



STATE OF NEW YORK  
OFFICE OF THE MEDICAID INSPECTOR GENERAL  
800 North Pearl Street  
Albany, New York 12204

ANDREW M. CUOMO  
GOVERNOR

JAMES C. COX  
ACTING MEDICAID INSPECTOR GENERAL

February 24, 2012

[REDACTED]  
Beach Terrace Care Center  
640 W Broadway  
Long Beach, New York 11561-2900

Re: Medicaid Rate Audit #10-2146  
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 Beach Terrace Care Center's (the "Facility") Medicaid rates for the rate period January 1, 2005 through December 31, 2008. In accordance with 18 NYCRR Section 517.6, this report represents the OMIG's final determination on issues raised in the draft audit report.

In response to the draft audit report dated December 14, 2011 you identified specific audit findings with which you disagreed. Your comments have been considered, however no changes have been made to the report as explained on Attachment A. As previously stated in the draft audit report, the Medicare Part B and D offsets were not within the scope of the review and may be examined as part of a future audit. Based on the enclosed audited rates calculated by the Bureau of Long Term Care Reimbursement, the Medicaid overpayment currently due is \$111,653. 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.

The overpayment does not reflect the impact on rates subsequent to December 31, 2008 that utilized the August 1, 1990 through January 31, 1991 base period for operating expense. Any overpayment resulting from operating expense disallowances in the August 1, 1990 through January 31, 1991 base period report for rates subsequent to December 31, 2008 will be addressed in the future.

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 #10-2146  
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 [REDACTED] at [REDACTED]

Sincerely,

[REDACTED]

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

**Attachments:**

- Attachment A -- Facility Draft Report Comments and OMIG Response
- EXHIBIT I - Summary of Per Diem Impact and Medicaid Overpayment
- EXHIBIT II - Summary of Medicaid Rates Audited
- EXHIBIT III - Operating Expense Disallowances/(Allowances)
- EXHIBIT IV - Property Expense Disallowances/(Allowances)
- EXHIBIT V - Return of Equity and Return on Equity Disallowances/(Allowances)
- EXHIBIT VI - Return on Average Equity Disallowance/(Allowances)

CERTIFIED MAIL # [REDACTED]  
RETURN RECEIPT REQUESTED

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

**NAME AND ADDRESS OF AUDITEE**

Beach Terrace Care Center  
640 W Broadway  
Long Beach, New York 11561-2900

NPI [REDACTED]  
PROVIDER [REDACTED]

AUDIT #10-2146

AMOUNT DUE: \$111,653

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 #10-2146  
Albany, New York 12237-0048

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

CORRECT PROVIDER NUMBER

**BEACH TERRACE CARE CENTER - AUDIT #10-2146  
FACILITY DRAFT REPORT COMMENTS AND OMIG RESPONSE**

All OMIG adjustments were accepted by the Facility except for those shown below. The following details the disposition of final report adjustments after consideration of the Facility's draft audit report response comments. See last page of this attachment for adjustment changes for final report.

**EXHIBIT IV COMMENTS**

**Adjustment #1a – Equipment Rental Disallowance Rent A**

**Facility Comment**

Please note that invoices were received subsequent to facility closing its books for 2002. As a result, rental expense was booked and paid in 2003.

**OMIG Response**

OMIG Audit #10-2146 is an audit of rate years January 1, 2005 through December 31, 2008. Rental expenses to be included in these respective rate years are based on cost years January 1, 2003 through December 31, 2006. OMIG has disallowed rental costs that were incurred in cost year 2002. OMIG has cited PRM-1, Section 2302.1 in support of the disallowance. PRM-1, Section 2302.1 states "Under the accrual basis of accounting, revenue is recorded in the period when it is earned, regardless of when it is collected, and expenditures for expense and asset items are recorded in the period in which they are incurred, regardless of when they are paid". Therefore, OMIG has disallowed these rentals as they were incurred in the 2002 cost year.

**Disposition: The final report disallowance remains the same as the draft report.**

**Adjustment #2 – Sales Tax Disallowance**

**Facility Comment**

Sales tax on energy sources provided to facilities that are considered to be residential are exempt only on the NYS portion of the tax. The locality does not always exempt the property from sales tax. Attached please find a letter from the New York State Department of Taxation & Finance web site showing the locality tax on gas and electric for 640 West Broadway is at 3%.

**OMIG Response**

The Facility's response states that the Facility is not exempt from a 3% sales tax on gas and electric. OMIG's calculation of allowable sales tax clearly acknowledges and calculates a 3% sales tax on gas and electric. The portion of the disallowance related to gas and electric is due to the fact that the Facility calculated a 4% sales tax on gas and electric, rather than 3%. The majority of the sales tax disallowance is related to fuel oil costs, which were not addressed by the Facility in their response. Fuel oil is exempt from all sales tax, however the Facility calculated a 4% sales tax on fuel oil.

**Disposition: The final report disallowance remains the same as the draft report.**

**Adjustments #3-4 – Return on and of Equity Disallowance**

**Facility Comment**

The auditor proposes to disallow \$20,000 from historical cost for an amount paid to Fire Command in 2003 claiming that it is part of a large renovation with Butch Ball Construction posted in 2001.

In actuality, the sequence of events was as follows:

In 2001, facility contracted with Butch Ball Construction Co. for a major renovation project. Butch Ball subcontracted the fire alarm system to Fire Command Co. In 2003, the facility needed Fire Command to sign off on the fire safety job that they did. Fire Command refused to sign off until they got paid the \$20,000 owed to them by Butch Ball Construction Co., which the facility then paid directly to Fire Command and in error booked the \$20,000 as an asset.

In 2007, the facility realized its error and adjusted the Butch Ball ledger by voiding the amount paid directly to Fire Command on behalf of Butch Ball Construction Co. Attached please see the purchase journal from December 2007 showing the voids and the general ledger and the RHCF report for 2007 showing that the facility voided the \$20,000 which the auditor is proposing to disallow.

By disallowing the \$20,000 in 2003 and the facility voiding it from their books and RHCF in 2007, the historical cost is being reduced twice for the same adjustment.

**OMIG Response**

The return on equity and return of equity calculations for rate years 2005-2008 are based on cost years 2003-2006. As the Facility's response noted, the duplicate booking of the \$20,000 error occurred in 2003. Further the Facility's response notes the correction of the \$20,000 error did not occur until 2007. Therefore for the audit cost years of 2003-2006, assets continued to be overstated by \$20,000. As the return on and return of equity calculations were based on assets values which were overstated by \$20,000, the corresponding equity calculations are therefore also overstated. Since the Facility's correction of the \$20,000 error was not made until after the cost years being audited, the \$20,000 reduction in asset value made by OMIG was necessary in order to properly calculate the return on equity, and the return of equity.

**Disposition: The final report disallowance remains the same as the draft report.**

**BEACH TERRACE CARE CENTER**  
**RATE PERIODS JANUARY 1, 2005 THROUGH DECEMBER 31, 2008**  
**SUMMARY OF PER DIEM IMPACT AND MEDICAID OVERPAYMENT**

<u>RATE PERIOD</u>	<u>ISSUED PART B &amp; D NON-ELIGIBLE RATES *</u>	<u>FINAL PART B &amp; D NON-ELIGIBLE RATES</u>	<u>RATE DECREASE (INCREASE)</u>	<u>MEDICAID DAYS</u>	<u>MEDICAID OVERPAYMENT</u>
01/01/05 - 01/31/05	\$197.77	\$197.25	\$0.52	4,978	\$ 2,589
02/01/05 - 04/30/05	196.96	196.45	0.51	14,139	7,211
05/01/05 - 06/30/05	200.56	200.05	0.51	9,760	4,978
07/01/05 - 07/31/05	200.56	200.05	0.51	5,039	2,570
08/01/05 - 10/31/05	199.48	198.97	0.51	14,495	7,392
11/01/05 - 12/31/05	189.33	188.82	0.51	9,760	4,978
01/01/06 - 01/31/06	197.09	196.61	0.48	4,987	2,394
02/01/06 - 03/31/06	198.43	197.95	0.48	9,342	4,484
04/01/06 - 04/30/06	197.98	197.50	0.48	4,831	2,319
05/01/06 - 07/31/06	201.60	201.12	0.48	14,127	6,781
08/01/06 - 10/31/06	202.34	201.87	0.47	14,321	6,731
11/01/06 - 12/31/06	202.37	201.90	0.47	9,573	4,499
01/01/07 - 03/31/07	210.68	210.23	0.45	14,311	6,440
04/01/07 - 04/30/07	209.53	209.08	0.45	4,745	2,135
05/01/07 - 06/30/07	214.67	214.22	0.45	9,680	4,356
07/01/07 - 08/31/07	213.79	213.34	0.45	9,985	4,493
09/01/07 - 10/31/07	213.79	213.34	0.45	9,600	4,320
11/01/07 - 12/31/07	212.06	211.61	0.45	9,534	4,290
01/01/08 - 03/31/08	217.02	216.53	0.49	14,668	7,187
04/01/08 - 04/30/08	213.21	212.72	0.49	4,761	2,333
05/01/08 - 06/30/08	216.94	216.45	0.49	9,767	4,786
07/01/08 - 10/31/08	220.88	220.39	0.49	19,506	9,558
11/01/08 - 12/31/08	221.14	220.65	0.49	9,856	4,829
<b>TOTAL MEDICAID OVERPAYMENT</b>					<b><u>\$ 111,653</u></b>

\* Any differences between these rates and the rates listed in Exhibit II of this report represent rate changes made subsequent to OMIG's audit. These changes remain open to future audit by the OMIG. For the purpose of this Exhibit, the Medicare Part B and D rates are not shown. The rate decrease/(increase) for those rates is the same as shown for the Medicare Part B and D non-eligible rates above.

**BEACH TERRACE CARE CENTER**  
**RATE PERIODS JANUARY 1, 2005 THROUGH DECEMBER 31, 2008**  
**SUMMARY OF MEDICAID RATES AUDITED**

The Facility's Medicaid utilization was approximately 89 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 Medicare Part B &amp; D Non-Eligible Rates *</u>
01/01/05 - 01/31/05	\$197.77
02/01/05 - 04/30/05	196.96
05/01/05 - 06/30/05	200.56
07/01/05 - 07/31/05	200.56
08/01/05 - 10/31/05	199.48
11/01/05 - 12/31/05	189.33
01/01/06 - 01/31/06	197.09
02/01/06 - 03/31/06	198.43
04/01/06 - 04/30/06	197.98
05/01/06 - 07/31/06	201.60
08/01/06 - 10/31/06	202.34
11/01/06 - 12/31/06	202.37
01/01/07 - 03/31/07	210.68
04/01/07 - 04/30/07	209.53
05/01/07 - 06/30/07	214.67
07/01/07 - 08/31/07	213.79
09/01/07 - 10/31/07	213.79
11/01/07 - 12/31/07	212.06
01/01/08 - 03/31/08	217.02
04/01/08 - 04/30/08	213.21
05/01/08 - 06/30/08	216.94
07/01/08 - 10/31/08	220.88
11/01/08 - 12/31/08	221.14

\* The Medicare Part B and D rates are not shown for the purpose of this Exhibit. The Medicare Part B and D offsets were not within the scope of this audit and may be examined as part of a future audit.

**BEACH TERRACE CARE CENTER**  
**RATE PERIODS JANUARY 1, 2005 THROUGH DECEMBER 31, 2008**  
**OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES)**

		<u>OPERATING EXPENSE COMPONENT</u>	
		<u>NON-</u>	<u>NON-</u>
		<u>COMP.</u>	<u>COMP.</u>
<u>COST</u>	<u>CTR.</u>	<u>01/01/05-</u>	<u>01/01/07-</u>
	<u>DESCRIPTION</u>	<u>12/31/06</u>	<u>12/31/08</u>
\$ 159,260		\$ 104,109	

**Operating Expense Allowed per HE-12B**  
**Less Disallowances/(Allowances):**

**SALES TAX DISALLOWANCE**

Beginning with the 2005 rates, the Facility reported and was reimbursed for all sales tax expense in the property portion of the rate. Prior to 2005, the sales tax expense associated with operating expense was included in the appropriate operating expense category and reimbursed in the operating per diem. By reporting all sales tax in property, the Facility is being reimbursed for sales tax in both the operating and property per diems. In order to eliminate the duplication, sales tax expense was excluded from the base period (8/1/90-1/31/91) operating expense for the 2005 through 2008 rates.

**Regulations: 10 NYCRR Sections 86-2.17 (a) & (d)**

Utilities	006	4,693	4,693
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<b>Total Disallowances/Allowances)</b>	<b>\$ 4,693</b>	<b>\$ 4,693</b>
<b>TOTAL AUDITED OPERATING EXPENSE BY COMPONENT</b>	<b>\$ 154,567</b>	<b>\$ 99,416</b>

**BEACH TERRACE CARE CENTER**  
**RATE PERIODS JANUARY 1, 2005 THROUGH DECEMBER 31, 2008**  
**PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)**

DESCRIPTION	COST CTR.	RATE PERIODS		
		2005	2006	2007
		\$ 702,821	\$ 719,861	\$ 1,001,353
				\$ 971,915

**Property Expense Allowed per HE-12B  
Less Disallowances/(Allowances):**

**1. EQUIPMENT RENTAL DISALLOWANCES**

a) Rent expense included expense that was associated with 2002. Providers are required to report expenses based on the accrual method of accounting. Under the accrual method of accounting expenditures are recorded in the period in which they are incurred. Since the expense was not associated with the 2003 cost year (rate year 2005), the expense was disallowed.

**Regulations: 10 NYCRR Section 86-2.4, PRM-1 Section 2302.1**

b) Reported oxygen concentrators rent included oxygen expense. Oxygen expense is considered an operating expenditure; therefore, the expense was disallowed from the property component.

**Regulations: 10 NYCRR Section 86.2.10(g) & 455.27**

c) Costs not related to patient care are costs that are not appropriate or necessary and proper in developing and maintaining the operation of patient care facilities and activities. Only costs properly chargeable to necessary patient care are allowable. Reported rental expense included lease payments on vehicles for the Facility's personnel that were used for personal purposes. Personal motor vehicles expense is not related to patient care of the nursing facility and should not be included in the nursing home rate computation. Therefore, the vehicle lease payments were disallowed from property expense.

**Regulations: 10 NYCRR Sections 86-2.17(a) & (d), PRM-1 Sections 2102.3 & 2105.9**

d) The Facility reported cable television charges fees as rental expense. These charges are not a reimbursable property expense and consequently were disallowed.

**Regulations: 10 NYCRR Section 86-2.10(g), PRM-1 Sections 2102.3 & 2106.1**

e) The Bureau of Long Term Care Reimbursement has determined the nature of telephone expense to be an operating expense. Since the expense is included in the formula to determine the base, mean, and ceiling prices used to establish the indirect expense corridor, the reimbursement of telephone expense in the property component amounts to duplicate reimbursement. Consequently, a disallowance was necessary.

**Regulation: 10 NYCRR Section 86-2.17(d)**

**2. SALES TAX DISALLOWANCES**

Certain products and services associated with energy sources provided to long-term care facilities are exempt from New York State sales tax if the facilities are considered to be residential. The reduced sales tax rate of zero percent applies to energy sources and services purchased for use at any long-term care facility which falls within the definition of a health related facility or nursing home as defined by public health law. Taxes for which there is an exemption available are not allowable for reimbursement purposes. Consequently, disallowances were necessary.

**Regulations: TSB-A-90(60)S - Sales and Use-Rate of Tax-Residential Energy Sources-Long Term Treatment Facilities, PRM-1 Section 2122.2D**

DESCRIPTION	COST CTR.	RATE PERIODS		
		2005	2006	2007
Rent A	004	3,361		
Rent D	043	208	264	410
Rent E	006	5,310	884	
Rent G	006	1,368	4,500	
Rent C	006			7,551
Rent F	014	2,472	206	
Rent B	004			3,113
Rent H	004		3,150	
Sales Tax	005	3,059	3,939	

**BEACH TERRACE CARE CENTER**  
**RATE PERIODS JANUARY 1, 2005 THROUGH DECEMBER 31, 2008**  
**PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)**

	COST DESCRIPTION CTR.	RATE PERIODS			
		2005	2006	2007	2008
<b>3. RETURN ON EQUITY DISALLOWANCES</b>					
A proprietary facility is entitled to return on equity for capital invested for the necessary and proper operation for patient care activities. Adjustments to historical costs resulted in disallowances to the return on equity. Refer to Exhibit VI for details. <b>Regulation: 10 NYCRR Section 86-2.21</b>					
	Ret. on Equity 001	928	723	674	527
<b>4. RETURN OF EQUITY DISALLOWANCES</b>					
A proprietary facility is entitled to return of equity for capital invested for the necessary and proper operation for patient care activities. Adjustments to historical costs resulted in disallowances to the return of equity. Refer to Exhibit VI for details. <b>Regulation: 10 NYCRR Section 86-2.21</b>					
	Ret. of Equity 001	2,500	2,500	2,500	2,500
<b>5. RETURN ON AVERAGE EQUITY ALLOWANCES</b>					
A proprietary residential health care facility is entitled to reasonable return on average equity capital, excluding capital invested in land, plant, fixed equipment, and capital improvements thereto, invested for the necessary and proper operation for patient care activities. The net investment amount was overstated, which resulted in the return on average equity being understated. Based on the audited average equity calculation, allowances were necessary. Refer to Exhibit VII for details. <b>Regulation: 10 NYCRR Section 86-2.28</b>					
	Ret. Avg. Equity 001	(351)	(611)	(698)	(472)
<b>6. AUTO INSURANCE DISALLOWANCE</b>					
Providers who receive payments on the basis of reimbursable cost must provide adequate cost data based on financial and statistical records that can be verified on audit. The Facility did not provide adequate documentation to substantiate reported equipment auto expense. Consequently, a disallowance was necessary. <b>Regulations: PRM-1 Sections 2102.3, 2300 &amp; 2304</b>					
	Auto Ins. 006				4,724
<b>Total Disallowances/(Allowances)</b>		<b>\$ 18,855</b>	<b>\$ 15,555</b>	<b>\$ 13,550</b>	<b>\$ 15,451</b>
<b>AUDITED PROPERTY EXPENSE</b>		<b>\$ 683,966</b>	<b>\$ 704,306</b>	<b>\$ 987,803</b>	<b>\$ 956,464</b>

**BEACH TERRACE CARE CENTER**  
**RATE PERIODS JANUARY 1, 2005 THROUGH DECEMBER 31, 2008**  
**RETURN OF EQUITY AND RETURN ON EQUITY DISALLOWANCES/(ALLOWANCES)**

<b><u>Return of Equity Calculation</u></b>	<b>RATE PERIODS</b>			
	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>
Real Property Historical Cost per HE-12B	\$ 6,680,457	\$ 6,750,265	\$ 6,836,918	\$ 6,945,414
Audit Disallowances/(Allowances) Unsubstantiated Additions	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>
Audited Historical Cost	\$ 6,660,457	\$ 6,730,265	\$ 6,816,918	\$ 6,925,414
Less: Mortgage Principal	0	0	0	0
Less: Accumulated Reimbursement	<u>3,921,862</u>	<u>4,264,186</u>	<u>4,616,483</u>	<u>4,983,222</u>
Audited Net Investment	\$ 2,738,595	\$ 2,466,079	\$ 2,200,435	\$ 1,942,192
Remaining Useful Life	<u>8</u>	<u>7</u>	<u>6</u>	<u>5</u>
Audited Return of Equity	\$ 342,324	\$ 352,297	\$ 366,739	\$ 388,438
Promulgated Return of Equity	<u>344,824</u>	<u>354,797</u>	<u>369,239</u>	<u>390,938</u>
<b>Disallowances/(Allowances)</b>	<b><u>\$ 2,500</u></b>	<b><u>\$ 2,500</u></b>	<b><u>\$ 2,500</u></b>	<b><u>\$ 2,500</u></b>
<b><u>Return on Equity Calculation</u></b>				
Audited Net Equity	\$ 2,738,595	\$ 2,466,079	\$ 2,200,435	\$ 1,942,192
Less: ½ Current Return of Equity	<u>171,162</u>	<u>176,148</u>	<u>183,370</u>	<u>194,219</u>
Audited Net Investment	\$ 2,567,433	\$ 2,289,931	\$ 2,017,065	\$ 1,747,973
Rate of Return	<u>4.95%</u>	<u>4.45%</u>	<u>4.90%</u>	<u>4.68%</u>
Return on Equity per Audit	\$ 127,088	\$ 101,902	\$ 98,836	\$ 81,805
Return on Equity per HE-12B	<u>128,016</u>	<u>102,625</u>	<u>99,510</u>	<u>82,332</u>
<b>Disallowances/(Allowances)</b>	<b><u>\$ 928</u></b>	<b><u>\$ 723</u></b>	<b><u>\$ 674</u></b>	<b><u>\$ 527</u></b>

**BEACH TERRACE CARE CENTER**  
**RATE PERIODS JANUARY 1, 2005 THROUGH DECEMBER 31, 2008**  
**RETURN ON AVERAGE EQUITY DISALLOWANCES/(ALLOWANCES)**

<b><u>Return on Average Equity Calculation</u></b>	<b>RATE PERIODS</b>			
	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>
Average Equity per HE-12B	\$ 4,143,101	\$ 3,725,766	\$ 4,033,700	\$ 2,383,454
Change in Related Party Equity per Audit	-	-	-	-
Plus: Due to Parent/Affiliate	42,685	45,564	45,564	-
Less: Goodwill	<u>40,335</u>	<u>40,335</u>	<u>40,335</u>	<u>40,335</u>
Average Equity per Audit	\$ 4,145,451	\$ 3,730,995	\$ 4,038,929	\$ 2,343,119
Less: Audited Net Investment	<u>2,567,433</u>	<u>2,289,930</u>	<u>2,017,065</u>	<u>1,747,972</u>
Remaining Equity per Audit	\$ 1,578,018	\$ 1,441,065	\$ 2,021,864	\$ 595,147
Rate of Return	<u>1.87%</u>	<u>3.76%</u>	<u>5.07%</u>	<u>4.19%</u>
Equity Returned per Audit	\$ 29,509	\$ 54,184	\$ 102,509	\$ 24,937
Equity Returned per HE-12B	<u>29,158</u>	<u>53,573</u>	<u>101,811</u>	<u>24,465</u>
<b>Disallowances/(Allowances)</b>	<b><u>\$ (351)</u></b>	<b><u>\$ (611)</u></b>	<b><u>\$ (698)</u></b>	<b><u>\$ (472)</u></b>