

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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January 20, 2005

Ms. Linda A. Holtzscheiter, Reimbursement Manager
Mariner Health Care
5300 West Sam Houston Parkway North
Houston, Texas 77041

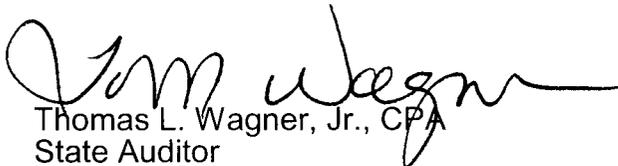
Re: AC# 3-BCC-J2 – GranCare South Carolina, Inc. d/b/a Central Carolina Health &
Rehabilitation Center

Dear Ms. Holtzscheiter:

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, 2001 through September 30, 2002. That report was used to set the rate covering the contract period beginning October 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/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Ms. Kathleen C. Snider

**GRANCARE SOUTH CAROLINA, INC.
D/B/A CENTRAL CAROLINA HEALTH &
REHABILITATION CENTER**

COLUMBIA, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2003
AC# 3-BCC-J2**

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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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

October 19, 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 GranCare South Carolina, Inc. d/b/a Central Carolina Health & Rehabilitation Center, for the contract period beginning October 1, 2003, and for the twelve month cost report period ended September 30, 2002, as set forth in the accompanying schedules. The management of GranCare South Carolina, Inc. d/b/a Central Carolina Health & Rehabilitation 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 GranCare South Carolina, Inc. d/b/a Central Carolina Health & Rehabilitation 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 GranCare South Carolina, Inc. d/b/a Central Carolina Health & Rehabilitation 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
October 19, 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

CENTRAL CAROLINA HEALTH & REHABILITATION CENTER

Computation of Rate Change
For the Contract Period
Beginning October 1, 2003
AC# 3-BCC-J2

	<u>10/01/03-</u> <u>09/30/04</u>
Interim Reimbursement Rate (1)	\$119.90
Adjusted Reimbursement Rate	<u>119.20</u>
Decrease in Reimbursement Rate	\$ <u><u>.70</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing as of July 12, 2004

CENTRAL CAROLINA HEALTH & REHABILITATION CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2003 Through September 30, 2004
 AC# 3-BCC-J2

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 66.52	\$61.80	
Dietary		10.50	11.55	
Laundry/Housekeeping/Maintenance		<u>10.84</u>	<u>9.83</u>	
Subtotal	\$ <u>-</u>	87.86	83.18	\$ 83.18
Administration & Medical Records	<u>\$1.66</u>	<u>11.80</u>	<u>13.46</u>	<u>11.80</u>
Subtotal		99.66	<u>\$96.64</u>	94.98
<u>Costs Not Subject to Standards:</u>				
Utilities		1.99		1.99
Special Services		.80		.80
Medical Supplies & Oxygen		4.62		4.62
Taxes and Insurance		4.26		4.26
Legal Fees		<u>.01</u>		<u>.01</u>
TOTAL		<u>\$111.34</u>		106.66
Inflation Factor (4.70%)				5.01
Cost of Capital				6.77
Cost of Capital Limitation				(.90)
Profit Incentive (Max. 3.5% of Allowable Cost)				1.66
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>-</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$119.20</u>

CENTRAL CAROLINA HEALTH & REHABILITATION CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2002
 AC# 3-BCC-J2

<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	\$ 6,120,322	\$ 3,466 (4)	\$ 15,809 (6) 798 (6) 38,574 (7) 78,142 (11)	\$ 5,990,465
Dietary	947,307	-	1,540 (6)	945,767
Laundry	334,113	-	798 (6)	333,315
Housekeeping	350,937	1,452 (9)	955 (6) 1,447 (10)	349,987
Maintenance	286,435	6,569 (7) 1,138 (9)	353 (6) 1,163 (10)	292,626
Administration & Medical Records	1,070,864	1,096 (4) 6,364 (7) 1,072 (9)	11,610 (5) 3,967 (6) 104 (6) 159 (8) 1,022 (10) 148 (11)	1,062,386
Utilities	179,315	712 (9)	18 (7) 711 (10)	179,298
Special Services	67,830	9,124 (7)	440 (6) 4,711 (11)	71,803
Medical Supplies & Oxygen	465,565	285 (6)	4,968 (4) 1,902 (8) 43,056 (11)	415,924
Taxes and Insurance	397,855	7,548 (7) 1,539 (9)	15,933 (2) 5,686 (3) 1,484 (10)	383,839

CENTRAL CAROLINA HEALTH & REHABILITATION CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2002
 AC# 3-BCC-J2

<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>	
Legal Fees	1,109	1 (9)	1 (10)	1,109
Cost of Capital	528,611	972 (9) 223,718 (12)	80,551 (1) 62,814 (7) 419 (10)	609,517
Subtotal	10,750,263	265,056	379,283	10,636,036
Ancillary	264,071	219 (4) 502 (11)	-	264,792
Nonallowable	(3,154,693)	80,551 (1) 4,173 (2) 5,686 (3) 187 (4) 11,610 (5) 24,479 (6) 71,801 (7) 6,247 (10) 125,555 (11)	6,886 (9) 223,718 (12)	(3,055,008)
Total Operating Expenses	<u>\$ 7,859,641</u>	<u>\$596,066</u>	<u>\$609,887</u>	<u>\$ 7,845,820</u>
Total Patient Days	<u>90,053</u>	<u>-</u>	<u>-</u>	<u>90,053</u>
Total Beds	<u>257</u>			

CENTRAL CAROLINA HEALTH & REHABILITATION CENTER
Adjustment Report
Cost Report Period Ended September 30, 2002
AC# 3-BCC-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 542,130	
	Other Equity	625,413	
	Nonallowable	80,551	
	Fixed Assets		\$1,167,543
	Cost of Capital		80,551
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Accrued Property Taxes	11,760	
	Nonallowable	4,173	
	Taxes and Insurance		15,933
	To adjust property taxes and related accrual HIM-15-1, Sections 2302.1 and 2304		
3	Nonallowable	5,686	
	Taxes and Insurance		5,686
	To adjust liability insurance expense HIM-15-1, Section 2304		
4	Nursing	3,466	
	Administration	1,096	
	Ancillary	219	
	Nonallowable	187	
	Medical Supplies		4,968
	To reclassify expense to the proper cost center and disallow expense due to lack of documentation HIM-15-1, Section 2304 DH&HS Expense Crosswalk		
5	Nonallowable	11,610	
	Administration		11,610
	To reclassify expense to the proper cost center HIM-15-1, Sections 2102.3 and 2304 DH&HS Expense Crosswalk		

CENTRAL CAROLINA HEALTH & REHABILITATION CENTER

Adjustment Report

Cost Report Period Ended September 30, 2002

AC# 3-BCC-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Medical Supplies	285	
	Nonallowable	24,479	
	Nursing		15,809
	Restorative		798
	Dietary		1,540
	Laundry		798
	Housekeeping		955
	Maintenance		353
	Administration		3,967
	Medical Records		104
	Special Services		440
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Maintenance	6,569	
	Administration	6,364	
	Taxes and Insurance	7,548	
	Special Services	9,124	
	Nonallowable	71,801	
	Nursing		38,574
	Utilities		18
	Cost of Capital		62,814
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Miscellaneous Income	2,061	
	Administration		159
	Medical Supplies		1,902
	To properly offset income against related expense HIM-15-1, Section 2304		

CENTRAL CAROLINA HEALTH & REHABILITATION CENTER
Adjustment Report
Cost Report Period Ended September 30, 2002
AC# 3-BCC-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Housekeeping	1,452	
	Maintenance	1,138	
	Administration	1,072	
	Legal	1	
	Utilities	712	
	Taxes and Insurance	1,539	
	Cost of Capital	972	
	Nonallowable		6,886
	To reverse DH&HS adjustment to remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
10	Nonallowable	6,247	
	Housekeeping		1,447
	Maintenance		1,163
	Administration		1,022
	Legal		1
	Utilities		711
	Taxes and Insurance		1,484
	Cost of Capital		419
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
11	Ancillary	502	
	Nonallowable	125,555	
	Nursing		78,142
	Administration		148
	Medical Supplies		43,056
	Special Services		4,711
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		

CENTRAL CAROLINA HEALTH & REHABILITATION CENTER
Adjustment Report
Cost Report Period Ended September 30, 2002
AC# 3-BCC-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
12	Cost of Capital Nonallowable	223,718	223,718
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	\$ <u>1,777,430</u>	\$ <u>1,777,430</u>

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.

CENTRAL CAROLINA HEALTH & REHABILITATION CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2002
 AC# 3-BCC-J2

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.55013</u>
Deemed Asset Value (Per Bed)	39,828
Number of Beds	<u>257</u>
Deemed Asset Value	10,235,796
Improvements Since 1981	1,632,426
Accumulated Depreciation at 9/30/02	<u>(2,899,726)</u>
Deemed Depreciated Value	8,968,496
Market Rate of Return	<u>.0561</u>
Total Annual Return	503,133
Return Applicable to Non-Reimbursable Cost Centers	(1,939)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	501,194
Depreciation Expense	153,131
Amortization Expense	1,194
Capital Related Income Offsets	(45,583)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(419)</u>
Allowable Cost of Capital Expense	609,517
Total Patient Days (Minimum 96% Occupancy)	<u>90,053</u>
Cost of Capital Per Diem	<u>\$ 6.77</u>

CENTRAL CAROLINA HEALTH & REHABILITATION CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2002
 AC# 3-BCC-J2

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$1.88
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$5.87</u>
 Reimbursable Cost of Capital Per Diem	 \$5.87
Cost of Capital Per Diem	<u>6.77</u>
Cost of Capital Per Diem Limitation	<u>\$(.90)</u>

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