

State of South Carolina



Office of the State Auditor

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COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

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February 12, 2004

Mr. Craig G. DeKany, Reimbursement Manager
HCR-Manor Care
Post Office Box 10086
Toledo, Ohio 43699-0086

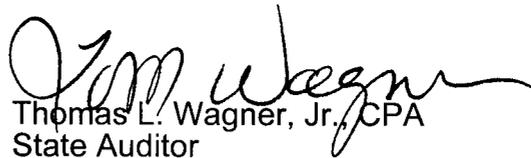
Re: AC# 3-MNC-J0 – Heartland of West Ashley Rehabilitation and Nursing Center

Dear Mr. DeKany:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1999 through September 30, 2000. That report was used to set the rate covering the contract period beginning October 1, 2001.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph Hayes

**HEARTLAND OF WEST ASHLEY REHABILITATION
AND NURSING CENTER**

CHARLESTON, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2001
AC# 3-MNC-J0**

AGREED-UPON PROCEDURES REPORT

ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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HEARTLAND OF WEST ASHLEY REHABILITATION AND NURSING CENTER

Computation of Rate Change
For the Contract Period
Beginning October 1, 2001
AC# 3-MNC-J0

	10/01/01- <u>12/31/02</u>
Interim Reimbursement Rate (1)	\$105.59
Adjusted Reimbursement Rate	<u>85.10</u>
Decrease in Reimbursement Rate	\$ <u><u>20.49</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated May 8, 2003

State of South Carolina



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

January 8, 2004

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures enumerated below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Heartland of West Ashley Rehabilitation and Nursing Center, for the contract period beginning October 1, 2001, and for the twelve month cost report period ended September 30, 2000, as set forth in the accompanying schedules. The management of Heartland of West Ashley Rehabilitation and Nursing Center is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the South Carolina Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

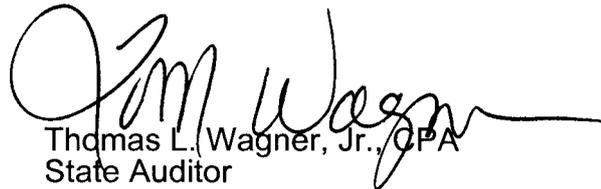
The procedures and the associated findings are as follows:

1. We selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Heartland of West Ashley Rehabilitation and Nursing Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the Provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report .
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the South Carolina Department of Health and Human Services and Heartland of West Ashley Rehabilitation and Nursing Center dated as of October 1, 2001 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
January 8, 2004

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.


Thomas L. Wagner, Jr., CPA
State Auditor

HEARTLAND OF WEST ASHLEY REHABILITATION AND NURSING CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2001 Through December 31, 2002
 AC# 3-MNC-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$37.14	\$58.68	
Dietary		7.25	11.36	
Laundry/Housekeeping/Maintenance		<u>6.52</u>	<u>9.21</u>	
Subtotal	\$ <u>5.55</u>	50.91	79.25	\$50.91
Administration & Medical Records	\$ <u>-</u>	<u>13.09</u>	<u>12.38</u>	<u>12.38</u>
Subtotal		64.00	<u>\$91.63</u>	63.29
<u>Costs Not Subject to Standards:</u>				
Utilities		2.83		2.83
Special Services		.15		.15
Medical Supplies & Oxygen		2.28		2.28
Taxes and Insurance		1.30		1.30
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$70.56</u>		69.85
Inflation Factor (3.80%)				2.65
Cost of Capital				9.95
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				5.55
Effect of \$1.75 Cap on Cost/Profit Incentives				(3.80)
Nurse Aide Staffing Add-On 10/01/00				<u>.90</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$85.10</u>

HEARTLAND OF WEST ASHLEY REHABILITATION AND NURSING CENTER

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2000
AC# 3-MNC-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,419,958	\$ -	\$ 1,734 (6) 73,551 (7) 19,819 (7) 63,620 (8) 6,969 (8) 152,295 (10) 30,344 (10) 1,494 (12)	\$1,070,132
Dietary	300,603	4,960 (7)	7,370 (2) 112 (6) 7,244 (8) 81,924 (10) 118 (12)	208,795
Laundry	52,179	-	3,794 (6) 14,893 (7) 4,056 (8) 8,303 (10)	21,133
Housekeeping	95,096	12,175 (7) 36,622 (9)	6,061 (6) 4,279 (8) 42,994 (10)	90,559
Maintenance	93,479	34,909 (9)	11,150 (3) 1,645 (6) 1,071 (7) 2,395 (8) 35,038 (10) 834 (12)	76,255
Administration & Medical Records	540,758	3,506 (5) 39,907 (9)	56,531 (7) 4,028 (7) 20,662 (8) 1,290 (8) 77,889 (10) 13,154 (10) 33,376 (12)	377,241

HEARTLAND OF WEST ASHLEY REHABILITATION AND NURSING CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2000
 AC# 3-MNC-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Utilities	87,115	1 (6) 32,516 (9)	37,833 (10) 382 (12)	81,417
Special Services	4,364	16,909 (8)	10,399 (7) 6,491 (11)	4,383
Medical Supplies & Oxygen	82,856	-	7,630 (5) 25 (6) 679 (7) 641 (8) 4,905 (10) 3,165 (11)	65,811
Taxes and Insurance	92,412	33,081 (9)	71,607 (4) 15,884 (10) 553 (12)	37,449
Legal Fees	-	-	-	-
Cost of Capital	282,840	60,109 (9) 10,816 (13)	52,479 (1) 11,782 (10) 2,839 (12)	286,665
Subtotal	3,051,660	285,511	1,017,331	2,319,840
Ancillary	118,422	1,366 (5)	-	119,788

HEARTLAND OF WEST ASHLEY REHABILITATION AND NURSING CENTER

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2000
AC# 3-MNC-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Nonallowable	447,030	52,479 (1)	237,144 (9)	1,164,334
		7,370 (2)	10,816 (13)	
		11,150 (3)		
		71,607 (4)		
		2,758 (5)		
		164,056 (7)		
		94,247 (8)		
		512,345 (10)		
		9,656 (11)		
		39,596 (12)		
	<hr/>	<hr/>	<hr/>	<hr/>
Total Operating Expenses	<u>\$3,617,112</u>	<u>\$1,252,141</u>	<u>\$1,265,291</u>	<u>\$3,603,962</u>
Total Patient Days	<u>28,812</u>	<u>-</u>	<u>-</u>	<u>28,812</u>
Total Beds	<u>82</u>			

HEARTLAND OF WEST ASHLEY REHABILITATION AND NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-MNC-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$1,097,786	
	Other Equity	106,130	
	Nonallowable	52,479	
	Fixed Assets		\$1,203,916
	Cost of Capital		52,479
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	7,370	
	Dietary		7,370
	To disallow expense due to lack of documentation HIM-15-1, Section 2304		
3	Nonallowable	11,150	
	Maintenance		11,150
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
4	Nonallowable	71,607	
	Taxes and Insurance		71,607
	To adjust liability insurance expense HIM-15-1, Section 2304		
5	Medical Records	3,506	
	Ancillary	1,366	
	Nonallowable	2,758	
	Medical Supplies		7,630
	To disallow expense due to lack of documentation and reclassify expense to the proper cost center HIM-15-1, Section 2304 DH&HS Expense Crosswalk		

HEARTLAND OF WEST ASHLEY REHABILITATION AND NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-MNC-J0

<u>ADJUSTMENT</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
<u>NUMBER</u>			
6	Retained Earnings	13,370	
	Utilities	1	
	Restorative		1,734
	Dietary		112
	Laundry		3,794
	Housekeeping		6,061
	Maintenance		1,645
	Medical Supplies		25
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1		
7	Accrued Salaries	732	
	Dietary	4,960	
	Housekeeping	12,175	
	Nonallowable	164,056	
	Retained Earnings		952
	Nursing		73,551
	Restorative		19,819
	Laundry		14,893
	Maintenance		1,071
	Administration		56,531
	Medical Records		4,028
	Medical Supplies		679
	Special Services		10,399
	To adjust salary expense HIM-15-1, Sections 2302.1 and 2304		
8	Special Services	16,909	
	Nonallowable	94,247	
	Nursing		63,620
	Restorative		6,969
	Dietary		7,244
	Laundry		4,056
	Housekeeping		4,279
	Maintenance		2,395
	Administration		20,662
	Medical Records		1,290
	Medical Supplies		641
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

HEARTLAND OF WEST ASHLEY REHABILITATION AND NURSING CENTER

Adjustment Report

Cost Report Period Ended September 30, 2000

AC# 3-MNC-J0

<u>ADJUSTMENT</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
<u>NUMBER</u>			
9	Housekeeping	36,622	
	Maintenance	34,909	
	Administration	39,907	
	Utilities	32,516	
	Taxes and Insurance	33,081	
	Cost of Capital	60,109	
	Nonallowable		237,144
	To reverse DH&HS adjustment to remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
10	Nonallowable	512,345	
	Nursing		152,295
	Restorative		30,344
	Dietary		81,924
	Laundry		8,303
	Housekeeping		42,994
	Maintenance		35,038
	Administration		77,889
	Medical Records		13,154
	Utilities		37,833
	Taxes and Insurance		15,884
	Medical Supplies		4,905
	Cost of Capital		11,782
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
11	Nonallowable	9,656	
	Medical Supplies		3,165
	Special Services		6,491
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		

HEARTLAND OF WEST ASHLEY REHABILITATION AND NURSING CENTER

Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-MNC-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
12	Nonallowable	39,596	
	Nursing		1,494
	Dietary		118
	Maintenance		834
	Administration		33,376
	Utilities		382
	Taxes and Insurance		553
	Cost of Capital		2,839
	To adjust home office cost allocation HIM-15-1, Sections 2102.3 and 2304 State Plan, Attachment 4.19D		
13	Cost of Capital	10,816	
	Nonallowable		10,816
	To adjust capital return State Plan, Attachment 4.19D		
		\$2,470,159	\$2,470,159

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

HEARTLAND OF WEST ASHLEY REHABILITATION AND NURSING CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2000
 AC# 3-MNC-J0

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3848</u>
Deemed Asset Value (Per Bed)	37,246
Number of Beds	<u>82</u>
Deemed Asset Value	3,054,172
Improvements Since 1981	1,791,899
Accumulated Depreciation at 9/30/00	<u>(2,352,944)</u>
Deemed Depreciated Value	2,493,127
Market Rate of Return	<u>.058</u>
Total Annual Return	144,601
Return Applicable to Non-Reimbursable Cost Centers	(10,437)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>480</u>
Allowable Annual Return	134,644
Depreciation Expense	163,594
Amortization Expense	302
Capital Related Income Offsets	(93)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(11,782)</u>
Allowable Cost of Capital Expense	286,665
Total Patient Days (Minimum 96% Occupancy)	<u>28,812</u>
Cost of Capital Per Diem	<u>\$ 9.95</u>

HEARTLAND OF WEST ASHLEY REHABILITATION AND NURSING CENTER

Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2000
AC# 3-MNC-J0

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 6.96
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$10.95</u>
Reimbursable Cost of Capital Per Diem	\$ 9.95
Cost of Capital Per Diem	<u>9.95</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>

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