



September 2009

Dear Clients and Friends:

The accompanying 2008 Rhode Island Nursing Home Cost Array (the Array) provides a wide-ranging collection of benchmarking and trend information about the Rhode Island nursing home industry. Historical information provides a glimpse of the past, serving as a valuable tool to assist you in responding to the complications and challenges of the current operating environment. Meanwhile, health care reform, acuity-based reimbursement and the continuing implementation of the Medicaid Global Waiver loom on the horizon.

LGC&D has a respected history of assisting the nursing home industry with our knowledge, expertise and insight. As a firm, we have made it our business to remain in the forefront on health care issues and reimbursement strategies - a commitment that means affordable quality service to you, our clients and friends. We hope you will find the accompanying array a valuable resource and management tool.

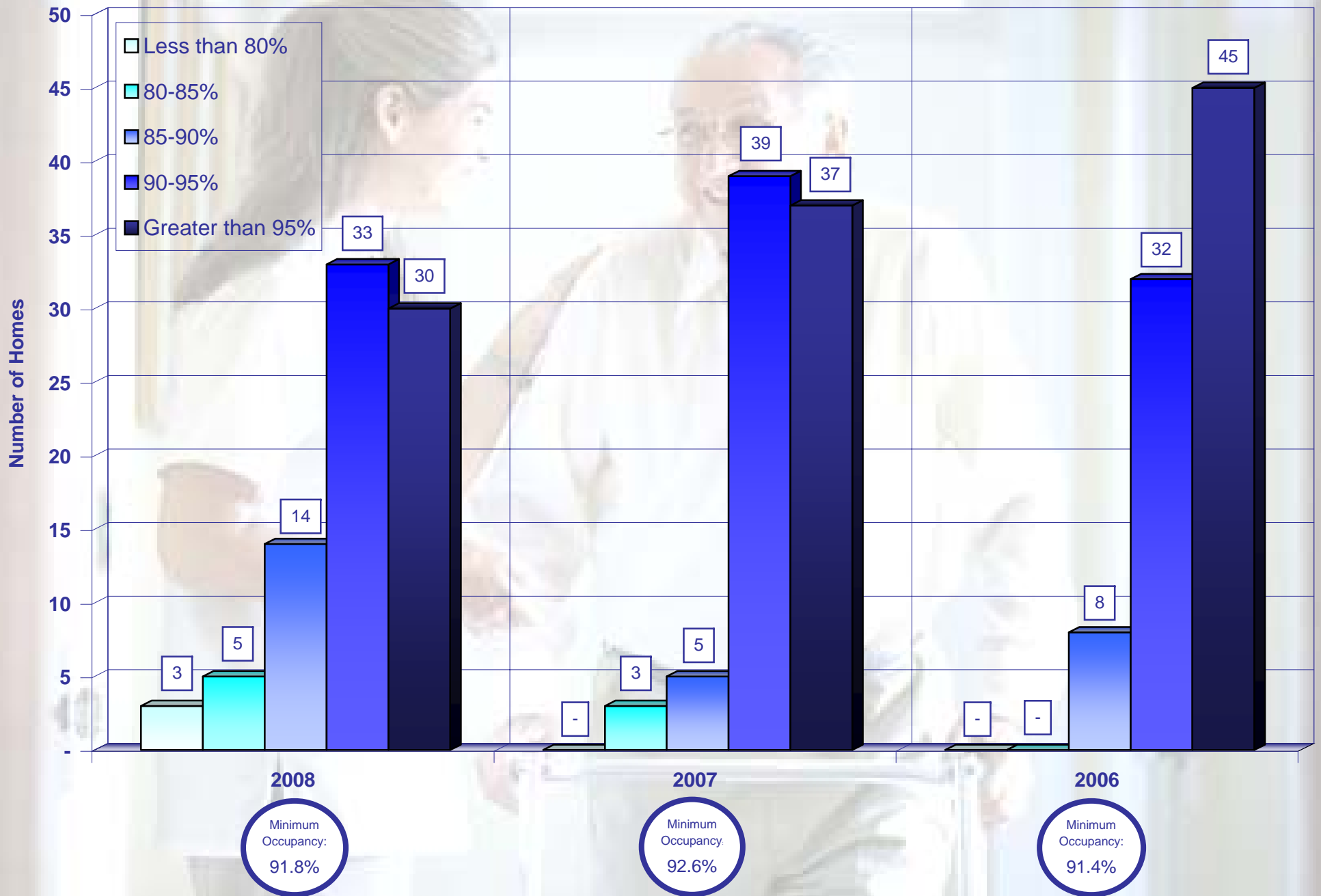
The Array was prepared from data extracted from the "as filed" 2008 Form BM-64 Medicaid cost reports. The following results are of particular interest.

- Projected cost center ceilings, using 2008 results and the current Principles of Reimbursement methodology:
 - Direct Labor – median at 110% **\$137.38**
 - Other Operating Expense – median at 105% **\$36.33**
- Projected minimum occupancy – 98% of 2008 results **90.7%**
- Projected acuity-based statewide average, Direct Care component of Direct Labor **\$72.21**

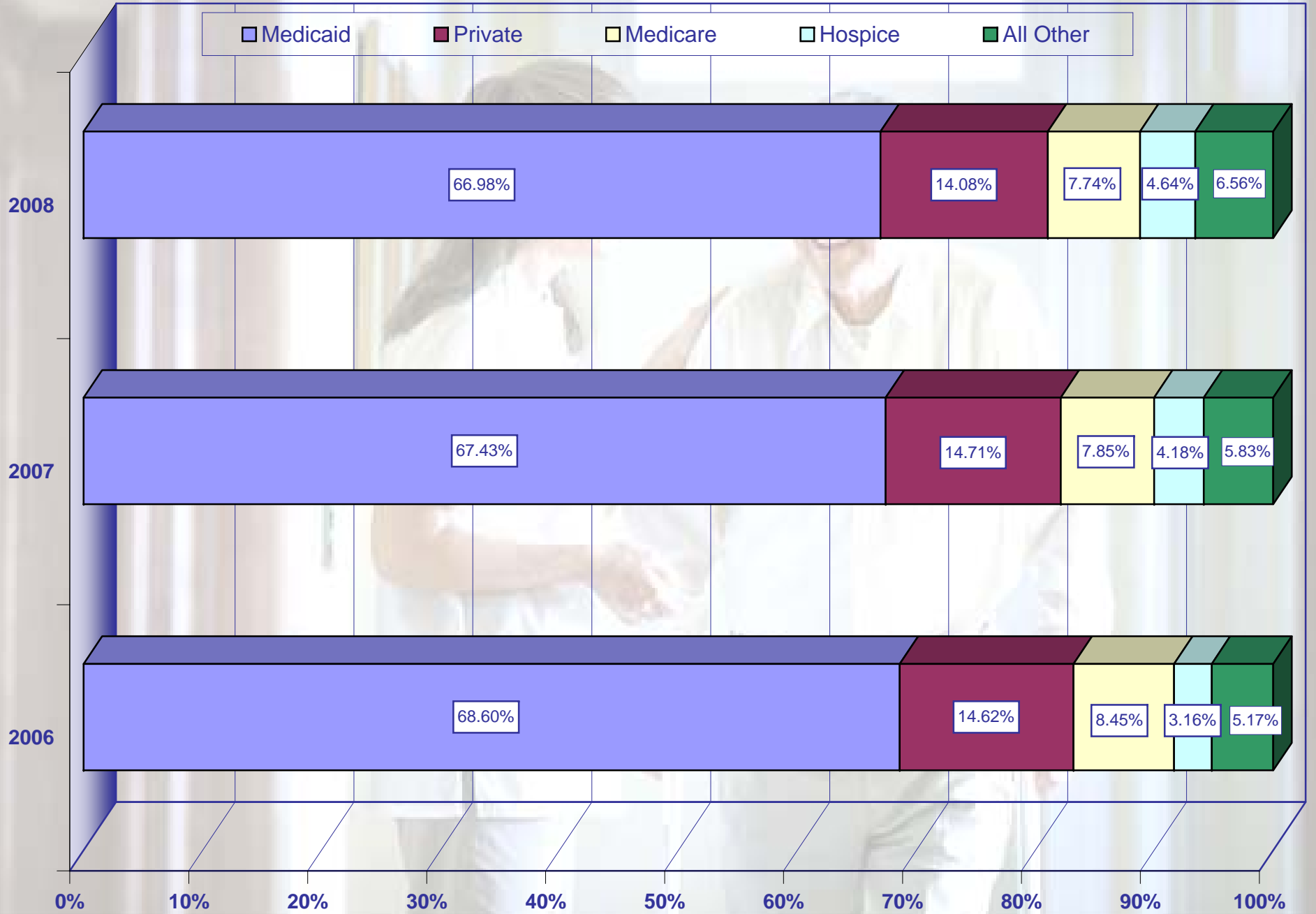
Should you have questions about Medicare, Medicaid, Managed Care, Hospice or other reimbursement issues affecting your facility, about the 2008 Rhode Island Nursing Home Cost Array reports and analyses, or about how we can assist you, please contact your LGC&D professional or Richard J. DeRienzo at (401) 421-4800. We will respond with a sense of urgency and priority and will provide knowledge-based solutions to your questions.

Very truly yours,

Number of Homes by Occupancy Percentage



Patient Mix Using Patient Days Provided

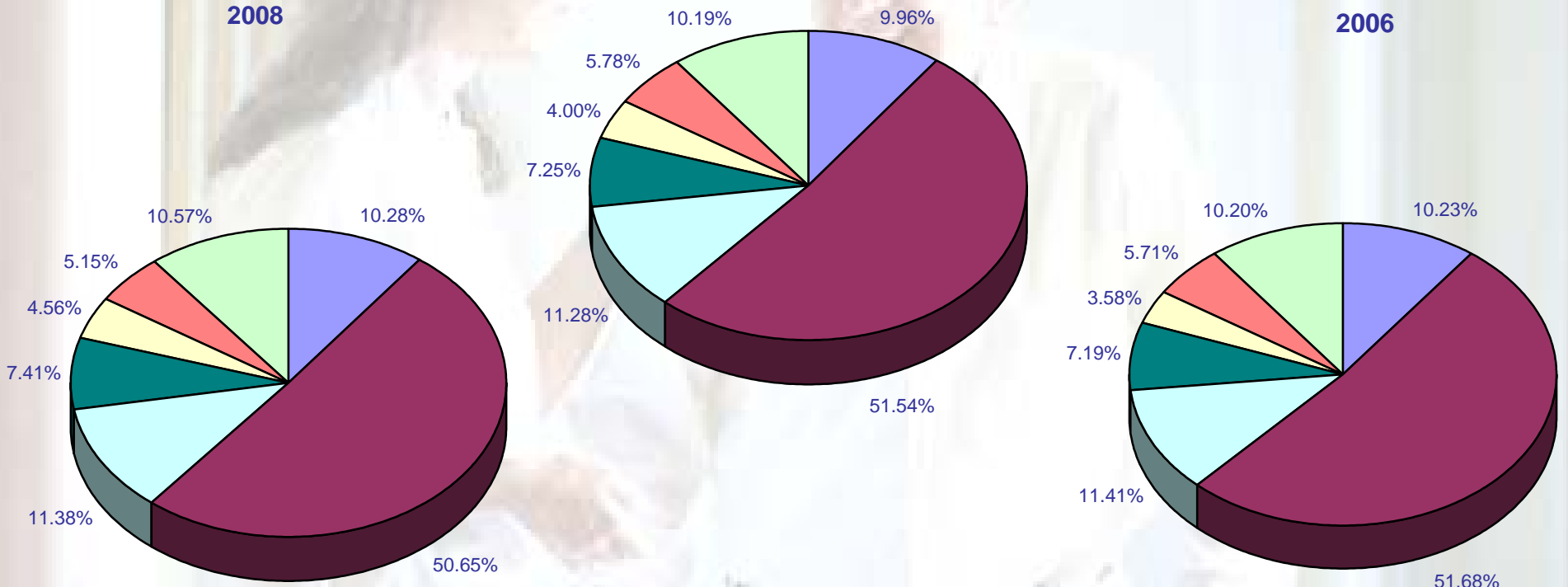


How A Nursing Home Dollar Is Spent...

2007

2006

2008



Property Costs

Salaries & Purchased Services

Payroll Taxes & Benefits

Food & Medical Supplies

Rehabilitation Services

Provider Tax

All Other