



**STATE OF NEW YORK
OFFICE OF THE MEDICAID INSPECTOR GENERAL**

259 Monroe Avenue, Room 312
Rochester, New York 14607

(585) 238-8166
Fax: (585) 238-8169

ANDREW M. CUOMO
GOVERNOR

JAMES C. COX
ACTING MEDICAID INSPECTOR GENERAL

August 8, 2011

[REDACTED]
Rome Nursing Home (aka RPNH, Inc.)
c/o Healthcare Associates
18 Harvard Street
Rochester, New York 14607

Re: Medicaid Rate Audit #09-1859
NPI Number: [REDACTED]
Provider Number: [REDACTED]

Dear [REDACTED]

Enclosed is the final audit report of the Office of the Medicaid Inspector General's (the "OMIG") audit of Rome Nursing Home's (aka RPNH, Inc.) (the "Facility") Medicaid rates for the rate period January 1, 2004 through December 31, 2007. In accordance with 18 NYCRR Section 517.6, this report represents the OMIG's final determination on issues raised in the draft report.

In response to the draft audit report dated November 29, 2010, you identified specific audit findings with which you disagreed. Your comments have been considered and the report has been either revised accordingly and/or amended to address your comments. Consideration of your comments resulted in a reduction of \$5,855 to the Medicaid overpayment. However, the actual rate calculations by the Bureau of Long Term Care Reimbursement resulted in an increase in the estimated impact of \$11,309. Overall, these items resulted in an increase of \$5,454 to the estimated Medicaid overpayment stated in the draft audit report. Based on the enclosed audited rates calculated by the Bureau of Long Term Care Reimbursement, the Medicaid overpayment currently due is \$131,987. This overpayment is subject to Department of Health (the "DOH") and Division of Budget (the "DOB") final approval. While not anticipated, any difference between the calculated overpayment and the final DOH and DOB approved amount will be resolved with the Facility by the OMIG Bureau of Collections Management.

In accordance with 18 NYCRR Part 518 which regulates the collection of overpayments, your repayment options are described below.

OPTION #1: Make full payment by check or money order within 20 days of the date of the final audit report. The check should be made payable to the New York State Department of Health and be sent with the attached Remittance Advice to:

[REDACTED]
New York State Department of Health
Medicaid Financial Management
GNARESP Corning Tower, Room 1237
File #09-1859
Albany, New York 12237-0048

OPTION #2: Enter into a repayment agreement with the Office of the Medicaid Inspector General. If your repayment terms exceed 90 days from the date of the final audit report, recoveries of amounts due are subject to interest charges at the prime rate plus 2%. If the process of establishing the repayment agreement exceeds 20 days from the date of the final audit report, the OMIG will impose a 15% withhold after 20 days until the agreement is established. The OMIG may require financial information from you to establish the terms of the repayment agreement. If additional information is requested, the OMIG must receive the information within 30 days of the request or a 50% withhold will be imposed. OMIG acceptance of the repayment agreement is based on your repaying the Medicaid overpayment as agreed. The OMIG will adjust the rate of recovery, or require payment in full, if your unpaid balance is not being repaid as agreed. The OMIG will notify you no later than 5 days after initiating such action. If you wish to enter into a repayment agreement, you must forward your written request within 20 days to the following:

Bureau of Collections Management
New York State Office of the Medicaid Inspector General
800 North Pearl Street
Albany, New York 12204

[REDACTED]

If within 20 days, you fail to make full payment or contact the OMIG to make repayment arrangements, the OMIG will establish a withhold equal to 50% of your Medicaid billings to secure payment and liquidate the overpayment amount, interest and/or penalty, not barring any other remedy allowed by law. The OMIG will provide notice to you no later than 5 days after the withholding of any funds.

In addition, if you receive an adjustment in your favor while you owe funds to the State, such adjustment will be applied against the amount owed.

You have the right to challenge this action and determination by requesting an administrative hearing within sixty (60) days of the date of this notice. You may not request a hearing to raise issues related to rate setting or rate setting methodology. In addition, you may not raise any issue that was raised or could have been raised at a rate appeal with your rate setting agency. You may only request a hearing to challenge specific audit adjustments which you challenged in a response to the draft audit report.

If you wish to request a hearing, the request must be submitted in writing to:

General Counsel
Office of Counsel
New York State Office of the Medicaid Inspector General
800 North Pearl Street
Albany, New York 12204

Questions regarding the request for a hearing should be directed to [REDACTED]
of the Office of Counsel at [REDACTED]

If a hearing is held, you may have a person represent you or you may represent yourself. If you choose to be represented by someone other than an attorney, you must supply a signed authorization permitting that person to represent you along with your hearing request. At the hearing, you may call witnesses and present documentary evidence on your behalf. If you have any questions regarding the above, please contact me at [REDACTED]

Sincerely,

[REDACTED]

Principal Medical Facilities Auditor
Division of Medicaid Audit
Audit Management and Development
Office of the Medicaid Inspector General

Attachments:

- EXHIBIT I – Summary of Per Diem Impact and Medicaid Overpayment
- EXHIBIT II – Summary of Medicaid Rates Audited
- EXHIBIT III – Operating Expense Disallowances
- EXHIBIT IV – Property Expense Disallowances/(Allowances)
- EXHIBIT V – Per Diem Disallowances
- EXHIBIT VI – Return on and of Equity Disallowances/(Allowances)

cc:

[REDACTED]

CERTIFIED MAIL # [REDACTED]
RETURN RECEIPT REQUESTED

**NEW YORK STATE
OFFICE OF THE MEDICAID INSPECTOR GENERAL
REMITTANCE ADVICE**

NAME AND ADDRESS OF AUDITEE

Rome Nursing Home (aka RPNH,
Inc.)
c/o Healthcare Associates
18 Harvard Street
Rochester, NY 14607

NPI #: [REDACTED]
PROVIDER #: [REDACTED]

AUDIT #09-1859

AMOUNT DUE: \$131,987

AUDIT
TYPE

PROVIDER
 RATE
 PART B
 OTHER:

CHECKLIST

1. To ensure proper credit, please enclose this form with your check.
2. Make checks payable to: *New York State Department of Health*
3. Record the Audit Number on your check.
4. Mail check to:

[REDACTED]
New York State Department of Health
Medicaid Financial Management
GNARESP Corning Tower, Room 1237
File #09-1859
Albany, New York 12237-0048

5. If the provider number shown above is incorrect, please enter the correct number below.

CORRECT PROVIDER NUMBER

ROME NURSING HOME (AKA RPNH, INC.)
RATE PERIOD JANUARY 1, 2004 THROUGH DECEMBER 31, 2007
SUMMARY OF PER DIEM IMPACT AND MEDICAID OVERPAYMENT

<u>RATE PERIOD</u>	<u>ISSUED RATES*</u>		<u>FINAL RATES</u>		<u>RATE DECREASE (INCREASE)</u>	<u>MEDICAID DAYS</u>	<u>MEDICAID OVERPAYMENT</u>
	<u>Medicare Part B</u>		<u>Medicare Part B</u>				
	<u>Non-Elig.</u>	<u>Eligible</u>	<u>Non-Elig.</u>	<u>Eligible</u>			
01/01/04 - 02/29/04	\$132.65	\$132.24	\$131.94	\$131.53	\$ 0.71	3,117	\$ 2,213
03/01/04 - 03/31/04	134.07	133.66	133.40	132.99	0.67	1,500	1,005
04/01/04 - 05/31/04	134.07	133.66	133.40	132.99	0.67	2,986	2,001
06/01/04 - 08/31/04	135.47	135.06	134.83	134.42	0.64	4,671	2,989
09/01/04 - 11/30/04	137.22	136.81	136.61	136.20	0.61	4,714	2,876
12/01/04 - 12/31/04	133.16	132.75	132.47	132.06	0.69	1,623	1,120
01/01/05 - 02/28/05	136.32	135.90	134.62	134.20	1.70	3,135	5,329
03/01/05 - 05/31/05	136.59	136.17	134.90	134.48	1.69	5,068	8,565
06/01/05 - 06/30/05	132.60	132.18	130.85	130.43	1.75	1,764	3,087
07/01/05 - 08/31/05	136.83	136.41	135.08	134.66	1.75	3,396	5,943
09/01/05 - 11/30/05	139.79	139.37	138.07	137.65	1.72	4,780	8,222
12/01/05 - 12/31/05	139.60	139.18	137.87	137.45	1.73	1,706	2,951
01/01/06 - 02/28/06	139.93	139.50	137.93	137.50	2.00	3,222	6,444
03/01/06 - 03/31/06	138.68	138.25	136.66	136.23	2.02	1,578	3,188
04/01/06 - 05/31/06	138.37	137.94	136.35	135.92	2.02	3,235	6,535
06/01/06 - 08/31/06	136.95	136.52	134.94	134.51	2.01	4,764	9,576
09/01/06 - 11/30/06	138.46	138.03	136.44	136.01	2.02	4,753	9,601
12/01/06 - 12/31/06	138.77	138.34	136.77	136.34	2.00	1,616	3,232
01/01/07 - 03/31/07	147.96	147.52	145.57	145.13	2.39	5,084	12,151
04/01/07 - 06/30/07	147.19	146.75	144.80	144.36	2.39	5,092	12,170
07/01/07 - 08/31/07	142.60	142.16	140.21	139.77	2.39	3,267	7,808
09/01/07 - 12/31/07	142.60	142.16	140.21	139.77	2.39	6,268	<u>14,981</u>
TOTAL MEDICAID OVERPAYMENT							<u>\$ 131,987</u>

* Any differences between these rates and the rates listed in Exhibit II of this report represent rate changes made subsequent to our audit. These changes remain open to future audit by the Office of the Medicaid Inspector General.

ROME NURSING HOME (AKA RPNH, INC.)
RATE PERIOD JANUARY 1, 2004 THROUGH DECEMBER 31, 2007
SUMMARY OF MEDICAID RATES AUDITED

The Facility's Medicaid utilization was approximately 75 percent for the period under audit and the Medicaid per diem rates audited are shown below. Any differences between these rates and the "Issued Rates" listed in Exhibit I of this report represent rate changes made subsequent to our audit. These changes remain open to future audit by the OMIG.

<u>RATE PERIOD</u>	<u>ISSUED RATES</u>	
	<u>Non-Elig.</u>	<u>Eligible</u>
01/01/04 - 02/29/04	\$132.55	\$132.14
03/01/04 - 03/31/04	133.96	133.55
04/01/04 - 05/31/04	133.96	133.55
06/01/04 - 08/31/04	135.37	134.96
09/01/04 - 11/30/04	137.12	136.71
12/01/04 - 12/31/04	133.06	132.65
01/01/05 - 02/28/05	136.22	135.80
03/01/05 - 05/31/05	136.49	136.07
06/01/05 - 06/30/05	132.53	132.11
07/01/05 - 08/31/05	136.76	136.34
09/01/05 - 11/30/05	139.69	139.27
12/01/05 - 12/31/05	139.52	139.10
01/01/06 - 02/28/06	139.84	139.41
03/01/06 - 03/31/06	138.59	138.16
04/01/06 - 05/31/06	138.28	137.85
06/01/06 - 08/31/06	136.86	136.43
09/01/06 - 11/30/06	138.37	137.94
12/01/06 - 12/31/06	138.67	138.24
01/01/07 - 03/31/07	147.87	147.43
04/01/07 - 06/30/07	147.09	146.65
07/01/07 - 08/31/07	142.50	142.06
09/01/07 - 12/31/07	142.50	142.06

ROME NURSING HOME (AKA RPNH, INC.)
RATE PERIOD JANUARY 1, 2004 THROUGH DECEMBER 31, 2007
OPERATING EXPENSE DISALLOWANCES

	<u>DESCRIPTION</u>	<u>COST CENTER</u>	<u>OPERATING EXPENSE COMPONENT</u>			
			<u>DIRECT</u>	<u>INDIRECT</u>	<u>NON-COMP. 01/01/04-12/31/06 Rts.</u>	<u>NON-COMP. 01/01/07-12/31/07 Rts.</u>
Operating Expense Allowed per HE-12B			\$ 1,692,504	\$ 1,150,204	\$ 189,205	\$ 113,745
Less Disallowances/(Allowances):						
1. SALES TAX DISALLOWANCE						
Non-trendable sales tax reported by the provider for cost years 2002 through 2005 was included in the January 1, 2004 through December 31, 2007 capital component of the rates. The Facility's base year (8/1/1994-7/31/1995) operating expenses also included sales tax expense. Since this base year is used for the operating portion of the January 1, 2004 through December 31, 2007 rates, the inclusion of sales tax in the capital portion of these rates resulted in a duplication of reimbursement. In order to eliminate the duplication, the operating base year sales tax expense was disallowed from the January 1, 2004 through December 31, 2007 Medicaid rates.						
Regulation: 10 NYCRR Section 86-2.17(a)&(d), Bureau of Long Term Care Reimbursement (BLTCR) Rate Methodology						
	Nursing Admin.	013	1,051			
	Activities	014	354			
	Soc. Svcs.	021	23			
	PT	039	30			
	OT	040	206			
	Phar.	042	259			
	Cent.Svcs.	043	3,210			
	SNF	051/052	931			
	Fiscal	004		316		
	Admin	005		307		
	Plant	006		3,140		
	Grounds	007		881		
	Laundry	009		8,742		
	Hskp.	010		902		
	Pat. Food	011/012		1,693		
	Med. Records	019		93		
	Utilities	106			6,236	6,236
Total Disallowances/(Allowances)			<u>\$ 6,064</u>	<u>\$ 16,074</u>	<u>\$ 6,236</u>	<u>\$ 6,236</u>
AUDITED OPERATING EXPENSE BY COMPONENT			<u>\$ 1,686,440</u>	<u>\$ 1,134,130</u>	<u>\$ 182,969</u>	<u>\$ 107,509</u>

ROME NURSING HOME (AKA RPNH, INC.)
RATE PERIOD JANUARY 1, 2004 THROUGH DECEMBER 31, 2007
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	<u>DESCRIPTION</u>	<u>COST CENTER</u>	<u>RATE YEARS</u>			
			<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Property Expense Allowed on HE-12B			\$ 169,896	\$ 212,373	\$ 115,438	\$ 218,964
Less Disallowances/(Allowances):						
1. DISALLOWANCE OF PROPERTY INSURANCE EXPENSE						
The Facility's January 1, 2004 through December 31, 2007 rates included insurance premiums for business income/interruption and other general liability insurance. These types of insurance do not relate to the loss of or damage to the Facility's physical property and consequently are only includable in the operating component of the rate. Since these insurance premiums are not allowable as property insurance costs, they were disallowed.	Prop. Ins.	005	3,628	6,103		2,676
Regulations: PRM-1 Sections 2161A.1 and 2806.2, RHCF-4 Report Instructions						
2. PROPERTY INSURANCE ALLOWANCE						
Reported 2004 property insurance expense was not reimbursed in the 2006 rate due to an oversight in the rate calculation process. Per audit, reimbursable property insurance expense was determined and allowed in the 2006 rate. This allowance was contingent upon the Facility's acceptance of the OMIG's property insurance adjustments, and the written withdrawal of any outstanding appeals with the BLTCR regarding property insurance expense addressed in this report. The Facility has indicated its agreement with the property insurance adjustments and informed the OMIG that there are no outstanding appeals with BLTCR.	Prop. Ins.	005			(5,192)	
Regulation: 10 NYCRR Section 86-2.17(a)&(d)						
3. RETURN OF EQUITY, RETURN ON EQUITY, AND RESIDUAL REAL PROPERTY EQUITY ADJUSTMENTS						
The real property historical costs and cumulative real property reimbursement used to calculate the return of equity, return on equity, and residual reimbursement in the 2004 through 2007 rates were adjusted to reflect audited amounts based on previous audits of the Facility (previous audits were detailed to the Facility at the exit conference) . As a result, the return of equity, return on equity, and residual reimbursement of real property equity were adjusted accordingly. (See Exhibit VI for the calculation of these amounts)	Ret of Equity	001	(14,531)	(14,531)	(363)	
	Ret on Equity	003	(1,310)	(539)	(154)	
	Other(Res. Reim.)	001				(2,080)
Regulation: 10 NYCRR Section 86-2.21, BLTCR Rate Methodology						

ROME NURSING HOME (AKA RPNH, INC.)
RATE PERIOD JANUARY 1, 2004 THROUGH DECEMBER 31, 2007
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CENTER	RATE YEARS			
			2004	2005	2006	2007
4. DISALLOWANCE OF TELEPHONE EQUIPMENT RENT EXPENSE						
The Facility reported rental expenses on telephone equipment as part of a lease that was capitalized by the facility. The Bureau of Long Term Care Reimbursement (BLTCR) has determined that telephone expense is an operating expense for residential health care facilities. Since this expense is included in the formula to determine the base, mean, and ceiling prices used to establish the indirect operating expense corridor, the reimbursement of telephone expense in the capital component amounts to duplicate reimbursement. Consequently, the telephone rents were disallowed from the capital component.	Rent E	051	1,881	1,980		
	Rent F	051			1,932	
	Rent A	005				1,032
Regulations: 10 NYCRR Section 86-2.17(a)&(d), BLTCR Rate Methodology						
5. DISALLOWANCE OF UNSUBSTANTIATED RENT EXPENSES						
The Facility reported various rental expenses that could not be substantiated on audit. Consequently, these expenses were disallowed.	Rent E	051	1,455	1,819		
	Rent F	051	10		1,202	
	Rent A	002				553
Regulations: 10 NYCRR Sections 86-2.7 & 2.17(a), PRM-1 Sections 2300 & 2304						
6. DISALLOWANCE OF OPERATING EXPENSES IN RENT EXPENSE						
The Facility reported various expenses such as maintenance agreements, supplies, etc. in rent expense. These expenses are operating expenses and are not includable in property costs. Consequently, these expenses were disallowed from the capital component of the rate.	Rent E	051	333	120		
	Rent D	043	1,922	1,922	1,922	
	Rent G	043				1,922
	Rent C	005				583
Regulations: 10 NYCRR Sections 455.6 & 455.37, PRM-1 Section 2806.2						
7. DISALLOWANCE OF RENT EXPENSE ON LUXURY AUTOMOBILE						
The Facility included a lease on a BMW automobile in rent expense. This auto is considered to be a luxury item and not reimbursable. In addition, there was no substantiation that the vehicle was used for patient care. The personal use of a vehicle by the owners or employees is considered additional compensation, which is an operating expense and not allowable as a property cost. Consequently, the rent associated with this vehicle was disallowed from property costs.	Rent C	005				152
Regulations: 10 NYCRR Sections 86-2.17(a),(d)&(f), RHCF-4 Accounting and Reporting Manual						

ROME NURSING HOME (AKA RPNH, INC.)
RATE PERIOD JANUARY 1, 2004 THROUGH DECEMBER 31, 2007
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CENTER	RATE YEARS			
			2004	2005	2006	2007
8. ALLOWANCE OF SALES TAX						
The Facility only reported \$8,211 of sales tax in 2002 (used for the 2004 property rate) because sales tax was not recorded separately until the later part of 2002. The OMIG calculation of 2002 taxable expenses indicated that the 2002 sales tax expense should have been \$30,404. Since sales tax expense was eliminated from base period operating expenses (see Exhibit III, adjustment #1), the difference between the allowable amount of \$30,404, and the reported amount of \$8,211, was allowed to reimburse the facility a full year of sales tax expense. This allowance was contingent upon the Facility's acceptance of the OMIG's sales tax adjustments in this report, and the written withdrawal of any outstanding appeals with the BLTCR regarding the sales tax expense addressed in this report. The Facility has indicated its agreement with the sales tax adjustments and informed the OMIG that there are no outstanding appeals with BLTCR.	Sales Tax	005	(22,228)			
Regulations: 10 NYCRR Section 86-2.17(a)&(d), BLTCR Rate Methodology						
9. OFFSET OF SALES TAX REFUND						
In 2006, the provider received a refund of sales taxes on utilities that had been paid from 2003 through 2005. These sales taxes were refunded because nursing homes were not required to pay sales taxes on utilities. Refunds are considered reductions to the specific costs to which they apply in the year of the expenditure. Since the sales taxes on utilities were not necessary or proper, and were eventually refunded, the 2003 through 2005 sales tax expenses (reimbursed in the 2005 through 2007 rates, respectively) were reduced by the refunded amounts.	Sales Tax	005		1,357	4,188	7,192
Regulations: 10 NYCRR Sections 86-2.17(a) & (d) and 2.18(a), and PRM-1 Sections 800-804						
Total Disallowances/(Allowances)			<u>\$ (28,840)</u>	<u>\$ (1,769)</u>	<u>\$ 3,535</u>	<u>\$ 12,030</u>
AUDITED PROPERTY EXPENSE			<u>\$ 198,736</u>	<u>\$ 214,142</u>	<u>\$ 111,903</u>	<u>\$ 206,934</u>

ROME NURSING HOME (AKA RPNH, INC.)
RATE PERIOD JANUARY 1, 2004 THROUGH DECEMBER 31, 2007
PER DIEM DISALLOWANCES
REDUCTION IN NURSING, OBRA AND GLOVES PER DIEM ADD-ON ADJUSTMENTS

The Facility received Nursing, OBRA and Gloves per diem add-ons in their 1/1/2004 through 12/31/2007 Medicaid rates. The Nursing per diem was added to recognize increases in nursing costs between 1987 and 1988 for facilities with operating base periods prior to 1988. The OBRA per diem was added to recognize various Federally mandated direct expenses for facilities with operating base periods prior to 4/1/91. The Gloves per diem was added to recognize a Federal mandate for glove supplies for facilities with operating base periods prior to 4/1/94. This Facility's operating base period covered 8/1/94 through 7/31/95, so the increased nursing costs and Federally mandated expenditures were included in its base period direct operating costs. Therefore, the per diem add-ons for this Facility should only have replaced amounts that were cut by direct cost ceiling limitations in the applicable rate calculations. A comparison of the above per diem add-ons to the direct cost ceiling cuts revealed that the per diem add-ons exceeded the amounts that were cut from direct costs. Consequently, the Nursing, OBRA and Gloves per diem add-ons were reduced to equal the per diem cuts caused by the direct cost ceiling limitation.

Regulations: 10 NYCRR Sections 86-2.10(r), 86-2.10(u), and 86-2.17(a), Bureau of Long Term Care Reimbursement Rate Setting Policy

	RATE PERIODS																					
	<u>1/1/04</u>	<u>3/1/04</u>	<u>4/1/04</u>	<u>6/1/04</u>	<u>9/1/04</u>	<u>12/1/04</u>	<u>1/1/05</u>	<u>3/1/05</u>	<u>6/1/05</u>	<u>7/1/05</u>	<u>9/1/05</u>	<u>12/1/05</u>	<u>1/1/06</u>	<u>3/1/06</u>	<u>4/1/06</u>	<u>6/1/06</u>	<u>9/1/06</u>	<u>12/1/06</u>	<u>1/1/07</u>	<u>4/1/07</u>	<u>7/1/07</u>	<u>9/1/07</u>
Nursing Per Diem Adjustment	\$ 2.03	\$ 2.03	\$ 2.03	\$ 2.03	\$ 2.03	\$ 2.03	\$ 2.08	\$ 2.08	\$ 2.08	\$ 2.08	\$ 2.08	\$ 2.08	\$ 2.16	\$ 2.16	\$ 2.16	\$ 2.16	\$ 2.16	\$ 2.16	\$ 2.22	\$ 2.21	\$ 2.21	\$ 2.21
OBRA Per Diem Adjustment	0.44	0.44	0.44	0.44	0.44	0.44	0.45	0.45	0.45	0.45	0.45	0.45	0.46	0.46	0.46	0.46	0.46	0.46	0.47	0.47	0.47	0.47
Gloves Per Diem Adjustment	0.24	0.24	0.24	0.24	0.24	0.24	0.26	0.26	0.26	0.26	0.26	0.26	0.27	0.27	0.27	0.27	0.27	0.27	0.28	0.28	0.28	0.28
Total Per Diem Add-Ons	\$ 2.71	\$ 2.79	\$ 2.89	\$ 2.97	\$ 2.96	\$ 2.96	\$ 2.96															
Direct Cost Ceiling Per Diem Reduction	1.35	1.39	1.39	1.42	1.45	1.37	1.45	1.46	1.37	1.37	1.43	1.42	1.48	1.46	1.46	1.44	1.46	1.48	1.51	1.50	1.50	1.50
Disallowance to Per Diem Add-Ons	\$ 1.36	\$ 1.32	\$ 1.32	\$ 1.29	\$ 1.26	\$ 1.34	\$ 1.34	\$ 1.33	\$ 1.42	\$ 1.42	\$ 1.36	\$ 1.37	\$ 1.41	\$ 1.43	\$ 1.43	\$ 1.45	\$ 1.43	\$ 1.41	\$ 1.46	\$ 1.46	\$ 1.46	\$ 1.46

ROME NURSING HOME (AKA RPNH, INC.)

RATE PERIOD JANUARY 1, 2004 THROUGH DECEMBER 31, 2007

RETURN OF AND ON EQUITY AND RESIDUAL REIMBURSEMENT DISALLOWANCES

	RATE YEARS			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<u>Return of Equity Calculation</u>				
Real Property Historical Cost per HE-12B	\$ 1,194,609	\$ 1,224,901	\$ 1,228,961	
Audit Disallowances/(Allowances)	3,729	3,729	3,729	
Audited Historical Cost	A \$ 1,190,880	\$ 1,221,172	\$ 1,225,232	
Accumulated Reimbursement per HE-12B	\$ 1,117,659	\$ 1,151,859	\$ 1,210,293	
Audit Disallowances/(Allowances)	(36,424)	(21,893)	(7,362)	
Audited Accumulated Reimbursement	B \$ 1,081,235	\$ 1,129,966	\$ 1,202,931	
Audited Net Equity (A - B)	\$ 109,645	\$ 91,206	\$ 22,301	
Divided by Remaining Useful Life	2.25	1.25		
Current Year Audited Return of Equity	\$ 48,731	\$ 72,965		
Divided by Revised Additional Useful Life			10	
Current Year Audited Return of Equity			\$ 2,230	
Promulgated Return of Equity	\$ 34,200	\$ 58,434	\$ 1,867	
Disallowances/(Allowances)	\$ (14,531)	\$ (14,531)	\$ (363)	
<u>Return on Equity Calculation</u>				
Audited Net Equity	\$ 109,645	\$ 91,206	\$ 22,301	
Less: ½ Current Year Audited Return of Equity	24,366	36,483	1,115	
Audited Net Investment	\$ 85,279	\$ 54,723	\$ 21,186	
Rate of Return	5.15%	4.95%	4.45%	
Audited Return on Equity	\$ 4,392	\$ 2,709	\$ 943	
Promulgated Return on Equity	\$ 3,082	\$ 2,169	\$ 789	
Disallowances/(Allowances)	\$ (1,310)	\$ (540)	\$ (154)	
<u>Residual Reimbursement Calculation</u>				
2006 Rate Audited Net Equity			\$ 22,301	
2006 Rate Audited Return on Equity			943	
Total Audited Net Equity and Return on Equity			\$ 23,244	
Residual Reimbursement Percentage			X 50%	
Audited Residual Reimbursement			\$ 11,622	
Promulgated Residual Reimbursement			9,542	
Disallowance/(Allowance)			\$ (2,080)	