

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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August 19, 2004

Mr. Doug Hodges, Controller
Laurel Baye Healthcare, LLC
1205 Two Island Court, Suite 204
Mount Pleasant, South Carolina 29464

Re: AC# 3-FFD-J0 – Fairfield Healthcare Center, LLC

Dear Mr. Hodges:

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 payable for amounts underpaid as a result of the rate changes shown on Exhibit A. You will be notified of settlement 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

FAIRFIELD HEALTHCARE CENTER, LLC

RIDGEWAY, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 2001
AC# 3-FFD-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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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

April 23, 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 Fairfield Healthcare Center, LLC, for the contract periods 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 Fairfield Healthcare Center, LLC 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.

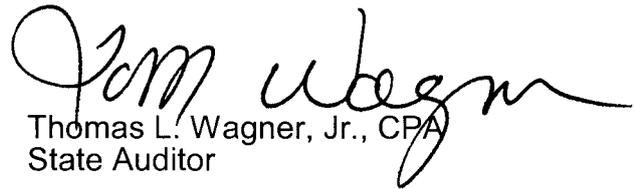
The procedures and the associated findings are as follows:

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 Fairfield Healthcare Center, LLC, 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(s) between the South Carolina Department of Health and Human Services and Fairfield Healthcare Center, LLC 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
April 27, 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

FAIRFIELD HEALTHCARE CENTER, LLC

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

10/01/01-
12/31/02

Adjusted Reimbursement Rate	\$90.36
Interim Reimbursement Rate (1)	<u>88.59</u>
Increase in Reimbursement Rate	\$ <u>1.77</u>

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

FAIRFIELD HEALTHCARE CENTER, LLC
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2001 Through December 31, 2002
 AC# 3-FFD-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$40.23	\$49.92	
Dietary		10.77	10.74	
Laundry/Housekeeping/Maintenance		<u>7.67</u>	<u>9.23</u>	
Subtotal	\$ <u>4.89</u>	58.67	69.89	\$58.67
Administration & Medical Records	\$ <u>-</u>	<u>13.95</u>	<u>11.47</u>	<u>11.47</u>
Subtotal		72.62	<u>\$81.36</u>	70.14
<u>Costs Not Subject to Standards:</u>				
Utilities		2.41		2.41
Special Services		-		-
Medical Supplies & Oxygen		4.79		4.79
Taxes and Insurance		1.12		1.12
Legal Fees		<u>.03</u>		<u>.03</u>
TOTAL		<u>\$80.97</u>		78.49
Inflation Factor (3.80%)				2.98
Cost of Capital				5.91
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				4.89
Effect of \$1.75 Cap on Cost/Profit Incentives				(3.14)
Nurse Aide Staffing Add-On 10/1/00				<u>1.23</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$90.36</u>

FAIRFIELD HEALTHCARE CENTER, LLC
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2000
 For the Contract Periods October 1, 2001 Through December 31, 2002
 AC# 3-FFD-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	\$1,560,880	\$20,882 (1) 1,766 (1) 13,498 (9) 235 (9)	\$13,213 (10) 1,005 (10)	\$1,583,043
Dietary	423,969	-	-	423,969
Laundry	78,591	-	1 (1)	78,590
Housekeeping	117,953	-	4 (1)	117,949
Maintenance	99,020	5,655 (1) 1,026 (9)	549 (10)	105,152
Administration & Medical Records	560,635	652 (1)	10,076 (1) 2,058 (10) 303 (10)	548,850
Utilities	95,048	-	31 (1)	95,017
Special Services	-	-	-	-
Medical Supplies & Oxygen	153,326	84,094 (1)	2,146 (4) 45,024 (7) 1,685 (8) 189 (10)	188,376
Taxes and Insurance	42,146	2,114 (1)	-	44,260
Legal Fees	1,395	240 (3)	299 (1)	1,336

FAIRFIELD HEALTHCARE CENTER, LLC
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2000
 For the Contract Periods October 1, 2001 Through December 31, 2002
 AC# 3-FFD-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
Cost of Capital	230,147	9,176 (6) 195,401 (11)	201,295 (1) 51 (2) 709 (5)	232,669
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Subtotal	3,363,110	334,739	278,638	3,419,211
Ancillary	90,133	2,146 (4) 1,685 (8)	1,802 (1)	92,162
Non-Allowable	357,248	130,524 (1) 709 (5) 45,024 (7) <u>17,317 (10)</u>	240 (3) 9,176 (6) 195,401 (11)	346,005
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Operating Expenses	<u>\$3,810,491</u>	<u>\$532,144</u>	<u>\$485,257</u>	<u>\$3,857,378</u>
Total Patient Days	* <u>39,352</u>	<u>-</u>	<u>-</u>	<u>39,352</u>

* Adjusted to 96% occupancy by DHHS

Total Beds 112

FAIRFIELD HEALTHCARE CENTER, LLC
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-FFD-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nursing	\$ 20,882	
	Restorative	1,766	
	Maintenance	5,655	
	Medical Records	652	
	Taxes, Insurance & Licenses	2,114	
	Medical Supplies & Oxygen	84,094	
	Nonallowable	130,524	
	Laundry		\$ 1
	Housekeeping		4
	Administration		10,076
	Legal		299
	Utilities		31
	Cost of Capital		201,295
	Ancillary		1,802
	Other Equity		32,179
	To adjust expenses to the amended cost report totals State Plan, Attachment 4.19D		
2	Interest Income	51	
	Cost of Capital		51
	To properly offset interest income DH&HS Summary of desk audit adjustments		
3	Legal Fees	240	
	Nonallowable		240
	To disallow legal fees not properly documented DH&HS Summary of desk audit adjustments		
4	Ancillary	2,146	
	Medical Supplies & Oxygen		2,146
	To remove IV therapy expense DH&HS Summary of desk audit adjustments		
5	Nonallowable	709	
	Cost of Capital		709
	To disallow facility interest expense DH&HS Summary of desk audit adjustments		

FAIRFIELD HEALTHCARE CENTER, LLC
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-FFD-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Fixed Assets	101,697	
	Cost of Capital	9,176	
	Accumulated Depreciation		39,628
	Other Equity		62,069
	Nonallowable		9,176
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Nonallowable	45,024	
	Medical Supplies & Oxygen		45,024
	To properly state reported speciality bed expense HIM-15-1, Section 2304		
8	Ancillary	1,685	
	Medical Supplies & Oxygen - Nursing Supplies		1,685
	To reclass ancillary expense HIM-15-1, Section 2304		
9	Nursing	13,498	
	Restorative	235	
	Maintenance	1,026	
	Accrued Vacation		14,759
	To remove accrued vacation due to the provider's vacation policy HIM-15-1, Sections 2304 and 2144.8		
10	Nonallowable	17,317	
	Nursing		13,213
	Restorative		1,005
	Maintenance		549
	Administration		2,058
	Medical Records		303
	Medical Supplies & Oxygen		189
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

FAIRFIELD HEALTHCARE CENTER, LLC
 Adjustment Report
 Cost Report Period Ended September 30, 2000
 AC# 3-FFD-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
11	Cost of Capital Nonallowable	195,401	195,401
	To adjust capital return State Plan, Attachment 4.19D		
		_____	_____
	TOTAL ADJUSTMENTS	\$ <u>633,892</u>	\$ <u>633,892</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.

FAIRFIELD HEALTHCARE CENTER, LLC
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2000
 For the Contract Period October 1, 2001 Through December 31, 2002
 AC# 3-FFD-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>112</u>
Deemed Asset Value	4,171,552
Improvements Since 1981	433,323
Accumulated Depreciation at 9/30/00	<u>(1,235,890)</u>
Deemed Depreciated Value	3,368,985
Market Rate of Return	<u>.058</u>
Total Annual Return	195,401
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	195,401
Depreciation Expense	37,246
Home Office COC Expense	73
Amortization Expense	-
Capital Related Income Offsets	(51)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	232,669
Total Patient Days (Minimum 96% Occupancy)	<u>39,352</u>
Cost of Capital Per Diem	\$ <u><u>5.91</u></u>

FAIRFIELD HEALTHCARE CENTER, LLC
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2000
For the Contract Period October 1, 2001 through December 31, 2002
AC# 3-FFD-J0

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$3.44
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$7.43</u>
Reimbursable Cost of Capital Per Diem	\$5.91
Cost of Capital Per Diem	<u>5.91</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

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