

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

January 20, 2005

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

Re: AC# 3-PGV-J2 – 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, 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/kss

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 OCTOBER 1, 2003
AC# 3-PGV-J2**

**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 OCTOBER 1, 2003	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2003 THROUGH SEPTEMBER 30, 2004	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2002	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	11

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

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

December 10, 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 Prince George Healthcare 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 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.

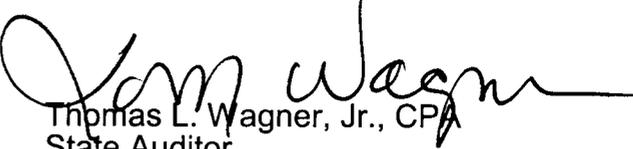
The procedures and the associated findings are as follows:

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
December 10, 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

PRINCE GEORGE HEALTHCARE CENTER
Computation of Rate Change
For the Contract Period
Beginning October 1, 2003
AC# 3-PGV-J2

	<u>10/01/03-</u> <u>09/30/04</u>
Interim Reimbursement Rate (1)	\$119.34
Adjusted Reimbursement Rate	<u>117.03</u>
Decrease in Reimbursement Rate	\$ <u><u>2.31</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 October 1, 2003 Through September 30, 2004
 AC# 3-PGV-J2

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 60.49	\$ 66.44	
Dietary		10.91	11.55	
Laundry/Housekeeping/Maintenance		<u>7.20</u>	<u>9.83</u>	
Subtotal	\$ <u>6.15</u>	78.60	87.82	\$ 78.60
Administration & Medical Records	\$ <u>.76</u>	<u>12.70</u>	<u>13.46</u>	<u>12.70</u>
Subtotal		91.30	<u>\$101.28</u>	91.30
<u>Costs Not Subject to Standards:</u>				
Utilities		2.35		2.35
Special Services		.04		.04
Medical Supplies & Oxygen		5.11		5.11
Taxes and Insurance		4.09		4.09
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$102.89</u>		102.89
Inflation Factor (4.70%)				4.84
Cost of Capital				7.55
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				.76
Cost Incentive				6.15
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(5.16)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$117.03</u>

PRINCE GEORGE HEALTHCARE CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2002
 AC# 3-PGV-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	\$3,167,749	\$46,773 (8) 1,620 (8) 1,276 (11)	\$20,963 (2) 2,006 (7) 20,031 (9) 32,101 (10) 5,344 (12)	\$3,136,973
Dietary	563,317	4,693 (8) 21,522 (11)	23,618 (12)	565,914
Laundry	96,138	395 (11)	5,687 (12)	90,846
Housekeeping	149,757	3,446 (11)	5,888 (12)	147,315
Maintenance	131,890	1,001 (8) 3,672 (9) 32,119 (11)	3,936 (6) 29,567 (12)	135,179
Administration & Medical Records	661,805	414 (4) 4,352 (8) 395 (8) 5,919 (9) 16,477 (11)	12,500 (3) 5,935 (7) 185 (10) 12,074 (12)	658,668
Utilities	120,277	29,242 (11)	9 (9) 27,855 (12)	121,655
Special Services	2,198	4,807 (8) 5,097 (9)	9,832 (10)	2,270
Medical Supplies & Oxygen	289,834	11,795 (2)	6,510 (6) 22,594 (10) 7,350 (12)	265,175

PRINCE GEORGE HEALTHCARE CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2002
 AC# 3-PGV-J2

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Taxes and Insurance	232,019	4,125 (9) 53,724 (11)	11,797 (4) 33,610 (5) 32,531 (12)	211,930
Legal Fees	-	-	-	-
Cost of Capital	429,216	1,412 (11) 77 (13)	3,339 (1) 34,603 (9) <u>1,074 (12)</u>	391,689
Subtotal	5,844,200	254,353	370,939	5,727,614
Ancillary	84,829	8,067 (2)	-	92,896
Nonallowable	(2,153,644)	3,339 (1) 1,101 (2) 12,500 (3) 7,660 (4) 33,610 (5) 1,758 (6) 7,941 (7) 35,830 (9) 64,712 (10) <u>150,988 (12)</u>	63,641 (8) 159,613 (11) 77 (13)	(2,057,536)
Total Operating Expenses	<u>\$3,775,385</u>	<u>\$581,859</u>	<u>\$594,270</u>	<u>\$ 3,762,974</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, 2002
AC# 3-PGV-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$57,570	
	Other Equity	14,540	
	Nonallowable	3,339	
	Fixed Assets		\$72,110
	Cost of Capital		3,339
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Medical Supplies	11,795	
	Ancillary	8,067	
	Nonallowable	1,101	
	Nursing		20,963
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
3	Nonallowable	12,500	
	Medical Records		12,500
	To adjust Medical Director expense HIM-15-1, Section 2304		
4	Accrued Property Taxes	3,723	
	Administration	414	
	Nonallowable	7,660	
	Taxes and Insurance		11,797
	To adjust property taxes and related accrual and to reclassify expense to the proper cost center HIM-15-1, Sections 2302.1 and 2304 DH&HS Expense Crosswalk		
5	Nonallowable	33,610	
	Taxes and Insurance		33,610
	To adjust liability insurance expense HIM-15-1, Section 2304		

PRINCE GEORGE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2002
AC# 3-PGV-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Retained Earnings	8,688	
	Nonallowable	1,758	
	Maintenance		3,936
	Medical Supplies		6,510
	To disallow expense due to lack of documentation and properly charge expense to the prior period HIM-15-1, Sections 2302.1 and 2304		
7	Nonallowable	7,941	
	Restorative		2,006
	Administration		5,935
	To reclassify salary expense to the proper cost center HIM-15-1, Section 2102.3 DH&HS Expense Crosswalk		
8	Nursing	46,773	
	Restorative	1,620	
	Dietary	4,693	
	Maintenance	1,001	
	Administration	4,352	
	Medical Records	395	
	Special Services	4,807	
	Nonallowable		63,641
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
9	Maintenance	3,672	
	Administration	5,919	
	Taxes and Insurance	4,125	
	Special Services	5,097	
	Nonallowable	35,830	
	Nursing		20,031
	Utilities		9
	Cost of Capital		34,603
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

PRINCE GEORGE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2002
AC# 3-PGV-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Nonallowable	64,712	
	Nursing		32,101
	Administration		185
	Medical Supplies		22,594
	Special Services		9,832
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
11	Restorative	1,276	
	Dietary	21,522	
	Laundry	395	
	Housekeeping	3,446	
	Maintenance	32,119	
	Administration	16,477	
	Utilities	29,242	
	Taxes and Insurance	53,724	
	Cost of Capital	1,412	
	Nonallowable		159,613
	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		
12	Nonallowable	150,988	
	Restorative		5,344
	Dietary		23,618
	Laundry		5,687
	Housekeeping		5,888
	Maintenance		29,567
	Administration		12,074
	Utilities		27,855
	Taxes and Insurance		32,531
	Medical Supplies		7,350
	Cost of Capital		1,074
	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, 2002
AC# 3-PGV-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
13	Cost of Capital Nonallowable	77	77
	To adjust capital return State Plan, Attachment 4.19D		
		\$666,380	\$666,380

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, 2002
 AC# 3-PGV-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>148</u>
Deemed Asset Value		5,894,544
Improvements Since 1981		393,021
Accumulated Depreciation at 9/30/02		<u>(1,327,617)</u>
Deemed Depreciated Value		4,959,948
Market Rate of Return		<u>.0561</u>
Total Annual Return		278,253
Return Applicable to Non-Reimbursable Cost Centers		(2,342)
Allocation of Interest to Non-Reimbursable Cost Centers		<u>-</u>
Allowable Annual Return		275,911
Depreciation Expense		140,316
Amortization Expense		1,773
Capital Related Income Offsets		(25,237)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers		<u>(1,074)</u>
Allowable Cost of Capital Expense		391,689
Total Patient Days (Minimum 96% Occupancy)		<u>51,859</u>
Cost of Capital Per Diem	\$	<u><u>7.55</u></u>

2 copies of this document were published at an estimated printing cost of \$1.41 each, and a total printing cost of \$2.82. The FY 2004-05 Appropriation Act requires that this information on printing costs be added to the document.