

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

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May 25, 2004

Mr. John Twitty, Controller  
Health Management Resources  
101 Grace Drive  
Easley, South Carolina 29640

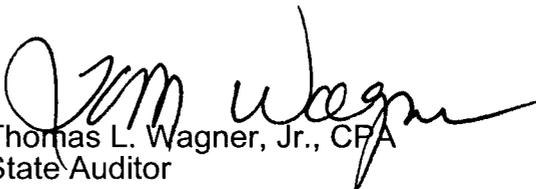
Re: AC# 3-RIV-J1 – Riverside Nursing Center, Inc.

Dear Mr. Twitty:

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, 2000 through September 30, 2001. That report was used to set the rate covering the contract period beginning January 1, 2003.

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/kss

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

**RIVERSIDE NURSING CENTER, INC.**

**PIEDMONT, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING JANUARY 1, 2003  
AC# 3-RIV-J1**

**AGREED-UPON PROCEDURES REPORT**

**ON CONTRACT**

**FOR**

**PURCHASE OF NURSING CARE SERVICES**

**WITH**

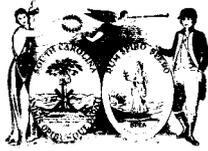
**STATE OF SOUTH CAROLINA**

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

## CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIOD BEGINNING JANUARY 1, 2003	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD JANUARY 1, 2003 THROUGH SEPTEMBER 30, 2003	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2001	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	8

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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

March 17, 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 Riverside Nursing Center, Inc., for the contract period beginning January 1, 2003, and for the twelve month cost report period ended September 30, 2001, as set forth in the accompanying schedules. The management of Riverside Nursing Center, Inc. is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed 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 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 tested 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 Riverside Nursing Center, Inc., 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 Department of Health and Human Services and Riverside Nursing Center, Inc. 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  
March 17, 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

**RIVERSIDE NURSING CENTER, INC.**  
Computation of Rate Change  
For the Contract Period  
Beginning January 1, 2003  
AC# 3-RIV-J1

	01/01/03- <u>09/30/03</u>
Interim Reimbursement Rate (1)	\$116.50
Adjusted Reimbursement Rate	<u>116.39</u>
Decrease in Reimbursement Rate	\$ <u><u>.11</u></u>

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

**RIVERSIDE NURSING CENTER, INC.**

Computation of Adjusted Reimbursement Rate  
For the Contract Period January 1, 2003 Through September 30, 2003  
AC# 3-RIV-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 60.46	\$ 67.86	
Dietary		11.63	11.63	
Laundry/Housekeeping/Maintenance		<u>10.12</u>	<u>10.22</u>	
Subtotal	<u>\$6.28</u>	82.21	89.71	\$ 82.21
Administration & Medical Records	<u>\$1.08</u>	<u>11.55</u>	<u>12.63</u>	<u>11.55</u>
Subtotal		93.76	<u>\$102.34</u>	93.76
<u>Costs Not Subject to Standards:</u>				
Utilities		1.83		1.83
Special Services		-		-
Medical Supplies & Oxygen		4.61		4.61
Taxes and Insurance		3.33		3.33
Legal Fees		<u>.22</u>		<u>.22</u>
<b>TOTAL</b>		<u>\$103.75</u>		103.75
Inflation Factor (3.70%)				3.84
Cost of Capital				7.05
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				1.08
Cost Incentive				6.28
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(5.61)</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$116.39</u>

**RIVERSIDE NURSING CENTER, INC.**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2001  
 AC# 3-RIV-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,902,827	\$ -	\$ -	\$1,902,827
Dietary	365,895	-	-	365,895
Laundry	83,876	-	-	83,876
Housekeeping	137,643	-	-	137,643
Maintenance	97,124	-	-	97,124
Administration & Medical Records	363,623	-	-	363,623
Utilities	57,579	-	-	57,579
Special Services	-	-	-	-
Medical Supplies & Oxygen	145,802	-	831 (2)	144,971
Taxes and Insurance	105,951	-	1,244 (3)	104,707
Legal Fees	6,971	-	-	6,971
Cost of Capital	223,527	-	1,030 (1) 562 (4) 19 (5)	221,916
	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal	3,490,818	-	3,686	3,487,132

**RIVERSIDE NURSING CENTER, INC.**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2001  
AC# 3-RIV-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	138,958	-	-	138,958
Nonallowable	533,662	1,244 (3) 562 (4) <u>19 (5)</u>	-	535,487
Total Operating Expenses	<u>\$4,163,438</u>	<u>\$1,825</u>	<u>\$3,686</u>	<u>\$4,161,577</u>
Total Patient Days	<u>31,472</u>	<u>-</u>	<u>-</u>	<u>31,472</u>
Total Beds	<u>88</u>			

**RIVERSIDE NURSING CENTER, INC.**  
Adjustment Report  
Cost Report Period Ended September 30, 2001  
AC# 3-RIV-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets Accumulated Depreciation Cost of Capital Other Equity	\$14,072	\$ 5,705 1,030 7,337
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Accounts Payable Medical Supplies	831	831
	To remove expenses applicable to the subsequent period HIM-15-1, Section 2302.1 State Plan, Attachment 4.19D		
3	Nonallowable Taxes and Insurance	1,244	1,244
	To adjust general insurance expense HIM-15-1, Section 2302.1 State Plan, Attachment 4.19D		
4	Nonallowable Cost of Capital	562	562
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
5	Nonallowable Cost of Capital	19	19
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$16,728	\$16,728

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.

**RIVERSIDE NURSING CENTER, INC.**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2001  
 AC# 3-RIV-J1

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.4607</u>
Deemed Asset Value (Per Bed)	38,431
Number of Beds	<u>88</u>
Deemed Asset Value	3,381,928
Improvements Since 1981	22,333
Accumulated Depreciation at 9/30/01	<u>(757,382)</u>
Deemed Depreciated Value	2,646,879
Market Rate of Return	<u>.0577</u>
Total Annual Return	152,725
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	152,725
Depreciation Expense	69,191
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	221,916
Total Patient Days (Actual)	<u>31,472</u>
Cost of Capital Per Diem	\$ <u><u>7.05</u></u>

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