

State of South Carolina



Office of the State Auditor

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STATE AUDITOR

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March 18, 2005

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

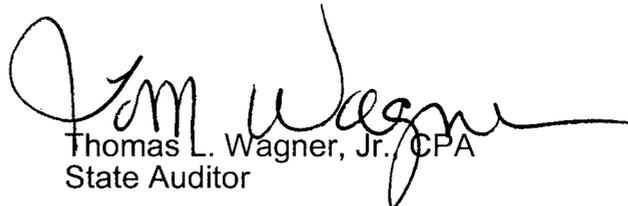
Re: AC# 3-JOL-J1 – GranCare South Carolina, Inc. d/b/a Jolley Acres Healthcare Center

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, 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/cwc

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

**GRANCARE SOUTH CAROLINA, INC.
D/B/A JOLLEY ACRES HEALTHCARE CENTER
ORANGEBURG, SOUTH CAROLINA**

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

**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

January 21, 2005

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 Jolley Acres Healthcare Center, 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 GranCare South Carolina, Inc. d/b/a Jolley Acres Healthcare 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.

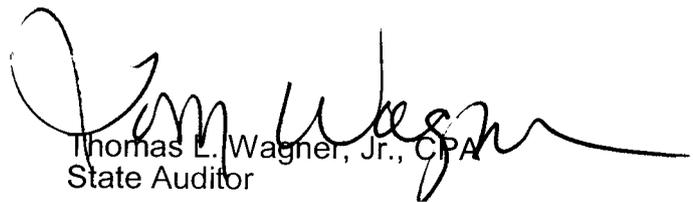
The procedures and the associated findings are as follows:

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 Jolley Acres Healthcare 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 Jolley Acres Healthcare 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 21, 2005

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

JOLLEY ACRES HEALTHCARE CENTER
Computation of Rate Change
For the Contract Period
Beginning January 1, 2003
AC# 3-JOL-J1

	01/01/03- <u>09/30/03</u>
Interim Reimbursement Rate (1)	\$94.96
Adjusted Reimbursement Rate	<u>92.79</u>
Decrease in Reimbursement Rate	\$ <u>2.17</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing as of December 6, 2004

JOLLEY ACRES HEALTHCARE CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period January 1, 2003 Through September 30, 2003
 AC# 3-JOL-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$43.78	\$ 65.70	
Dietary		9.04	13.17	
Laundry/Housekeeping/Maintenance		<u>7.91</u>	<u>10.12</u>	
Subtotal	<u>\$6.23</u>	60.73	88.99	\$60.73
Administration & Medical Records	<u>\$2.09</u>	<u>11.85</u>	<u>13.94</u>	<u>11.85</u>
Subtotal		72.58	<u>\$102.93</u>	72.58
<u>Costs Not Subject to Standards:</u>				
Utilities		1.90		1.90
Special Services		-		-
Medical Supplies & Oxygen		4.23		4.23
Taxes and Insurance		2.27		2.27
Legal Fees		-		-
TOTAL		<u>\$80.98</u>		80.98
Inflation Factor (3.70%)				3.00
Cost of Capital				7.53
Cost of Capital Limitation				(.47)
Profit Incentive (Maximum 3.5% of Allowable Cost)				2.09
Cost Incentive				6.23
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(6.57)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$92.79</u>

JOLLEY ACRES HEALTHCARE CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2001
 AC# 3-JOL-J1

<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	\$ 979,050	\$ -	\$ 1 (1) 32,568 (2) 13,530 (3) 6,192 (3) 2,412 (4) 4,006 (5)	\$920,341
Dietary	191,669	-	1,648 (3)	190,021
Laundry	43,620	-	542 (3)	43,078
Housekeeping	71,648	524 (6)	974 (3) 508 (7)	70,690
Maintenance	52,191	719 (4) 380 (6)	338 (3) 376 (7)	52,576
Administration & Medical Records	225,452	26,054 (2) 2,217 (3) 258 (6)	4,665 (4) 271 (7)	249,045
Utilities	39,959	291 (6)	286 (7)	39,964
Special Services	2	-	-	2
Medical Supplies & Oxygen	91,182	-	2,182 (5)	89,000
Taxes and Insurance	47,753	320 (6)	39 (4) 313 (7)	47,721

JOLLEY ACRES HEALTHCARE CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2001
 AC# 3-JOL-J1

<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	-	-	-	-
Cost of Capital	152,407	366 (6)	3,746 (1)	158,291
		15,144 (8)	5,653 (4)	
			<u>227 (7)</u>	
Subtotal	1,894,933	46,273	80,477	1,860,729
Ancillary	52,147	-	-	52,147
Nonallowable	95,899	3,747 (1)	2,139 (6)	130,103
		6,514 (2)	15,144 (8)	
		21,007 (3)		
		12,050 (4)		
		6,188 (5)		
		<u>1,981 (7)</u>	<u>-</u>	
Total Operating Expenses	<u>\$2,042,979</u>	<u>\$97,760</u>	<u>\$97,760</u>	<u>\$2,042,979</u>
Total Patient Days	<u>21,024</u>	<u>-</u>	<u>-</u>	<u>21,024</u>
Total Beds	<u>60</u>			

JOLLEY ACRES HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2001
AC# 3-JOL-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 39,290	
	Other Equity	4,866	
	Nonallowable	3,747	
	Fixed Assets		\$ 44,156
	Restorative		1
	Cost of Capital		3,746
	To adjust fixed assets and related depreciation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
2	Administration	26,054	
	Nonallowable	6,514	
	Restorative		32,568
	To reclassify expense to the proper cost center		
	HIM-15-1, Sections 2102.3 and 2304		
	DH&HS Expense Crosswalk		
3	Administration	2,217	
	Nonallowable	21,007	
	Nursing		13,530
	Restorative		6,192
	Dietary		1,648
	Laundry		542
	Housekeeping		974
	Maintenance		338
	To adjust fringe benefits and related allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
4	Maintenance	719	
	Nonallowable	12,050	
	Nursing		2,412
	Administration		4,665
	Taxes and Insurance		39
	Cost of Capital		5,653
	To adjust home office cost allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		

JOLLEY ACRES HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2001
AC# 3-JOL-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable	6,188	
	Nursing		4,006
	Medical Supplies		2,182
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
6	Housekeeping	524	
	Maintenance	380	
	Administration	258	
	Utilities	291	
	Taxes and Insurance	320	
	Cost of Capital	366	
	Nonallowable		2,139
	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		
7	Nonallowable	1,981	
	Housekeeping		508
	Maintenance		376
	Administration		271
	Utilities		286
	Taxes and Insurance		313
	Cost of Capital		227
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

JOLLEY ACRES HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2001
AC# 3-JOL-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Cost of Capital Nonallowable	15,144	15,144
	To adjust capital return State Plan, Attachment 4.19D		
		_____	_____
	TOTAL ADJUSTMENTS	\$ <u>141,916</u>	\$ <u>141,916</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.

JOLLEY ACRES HEALTHCARE CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2001
 AC# 3-JOL-J1

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.4607</u>	<u>2.4607</u>	
Deemed Asset Value (Per Bed)	38,431	38,431	
Number of Beds	<u>40</u>	<u>20</u>	
Deemed Asset Value	1,537,240	768,620	
Improvements Since 1981	268,512	46,635	
Accumulated Depreciation at 9/30/01	<u>(514,768)</u>	<u>(139,278)</u>	
Deemed Depreciated Value	1,290,984	675,977	
Market Rate of Return	<u>.0577</u>	<u>.0577</u>	
Total Annual Return	74,490	39,004	
Return Applicable to Non-Reimbursable Cost Centers	(715)	(10)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	73,775	38,994	
Depreciation Expense	26,203	23,827	
Amortization Expense	342	651	
Capital Related Income Offsets	(3,516)	(1,758)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(221)</u>	<u>(6)</u>	<u>Total</u>
Allowable Cost of Capital Expense	96,583	61,708	\$158,291
Total Patient Days (Minimum 96% Occupancy)	<u>14,016</u>	<u>7,008</u>	<u>21,024</u>
Cost of Capital Per Diem	\$ <u>6.89</u>	\$ <u>8.81</u>	\$ <u>7.53</u>

JOLLEY ACRES HEALTHCARE CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2001
 AC# 3-JOL-J1

6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$2.19	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$6.18</u>	<u>\$8.81</u>
Reimbursable Cost of Capital Per Diem	\$7.06	
Cost of Capital Per Diem	<u>7.53</u>	
Cost of Capital Per Diem Limitation	<u>\$(.47)</u>	

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