STATE OF NEW YORK
OFFICE OF THE MEDICAID INSPECTOR GENERAL
259 Monroe Avenue, Room 312
Rochester, New York 14607

(585) 238-8166
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ANDREW M. CUOMO
GOVERNOR

JAMES G. SHEEHAN
MEDICAID INSPECTOR GENERAL

March 31, 2011

Mr. Dennis Christiano, Owner
Aaron Manor Rehabilitation and
Continuing Care Center, LLC
100 Camillus Way
Rochester, New York 14450

Re: Medicaid Rate Audit #09-1688
NPI Number: [redacted]
Provider Number: [redacted]

Dear Mr. Christiano :

Enclosed is the final audit report of the Office of the Medicaid Inspector General's (the "OMIG") audit of Aaron Manor Rehabilitation and Continuing Care Center's (the "Facility") Medicaid rates for the rate period March 1, 2005 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 May 14, 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 $162,743 to the Medicaid overpayment. Based on the enclosed audited rates calculated by the Bureau of Long Term Care Reimbursement, the Medicaid overpayment currently due is $415,976. 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 2007 that utilized the March 1, 2005 through February 28, 2006 base period for operating expense. Any overpayment resulting from operating expense disallowances in the March 1, 2005 through February 28, 2006 base period report for rates subsequent to 2007 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:

Mr. Donald Collins
New York State Department of Health
Medicaid Financial Management
GNARESP Corning Tower, Room 1237
File #09-1688
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
Phone #: (518) 474-5878
Fax#: (518) 408-0593

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 Charlene D. Fleszar, Esq. of the Office of Counsel at (518) 408-5811.

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 (585) 238-8179.

Sincerely

Bruno D. Marchioli
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/(Allowances)
EXHIBIT IV - Property Expense Disallowances/(Allowances)
EXHIBIT V - Return on and of Equity Disallowances
EXHIBIT VI - Correction of Input Price Adjustment Factor (IPAF) Data

cc: Mr. John Darling, Attorney
c/o Ruffo Tabora Maninello-McKay
145 Sully's Trail
Pittsford, NY 14534

CERTIFIED MAIL # 7009 2820 0004 0435 6192
Return Receipt Requested
Ver-15.0

NEW YORK STATE
OFFICE OF THE MEDICAID INSPECTOR GENERAL
REMITTANCE ADVICE

NAME AND ADDRESS OF AUDITEE

Aaron Manor Rehabilitation and
Continuing Care Center, LLP
100 Camillus Way
Rochester, New York 14450

AMOUNT DUE: $415,976

NPI #: [redacted]
PROVIDER #: [redacted]

AUDIT #09-1688

AUDIT TYPE	
	[ ] PROVIDER
	[X] 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:

Mr. Donald Collins
New York State Department of Health
Medicaid Financial Management
GNARESP Corning Tower, Room 1237
File #09-1688
Albany, New York 12237-0048

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

CORRECT PROVIDER NUMBER

EXHIBIT I

AARON MANOR REHABILITATION AND CONTINUING CARE CENTER

RATE PERIODS MARCH 1, 2005 THROUGH DECEMBER 31, 2007

SUMMARY OF PER DIEM IMPACT AND MEDICAID OVERPAYMENT

RATE PERIOD	ISSUED RATES* Medicare Part B Non-Elig. / Eligible	FINAL RATES Medicare Part B Non-Elig. / Eligible	RATE DECREASE (INCREASE)	MEDICAID DAYS	MEDICAID OVERPAYMENT
03/01/05 - 03/31/05	$185.31 / 183.72	$180.37 / 178.78	$ 4.94	2,032	$ 10,038
04/01/05 - 06/30/05	184.17 / 182.58	179.25 / 177.66	4.92	6,427	31,621
07/01/05 - 09/30/05	188.58 / 186.99	183.58 / 181.99	5.00	7,464	37,320
10/01/05 - 12/31/05	188.67 / 187.08	183.67 / 182.08	5.00	8,342	41,710
01/01/06 - 03/31/06	191.13 / 189.50	186.58 / 184.95	4.55	8,147	37,069
04/01/06 - 06/30/06	190.25 / 188.62	185.70 / 184.07	4.55	8,117	36,932
07/01/06 - 09/30/06	191.41 / 189.78	186.84 / 185.21	4.57	8,445	38,594
10/01/06 - 12/31/06	192.53 / 190.90	187.96 / 186.33	4.57	8,556	39,101
01/01/07 - 03/31/07	205.55 / 203.88	201.01 / 199.34	4.54	7,898	35,857
04/01/07 - 06/30/07	204.61 / 202.95	200.09 / 198.43	4.52	7,962	35,988
07/01/07 - 08/31/07	203.02 / 201.36	198.50 / 196.84	4.52	5,150	23,278
09/01/07 - 12/31/07	203.02 / 201.36	198.50 / 196.84	4.52	10,723	48,468
Total Medicaid Overpayment					$ 415,976

* 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.

EXHIBIT II

AARON MANOR REHABILITATION AND CONTINUING CARE CENTER

RATE PERIODS MARCH 1, 2005 THROUGH DECEMBER 31, 2007

SUMMARY OF MEDICAID RATES AUDITED

The facility's Medicaid utilization ranged from approximately 64 to 69 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.

	ISSUED RATES	
	Medicare Part B	
RATE PERIOD	Non-Elig.	Eligible
03/01/05 - 03/31/05	$ 185.31	$ 183.72
04/01/05 - 06/30/05	184.17	182.58
07/01/05 - 09/30/05	188.58	186.99
10/01/05 - 12/31/05	188.67	187.08
01/01/06 - 03/31/06	191.13	189.50
04/01/06 - 06/30/06	190.25	188.62
07/01/06 - 09/30/06	191.41	189.78
10/01/06 - 12/31/06	192.53	190.90
01/01/07 - 03/31/07	205.55	203.88
04/01/07 - 06/30/07	204.61	202.95
07/01/07 - 08/31/07	203.02	201.36
09/01/07 - 12/31/07	203.02	201.36

AARON MANOR REHABILITATION AND CONTINUING CARE CENTER

RATE PERIODS MARCH 1, 2005 THROUGH DECEMBER 31, 2007

OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	OPERATING EXPENSE COMPONENT DIRECT	INDIRECT	NON-COMP. 03/01/05-12/31/2006	NON-COMP. 01/01/07-12/31/07
Expense Allowed on HE-12B					$ 4,744,018	$2,618,345	$ 848,942	$ 661,161
Less Disallowances/(Allowances):								
1. RECLASSIFICATION OF OPERATING EXPENSE								
The Facility's trial balance and certified financial statements for the period ending February 28, 2006 reflected aides and orderlies salaries, fringe benefits, and paid hours differently from the data reported in the Facility's March 1, 2005 through February 28, 2006 RHCF-4 Report. These differences are attributable to reclassifications from the SNF cost center to the Housekeeping cost center. The Facility's reclassification of aides and orderlies expenses and paid hours was not correct because their work was associated with duties and responsibilities includable in the SNF cost center. In addition, the reclassification could not be supported by time studies that are in conformity with the requirements described in 10 NYCRR Sections 456.4 and 454.2. Consequently, the Facility's reclassification of aides expenses and paid hours was reversed. This adjustment has no impact on the rate when included as a Schedule 1 adjustment on the HE-12b, but does have an impact on the Input Price Adjustment Factor (IPAF) calculation. (See Exhibit VI for data adjustments to the IPAF calculation) **Regulations: 10 NYCRR Sections 86-2.10, 454.2, 456.4, and 455.37**	SNF	051	(134,950)	100.00%	(134,950)			
	Housekeeping	010	134,950	100.00%		134,950		
2. CORRECTION OF HE-12B SCHEDULE I RATE ADJUSTMENTS								
Schedule I of the HE-12b for the March 1, 2005 through February 28, 2006 base year included errors and omissions. The Facility appealed these errors and omissions in appeal #732426. The appeal was reviewed and the following issues were addressed on audit in order to correct the errors in the promulgated rates. The corrections were: (1) auto insurance of $3,933 was deducted from the Activities cost center, (2) advertising expense of $13,793 and an input error of $30 were added to the Lab Services cost center, and $13,793 was deducted from the Administration Services cost center, (3) Hepatitis B and MMR expense totaling $849 was deducted from the SNF cost center, (4) property insurance of $46,529 was deducted from the Plant Maintenance cost center, and (5) working capital interest of $130,401, auto insurance of $3,932, and an erroneous addition of $207 of interest were deducted from the Administrative Services cost center. The Facility's request to delete telephone depreciation expense added to the Administrative Services cost center in the rate setting process was not made on audit because the addition was proper. **The allowance correction was contingent upon the Facility's written withdrawal of these particular items from its outstanding appeal (#732426) filed with the Bureau of Long Term Care Reimbursement (BLTCR). The Facility has withdrawn the items addressed in this report in a letter to BLTCR dated March 14, 2011. Regulations: 10 NYCRR Sections 86-2.10 & 2.17(d)**	Activities	014	3,933	100.00%	3,933			
	SNF	051	849	100.00%	849			
	Admin Serv.	005	148,333	99.89%		148,170		
	Plant Maint.	006	46,529	99.60%		46,343		
	Lab. Serv.	031	(13,823)	100.00%			(13,823)	(13,823)
3. RECLASSIFICATION OF MALPRACTICE INSURANCE EXPENSE								
The Facility included the cost of medical malpractice insurance in the Medical Staff Services cost center. Only those expenses associated with services to patients provided by a physician are allowed to be reported in the Medical Staff Services functional reporting cost center. In addition, all operating component insurance expense, with the exception of employee benefit insurance, must be included in the Administrative Services cost center. Consequently, the improperly categorized expense was reclassified. **Regulation: 10 NYCRR Sections 455.36 and 455.5**	Med. Staff Svc.	044	71,627	100.00%			71,627	71,627
	Admin. Serv.	005	(71,627)	99.89%		(71,548)		

AARON MANOR REHABILITATION AND CONTINUING CARE CENTER

RATE PERIODS MARCH 1, 2005 THROUGH DECEMBER 31, 2007

OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	OPERATING EXPENSE COMPONENT DIRECT	INDIRECT	NON-COMP. 03/01/05-12/31/2006	NON-COMP. 01/01/07-12/31/07
4. RECLASSIFICATION OF OXYGEN SUPPLY EXPENSE								
Reported rent expense included the cost of oxygen. Oxygen expense is considered an operating expenditure. As a result, the expense was reclassified to the SNF cost center. (See property disallowance #4.) **Regulations: 10 NYCRR Sections 86-2.10, 455.37, and PRM-1 Section 2806.1**	SNF	051	(3,150)	100.00%	(3,150)			
5. RECLASSIFICATION OF BUSINESS INTERRUPTION INSURANCE								
The cost of business interruption insurance was disallowed in the capital component of the rate (property disallowance #2). Since the expense is an operating expenditure, business interruption insurance expense associated with the operating base period was included in Administrative Services expense. **Regulations: 10 NYCRR Section 86-2.17(d) and PRM-1 Section 2161(a)**	Admin. Serv.	005	(9,418)	99.89%		(9,408)		
6. RECLASSIFICATION OF LAUNDRY AND LINEN EXPENSE								
Reported rent expense included the cost of linens and tablecloths. This expense is an operating expenditure. As a result, rent associated with the cost of linens and tablecloths was reclassified to the Laundry and Linen cost center (See property disallowance #5). **Regulations: 10 NYCRR Sections 86-2.10, 455.9, and PRM-1 Section 2806.1**	Laundry	009	(8,693)	100.00%		(8,693)		
7. DISALLOWANCE OF BARBER AND BEAUTY EXPENSE								
Expenses associated with barber and beauty services were included in reimbursed expense. Barber and beauty expenses are not reimbursable under the Medicaid program based on the regulations shown below. Consequently, the barber and beauty expense associated with the cost centers listed was disallowed. **Regulations: 10 NYCRR Sections 86-2.17(d), PRM-1 Section 2106.1, and the Medicare Benefit Policy Manual, Chapter 16-80**	RE Taxes & Utilities	106	2,277	99.60%			2,268	2,268
8. ELIMINATION OF OF BARBER AND BEAUTY REAL ESTATE TAX EXPENSE ALLOWANCE FOR THE 2007 RATES								
Real estate taxes are reimbursed in the capital component of the Medicaid rate beginning with the 2007 rates. Consequently, the portion of operating adjustment #7 applicable to real estate taxes was eliminated from the operating component of the 2007 rates resulting in the allowance shown. The Bureau of Long Term Care Reimbursement included the Facility's reported real estate taxes in the property component of the 2007 rates. **Regulation: 10 NYCRR Section 86-2.17(d)**	RE Taxes & Utilities	106	(904)	99.60%				(900)
Total Disallowances/(Allowances)					(133,318)	239,814	60,072	59,172
TOTAL AUDITED OPERATING EXPENSE BY COMPONENT					$ 4,877,336	$2,378,531	$ 788,870	$ 601,989

AARON MANOR REHABILITATION AND CONTINUING CARE CENTER

RATE PERIODS MARCH 1, 2005 THROUGH DECEMBER 31, 2007

PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIOD 2005	1/1/06-3/31/2006	4/1/06-3/31/2006	2007
Expense Allowed on HE-12B					$1,773,060	$ 1,750,489	$ 1,731,610	$ 1,925,669
Less Disallowances/(Allowances):								
1. RETURN ON AND RETURN OF REAL PROPERTY EQUITY DISALLOWANCE								
The Facility's return on equity and return of equity were adjusted to reflect a reduction in real property historical costs as well as audit corrections regarding accumulated reimbursement. The current audit disclosed historical costs that could not be verified, costs that are considered operating expense (telephone), and costs that were not approved as part of the Approved Project Cost (APC). The cost of telephone equipment is considered an operating expense per the Bureau of Long Term Care Reimbursement's rate methodology and is not allowed in historical cost. Consequently, the Facility's return on and return of equity were adjusted to reflect the correction of the above items. **Regulations: 10 NYCRR Sections 86-2.17(d) and 86-2.21**	Ret. on Equity	001	10,540	99.63%	10,501			
	Ret. on Equity	001	19,006	99.63%		18,936	18,936	
	Ret. on Equity	001	19,170	99.63%				19,099
	Ret. of Equity	001	5,530	99.63%	5,510			
	Ret. of Equity	001	11,389	99.63%		11,347	11,347	
	Ret. of Equity	001	10,719	99.63%				10,679
2. DISALLOWANCE OF PROPERTY INSURANCE EXPENSE								
The Facility's March 1, 2005 through December 31, 2007 rates included insurance premiums for business income/interruption insurance. This insurance expense does not relate to the loss of or damage to the Facility's physical property. Since these insurance premiums are not related to insuring the nursing home's physical property, they were reclassified to administrative service expense (operating adjustment #5). **Regulations: 10 NYCRR Section 86-2.17(d) and PRM-1 Section 2161(a)**	Property Ins.	006	9,418	99.60%	9,380			
	Property Ins.	006	9,418	99.60%		9,380	9,380	
	Property Ins.	006	9,418	99.60%				9,380
3. MOVABLE EQUIPMENT DEPRECIATION EXPENSE DISALLOWANCE								
Reported movable equipment depreciation was not fully supported by the Facility's asset and depreciation records. Consequently, the unsubstantiated amounts were disallowed. **Regulation:10 NYCRR Sections 86-2.22(a)**	ME Depn.	002	2,498	99.62%	2,489			
	ME Depn.	002	2,498	99.62%		2,489	2,489	
	ME Depn.	002	2,498	99.63%				2,489
4. DISALLOWANCE OF OXYGEN SUPPLY RENT								
As described in operating expense adjustment #4, the cost of oxygen is an operating expense and should not be reimbursed as a property cost. Consequently, it was disallowed as rent and included in the operating component in the SNF cost center. **Regulations: 10 NYCRR Sections 86-2.10, 455.37; PRM-1 Section 2806.1**	Rent E	002	3,150	100.00%	3,150			
5. DISALLOWANCE OF LAUNDRY AND LINEN RENT								
As described in operating expense adjustment #6, the cost of laundry and linen is an operating expense and should not be reimbursed as a property cost. Consequently, it was disallowed as rent and included in the operating component in the laundry and linen cost center. **Regulations: 10 NYCRR Sections 86-2.10, 455.9 and PRM-1 Section 2806.1**	Rent B	009	8,693	100.00%	8,693			

AARON MANOR REHABILITATION AND CONTINUING CARE CENTER

RATE PERIODS MARCH 1, 2005 THROUGH DECEMBER 31, 2007

PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CENTER	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIOD 2005	1/1/06-3/31/2006	4/1/06-3/31/2006	2007
6. ALLOWANCE OF UNREIMBURSED MOVABLE EQUIPMENT RENT								
The Facility reported rent on various movable equipment items that was not included in the 2006 and 2007 rates. Appeal #732426 contained the Facility's request to include these items. The movable equipment rent was allowed on audit. **These allowances were contingent upon the facility's written withdrawal of this particular item from its outstanding appeal (#732426) filed with the Bureau of Long Term Care Reimbursement (BLTCR). The Facility has withdrawn the items addressed in this report in a letter to BLTCR dated March 14, 2011.** **Regulations: 10 NYCRR Sections 86-2.10(g) & 2.17(a)**	Rent A		(1,584)	99.89%		(1,582)	(1,582)	(1,582)
	Rent C		(167)	100.00%		(167)	(167)	(167)
	Rent E		(20,667)	100.00%		(20,667)	(20,667)	(20,667)
7. CORRECTION OF MORTGAGE INTEREST, AMORTIZATION, MORTGAGE INSURANCE, AND MOVABLE EQUIPMENT INTEREST								
Audit adjustments to the Approved Project Cost (# 982374) resulted in the Facility's building mortgage being more than the cost of the Facility. As a result, the Facility's mortgage interest expense, amortization of the mortgage principal, and mortgage insurance were reduced to reflect the audited mortgage allowed. In addition, because of the changes to the allowable mortgage, the percentage of the mortgage applicable to movable equipment has also changed on audit resulting in allowances. **Regulations: 10 NYCRR Sections 86-2.17(d), 2.20 & 2.21**	Mort. Interest							
	2005	001	12,618	99.63%	12,571			
	2006	001	6,270	99.63%		6,247	6,247	
	2007	001	3,594	99.63%				3,581
	Mort. Amort.							
	2005	005	2,298	99.89%	2,295			
	2006	005	1,233	99.89%		1,232	1,232	
	2007	005	763	99.89%				762
	Mort. Ins.							
	2005	005	963	99.89%	962			
	2006	005	442	99.89%		442	442	
	2007	005	221	99.89%				221
	ME Interest							
	2005	001	(120)	99.63%	(120)			
	2006	001	(603)	99.63%		(601)	(601)	
	2007	001	(797)	99.63%				(794)
8. DISALLOWANCE OF BARBER AND BEAUTY EXPENSE								
Expenses associated with barber and beauty services were included in reimbursed expense. Barber and beauty services that are not provided as routine care and for which there is no charge to the patient are not reimbursable under the Medicaid program. Consequently, the expense associated with the cost centers listed was disallowed. **Regulations: 10 NYCRR Sections 86-2.17(d), PRM-1 Section 2106.1, and the Medicare Benefit Policy Manual, Chapter 16-80**	Direct Assign.	000	7,544	100.00%	7,544			
	Direct Assign.	000	7,577	100.00%		7,577	7,577	
	Direct Assign.	000	8,529	100.00%				8,529
Total Disallowances/(Allowances)					62,975	34,633	34,633	31,530
TOTAL AUDITED PROPERTY EXPENSE					$1,710,085	$ 1,715,856	$ 1,696,977	$ 1,894,139

EXHIBIT V

AARON MANOR REHABILITATION AND CONTINUING CARE CENTER

RATE PERIODS MARCH 1, 2005 THROUGH DECEMBER 31, 2007

RETURN ON AND OF EQUITY DISALLOWANCES/(ALLOWANCES)

	RATE PERIODS			
	3/1/05-12/31/05	1/1/06-3/31/06	4/1/06-12/31/06	1/1/07-12/31/07
Return of Equity Calculation				
Audited Historical Cost Less Mortgage	$ 1,454,458	$ 1,560,579	$ 1,560,579	$ 1,605,728
Less: Accumulated Reimbursement	-	31,078 *	31,078 *	71,328
Audited Net Equity	$ 1,454,458	$ 1,529,501	$ 1,529,501	$ 1,534,400
Remaining Useful Life	39	38	38	37
Audited Return of Equity	$ 37,294	$ 40,250	$ 40,250	$ 41,470
Promulgated Return of Equity	$ 42,824	$ 51,639	$ 51,639	$ 52,189
Disallowances/(Allowance)	$ 5,530	$ 11,389	$ 11,389	$ 10,719
Return on Equity Calculation				
Audited Net Equity	$ 1,454,458	$ 1,529,501	$ 1,529,501	$ 1,534,400
Less: ½ Current Return of Equity	18,647	20,125	20,125	20,735
Audited Net Investment	$ 1,435,811	$ 1,509,376	$ 1,509,376	$ 1,513,665
Rate of Return	4.95%	4.45%	4.45%	4.90%
Audited Return on Equity	$ 71,073	$ 67,167	$ 67,167	$ 74,170
Promulgated Return on Equity	$ 81,613	$ 86,173	$ 86,173	$ 93,340
Disallowances/(Allowances)	$ 10,540	$ 19,006	$ 19,006	$ 19,170

* $37,294 x 10 months = $31,078

EXHIBIT VI

AARON MANOR REHABILITATION AND CONTINUING CARE CENTER

RATE PERIODS MARCH 1, 2005 THROUGH DECEMBER 31, 2007

CORRECTION OF INPUT PRICE ADJUSTMENT FACTOR (IPAF) DATA

The March 1, 2005 through December 31, 2007 operating rates incorporate an Input Price Adjustment Factor (IPAF) which is based on the March 1, 2005 through February 28, 2006 base period nursing salaries (RN, LPN, and Aides), fringe benefits, and hours paid. The Facility reclassified Aides salaries, fringes, and paid hours from the SNF cost center to the Housekeeping cost center. For reasons noted in Exhibit III, Adjustment #1, the reclassification of aides salaries, fringes, and paid hours from the SNF to Housekeeping was not correct or proper. The duties of the aides as described in the facility's aides job description are related to the SNF cost center. Consequently, the Facility's reclassification for aides was reversed on audit as shown below.

Note: The dollar amounts shown below are prior to the application of the "deflator" used in each rate years IPAF Calculation.

Aides & Orderlies Data	Per RHCF-4	Per Audit	Decrease (Increase)
Aides Salaries	$ 1,256,770	$ 1,370,240	$ (113,470)
Aides Fringes	237,872	259,352	(21,480)
Exhibit III Adjustment			$ (134,950)
Aides Hours	110,540	124,136	(13,596)