

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

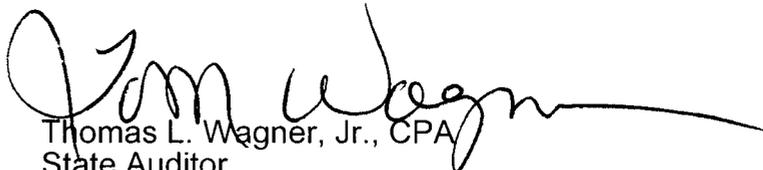
Re: AC# 3-MAS-J1 – GranCare South Carolina, Inc. d/b/a Mariner Health Care of Seneca

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/sag

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

**GRANCARE SOUTH CAROLINA, INC.
D/B/A MARINER HEALTH CARE
OF SENECA**

SENECA, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING JANUARY 1, 2003
AC# 3-MAS-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	10

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

February 4, 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 Mariner Health Care of Seneca, 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 Mariner Health Care of Seneca 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.

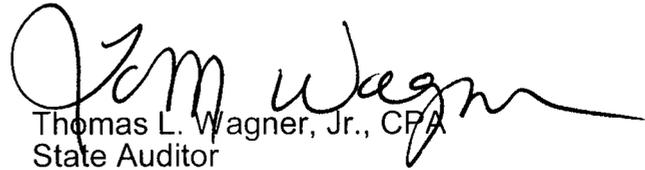
The procedures and the associated findings are as follows:

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 Mariner Health Care of Seneca, 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 Mariner Health Care of Seneca 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
February 4, 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

MARINER HEALTH CARE OF SENECA
Computation of Rate Change
For the Contract Period
Beginning January 1, 2003
AC# 3-MAS-J1

01/01/03-
09/30/03

Interim Reimbursement Rate (1)	\$106.88
Adjusted Reimbursement Rate	<u>105.31</u>
Decrease in Reimbursement Rate	\$ <u><u>1.57</u></u>

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

MARINER HEALTH CARE OF SENECA
Computation of Adjusted Reimbursement Rate
For the Contract Period January 1, 2003 Through September 30, 2003
AC# 3-MAS-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$49.98	\$58.50	
Dietary		9.91	11.21	
Laundry/Housekeeping/Maintenance		<u>10.16</u>	<u>9.67</u>	
Subtotal	\$ <u>5.56</u>	70.05	79.38	\$ 70.05
Administration & Medical Records	\$ <u>-</u>	<u>14.12</u>	<u>12.77</u>	<u>12.77</u>
Subtotal		84.17	<u>\$92.15</u>	82.82
<u>Costs Not Subject to Standards:</u>				
Utilities		3.52		3.52
Special Services		-		-
Medical Supplies & Oxygen		3.56		3.56
Taxes and Insurance		2.29		2.29
Legal Fees		<u>.02</u>		<u>.02</u>
TOTAL		<u>\$93.56</u>		92.21
Inflation Factor (3.70%)				3.41
Cost of Capital				7.94
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				5.56
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(3.81)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$105.31</u>

MARINER HEALTH CARE OF SENECA
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2001
AC# 3-MAS-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	\$2,417,965	\$ -	\$ 30,099 (2) 1,744 (2) 3,856 (3) 12,427 (6)	\$2,369,839
Dietary	473,180	-	3,267 (2)	469,913
Laundry	103,316	-	1,117 (2)	102,199
Housekeeping	209,759	890 (4)	2,521 (2) 881 (5)	207,247
Maintenance	171,601	1,958 (3) 715 (4)	1,159 (2) 719 (5)	172,396
Administration & Medical Records	694,214	516 (4)	4,685 (2) 599 (2) 17,612 (3) 462 (5) 1,746 (6)	669,626
Utilities	167,118	698 (4)	1 (3) 697 (5)	167,118
Special Services	160	5,032 (3)	3,286 (2) 1,745 (6)	161
Medical Supplies & Oxygen	179,233	-	10,403 (6)	168,830
Taxes and Insurance	108,474	441 (4)	17 (3) 441 (5)	108,457
Legal Fees	1,008	-	-	1,008

MARINER HEALTH CARE OF SENECA
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2001
 AC# 3-MAS-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>	
Cost of Capital	383,905	6,183 (1) 557 (4) <u>902 (7)</u>	14,349 (3) 523 (5)	376,675
Subtotal	4,909,933	17,892	114,356	4,813,469
Ancillary	210,778	-	-	210,778
Nonallowable	314,144	48,477 (2) 28,845 (3) 3,723 (5) <u>26,321 (6)</u>	6,183 (1) 3,817 (4) 902 (7)	410,608
Total Operating Expenses	<u>\$5,434,855</u>	<u>\$125,258</u>	<u>\$125,258</u>	<u>\$5,434,855</u>
Total Patient Days	<u>47,420</u>	<u>-</u>	<u>-</u>	<u>47,420</u>
Total Beds	<u>132</u>			

MARINER HEALTH CARE OF SENECA
Adjustment Report
Cost Report Period Ended September 30, 2001
AC# 3-MAS-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$439,300	
	Cost of Capital	6,183	
	Accumulated Depreciation		\$376,781
	Other Equity		62,519
	Nonallowable		6,183
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	48,477	
	Nursing		30,099
	Restorative		1,744
	Dietary		3,267
	Laundry		1,117
	Housekeeping		2,521
	Maintenance		1,159
	Administration		4,685
	Medical Records		599
	Special Services		3,286
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Maintenance	1,958	
	Special Services	5,032	
	Nonallowable	28,845	
	Nursing		3,856
	Administration		17,612
	Utilities		1
	Taxes and Insurance		17
	Cost of Capital		14,349
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

MARINER HEALTH CARE OF SENECA
Adjustment Report
Cost Report Period Ended September 30, 2001
AC# 3-MAS-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
4	Housekeeping	890	
	Maintenance	715	
	Administration	516	
	Utilities	698	
	Taxes and Insurance	441	
	Cost of Capital	557	
	Nonallowable		3,817
	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		
5	Nonallowable	3,723	
	Housekeeping		881
	Maintenance		719
	Administration		462
	Utilities		697
	Taxes and Insurance		441
	Cost of Capital		523
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
6	Nonallowable	26,321	
	Nursing		12,427
	Administration		1,746
	Medical Supplies		10,403
	Special Services		1,745
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		

MARINER HEALTH CARE OF SENECA
Adjustment Report
Cost Report Period Ended September 30, 2001
AC# 3-MAS-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
7	Cost of Capital Nonallowable	902	902
	To adjust capital return State Plan, Attachment 4.19D		
		_____	_____
	TOTAL ADJUSTMENTS	\$ <u>564,558</u>	\$ <u>564,558</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.

MARINER HEALTH CARE OF SENECA
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2001
AC# 3-MAS-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>132</u>
Deemed Asset Value	5,072,892
Improvements Since 1981	1,291,028
Accumulated Depreciation at 9/30/01	<u>(2,050,038)</u>
Deemed Depreciated Value	4,313,882
Market Rate of Return	<u>.0577</u>
Total Annual Return	248,911
Return Applicable to Non-Reimbursable Cost Centers	(1,007)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	247,904
Depreciation Expense	142,614
Amortization Expense	836
Capital Related Income Offsets	(14,156)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(523)</u>
Allowable Cost of Capital Expense	376,675
Total Patient Days (Actual)	<u>47,420</u>
Cost of Capital Per Diem	\$ <u><u>7.94</u></u>

MARINER HEALTH CARE OF SENECA
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2001
 AC# 3-MAS-J1

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 7.04
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$11.03</u>
Reimbursable Cost of Capital Per Diem	\$ 7.94
Cost of Capital Per Diem	<u>7.94</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

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