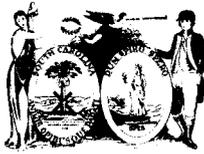


State of South Carolina



Office of the State Auditor

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

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

(803) 253-4160  
FAX (803) 343-0723

March 18, 2005

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

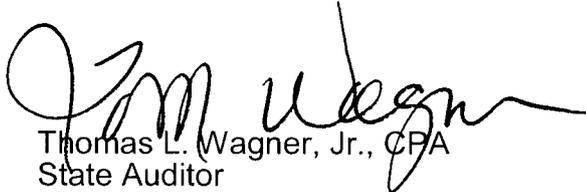
Re: AC# 3-PGV-J1 – GranCare South Carolina, Inc. d/b/a Prince George  
Healthcare Center

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 PRINCE GEORGE HEALTHCARE CENTER  
GEORGETOWN, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING JANUARY 1, 2003  
AC# 3-PGV-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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# State of South Carolina



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

February 28, 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 Prince George 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 Prince George 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 Prince George 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 Prince George 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  
February 28, 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

**PRINCE GEORGE HEALTHCARE CENTER**  
Computation of Rate Change  
For the Contract Period  
Beginning January 1, 2003  
AC# 3-PGV-J1

	01/01/03- <u>09/30/03</u>
Interim Reimbursement Rate (1)	\$116.67
Adjusted Reimbursement Rate	<u>113.78</u>
Decrease in Reimbursement Rate	\$ <u><u>2.89</u></u>

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

**PRINCE GEORGE HEALTHCARE CENTER**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period January 1, 2003 Through September 30, 2003  
 AC# 3-PGV-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 57.08	\$62.89	
Dietary		10.65	11.21	
Laundry/Housekeeping/Maintenance		<u>9.09</u>	<u>9.67</u>	
Subtotal	<u>\$5.86</u>	76.82	83.77	\$ 76.82
Administration & Medical Records	<u>\$1.19</u>	<u>11.58</u>	<u>12.77</u>	<u>11.58</u>
Subtotal		88.40	<u>\$96.54</u>	88.40
<u>Costs Not Subject to Standards:</u>				
Utilities		2.53		2.53
Special Services		.57		.57
Medical Supplies & Oxygen		6.15		6.15
Taxes and Insurance		2.57		2.57
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$100.22</u>		100.22
Inflation Factor (3.70%)				3.71
Cost of Capital				8.10
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				1.19
Cost Incentive				5.86
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(5.30)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$113.78</u>

**PRINCE GEORGE HEALTHCARE CENTER**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2001  
 AC# 3-PGV-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	\$3,049,782	\$ 1,592 (12)	\$ 9,640 (2) 31,722 (8) 10,705 (9) 5,629 (9) 7,189 (10) 21,692 (11) 4,520 (13)	\$2,960,277
Dietary	553,450	21,200 (12)	1,003 (9) 21,163 (13)	552,484
Laundry	10,772	44 (12)	588 (13)	10,228
Housekeeping	235,567	1 (9) 5,528 (12)	9,228 (13)	231,868
Maintenance	224,917	3,936 (7) 1,934 (10) 54,037 (12)	3,553 (3) 379 (9) 51,585 (13)	229,307
Administration & Medical Records	600,123	1,769 (5) 24,445 (8) 2,768 (9) 16,370 (12)	7,750 (4) 83 (9) 23,650 (10) 592 (11) 13,036 (13)	600,364
Utilities	130,135	31,265 (12)	4 (10) 30,040 (13)	131,356
Special Services	28,984	4,991 (10)	1,182 (9) 3,431 (11)	29,362
Medical Supplies & Oxygen	335,520	4,752 (7)	11,812 (11) 9,625 (13)	318,835

**PRINCE GEORGE HEALTHCARE CENTER**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2001  
 AC# 3-PGV-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>	
Taxes and Insurance	153,175	150 (10) 36,281 (12)	22,160 (5) 3,864 (6) 30,130 (13)	133,452
Legal Fees	-	-	-	-
Cost of Capital	440,404	1,089 (12)	1,318 (1) 17,402 (10) 1,105 (13) <u>1,432 (14)</u>	420,236
Subtotal	5,762,829	212,152	357,212	5,617,769
Ancillary	(2,429)	9,640 (2)	-	7,211
Nonallowable	362,037	1,318 (1) 3,553 (3) 7,750 (4) 3,864 (6) 7,277 (8) 16,212 (9) 41,170 (10) 37,527 (11) 171,020 (13) <u>1,432 (14)</u>	167,406 (12)	485,754
Total Operating Expenses	<u>\$6,122,437</u>	<u>\$512,915</u>	<u>\$524,618</u>	<u>\$6,110,734</u>
Total Patient Days	<u>51,859</u>	<u>-</u>	<u>-</u>	<u>51,859</u>
Total Beds	<u>148</u>			

**PRINCE GEORGE HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2001  
AC# 3-PGV-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 54,392	
	Other Equity	17,717	
	Nonallowable	1,318	
	Fixed Assets		\$ 72,109
	Cost of Capital		1,318
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Ancillary	9,640	
	Nursing		9,640
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
3	Nonallowable	3,553	
	Maintenance		3,553
	To disallow expense due to lack of adequate documentation HIM-15-1, Section 2304		
4	Nonallowable	7,750	
	Medical Records		7,750
	To adjust Medical Director expense HIM-15-1, Section 2304		
5	Accrued Property Taxes	38,005	
	Administration	1,769	
	Retained Earnings		17,614
	Taxes and Insurance		22,160
	To adjust property taxes and related accrual and reclassify expense to the proper cost center HIM-15-1, Sections 2302.1 and 2304 DH&HS Expense Crosswalk		

**PRINCE GEORGE HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2001  
AC# 3-PGV-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable Taxes and Insurance	3,864	3,864
	To adjust liability insurance expense HIM-15-1, Section 2304		
7	Maintenance Medical Supplies Accounts Payable	3,936 4,752	8,688
	To properly charge expense applicable to the current period HIM-15-1, Section 2302.1		
8	Administration Nonallowable Restorative	24,445 7,277	31,722
	To reclassify expense to the proper cost center HIM-15-1, Sections 2102.3 and 2304 DH&HS Expense Crosswalk		
9	Housekeeping Administration Nonallowable Nursing Restorative Dietary Maintenance Medical Records Special Services	1 2,768 16,212	10,705 5,629 1,003 379 83 1,182
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

**PRINCE GEORGE HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2001  
AC# 3-PGV-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Maintenance	1,934	
	Taxes and Insurance	150	
	Special Services	4,991	
	Nonallowable	41,170	
	Nursing		7,189
	Administration		23,650
	Utilities		4
	Cost of Capital		17,402
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
11	Nonallowable	37,527	
	Nursing		21,692
	Administration		592
	Medical Supplies		11,812
	Special Services		3,431
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
12	Restorative	1,592	
	Dietary	21,200	
	Laundry	44	
	Housekeeping	5,528	
	Maintenance	54,037	
	Administration	16,370	
	Utilities	31,265	
	Taxes and Insurance	36,281	
	Cost of Capital	1,089	
	Nonallowable		167,406
	To reverse DH&HS adjustment to remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

**PRINCE GEORGE HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2001  
AC# 3-PGV-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
13	Nonallowable	171,020	
	Restorative		4,520
	Dietary		21,163
	Laundry		588
	Housekeeping		9,228
	Maintenance		51,585
	Administration		13,036
	Utilities		30,040
	Taxes and Insurance		30,130
	Medical Supplies		9,625
	Cost of Capital		1,105
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
14	Nonallowable	1,432	
	Cost of Capital		1,432
	To adjust capital return State Plan, Attachment 4.19D		
		\$623,029	\$623,029
	TOTAL ADJUSTMENTS		

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.

**PRINCE GEORGE HEALTHCARE CENTER**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2001  
 AC# 3-PGV-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>148</u>
Deemed Asset Value	5,687,788
Improvements Since 1981	393,021
Accumulated Depreciation at 9/30/01	( <u>1,201,088</u> )
Deemed Depreciated Value	4,879,721
Market Rate of Return	<u>.0577</u>
Total Annual Return	281,560
Return Applicable to Non-Reimbursable Cost Centers	(2,319)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	279,241
Depreciation Expense	155,215
Amortization Expense	2,014
Capital Related Income Offsets	(15,129)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(1,105)</u>
Allowable Cost of Capital Expense	420,236
Total Patient Days (Minimum 96% Occupancy)	<u>51,859</u>
Cost of Capital Per Diem	\$ <u><u>8.10</u></u>

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