), and the Federal Drug Free Workplace Act of 1988 as set forth in 45 CFR Part 76, Subpart F (1996, as amended).

B. Employees of SAO

No services required to be provided under this contract shall be provided by anyone other than the SAO or the SAO's subcontractor.

C. Information on Persons Convicted of Crimes

The SAO agrees to furnish SCDHHS or to the USDHHS information related to any person convicted of a criminal offense under a program relating to Medicare (Title XVIII), Medicaid (Title XIX), or the Social Services Block Grant program as set forth in 42 CFR 455.106 (1996, as amended). Failure to comply with this requirement may lead to termination of this contract.

D. Safeguarding Information

The SAO shall safeguard the use and disclosure of information concerning applicants for or recipients of Title XIX services in accordance with 42 CFR Part 431, Subpart F, (1996, as amended), SCDHHS's regulations R. 126 - 170, et seq., Code of Laws of South Carolina (1976), Volume 27, as amended, and all other applicable state and federal laws and regulations and shall restrict access to, and use and disclosure of, such information in compliance with said laws and regulations.

E. Political Activity

None of the funds, materials, property, or services provided directly or indirectly under this contract shall be used for any partisan political activity, or to further the election or defeat of any candidate for public office, or otherwise in violation of the provisions of the "Hatch Act".

F. Restrictions on Lobbying

In accordance with 31 U.S.C. 1352, funds received through this contract may not be expended to pay any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with any of the following covered Federal actions: the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement. This restriction is applicable to all subcontractors.

G. Reporting of Fraudulent Activity

If at any time during the term of this contract, the SAO becomes aware of or has reason to believe by whatever means that, under this or any other program administered by SCDHHS, a recipient of or applicant for services, an employee of the SAO or SCDHHS, and/or subcontractor or its employees, have improperly or fraudulently applied for or received benefits, monies, or services pursuant to this or any other contract, such information shall be reported in confidence by the SAO to SCDHHS.

H. Integration

This contract shall be construed to be the complete integration of all understandings between the parties hereto. No prior or contemporaneous addition, deletion, or other amendment hereto shall have any force or effect whatsoever, unless embodied herein in writing. No subsequent novation, renewal, addition, deletion, or other amendment hereto shall have any force or effect unless embodied in a written amendment executed and approved pursuant to Section P of this Article.

I. Governing Law

It is mutually understood and agreed that this contract shall be governed by the laws of the State of South Carolina and federal laws as they pertain to the performance of services provided under this contract.

J. Severability

Any provision of this contract prohibited by the laws of the State of South Carolina shall be ineffective to the extent of such prohibition without invalidating the remaining provisions of this contract.

K. Non-Waiver of Breach

The failure of SCDHHS at any time to require performance by the SAO of any provision of this contract or the continued payment of the SAO by SCDHHS shall in no way affect the right of SCDHHS to enforce any provision of this contract, nor shall the waiver by SCDHHS of any breach of any provision hereof be taken or held to be a waiver of any succeeding breach of such provision or as a waiver of the provision itself.

L. Non-Waiver of Rights

SCDHHS and the SAO hereby agree that the execution and any performance pursuant to this contract does not constitute a waiver, each to the other, of any claims, rights, or obligations which shall or have arisen by virtue of any previous agreement between the parties. Any such claims, rights, or obligations are hereby preserved, protected, and reserved.

M. Non-Assignability

No assignment or transfer of this contract or of any rights hereunder by the SAO shall be valid without the prior written consent of SCDHHS.

N. Venue of Actions

Any and all suits or actions for the enforcement of the obligations of this contract and for any and every breach thereof, or for the review of a SCDHHS final agency decision with respect to this contract or audit disallowances, and any judicial review sought thereon and brought pursuant to the S.C. Code Ann. §1-23-380 (1976, as amended) shall be instituted and maintained in any court of competent jurisdiction in the County of Richland, State of South Carolina.

O. Place of Suit

Any action at law, suit in equity, or judicial proceeding for the enforcement of this contract or any provision thereof shall be instituted only in the courts of the State of South Carolina.

P. Amendment

No amendment or modification of this contract shall be valid unless it shall be in writing and signed by both parties hereto.

Q. Extension

At the end of the term of this contract, SCDHHS shall have the option to extend or renew this contract upon the same terms and conditions as contained herein for a period not to exceed four one-year periods, provided, however, that any rate adjustment(s) shall be negotiated and set forth in writing and signed by both parties pursuant to Section P of this Article.

R. Subcontracts

Subcontracts under this contract shall be in writing and shall be subject to the terms and conditions of this contract. The SAO shall be solely responsible for the performance of any subcontractor.

S. Copyrights

If any copyrightable material is developed in the course of or under this contract, SCDHHS shall have a royalty-free, non-exclusive, and irrevocable right to reproduce, publish, or otherwise use the work for SCDHHS purposes.

T. Safety Precautions

SCDHHS and USDHHS assume no responsibility with respect to accidents, illnesses, or claims arising out of any activity performed under this contract. The SAO shall take necessary steps to insure or protect its recipients, itself, and its personnel. The SAO agrees to comply with all applicable local, state, and federal occupational and safety acts, rules, and regulations.

U. Procurement Code

When applicable, the SAO must comply with the terms and conditions of the South Carolina Consolidated Procurement Code in the acquisition of equipment and supplies and in all subcontracts.

V. Titles

All titles used herein are for the purpose of clarification and shall not be construed to infer a contractual construction of language.

W. Incorporation of Schedules/Appendices

All schedules/appendices referred to in this contract are attached hereto, are expressly made a part hereof, and are incorporated as if fully set forth herein.

X. Equipment (if applicable)

Equipment is defined as an article of tangible property that has a useful life of more than two years and an acquisition cost of One Thousand dollars (\$1,000) or more. Title to all equipment purchased with funds provided under this contract shall rest with the provider as long as the equipment is no longer required for the program for which it was purchased. SCDHHS shall be notified and instructions will be issued by SCDHHS pertaining to the disposition of the property.

IN WITNESS WHEREOF, SCDHHS and SAO by their authorized agents, have executed this contract as of the first day of July, 1999.

SOUTH CAROLINA DEPARTMENT OF
HEALTH AND HUMAN SERVICES
"SCDHHS"

BY:

Roger D. Poston
Deputy Director
Executive Assistant to Director

WITNESSES

SOUTH CAROLINA
STATE AUDITOR'S OFFICE
"SAO"

BY:

Thomas L. Wagner, Jr.
State Auditor

WITNESSES

EXHIBIT 9

(Annual report issuance listings showing greater than two cost report periods reviewed)

RECEIVED

SEP 04 2014

SCDHHS APPEALS

REPORTS ISSUED FROM JULY 1, 2013 - June 30, 2014

Report	Facility	AC #	Cost Report		Issuance Date
			Beginning	Ended	
2522	UnHealth Post Acute Care - North Augusta, LLC d/b/a UnHealth Post Acute Care - North Augusta	AKM-09	12/01/08	09/30/09	09/26/13
2523	UnHealth Post Acute Care - North Augusta, LLC d/b/a UnHealth Post Acute Care - North Augusta	AKM-09	12/01/08	09/30/09	09/26/13
2525	UnHealth Post Acute Care - North Augusta, LLC d/b/a UnHealth Post Acute Care - North Augusta	AKM-10	10/01/09	09/30/10	12/05/13
2520	Heritage Healthcare of Pickens, LLC d/b/a Heritage Healthcare of Pickens	HAR-09	12/01/08	09/30/09	09/26/13
2531	Heritage Healthcare of Pickens, LLC d/b/a Heritage Healthcare of Pickens	HAR-10	12/01/08	09/30/09	09/26/13
2506	Heritage Healthcare of Pickens, LLC d/b/a Heritage Healthcare of Pickens	HAR-10	10/01/09	09/30/10	12/05/13
2527	UnHealth Post Acute Care - Orangeburg, LLC d/b/a UnHealth Post Acute Care - Orangeburg	OBS-08	09/26/08	09/31/09	09/26/13
2528	UnHealth Post Acute Care - Orangeburg, LLC d/b/a UnHealth Post Acute Care - Orangeburg	OBS-09	10/01/09	09/30/09	09/26/13
2504	UnHealth Post Acute Care - Orangeburg, LLC d/b/a UnHealth Post Acute Care - Orangeburg	OBS-10	10/01/09	09/30/10	12/05/13

REPORTS ISSUED FROM JULY 1, 2011					
Rep. UNTIL JUNE 30, 2012					
#	Facility	AC #	Cost Report Beginning	Cost Report Ended	Final Issuance Date
2502	COUNTRYWOOD NURSING CENTER, LLC	RDM-EB	11/23/07	09/30/08	11/23/11
2503	COUNTRYWOOD NURSING CENTER, LLC	RDM-JB	11/23/07	09/30/08	11/23/11
2510	COUNTRYWOOD NURSING CENTER, LLC	RDM-JB	10/01/09	09/30/09	11/22/11

REPORTS ISSUED FROM JULY 1, 2007			Cost	Cost	Final
Rep. UNTIL JUNE 30, 2008			Report	Report	Issuance
#	Facility	AC #	Beginning	Ended	Date
2288	MARINER HEALTH CARE OF SUMTER - EAST	MAE-J3	10/01/02	09/30/03	12/20/07
2326	SUMTER - EAST HEALTH AND REHABILITATION CENTER	MAE-01	10/01/05	03/31/06	06/23/08
2255	SUMTER - EAST HEALTH AND REHABILITATION CENTER	MAE-J6	10/01/05	08/30/06	06/23/08
2285	MARINER HEALTH CARE OF SENECA	MAS-J3	10/01/02	09/30/03	12/20/07
2326	SENECA HEALTH AND REHABILITATION CENTER	MAS-01	10/01/05	03/31/06	06/23/08
2327	SENECA HEALTH AND REHABILITATION CENTER	MAS-J6	10/01/05	09/30/06	06/23/08

REPORTS ISSUED FROM JULY 1, 2006					
Rep. UNTIL JUNE 30, 2007					
#	Facility	AC #	Cost Report Beginning	Cost Report Ended	Final Issuance Date
2201	A. SAM KARESH LONG-TERM CARE NURSING FACILITY	ASK-J1	10/01/00	09/30/01	09/19/03
2202	A. SAM KARESH LONG-TERM CARE NURSING FACILITY	ASK-J2	10/01/01	09/30/02	09/19/03
2203	A. SAM KARESH LONG-TERM CARE NURSING FACILITY	ASK-J3	10/01/02	09/30/03	09/19/03
2185	BAMBERG COUNTY MEMORIAL NURSING CENTER	BMB-J1	10/01/00	09/30/01	08/11/03
* 2186	BAMBERG COUNTY MEMORIAL NURSING CENTER	BMB-J2	10/01/01	09/30/02	08/11/03
2187	BAMBERG COUNTY MEMORIAL NURSING CENTER	BMB-J3	10/01/02	09/30/03	08/11/03
2191	ELLENBURG NURSING CENTER, INC.	ELB-J2	10/01/01	09/30/02	08/23/03
2192	ELLENBURG NURSING CENTER, INC.	ELB-J3	10/01/02	09/30/03	08/23/03
2193	ELLENBURG NURSING CENTER, INC.	ELB-J4	10/01/03	09/30/04	08/23/03
2209	JOHN EDWARD HARTER NURSING CENTER	JEH-J1	10/01/00	09/30/01	09/27/03
2220	JOHN EDWARD HARTER NURSING CENTER	JEH-J2	10/01/01	09/30/02	10/27/03
2221	JOHN EDWARD HARTER NURSING CENTER	JEH-J3	10/01/02	09/30/03	10/27/03
2197	KINGSTON NURSING CENTER	KNC-J1	10/01/00	09/30/01	09/19/03
2198	KINGSTON NURSING CENTER	KNC-J2	10/01/01	09/30/02	09/19/03
2199	KINGSTON NURSING CENTER	KNC-J3	10/01/02	09/30/03	09/19/03
2210	LORIS EXTENDED CARE CENTER	LRS-J1	10/01/00	09/30/01	08/27/03
2211	LORIS EXTENDED CARE CENTER	LRS-J2	10/01/01	09/30/02	08/27/03
2212	LORIS EXTENDED CARE CENTER	LRS-J3	10/01/02	09/30/03	08/27/03
2213	MULLINS NURSING CENTER	MUL-J1	10/01/00	09/30/01	08/27/03
2214	MULLINS NURSING CENTER	MUL-J2	10/01/01	09/30/02	10/11/03
2215	MULLINS NURSING CENTER	MUL-J3	10/01/02	09/30/03	10/11/03
2207	ROGER HUNTINGTON NURSING CENTER	ROG-J1	10/01/00	09/30/01	09/27/03
* 2208	ROGER HUNTINGTON NURSING CENTER	ROG-J2	10/01/01	09/30/02	08/27/03
2209	ROGER HUNTINGTON NURSING CENTER	ROG-J3	10/01/02	09/30/03	09/19/03

* - UNABLE TO LOCATE ENGAGEMENT LETTER

REPORTS ISSUED FRL JULY 1, 2005					
Rep. #	Facility	AC #	Report Beginning	Cost Report Ended	Final Issuance Date
2133	LAKE MARION NURSING HOME	LAK-J1	10/01/00	09/30/01	08/23/01
2156	LAKE MARION NURSING HOME	LAK-J2	10/01/01	09/30/02	04/13/02
2160	LAKE MARION NURSING HOME	LAK-J3	10/01/02	09/30/03	04/13/02
2132	LAKE MOULTRIE NURSING HOME	LKM-J1	10/01/00	09/30/01	08/23/01
2157	LAKE MOULTRIE NURSING HOME	LKM-J2	10/01/01	09/30/02	04/13/02
2161	LAKE MOULTRIE NURSING HOME	LKM-J3	10/01/02	09/30/03	04/13/02
2149	HARPER NURSING CENTER	SMH-J1	10/01/00	09/30/01	10/09/01
2165	HARPER NURSING CENTER	SMH-J2	10/01/01	09/30/02	04/13/02
2189	HARPER NURSING CENTER	SMH-J3	10/01/02	09/30/03	04/13/02
2131	WINDSOR MANOR	WIND-J1	10/01/00	09/30/01	08/23/01
2158	WINDSOR MANOR	WIND-J2	10/01/01	09/30/02	04/13/02
2162	WINDSOR MANOR	WIND-J3	10/01/02	09/30/03	04/13/02

* - UNABLE TO LOCATE ENGAGEMENT LETTER

REPORTS ISSUED FROM JULY 1, 2001					
Rep. UNTIL JUNE 30, 2002					
#	Facility	AC #	Cost Report Beginning	Cost Report Ended	Final Issuance Date
1792	ELLEN SAGAR NURSING HOME	ELS-J6	10/01/95	09/30/96	09/28/01
1799	ELLEN SAGAR NURSING HOME	ELS-J7	10/01/96	09/30/97	10/09/01
1800	ELLEN SAGAR NURSING HOME	ELS-J8	10/01/97	09/30/98	10/09/01

UNABLE TO LOCATE ENGAGEMENT LETTER

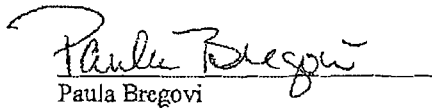
Rep. #	REPORTS , UNITED JUN 30, 1999	ED FROM JULY 1, 1998	Cost Report Beginning	Cost Report End	Fin	Date Field Work Ended	Final Issuance Date
1480	ABERDEEN NURSING HOME, INC.	ABN-J	1080782	1080782	RDC	02/27/97	09/17/98
1481	ABERDEEN NURSING HOME, INC.	ABN-J	1080782	1080782	RDC	02/27/97	09/17/98
1482	ABERDEEN NURSING HOME, INC.	ABN-J	1080782	1080782	RDC	02/27/97	09/17/98
1483	AKEN NURSING HOME	AKN-J	1080782	1080782	JPC	12/28/98	12/28/98
1484	AKEN NURSING HOME	AKN-J	1080782	1080782	JPC	12/28/98	12/28/98
1485	AKEN NURSING HOME	AKN-J	1080782	1080782	JPC	12/28/98	12/28/98
1486	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1487	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1488	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1489	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1490	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1491	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1492	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1493	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1494	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1495	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1496	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1497	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1498	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1499	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1500	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1501	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1502	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1503	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1504	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1505	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1506	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1507	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1508	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1509	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1510	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1511	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1512	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1513	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1514	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1515	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1516	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1517	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1518	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1519	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1520	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1521	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1522	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1523	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1524	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1525	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1526	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1527	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1528	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1529	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1530	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1531	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1532	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1533	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1534	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1535	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1536	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1537	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1538	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1539	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1540	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1541	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1542	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1543	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1544	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1545	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1546	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1547	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1548	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1549	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1550	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1551	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1552	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1553	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1554	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1555	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1556	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1557	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1558	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1559	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1560	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1561	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1562	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1563	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1564	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1565	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1566	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1567	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1568	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1569	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1570	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1571	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1572	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1573	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1574	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1575	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1576	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1577	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1578	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1579	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1580	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1581	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1582	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1583	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1584	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1585	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1586	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1587	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1588	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1589	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1590	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1591	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1592	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1593	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1594	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1595	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1596	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1597	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1598	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1599	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1600	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1601	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1602	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1603	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1604	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1605	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1606	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1607	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1608	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1609	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1610	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1611	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1612	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1613	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1614	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1615	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1616	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	12/28/98
1617	ALBANY NURSING HOME	ALB-J	1080782	1080782	JPC	12/28/98	

CERTIFICATE OF SERVICE

I, Paula Bregovi, the undersigned employee of Nickles Law Firm, LLC, attorneys for Respondent, hereby certify that I have served the foregoing Respondent's Prehearing Brief via Hand Delivery as follows:

Daniel J. Westbrook, Esquire
Alice V. Harris, Esquire
1320 Main Street, 17th Floor
Columbia, South Carolina 29201

This 4th day of September, 2014.


Paula Bregovi

Columbia, South Carolina

RECEIVED

SEP 04 2014

SCDHHS APPEALS

Betsy Schindler

From: Al Nickles <wanickles@nickleslaw.com>
Sent: Tuesday, September 16, 2014 2:10 PM
To: Betsy Schindler
Cc: Dan Westbrook; Alice Harris; Byron Roberts; Rick Hepfer
Subject: Countrywood Appeal
Attachments: DOC091614-09162014125644.pdf

Ms. Schindler,

Please see the attached memorandum offered in objection to the admission of parole evidence in the appeal scheduled for tomorrow.

As you know, the Petitioner has the burden of proof in the appeal. For this reason, Petitioner should be required to present evidence in support of its position before the Agency is required to respond. I therefore request that Petitioner go first in the appeal and the Agency be offered the opportunity to respond, if necessary.

Thank you.

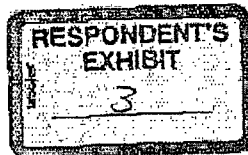
W. Allen Nickles, III
Nickles Law Firm, LLC
1122 Lady Street, Suite 610
Columbia, SC 29201
(803) 779-8080 Telephone
(803) 256-1816 Facsimile
wanickles@nickleslaw.com

Confidentiality Notice:

This message is intended exclusively for the individual or entity to which it is addressed. This communication may contain information that is privileged, confidential or otherwise exempt from disclosure.

If you are not the named addressee, you are not authorized to read, print, retain, copy or disseminate this message. If you have received this message in error, please contact me immediately and delete all copies of this message.

To ensure compliance with the requirements imposed by the IRS, we inform you that any U.S. federal tax advice contained in this communication (including attachments) is not intended, or written to be used, for the purpose of (a) avoiding penalties under the Internal Revenue Code or (b) promoting, marketing or recommending to another party any transaction or tax-related matter[s].



STATE OF SOUTH CAROLINA	)	BEFORE THE DIVISION OF APPEALS
	)	AND HEARINGS OF THE
COUNTY OF RICHLAND	)	SOUTH CAROLINA DEPARTMENT
	)	OF HEALTH AND HUMAN SERVICES
Countrywood Nursing Center, LLC,	)	AC #3-RDM-J8; AC #12-AUD-010
	)	AC #3-RDM-J9; AC #12-AUD-011
Petitioner,	)	AC #3-RDM-E8; AC #12-AUD-012
	)	
v.	)	
	)	RESPONDENT'S OBJECTION TO
South Carolina Department of Health	)	ADMISSION OF PAROLE EVIDENCE
and Human Services,	)	
	)	
<u>Respondent.</u>	)	

In the deposition of Jeff Saxon and in its prehearing brief, Petitioner attempts to address the "intent" of parties to its contract with Respondent and the contract between Respondent and the State Auditor's Office. Both contracts are governed by laws of the State of South Carolina as to interpretation and performance. (Petitioner Contract art. IX(M); DHHS/SAO Contract art. IX(L)). Additionally, both contracts contain integration clauses stating that the contracts shall be construed to be "complete integration of all understandings between the parties." (Petitioner Contract art. IX(L); DHHS/SAO Contract art. IX(H)).

The parole evidence rule prevents the introduction of extrinsic evidence (whether written or verbal) of agreements or understandings contemporaneous with or prior to the execution of a written instrument if used to contradict, vary or explain the written instrument. In re: Estate of Holden, 343 S.C. 267, 275, 539 S.E.2d 703, 708 (2000) citing, Gilliand v. Elmwood Properties, 301 S.C. 295, 302, 391 S.E.2d 577, 581 (1990). The parole evidence rule is a matter of substantive law. Admission of evidence violating the parole evidence rule is legally incompetent and should not be considered even in the absence of an objection. Id. at 276, 708. Parole evidence is particularly inappropriate where the writing at issue has an integration clause. U.S.

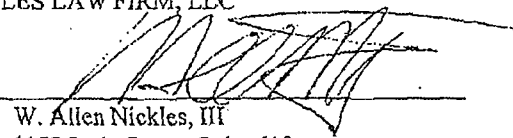
Leasing Corp. v. Janicare, Inc., 294 S.C. 312, 318, 364 S.E.2d 202, 205 (Ct. app. 1998) citing, 30 Am. Jur.2d Evidence § 1043 at 180 (1967); 32A C.J.S. Evidence § 1013(2) at 605-07.

Petitioner's Contract and the DHHS/SAO Contract both contain integration clauses and are governed by the law of this State. In this context, parole evidence offered to "explain" the contracts is inappropriate and should not be admitted. As an additional ground for this objection, Terry Schmoyer, the witness identified by Petitioner as offering evidence on this issue, was not a party to either contract and did not participate in the drafting of either contract. Accordingly, Mr. Schmoyer is not competent to testify on the "intent" or the "understanding" of the parties to these agreements.

CONCLUSION

The contract between Petitioner and Respondent and the contract between DHHS and SAO are governed by their express terms and may not be altered by parole evidence. For this reason, any offer of testimony to address the intent of the parties or to offer an explanation of contractual terms must be denied and the testimony excluded.

NICKLES LAW FIRM, LLC

By: 

W. Allen Nickles, III
1122 Lady Street, Suite 610
Columbia, South Carolina 29201
(803) 779-8080

Attorneys for Respondent

September 17, 2014
Columbia, South Carolina

NICKLES LAW FIRM, LLC
- ATTORNEYS AT LAW -
1122 Lady Street, Suite 610
Columbia, South Carolina 29201

W. Allen Nickles, III

Telephone: (803) 779-8080
Facsimile: (803) 256-1816
Email: wanickles@nickleslaw.com

October 17, 2014

Via Email & Hand Delivery

Betsy Schindler, Hearing Officer
SC Department of Health & Human Services
Division of Appeals and Hearings
1801 Main Street
Columbia, South Carolina 29201

RE: Countrywood v. SCDHHS

Dear Ms. Schindler:

As requested, I am providing Respondent's proposed order in the above appeal. The order provided by email is in Word format. A hard copy is being provided by hand delivery.

Please contact me if I may provide any additional information or assistance.

Sincerely,


W. Allen Nickles, III

WAN/pfb

Enclosure

cc: Dan Westbrook, Esquire (via email only)
Alice V. Harris, Esquire (via email only)
Byron Roberts, Esquire (via email only)
Rick Hepfer, Esquire (via email only)

File #12-089



R0972

STATE OF SOUTH CAROLINA	)	BEFORE THE DIVISION OF APPEALS
	)	AND HEARINGS OF THE
COUNTY OF RICHLAND	)	SOUTH CAROLINA DEPARTMENT
	)	OF HEALTH AND HUMAN SERVICES
Countrywood Nursing Center, LLC,	)	AC #3-RDM-J8; AC #12-AUD-010
	)	AC #3-RDM-J9; AC #12-AUD-011
Petitioner,	)	AC #3-RDM-E8; AC #12-AUD-012
	)	
v.	)	
	)	FINAL ADMINISTRATIVE ORDER
South Carolina Department of Health	)	
and Human Services,	)	
	)	
<u>Respondent.</u>	)	

JURISDICTION

Procedure in this case is governed under the authority granted by the South Carolina General Assembly to the South Carolina Department of Health and Human Services (SCDHHS) to administer various programs and grants (See e.g., S.C. Code Ann. § 44-6-5, et seq.). This appeal has been conducted pursuant to the provisions of the Appeals and Hearings regulations of SCDHHS (S.C. Code Ann. R. 126-150 et seq.) and the South Carolina Administrative Procedures Act (S.C. Code Ann. § 1-23-310 et seq.)

STATEMENT OF THE CASE

Petitioner, Countrywood Nursing Center, LLC, is a provider of services under the South Carolina Medicaid program administered by SCDHHS. Petitioner filed a timely appeal from the audit reports identified above. Thereafter, Petitioner and Respondent participated in a prehearing conference, exchanged documents, conducted depositions and filed prehearing briefs. A motion for summary judgment filed by Petitioner was denied by order dated December 19, 2012 with permission to raise the issues presented in the hearing. The parties appeared before the Hearing Officer on September 17, 2014.

ISSUES

In this appeal, Petitioner has elected to proceed on two issues. The first issue claims that the contract between SCDHHS and the State Auditor's Office ("SAO") limits audit reviews to two cost report periods. Petitioner asserts that it is a third-party beneficiary of the contract between SCDHHS and the SAO. Petitioner further asserts that "public interest" confers standing to enforce the contract between SCDHHS and the SAO. The second issue claims that the contract between SCDHHS and the Petitioner bars recovery of disallowances in audit report AC #3-RDM-E8 (addressing the cost report for the period November 29, 2007 through May 31, 2008 and the rate period through September 30, 2009). Petitioner contends that certain disallowances identified in this report were issued more than three years following the close of the contract period under review and that SCDHHS is barred from recovering identified overpayments for the period November 29, 2007 through September 30, 2008. Based upon these claims, Petitioner seeks to retain \$546,968 in identified overpayments for Medicaid services.¹

As to Petitioner's first issue, Respondent asserts that Petitioner is not a beneficiary and has no standing to raise claims relating to the contract between SCDHHS and the SAO. Respondent further asserts that the contract between SCDHHS and the SAO does not limit the SAO to review of two cost reports. As to Petitioner's second issue, Respondent asserts that reviews were conducted and final audit reports were issued in a timely fashion.

INFORMATION BEFORE THE HEARING OFFICER

The information presented for review in this appeal includes testimony by Terry Schmoeyer, CPA, offered as an expert on behalf of the Petitioner and testimony by Jeff Saxon, a Program Manager for SCDHHS, offered as an expert on behalf of Respondent. In addition to

¹ The cost report for the period November 29, 2007 through May 31, 2008 alone resulted in an overpayment of \$292,592.00.

testimony provided at the hearing, the depositions of Mr. Schmoyer and Mr. Saxon are part of the record. Both parties presented documents that were marked as exhibits.

Respondent raised an objection to Mr. Schmoyer's participation as an expert on grounds that he is employed as an advocate of the Petitioner. In making this objection, Respondent offered deposition testimony that Mr. Schmoyer was aware of undisclosed related party transactions that were reported for reimbursement and was responsible for preparing cost reports improperly claiming these undocumented costs. Respondent argued that Mr. Schmoyer's opinion concerning the proposed limit on audit reviews and untimeliness of audit reports seeks to prevent the State from recouping unearned Medicaid payments based on reports that he submitted on behalf of Petitioner. Respondent also argued that Mr. Schmoyer served as an advocate in recommending that Petitioner retain a former SCDHHS director as its legal representative based upon the former director's "many connections" and ability to obtain "the best (lowest) repayment terms." I have considered Respondent's objections and have determined that issues raised challenging Mr. Schmoyer's impartiality go to the weight of his testimony rather than admissibility.

Respondent has also raised an objection to hearsay testimony offered by Mr. Schmoyer concerning communications between representatives of SCDHHS and Nursing Home Association representatives during the 1990's regarding the number of cost reports to be reviewed by the SAO. I agree that hearsay testimony is not admissible in this proceeding. Nevertheless, in view of testimony provided by Mr. Saxon concerning his recollection of the reported communications, and the determination that Petitioner has no standing to interfere in contractual relations between SCDHHS and SAO, I find admission of Mr. Schmoyer's testimony to be harmless.

Having considered all of the evidence and testimony presented for review, and having weighed the credibility and relevance of the evidence presented, for the following reasons, I find that Petitioner has not met its burden on appeal. Accordingly, Respondent is entitled to recoup overpayments identified in the challenged audit reports.

FINDINGS OF FACT

Based upon the documents and testimony presented at the hearing, I make the following findings of fact:

1. Providers of Medicaid services are reimbursed for their allowable costs in accordance with Medicare principles as found in the Provider Reimbursement Manual (HIM-15), unless modified by the State Plan.
2. Costs that are reasonable, necessary and related to patient-care are allowable, reimbursable costs under State Plan and HIM-15.
3. As a condition of participation in seeking Medicaid reimbursement, providers must follow the rules set forth in the HIM-15 and State Plan.
4. HIM-15-1, Section 2304 (Adequacy of Cost Information) states in part: "Cost information as developed by the provider must be current, accurate, and in sufficient detail to support payments made for services rendered to beneficiaries. This includes all ledgers, books, records and original evidences of cost (purchase requisitions, purchase orders, vouchers, requisitions for materials, inventories, labor time cards, payrolls, bases for apportioning cost, etc.), which pertain to the determination of reasonable cost, capable of being audited. . ."
5. The State Plan is a legislative document that cannot be modified, revoked or amended judicially.

6. The State Plan provides that: "All nursing facilities are required to detail their cost for the entire reporting period..." Attachment 4.19-D, I. (B)

7. The State Plan provides that cost reports submitted by nursing facilities: "shall be certified by the operator..." Attachment 4.19-D, I. (D)

8. The State Plan provides that all nursing facilities must maintain accurate and detailed financial records for "at least six (6) years following the end of the contract period for which the cost report was used to set this rate..." and that such records "must be made available upon demand to representatives of the Medicaid Agency [SCDHHS], or the State Auditor..." Attachment 4.19-D, I. (E)

9. The State Plan provides that: "All cost reports are subject to on-site audit." If there is a dispute about audit findings, "[t]he provider has the right to appeal..." through the present process. Attachment 4.19-D, II. (H)

10. Petitioner entered the South Carolina Medicaid program on November 29, 2007, having obtained an existing nursing facility (Ridgeview Manor). Petitioner accepted assignment of the contract for Medicaid services entered between Ridgeview Manor and SCDHHS.

11. As a "new facility" Petitioner filed an initial cost report for the period November, 29, 2007 through May 31, 2008, rather than the usual annual cost report filed by facilities operating in South Carolina for a year or more. Attachment 4.19-D, III. (E) This initial cost report set the Petitioner's reimbursement rates through September 30, 2009.

12. The contract assumed by Petitioner provides that: "For purposes of Article V, Section F only [Time Limit on Issuance of the Final Audit Report], the contract period will be the rate period as defined by the South Carolina State Plan." Petitioner Contract Article II

13. The contract assumed by Petitioner "expressly incorporates" a number of governing laws, regulations and guidelines, including the State Plan. Petitioner Contract Article III

14. The contract assumed by Petitioner provides for audits and appeal from audit disallowances. Petitioner Contract Article V (A) and (B)

15. The contract assumed by Petitioner provides that final audit reports "shall be issued within three (3) years of the close of the contract period..." Petitioner Contract Article V (F)

16. The contract assumed by Petitioner provides that all cost reports "shall be certified as true, accurate, and complete..." and shall not include claims for payment that the provider "knows, or has reason to know, are not properly prepared or payable..." Petitioner Contract Article V (G)

17. The contract assumed by Petitioner provides that financial records shall be maintained for the same six year period designated in the State Plan and that such records are subject to inspection "at any time" by SCDHHS, the SAO and other identified agencies. Petitioner Contract Article V (G)(1) and (2)

18. The contract assumed by Petitioner provides that it "shall be construed to be the complete integration of all understandings between the parties hereto." Petitioner Contract Article IX (L)

19. SCDHHS and the SAO have entered a contract for "Agreed -Upon Procedure Activities Related To Medicaid Institutional Providers." This contract provides that the parties "have a common and concurrent interest in ascertaining that expenditures of Medicaid funds is in accordance with the Provider contracts and the State Plan." SCDHHS/SAO Contract, p.1.

20. The SAO contract provides that: "The SAO will perform agreed-upon procedures involving two cost report periods." The contract further provides that for non-hospital based/related nursing facilities [such as Petitioner], the SAO will be required to issue the final reports of the two cost report periods no later than three (3) years after the end of the closed rate period that is associated with the preceding cost report period." SCDHHS/SAO Contract Article IV (D)(1).

21. The cost reports submitted by Petitioner contain the following certification: "Under penalties of perjury, I declare that I have examined this cost report, including any accompanying schedule and/or statement, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of the preparer (other than facility owner/personnel) is based on all information of which the preparer has knowledge)"

22. Petitioner's initial cost report, for the period November 29, 2007 through May 31, 2008, was signed by its representative on February 11, 2009. This cost report did not disclose related party transactions involving the purchase of more than \$60,000.00 in "minor equipment."

23. Petitioner's second cost report, for the period November 29, 2007 through September 30, 2008 was signed by its representative on May 12, 2009. Like Petitioner's initial report, this second cost report did not disclose related party transactions involving the purchase of more than \$60,000.00 in "minor equipment."

24. Because Petitioner's initial cost report was used to set the reimbursement rates through September 30, 2009, non-recurring expenses, including disallowed "minor equipment" purchases, had a reimbursement impact of \$131,655.00.

25. Petitioner's witness, Terry Schmoyer, prepared the cost reports for Petitioner. Mr. Schmoyer admitted that the "minor equipment" reported by Petitioner was obtained through a

related party that was not disclosed as required and certified. Mr. Schmoyer further admitted that Petitioner did not retain records of this transaction. Such records are required as a condition of reimbursement by contract, State Plan and controlling guidelines.

26. The SAO initiated field work on the challenged cost reports on August 10, 2011.

27. The SAO issued final audit reports on the challenged cost reports on November, 22, 2011.

28. Following issuance of the final audit reports, the SAO continued to receive and consider additional information from Petitioner through at least August 6, 2012. (Warrington email to Schmoyer, dated August 1, 2012)

29. "A Hearing Officer has the authority, among other things, to: direct all procedures, issue interlocutory orders; schedule hearings and conferences; preside at formal proceedings; rule on procedural and evidentiary issues; require the submission of briefs and/or conclusions of law; call witnesses; recess, continue, and conclude any proceedings; dismiss any appeal for failure to comply with the requirements of this subarticle." South Carolina Department of Health and Human Services, Chapter 126, "Administration" R. 126-154, § 44-6-90, S.C. Code 1976, as amended.

CONCLUSIONS OF LAW

1. In a contest involving review of a statute, regulation or other public document, the plain language of the document in question controls and there is no need for explanation by way of testimony. See, Paschal v. State Election Comm'n., 317 S.C. 434, 436, 454 S.E.2d 890, 892 (1995)

2. If there is any question about the meaning or intent of a public document, it is the responsibility of the reviewing body to ascertain the public interest at stake and to rule in a

manner that serves that interest. Kiriakides v. United Artists Communications, Inc., 312 S.C. 271, 440 S.E.2d 364 (1994) (an interpretation that leads to an unintended result must be rejected)

3. In determining intent, the reviewing body may consider the interpretation and application of the agency responsible for execution of the legislation. See, Nucor Steel v. South Carolina Public Serv. Comm'n., 310 S.C. 539, 426 S.E. 2d. 319 (1992)

4. Where an administrative agency has consistently applied a statute or regulation in a particular manner, its construction may not be overturned absent cogent reasons. S.C. Cable Television Ass'n. v. Southern Bell Tel. & Tel. Co., 308 S.C. 216, 417 S.E.2d 586 (1992); Emerson Electric Co. v. Wasson, 278 S.C. 394, 339 S.E.2d 118 (1986)

5. The words used in a statute or regulation should be given their ordinary and common meaning, consistent with their manifest purpose. See, Floyd v. Nationwide Mut. Ins. Co., 367 S.C. 253, 260, 626 S.E.2d 6, 10 (2005) A construction or interpretation that leads to an absurd or unintended result must be rejected. Peake v. S.C. Dept. of Motor Vehicles, 375 S.C. 589, 599, 654 S.E.2d 284, 289 (Ct. App. 2007); Jones v. State Farm Mut. Auto Ins. Co., 364 S.C. 222, 232, 612 S.E.2d 719, 724 (Ct. App. 2005)

6. There is no need to interpret the contract between DHHS and the SAO. See, Lee v. University of South Carolina, 407 S.C. 512, 517, 757 S.E.2d 394, 397 (2014) (Contractual language is to be construed according to its plain terms and courts are not at liberty to consider unexpressed or secret intentions)

7. Petitioner is not an intended beneficiary of the contract between DHHS and SAO. Instead, this contract is for the purpose of formalizing the relationship between two agencies of the State. Additionally, Petitioner has identified no legal basis to support a private cause of action or remedy arising out of this document. See, Wogan v. Kunze, 366 S.C. 583, 604, 623

S.E.2d 107, 118 (Ct. App. 2007) (a third party has no right to enforce a contract absent a showing that the contract is intended to create a direct rather than incidental or consequential benefit to the third person)

8. Petitioner contends that C.A.N. Enterprises, Inc. v. S.C. Health and Human Services Finance Commission, 296 S.C. 373, 373 S.E.2d 584 (S.C. 1988), requires a finding that audit report AC #3-RDM-E8 (addressing the cost report for the period November 29, 2007 through May 31, 2008 used to set the reimbursement rate through September 30, 2009) was issued in an untimely fashion as it relates to the period November 29, 2007 through September 30, 2008. The C.A.N. opinion addressed former contract language that required audits to be conducted "during the contract period and . . . after termination of **this contract** and for a period of three years thereafter." The Supreme Court held that the former contract language required audit reports to be issued within three years of the contract ending date. The audit periods applicable to current contracts are governed by the "rate period as defined by the South Carolina State Plan." (Petitioner Contract Art. II, Definitions "Contract Period") The deadline for issuance of the challenged audit reports differs from deadline addressed in the C.A.N. opinion. As addressed below the language of the controlling State Plan establishes that the audit reports on appeal were timely. Accordingly, disallowances identified in the challenged reports are subject to recoupment.

9. Petitioner contends that "public interest" supports its intervention in the contract between SCDHHS and the SAO. No authority offered by Petitioner supports this argument. For example, in Sloan Construction Co., Inc. v. Southco Grassing, Inc., 377 S.C. 108, 659 S.E.2d 158 (2008), the South Carolina Supreme Court determined that a third party breach of contract claim applies against a public entity only if supported by an expression of legislative intent. In

Sloan, the Court found the required intent in a statute requiring contractors to maintain bonds protecting the interest of subcontractors on public projects. No such expression of intent is contained in the contract between SCDHHS and the SAO. To the contrary, the public interest in confining Medicaid payments to costs documented as reasonable and necessary to achieve program purposes would be undermined by allowing providers to limit audit reviews in a manner inconsistent with the State Plan and controlling law. The limit proposed by Petitioner would also subvert legislation incorporated in the SCDHHS/SAO contract authorizing the SAO to review Medicaid costs to the full extent available under state and federal law. (SCDHHS/SAO Contract, "Recitals") (p. 1))

10. Petitioner has no standing to intervene in the contractual relationship between SCDHHS and the SAO under the "public importance" exception addressed in ATC South, Inc. v. Charleston County, 380 S.C. 191, 669 S.E.2d 337 (2008). As stated above, Petitioner's private interest in maintaining unearned public funds does not satisfy the "level of public importance" necessary to establish standing.

DECISION

I. Petitioner's initial cost report was subject to review by the SAO.

Petitioner's argument that the SAO is contractually barred from examining more than two cost reports for purposes of issuing final audit reports is not supported by the record or controlling law. For example, the SCDHHS/SAO contract provides that the SAO shall conduct "all engagements to determine if the reimbursement rate or amount is in accordance with the provision of the provider contracts, State Plan, and all state and federal laws and regulations." (SCDHHS/SAO Contract Art. III, ¶ B.3 (p. 3)) Limiting audit reviews in a manner inconsistent with governing law would be improper and exceed the authority of this office.

The SCDHHS/SAO contract states that it is the complete integration of all understandings between the parties. (SCDHHS/SAO Contract Art. IX, ¶ H (p. 10)) The contract's express purpose is to serve a "common and concurrent interest in ascertaining that the expenditure of Medicaid funds is in accordance with the Provider contracts and the State Plan." Even without this language, the controlling State Plan makes all records required to be maintained by Medicaid providers available on demand to the SAO. (State Plan Attachment 4.19-D, ¶ I (E) (p. 3))

If the two reporting periods referenced in the contract were intended to limit audit reviews, a construction denied by SCDHHS, the review language would contain limiting terms such as "only." This limitation is not stated in the contract and may not be added to alter the agreement between the parties. See, (SCDHHS/SAO Contract Art. III, ¶ D.1 (p. 4)) Petitioner was not a party to the SCDHHS/SAO contract, and its agreement acknowledges that: "All decisions and determinations regarding the administration of the Medicaid program shall be made by SCDHHS." (Petitioner Contract Art. IX, ¶ GG "Single State Agency Responsible for Medicaid") Petitioner's agreement also makes clear that the SAO shall have access to Petitioner's records for a period of six years following any contract, including amendments or extensions. See, Petitioner Contract Art. V, ¶ G.2 (p. 9) This is consistent with the State Plan section on "Auditing" authorizing on site audit of "all cost reports." (State Plan Attachment 4.19-D ¶ II (H) "Auditing" (p. 12))

Petitioner's reading of the contract between SCDHHS and the SAO would lead to the absurd result of restricting the SAO from examining available records and prohibiting recovery of unnecessary and undocumented costs even when the provider reports and certifies costs without required documentation. Neither the plain language of the contract nor the State Plan

supports such an outcome. Moreover, there is no evidence that Petitioner relied on the alleged limitation or has suffered any prejudice (apart from repaying unearned funds). As in any contractual relationship, it is for the parties to determine the nature of their agreement. Absent a dispute between SCDHHS and the SAO or a statutory mandate, there is no basis to impose a limit on auditors' access to information or issuance of reports.² Accordingly, Petitioner's attempt to intervene in the contractual relationship between SCDHHS and the SAO is not supportable.

Petitioner is responsible for documenting costs sufficient to demonstrate that purchases were made, used for patient care and meet all requirements for reimbursement. All transactions between related parties (entities that share common ownership or control) must be documented and limited to actual costs. Reporting undocumented related party costs is an irregularity warranting further review, even if the report related to a period outside the review process.

Terry Schmoyer testified as Petitioner's expert and was responsible for preparing Petitioner's cost reports. Mr. Schmoyer admitted that undocumented, undisclosed related party transactions were reported for reimbursement. Mr. Schmoyer further admitted that the related party and undocumented nature of these costs were known before the audit review. Submitting costs that a provider knows or has reason to know are not "true, correct and accurate" violates the cost report certification required as a condition of obtaining reimbursement for Medicaid services. The reporting of undocumented costs authorized review of Petitioner's initial report, regardless of the number or the timing of the report. (SCDHHS/SAO Contract Art. VI. 6, ¶

² Jeff Saxon is the person responsible for drafting both the SCDHHS/SAO contract and the contract assumed by Petitioner. In addition, Mr. Saxon is responsible for State Plan provisions. Any question concerning the construction of contractual or Plan language must take into account Mr. Saxon's testimony that, read together, these provisions are intended to allow the SAO full access to Medicaid provider records.

A(2); Provider Contract Art. V, ¶ G; State Plan 4.19-D (pp. 1-3)) Based upon this record, Petitioner has no enforceable claim to maintain unearned public funds.

II. SCDHHS is not barred from recovering overpayments to Petitioner.

Petitioner further argues that SCDHHS is barred from recovering identified overpayments in report AC #3-RDM-E8 (addressing the cost report for the period November 29, 2007 through May 31, 2008 used to set the reimbursement rate through September 30, 2009) as it relates to the period November 29, 2007 through September 30, 2008. Petitioner contends that the language of its contract with SCDHHS supports this position.

The contract assumed by Petitioner specifies that "the contract period will be the rate period as defined by the South Carolina State Plan." The State Plan identifies both initial cost reports (commonly called "six month reports" although the periods of less than a year may vary) and annual cost reports. Six month reports follow a change of ownership and allow the new owner an opportunity to obtain a new prospective reimbursement rate. The initial report set the rates for extended periods of time, here November 29, 2007 through September 30, 2009. Differences in reimbursements during this extended period are based on inflation and amendments to the State Plan, not changes in Petitioner's costs. Because the "rate period" determined by Petitioner's initial report extended far beyond the period reported and reviewed, Petitioner enjoyed significantly enhanced reimbursements.

Petitioner argues that because the State Plan offers no express definition, the term "rate period" means any time a rate changes, regardless of the reason. Petitioner offers correspondence from SCHDDS using the term "rate period" in this fashion as evidence that the SAO exceeded its authority and that SCDHHS is barred from recouping overpayments. (Letter from Debra Myers to Joseph Hunt dated December 16, 2011) It is well established, however, that the

representations of public employees, even acting in the scope of employment, cannot alter controlling provisions of law or regulation. Ahrens v. State, 392 S.C. 340, 351, 709 S.E.2d 54, 59 (2011) (Retirement Systems' agents cannot alter benefits) Moreover, the correspondence offered by Petitioner is countered by Mr. Saxon, author and recognized expert on the State Plan. Mr. Saxon testified that a "rate period" is the time frame determined by information contained in a cost report and is not limited to the report period itself. Petitioner's witness, Mr. Schmoyer, acknowledged that the State Plan must be read in its entirety if questions arise as to its application. Mr. Schmoyer also agreed that Petitioner's initial cost report set the base for reimbursement through September 30, 2009. The challenged audit report was issued on November 22, 2011, well within the three year period following September 30, 2009.

A reading of the State Plan, without reference to testimony from Mr. Saxon or Mr. Schmoyer, confirms that a "rate period" is the period used to establish the foundation for a provider's reimbursement. The differing treatment afforded initial cost reports in setting extended rates and annual reports setting rates for one year only would make no sense under Petitioner's interpretation. For example, applying Petitioner's interpretation of "rate period" would lead to the absurd result of setting different limitations periods for the same costs. Indeed, Petitioner admits that the costs addressed in AC #3-RDM-E8 and AC #3-RDM-J8 overlap, each starting on November 29, 2007. Petitioner does not contest the timeliness of AC #3-RDM-J8, so that overpayments identified in that report are subject to recovery by SCDHHS. Petitioner argues, however, that AC #3-RDM-E8 has three reporting deadlines that would render some of the same overpayments shielded from recovery by SCDHHS.

Petitioner's construction of the term "rate period" renders the distinction between initial and annual cost reports contained in the State Plan meaningless, ignores the advantages accepted

by Petitioner due to the extended application of its initial report, and undermines the public interest in maintaining the fiscal integrity of the Medicaid program. In the absence of a definition section in the State Plan addressing the term "rate period," the meaning of this term must be ascertained by the purpose of the South Carolina Medicaid program and must take into account the whole of the State Plan. This exercise confirms that the meaning of "rate period" offered by Petitioner is not consistent with the purpose of the Medicaid program or the State Plan as a whole and must be rejected. See, Gaffney v. Mallory, 186 S.C. 337, 195 S.E. 840, 845 (1938) (The meaning of statutory language is not governed by words found in one clause, sentence or part, but by consideration of the whole and the public purpose sought to be accomplished) For all of these reasons, Petitioner's objections to recoupment of funds disallowed in the final audit reports on appeal are denied.³

AND IT IS SO ORDERED.

Betsy Schindler, Hearing Officer
Division of Appeals and Hearings

Columbia, South Carolina
_____, 2014

³ Any equitable claim asserted by Petitioner would fail because the alleged "delay" in issuing audit reports was neither unreasonable nor prejudicial to Petitioner. See generally, Emery v. Smith, 361 S.C. 207, 603 S.E.2d 598 (2004) (delay alone does not establish a right to relief from payment of monies due)

July 11, 2014

CERTIFIED MAIL

Alice Harris
Nelson Mullins Riley & Scarbrough, LLP
1320 Main Street/17th Floor
Columbia, SC 29201

9171 9690 0935 0075 4829 99

CERTIFIED MAIL

W. Allen Nickles, III
Nickles Law Firm, LLC
1122 Lady Street, Suite 610
Columbia, SC 29201

9171 9690 0935 0075 4809 95

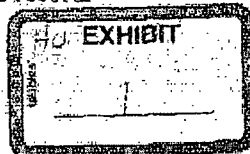
RE: Fair Hearing of Test Countrywood Nursing, Llc v. SCDHHS
Appeal Cases 12-AUD-010, 011 & 012
AC#3-RDM-J8, AC-RDM-J8 & AC#3-RDM-E8

Dear Ms. Harris and Mr. Nickles:

The parties in this matter have agreed to convene the hearing on Wednesday, **September 17, 2014 at 9:00 AM**, in the Ninth Floor Conference Room of the Jefferson Square Building, 1801 Main Street (corner of Main and Laurel), Columbia, South Carolina. If necessary, the hearing will continue at the same time and place on **September 18, 2014**. The hearing will be about the audit findings for AC#3-RDM-J8 cost report 9/30/09, AC-RDM-J8 cost report 9/30/08 and AC#3-RDM-E8 cost report 5/31/08.

The rules for the hearing are enclosed in this letter. The appeal hearing is a formal process of review and adjudication of Department decisions. The Petitioner has the right to request the policy and facts the State Auditor's Office used to determine the audit findings on behalf of the South Carolina Department of Health and Human Services.

If either party plans to offer documents, including directives, memorandums or sections of a manual, as evidence for entry into the record, it will be necessary for that party to bring at least two copies of the documents to the hearing for the Hearing Officer and other party. All documents to be entered into the record must be on paper no larger than 8 1/2 x 11 so it can easily integrated into the case record.



Ms. Alice Harris
July 11, 2014
Page Two

If either party plans to submit documents as evidence for entry into the record, it will be necessary for that party to bring at least two copies of each document to the hearing for the Hearing Officer and the other party. All documents to be entered into the record must be on paper no larger than 8 1/2 x 11 inches.

The two parties are permitted to discuss the matter, share documents, and work toward a resolution prior to the hearing. The parties are directed to comply with all requirements of the June 2, 2014 scheduling order.

Parking may be available for hearings held at the Jefferson Building in Columbia, SC, including handicapped parking as needed. Please contact the Division of Appeals and Hearings at (803) 898-2600 to check availability and make arrangements prior to the hearing.

If the Petitioner wishes to withdraw the appeal or there are any questions regarding the hearing process, I can be contacted by phone at (803) 898-2600 or (800) 898-0594.

Sincerely,

Betsy Schindler

Betsy Schindler, Hearing Officer
South Carolina Department of Health and Human Services
Division of Appeals and Hearings
Post Office Box 8206
Columbia, South Carolina 29202-8206
Fax 803-255-8206

Enclosure

cc: Daniel Westbrook, Nelson Mullins (via Certified Mail) 9171 9690 0935 0075 4829 82
Terry Schmoyer, Schmoyer and Company (via First Class Mail)
Jay Von Kannel, Office of State Auditor (via First Class Mail)
Byron Roberts, General Counsel, SCDHHS (via Email)
Jeff Saxon, Reimbursement, SCDHHS (via Email)
Rick Hepfer, General Counsel, SCDHHS (via Email)

CHAPTER 126.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

(Statutory Authority: 1976 Code Section 44-6-90)

ARTICLE 1.

ADMINISTRATION

SUBARTICLE 3.

APPEALS AND HEARINGS

126-150. Definitions.

A. Agency--The Department of Health and Human Services and its employees.

B. Appeal--The formal process of review and adjudication of Agency determinations, which shall be afforded to any person possessing a right to appeal pursuant to statutory, regulatory and/or contractual law; *Provided*, that to the extent that an appellant's appellate rights are in any way limited by contract with the Agency or assigned to the Agency, said contractual provision shall control.

C. Hearing Officer--Any Agency employee appointed by the Director to make Decisions either affirming or reversing Agency program determinations by setting forth findings of fact and conclusions of law in appeals arising under this regulation.

D. Person--An individual, partnership, corporation, association, governmental subdivision, or public or private agency or organization.

E. Provider--A person who provides services to individuals under programs administered by the Agency.

126-152. Appeal Procedure.

A. An appeal shall be initiated by the filing of a notice of appeal within thirty (30) days of written notice of the Agency action or decision which forms the basis of the appeal. The failure to file the requisite notice of appeal within the thirty (30) day period specified above shall render the Agency action or decision final; *provided*, that should the written notice specify some period to appeal other than thirty (30) days, that period shall apply; *provided*, that the requirement that written notice be given by the Agency shall not be applicable to situations where applicants for Medicaid benefits acquire the right to appeal when the Agency fails to act on the application within the time period specified by federal regulation.

B. The notice of appeal shall be in writing and shall be directed to Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. In appeals by providers, the notice of appeal shall state with specificity the adjustment(s) or disallowance(s) in question, the nature of the issue(s) in contest, the jurisdictional basis of the appeal and the legal authority upon which the appellant relies.

C. If a notice of appeal does not satisfy the requirements of paragraph (B) above, the Hearing Officer, upon his own motion or by motion by an adverse party, may require a more definite and certain statement.

126-154. Hearing Officer.

A Hearing Officer has the authority, among other things to: direct all procedures; issue interlocutory orders; schedule hearings and conferences; preside at formal proceedings; rule on procedural and evidentiary issues; require the submission of briefs and/or proposed findings of fact and conclusions of law; call witnesses and cross-examine any witnesses; recess, continue, and conclude any proceedings; dismiss any appeal for failure to comply with requirements under this Subarticle.

126-156. Prehearing Conferences.

The Hearing Officer, within his discretion, may direct the parties in any appeal to meet prior to a formal hearing for the purpose of narrowing the issues and exploring the possibilities of settlement of matters in contest.

126-158. Hearing Procedures.

A. All parties to an appeal shall have the right to be represented by counsel, call witnesses, submit documentary evidence, cross-examine the witnesses of an adverse party, and make opening and closing statements.

B. Representation in Proceedings. A business entity, an agency, or an organization may elect to be represented by a non-attorney in an administrative hearing with the approval of the presiding hearing officer; non-lawyer persons including Certified Public Accountants, an officer of a corporation, or an owner of an interest in the business entity must present proof of unanimous consent of the owners or officers of the business entity before being allowed to proceed as representatives. Attorneys licensed in other jurisdictions must obtain a Limited Certificate of Admission, or such other leave as required by the South Carolina Supreme Court, before being allowed to proceed as representatives. This regulation in no way limits a person's right to self-representation, or to be represented by an attorney, or to be represented by a non-attorney of his or her own choosing, when such non-attorney representation is allowed by law.

HEARING PROCESS & PROCEDURES

- South Carolina Department of Health and Human Services (SCDHHS) hearings are in person.
- Please be on time and make sure your witnesses are available on the date, time and at location of the hearing.
- Make sure you have all the documents received from the agency and at least two (2) copies of exhibits that you want the Hearing Officer to consider in making the decision.

Nature of an administrative hearing: An administrative hearing is similar to a court trial but less formal. Like a trial, it is a contested proceeding and the purpose is to gather facts through testimony, documents and other evidence. The Petitioner is the person challenging an agency decision. The Respondent is the agency.

Speaking with the Hearing Officer prior to the hearing: No party is allowed to speak to the Hearing Officer about the case without all the other parties being involved. You may speak with the Hearing Officer about procedural and scheduling matters, but no one in the Hearing Officer's office can give you legal advice and you should never attempt to discuss the facts of your case with any Hearing Officer or employee of the SCDHHS Division of Appeals and Hearings. Your opportunity to explain the facts and your position is at the hearing.

Things you will need for the hearing:

1. All the exhibits that you have that you want the Hearing Officer to consider. Remember to bring at least two (2) copies of your exhibits-one for the Hearing Officer and one for the opposing party.
2. A written list of points you want to make.
3. A written list of any questions that you want to ask of all the witnesses, both your own witnesses and the opposing party's witnesses.
4. Pen and paper so that you can take notes during the hearing.

Hearing Procedure: The hearing procedure is as follows:

1. **Conduct:** Proper conduct to witnesses, agency representatives and the Hearing Officer is required. The hearing is recorded so you must speak clearly and concisely-focus on the key issues in the case. Do not interrupt witness testimony or talk with another witness during the hearing. If you need to discuss something with any of the witnesses, inform the Hearing Officer and he will go off the record and stop the recording.
2. **Hearing preamble:** The Hearing Officer will identify the parties, explain procedure and explain the rights of the parties.
3. **Identification of issue:** The Hearing Officer will identify the issue or issues to be decided in the case.

4. **Identification of exhibits:** The exhibits will be admitted into the hearing record, unless either party objects. To be "admitted" means that the Hearing Officer will consider them in reaching a decision in the case.
5. **Oath:** Testimony is taken under oath. If an individual's religious beliefs prevent him/her from swearing an oath, he/she will be asked to affirm that the information that they will give at the hearing is the truth.
6. **Order of testimony and evidence:** The Hearing Officer, pursuant to South Carolina Code of Regulations 126-154 will determine the order in which the parties present their arguments and any evidence. In most cases, the Respondent (SCDHHS) presents their case first. Then the Petitioner and the Hearing Officer have the option to cross-examine each of the Respondent's witnesses. The Respondent then has the option of presenting any follow-up testimony and the Petitioner has the option of recross examination of the Respondent's witnesses. Next, the Petitioner presents his/her case and the Respondent and Hearing Officer has the option to cross-examine each of the Petitioner's witnesses. The Petitioner then has the option to present any follow-up testimony and the Respondent has the option of recross examination of the Petitioner's witnesses. After all testimony is given, the Respondent has the option of presenting a closing statement in which the Respondent will point out the evidence (testimony and exhibits) and the law, which supports the Respondent's position. Then the Petitioner has the option of presenting a closing statement in which the Petitioner will point out the evidence (testimony and exhibits) and the law, which supports the Petitioner's position.
7. **Burden of presenting evidence:** In general, whoever is relying on a particular fact has the burden of proving it to the Hearing Officer. Therefore, you should be ready to present evidence (testimony and exhibits) supporting your position.
8. **Keeping the record open:** As the hearing progresses, one party may realize that the Hearing Officer does not have all the available information (such as medical reports) to make an accurate decision. If so, the party may ask the Hearing Officer to hold the record open, that is, to permit the party to submit more documents after the hearing ends. The Hearing Officer may or may not grant the request. It is each party's responsibility to ensure that they bring all exhibits with them to the hearing that they wish to present.
9. **The decision:** The Hearing Officer will not tell you the decision on the day of the hearing. After the hearing has ended and the record closes (that is, no more evidence will be considered), the Hearing Officer will review all the evidence and testimony. Each party will receive a lengthy written decision in the mail.

STATE OF SOUTH CAROLINA	)	BEFORE THE DIVISION OF APPEALS
	)	AND HEARINGS OF THE
COUNTY OF RICHLAND	)	SOUTH CAROLINA DEPARTMENT
	)	OF HEALTH AND HUMAN SERVICES

Countrywood Nursing, LLC	)	Appeal Case Nos.
	)	12-AUD-010,
Petitioner,	)	12-AUD-011, and
	)	12-AUD-012
v.	)	

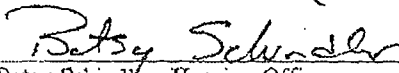
South Carolina Department of Health	)	
and Human Services,	)	
	)	CONSENT
Respondent:	)	SCHEDULING ORDER
	)	
	)	

It appears to the Division of Appeals and Hearings that counsel for the parties have conferred and agreed that a scheduling order would be helpful to prepare this case for hearing. The parties have agreed to the scheduling order in this case as set forth herein. Therefore it is ORDERED that:

1. Both parties shall designate fact and expert witnesses no later than June 16, 2014.
2. Written discovery and depositions may be conducted in accordance with the South Carolina Rules of Civil Procedure. The deadline for the conclusion of all discovery is July 18, 2014.
3. The parties shall file any dispositive motions and memoranda no later than August 15, 2014.
4. The parties shall exchange final witness lists and exhibits intended to be introduced into evidence no later than August 15, 2014.

5. Petitioner's prehearing brief is due no later than August 15, 2014.
6. Any pre-hearing motions and objections to exhibits must be filed no later than August 26, 2014.
7. Respondent's prehearing brief is due no later than August 29, 2014.
8. The final hearing will be held September 15-17, 2014, subject to the right of either party to move for a continuance if circumstances warrant.

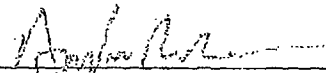
AND IT IS SO ORDERED.


Betsy Schindler, Hearing Officer
Division of Appeals and Hearings

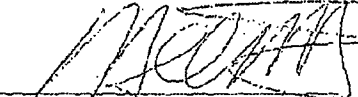
Columbia, South Carolina

February 18, 2014

WE SO MOVE:


Daniel J. Westbrook
Attorney for Petitioner
Countrywood Nursing, LLC

WE CONSENT:


W. Allen Nickles, III
Attorney for Respondent
South Carolina Department of Health
And Human Services



March 20, 2013

CERTIFIED MAIL

9171 9690 0935 0031 8479 61

Alice Harris, Esq.
Nelson Mullins Riley & Scarborough LLP
Meridian, 17th Floor
1320 Main St.
Columbia, SC 29201

RE: Fair Hearing of Countrywood Nursing Center LLC v. SCDHHS
Appeals' Case ## 12-AUD-010, 011 & 012 (AUDIT)

- NOTICE OF FAIR HEARING -

Dear Ms. Harris:

I have scheduled the hearing in these matters to be conducted over two days, **Monday, June 24, 2013 and Tuesday June 25, at 9:00AM, in the Ninth Floor Conference Room of the Jefferson Square Building, 1801 Main Street (corner of Main and Laurel), Columbia, South Carolina.** The hearing will be about the following State Auditor's Officer reports: 12-AUD-010 September 30, 2009 report, 12-AUD-011 September 30, 2008 report and 12-AUD-012 May 31, 2008 report.

The rules for the hearing are enclosed in this letter. The appeal hearing is a formal process of review and adjudication of Department decisions. You may call witnesses to testify, present documents, and cross-examine the other party.

If either, or both, parties intend to offer documents as evidence for entry into the record, then it will be necessary for that party(ies) to make copies of the document(s) so that the other party and the Hearing Officer may each have a copy of the document(s). Further, should either party as a part of their testimony intend to refer to a particular paragraph or section of a policy or procedure manual, directive, memorandum, etc., then it will be necessary for the party(ies) to make copies in duplicate of these referenced sections. Also, should either party intend to utilize charts, graphs, visual aids, etc., as a part of their presentation, then it will be necessary for that party to have these items photocopied on 8 1/2 x 11 inch paper so that they may be easily integrated into the case record.

Division of Appeals and Hearings
Post Office Box 8206 • Columbia, South Carolina 29202-8206
(803) 898-2600 • Fax (803) 255-8206

R0997

Alice Harris, Esq.
March 20, 2013
Page Two

If you cannot meet on the date above, or if you have any questions, and you live in the Columbia area, I may be contacted by phone at (803) 898-2600.

Sincerely,

Betsy Schindler
Betsy Schindler, Hearing Officer
Division of Appeals and Hearings

BS/jpm

Enclosure

cc: Richard Hepfer, Esquire, Deputy General Counsel, SCDHHS
Jeff Saxon, Reimbursement Methodology & Policy, SCDHHS

(via: inter-agency courier)

Office of State Claims
Terry Schmoyer, Jr.
Al Nickles III, Esq.

9171 9690 0935 0031 8479 09
9171 9690 0935 0031 8478 86

(via: certified mail)

9171 9690 0935 0031 8478 93



January 9, 2012

CERTIFIED MAIL

Mr. Terry K. Schmoyer, Jr., CPA
Schmoyer and Company, Inc.
PO Box 11881
Columbia, South Carolina 29211

Mr. Richard Gilbert
Deputy State Auditor
1401 Main Street, Suite 1200
Columbia, South Carolina 29201

RE: Appeal request in the Matters of Countrywood Nursing Center v. SCDHHS

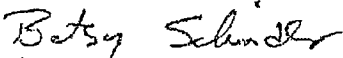
Appeals' Case #12-AUD-010 (AC#3-RDM-J8, 09); 12-AUD-011 (AC#3-RDM-J8, 08); and 12-AUD-012 (AC#3-RDM-E8, 08)

Dear Sirs:

Please find enclosed an Order for Pre-hearing Conference in the above referenced matters. Please read the enclosed Order carefully. Due to the complexity of issues in audit appeals, if a hearing is necessary, the representatives for the parties will be required to submit briefs summarizing the factual and legal basis for all unresolved issues.

The submission of these briefs will be required when so ordered in a subsequent Notice of Hearing. I may be reached at (803) 898-2600 if you have any questions.

Sincerely,


Betsy Schindler, Hearing Officer
Division of Appeals and Hearings

cc: Richard Hepfer, Esquire, Office of General Counsel, SCDHHS (via Intra-office mail)

FILE COPY

STATE OF SOUTH CAROLINA)
)
COUNTY OF RICHLAND)
)
Countrywood Nursing Ctr.,)
)
Petitioner,)
-v-)
South Carolina Department)
of Health and Human Services,)
)
Respondent)

BEFORE THE APPEALS DIVISION OF
THE SOUTH CAROLINA DEPARTMENT OF
HEALTH AND HUMAN SERVICES

PRE-HEARING CONFERENCE ORDER

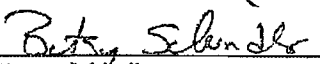
Case #12-AUD-010 (AC#3-RDM-J8, 09)
Case #12-AUD-011 (AC#3-RDM-J8, 08)
Case #12-AUD-012 (AC#3-RDM-E8, 08)

Pursuant to authority granted by DHHS Reg. 126-154, the Parties in the above captioned matter are hereby required to coordinate and attend a Pre-hearing Conference, time and place to be mutually agreeable, prior to **June 11, 2011**, for the purpose of settlement negotiation, narrowing of issues and the examination and full disclosure of relevant and material evidence. The **Respondent** shall take the lead in making arrangements for the conference. This Pre-hearing Conference Order is made pursuant to Department of Health and Human Services Regulation §126-154. **The Petitioner shall contact the Director of Federal Audits, Richard Gilbert at (803) 253-4160 for the time and place of the conference.**

Further, by **August 10, 2011**, the parties are required to submit a summary of the issues resolved and those remaining (identified by adjustment number and issue). The summary should identify, with specificity, any additional information or requests that either party anticipates making. The parties are also requested to estimate the amount of time each anticipates will be needed to present their arguments. Upon receipt of the summary, a hearing will be scheduled depending on the Hearing Officer's individual calendar. The Petitioner's brief will be due four weeks prior to the scheduled hearing date and the Respondent's brief will be due two weeks prior to the hearing date.

Pursuant to the Department of Health and Human Services Regulation §126-154, failure to comply with the terms of this order will constitute grounds for dismissal against the non-complying party, or subject the non-complying party to a limitation of proffered testimony and/or evidence at the hearing.

AND IT IS SO ORDERED:


Betsy Schindler
Hearing Officer

DATED AT COLUMBIA,
South Carolina

1/9, 2012

FILE COPY



December 19, 2012

CERTIFIED MAIL

Alice V. Harris, Esquire
Nelson Mullins Riley & Scarborough LLP
1320 Main St. 17th Floor
Columbia, SC 29201

9171 9690 0935 0031 7523 88

W. Allen Nickles, III, Esquire
Nickles Law Firm, LLC
1519 Richland St.
Columbia, SC 29201

9171 9690 0935 0031 7523 71

RE: Appeal request in the Matters of Countrywood Nursing Center v. SCDHHS

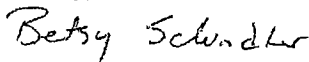
Appeals' Case #12-AUD-010 (AC#3-RDM-J8, '09); 12-AUD-011 (AC#3-RDM-J8, 08); and 12-AUD-012 (AC#3-RDM-E8, 08)

Dear Ms. Harris and Mr. Nickles:

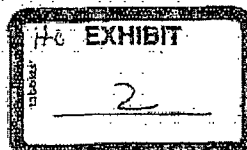
Please find the enclosed Order Denying the Petitioner's Motion for Partial Summary Judgment and Order to Produce in the above referenced matters. Please read the enclosed Order carefully. Due to the complexity of issues in audit appeals, if a hearing is necessary, the representatives for the parties will be required to submit briefs summarizing the factual and legal basis for all unresolved issues.

The submission of these briefs will be required when so directed in this Order. I may be reached at (803) 898-2600 if you have any questions.

Sincerely,


Betsy Schindler, Hearing Officer
Division of Appeals and Hearings

cc: Richard Hepfer, Esquire, Assistant General Counsel, SCDHHS (via email)
Byron Roberts, Esquire, General Counsel, SCDHHS (via email)



FILE COPY

Division of Appeals and Hearings
P. O. Box 8206 • Columbia, South Carolina 29202-8206
(803) 898-2600 • Fax (803) 255-8209

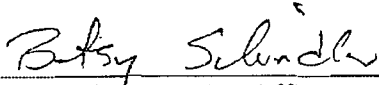
R1001

STATE OF SOUTH CAROLINA)
)
COUNTY OF RICHLAND)
_____)

CERTIFICATION

This is to certify that I, Betsy Schindler, Hearing Officer for the South Carolina Department of Health and Human Services, reviewed the case record for Countrywood Nursing, LLC v. SCDHHS Cases 12-AUD-010, 011 and 012, including the transcript of the hearing held on September 17, 2014 in Columbia, South Carolina.

The Hearing date hearing was digitally recorded and transcribed to the included 126 typewritten pages. Said pages are correct to the best of my knowledge and belief.



Betsy Schindler, Hearing Officer
Division of Appeals and Hearings

COLUMBIA, South Carolina

March 9, 2015

Nelson Mullins

Nelson Mullins Riley & Scarborough LLP
Attorneys and Counselors at Law
1320 Main Street / 17th Floor / Columbia, SC 29201
Tel: 803.799.2000 Fax: 803.255.5164
www.nelsonmullins.com

Daniel J. Westbrook
Tel: 803.255.9456
Fax: 803.255.5164
dan.westbrook@nelsonmullins.com

September 30, 2014

VIA ELECTRONIC AND REGULAR MAIL

Betsy Schindler, Hearing Officer
South Carolina Department of Health
& Human Services
Division of Appeals and Hearings
Post Office Box 8206
Columbia, SC 29202-8206

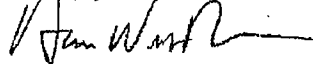
RE: Countrywood Nursing, LLC v. SC DHHS
Appeal Case Nos. 12-AUD-010, 12-AUD-011, and 12-AUD-012
Our File No. 39092/09001

Dear Ms. Schindler:

I am writing in response to Mr. Nickles' letter of September 29, in which he argues that Mr. Schmoyer's deposition is admissible pursuant to SCRCF 32(a)(2). Rule 32(a)(2) allows a deposition to be used at trial for any purpose only if the deponent is an "officer, director, or managing agent, or a person designated under Rule 30(b)(6) or 31(a)." Mr. Schmoyer is none of those things. The fact that Mr. Schmoyer is an advocate for Petitioner does not make him any of those things. If that were true, every expert witness and attorney would be considered their client's officer, director, managing agent, or designee.

The depositions of neither Mr. Schmoyer nor Mr. Saxon are admissible under Rule 32, as discussed in my previous correspondence. However, Petitioner will not object to their admission on condition the complete transcripts of both depositions are admitted into evidence, without cherry-picking by either party.

Very truly yours,



Daniel J. Westbrook

DJW:myb

cc: W. Allen Nickles, Esq.
Alice V. Harris, Esq.

RECEIVED

OCT 01 2014

SCDHHS APPEALS

With offices in the District of Columbia, Florida, Georgia, Massachusetts, North Carolina, South Carolina, Tennessee and West Virginia

NICKLES LAW FIRM, LLC

ATTORNEYS AT LAW

1122 Lady Street, Suite 610
Columbia, South Carolina 29201

W. Allen Nickles, III

Telephone: (803) 779-8080
Facsimile: (803) 256-1816
Email: wanickles@nickleslaw.com

September 29, 2014

Via Email Only

Betsy Schindler, Hearing Officer
SC Department of Health & Human Services
Division of Appeals and Hearings
1801 Main Street
Columbia, South Carolina 29201

RE: Countrywood v. SCDHHS

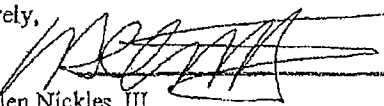
Dear Ms. Schindler:

I am in receipt of Mr. Westbrook's letter to you dated September 24, 2014 in reference to deposition testimony offered in the above appeal hearing. Mr. Westbrook indicates that he objects to the exclusion of any testimony from the depositions offered in this proceeding.

Mr. Westbrook is correct that deposition testimony is not ordinarily admissible except in limited circumstances when a witness is available to testify before the decision maker. In this instance, however, Mr. Schmoyer has been identified and has served as a representative of the Petitioner in the issues presented on appeal. In this context, Mr. Schmoyer's deposition may be presented for "any purpose." Rule 32(A)(2), SCRCP. See also, Respondent's Prehearing Brief pages 10-11; Schmoyer deposition p. 30, lines 8-22 (witness acts as an advocate for his customers in dealing with auditors and DHHS and was engaged by Petitioner for that purpose).

I appreciate your attention to this matter.

Sincerely,


W. Allen Nickles, III

WAN/pfb

cc: Dan Westbrook, Esquire (via email only)
Alice V. Harris, Esquire (via email only)
Byron Roberts, Esquire (via email only)
Rick Hepfer, Esquire (via email only)

File #12-089

Nelson Mullins

Nelson Mullins Riley & Scarborough LLP
Attorneys and Counselors at Law
1320 Main Street / 17th Floor / Columbia, SC 29201
Tel: 803.799.2000 Fax: 803.255.5164
www.nelsonmullins.com

Daniel J. Westbrook
Tel: 803.255.9456
Fax: 803.255.5164
dan.westbrook@nelsonmullins.com

September 24, 2014

VIA ELECTRONIC AND REGULAR MAIL

Betsy Schindler, Hearing Officer
South Carolina Department of Health
& Human Services
Division of Appeals and Hearings
1801 Main Street, 9th Floor
Post Office Box 8206
Columbia, SC 29202-8206

RECEIVED

SEP 25 2014

SCDHHS APPEALS

RE: Countrywood Nursing, LLC v. SC DHHS
Appeal Case Nos. 12-AUD-010, 12-AUD-011, and 12-AUD-012
Our File No. 39092/09001

Dear Ms. Schindler:

I am writing on behalf of Petitioner in response to Mr. Nickles' September 23 letter, in which he objects to 12 pages of Mr. Saxon's deposition testimony being admitted into evidence. It was Mr. Nickles, on behalf of Respondent, who first offered as evidence portions of the deposition testimony of Mr. Saxon and Mr. Schmoyer. In my email to you dated September 16, 2014, which I have attached, I noted that SCRCPP 32(a)(3) "limits the use of depositions of witnesses to circumstances not applicable to our case." Nevertheless, I noted I would not object to the depositions being placed into evidence, "as long as the complete transcripts are used, rather than selected excerpts." At the hearing I agreed to meet with Mr. Nickles to see if we could agree on excerpts, but I do not agree to his proposal to delete 12 pages of Mr. Saxon's testimony.

Rule 32 of the South Carolina Rules of Civil Procedure governs the use of depositions in court proceedings. Under Rule 32(a)(3), the deposition of a testifying witness may be used only if the witness cannot appear in court or in the presence of "exceptional circumstances." SCRCPP 32(a)(3)(A-E). No such circumstances apply in this case. Both Mr. Saxon and Mr. Schmoyer were sworn in and testified at the hearing. Pursuant to Rule 32(a)(1), their depositions were used at the hearing only for impeachment purposes.

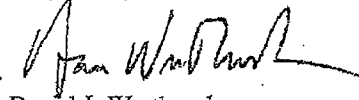
With offices in the District of Columbia, Florida, Georgia, Massachusetts, North Carolina, South Carolina, Tennessee and West Virginia

Betsy Schindler, Hearing Officer
September 24, 2014
Page 2

Even if use of the witness depositions as evidence were appropriate, it would be improper to admit into evidence only the portions of Mr. Saxon's deposition selected by Respondent. Rule 32(a)(4).

As far as these depositions go, it is a matter of all or nothing. Under Rule 32, no portions of these depositions should be admitted. The only way Petitioner will not object to their admission is if the complete transcripts are admitted.

Very truly yours,



Daniel J. Westbrook

DJW:myb

cc: W. Allen Nickles, Esq.
Alice V. Harris, Esq.

RECEIVED
SEP 25 2014
SCDHHS APPEALS

Betsy Schindler

From: Al Nickles <wanickles@nickleslaw.com>
Sent: Tuesday, September 23, 2014 12:28 PM
To: Betsy Schindler
Cc: Dan Westbrook; Alice Harris; Rick Hepfer; Byron Roberts
Subject: Countrywood Appeal
Attachments: DOC092314-09232014121440.pdf

Ms. Schindler,

The Respondent's objection to deposition testimony is provided in the attached letter. The grounds for exclusion of evidence offered by way of testimony or exhibits may be addressed in Respondent's proposed order as well.

W. Allen Nickles, III
Nickles Law Firm, LLC
1122 Lady Street, Suite 610
Columbia, SC 29201
(803) 779-8080 Telephone
(803) 256-1816 Facsimile
wanickles@nickleslaw.com

Confidentiality Notice:

This message is intended exclusively for the individual or entity to which it is addressed. This communication may contain information that is privileged, confidential or otherwise exempt from disclosure.

If you are not the named addressee, you are not authorized to read, print, retain, copy or disseminate this message. If you have received this message in error, please contact me immediately and delete all copies of this message.

To ensure compliance with the requirements imposed by the IRS, we inform you that any U.S. federal tax advice contained in this communication (including attachments) is not intended, or written to be used, for the purpose of (a) avoiding penalties under the Internal Revenue Code or (b) promoting, marketing or recommending to another party any transaction or tax-related matter[s].

NICKLES LAW FIRM, LLC
- ATTORNEYS AT LAW -
1122 Lady Street, Suite 610
Columbia, South Carolina 29201

W. Allen Nickles, III

Telephone: (803) 779-8080
Facsimile: (803) 256-1816
Email: wanickles@nickleslaw.com

September 23, 2014

Via Email Only

Betsy Schindler, Hearing Officer
SC Department of Health & Human Services
Division of Appeals and Hearings
1801 Main Street
Columbia, South Carolina 29201

RE: Countrywood v. SCDHHS

Dear Ms. Schindler:

At the conclusion of the hearing on September 17, 2014, you permitted the parties an opportunity to offer objection to deposition testimony by Terry Schmoyer and Jeff Saxon. On behalf of Respondent, please note the following objections to the deposition of Jeff Saxon dated August 8, 2014:

1. Page 20, line 24 – p. 31, line 12
2. Page 53, lines 7-14

The grounds for objection to testimony at pages 20-31 include the parole evidence rule as raised at the hearing, questions calling for speculation (witness repeatedly states that he cannot recall) and hearsay. See the following examples:

1. "Several years ago. I can't remember exactly what year it was." (P. 21, lines 9-10)
2. "Probably back in the, maybe early 2000's, I'm guessing. I don't know." (P. 21, lines 15-16)
3. "I couldn't remember myself from something going on that long." (P. 22, lines 3-5) (Question)
4. "I can't remember." (P. 22, line 25)
5. "It could have been John Barber, but I can't exactly remember." (P. 24, lines 4-5)
6. "It was probably both, if I had to guess." (P. 24, line 10)

Betsy Schindler, Hearing Officer
September 23, 2014
Page two

7. "I don't know if it was . . ." (P. 24, lines 22-23)
8. "I guess they were just trying to get some feel . . ." (P. 25, lines 6-7)
9. "I don't remember what it said exactly." (P. 26, line 9)
10. "I would guess it would say three years, maybe." (P. 27, lines 2-3)
11. "I can't exactly remember but I'm thinking that's what it may have said." (P. 27, lines 24-25)
12. "I can't remember how many audit reports were in there." (P. 28, lines 22-23)
13. "I can't exactly remember." (P. 29, line 20)
14. "I can't say with certainty I can remember of any." (P. 31, lines 4-5)
15. "I just can't recall off the top of my head." (P. 31, lines 11-12)
16. "I can't answer that question. I didn't perform the audit." (P. 53, lines 10-11)

I appreciate your attention to this matter. Please contact me if you have any questions concerning the above objections.

Sincerely,


W. Allen Nickles, III

WAN/pfb
Enclosure

cc: Dan Westbrook, Esquire (via email only)
Alice V. Harris, Esquire (via email only)
Byron Roberts, Esquire (via email only)
Rick Hepfer, Esquire (via email only)
File #12-089

THE STATE OF SOUTH CAROLINA
IN THE COURT OF APPEALS

APPEAL FROM THE ADMINISTRATIVE LAW COURT
The Honorable Deborah Brooks Durden, Administrative Law Judge

Appellate Case No. 2015-001986

RECEIVED
JAN 22 2016
SC Court of Appeals

Countrywood Nursing, LLC, ... Appellant,

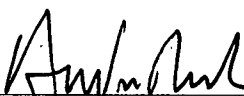
v.

South Carolina Department of Health and Human Services, ... Respondent.

CERTIFICATE OF COUNSEL

The undersigned certifies that the Record on Appeal contains no matter which is irrelevant to the appeal pursuant to Rule 209(c), SCACR and complies with South Carolina Supreme Court Order dated August 13, 2007.

NELSON MULLINS RILEY & SCARBOROUGH LLP

By: 
Daniel J. Westbrook
dan.westbrook@nelsonmullins.com
Alice V. Harris
alice.harris@nelsonmullins.com
1320 Main Street, 17th Floor
Post Office Box 11070
Columbia, SC 29201
(803) 799-2000

Attorneys for Appellant Countrywood Nursing, LLC.

Columbia, South Carolina

Jan 8, 2016