

State of South Carolina



Office of the State Auditor

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

THOMAS L. WAGNER, JR., CPA  
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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-SDV-J1 – GranCare South Carolina, Inc. d/b/a Springdale 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 SPRINGDALE HEALTHCARE CENTER**

**CAMDEN, SOUTH CAROLINA**

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

February 18, 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 Springdale 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 Springdale 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.

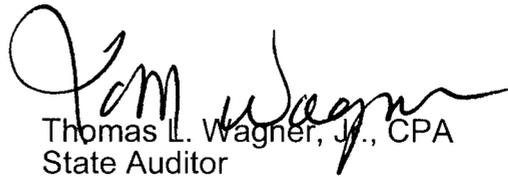
The procedures and the associated findings are as follows:

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 Springdale 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 Springdale 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 18, 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

**SPRINGDALE HEALTHCARE CENTER**

Computation of Rate Change  
For the Contract Period  
Beginning January 1, 2003  
AC# 3-SDV-J1

	<u>01/01/03-</u> <u>09/30/03</u>
Interim Reimbursement Rate (1)	\$99.58
Adjusted Reimbursement Rate	<u>96.65</u>
Decrease in Reimbursement Rate	\$ <u><u>2.93</u></u>

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

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$47.78	\$62.89	
Dietary		8.67	11.21	
Laundry/Housekeeping/Maintenance		<u>6.49</u>	<u>9.67</u>	
Subtotal	\$ <u>5.86</u>	62.94	83.77	\$62.94
Administration & Medical Records	\$ <u>.93</u>	<u>11.84</u>	<u>12.77</u>	<u>11.84</u>
Subtotal		74.78	<u>\$96.54</u>	74.78
<u>Costs Not Subject to Standards:</u>				
Utilities		2.56		2.56
Special Services		.04		.04
Medical Supplies & Oxygen		4.62		4.62
Taxes and Insurance		2.27		2.27
Legal Fees		<u>.03</u>		<u>.03</u>
<b>TOTAL</b>		<u>\$84.30</u>		84.30
Inflation Factor (3.70%)				3.12
Cost of Capital				7.48
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				.93
Cost Incentive				5.86
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(5.04)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$96.65</u>

**SPRINGDALE HEALTHCARE CENTER**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2001  
 AC# 3-SDV-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	\$2,571,672	\$ 1,114 (8)	\$ 32,658 (3) 27,426 (4) 6,589 (4) 7,191 (5) 15,689 (7) 5,548 (9)	\$2,477,685
Dietary	451,786	13,509 (8)	2,332 (4) 13,441 (9)	449,522
Laundry	88,271	-	7,267 (9)	81,004
Housekeeping	152,787	3,215 (8)	14,374 (9)	141,628
Maintenance	112,791	1,672 (5) 23,407 (8)	707 (4) 23,279 (9)	113,884
Administration & Medical Records	615,541	27,573 (3) 647 (4) 13,804 (8)	3,000 (2) 149 (4) 26,315 (5) 483 (7) 13,423 (9)	614,195
Utilities	133,078	867 (8)	6 (5) 1,110 (9)	132,829
Special Services	1,842	4,452 (5)	2,164 (4) 2,267 (7)	1,863
Medical Supplies & Oxygen	248,043	-	8,544 (7)	239,499

**SPRINGDALE HEALTHCARE CENTER**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2001  
 AC# 3-SDV-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	118,731	264 (5) 23,678 (8)	24,700 (9)	117,973
Legal Fees	1,513	37 (8)	49 (9)	1,501
Cost of Capital	410,631	282 (6) 835 (8)	6,540 (1) 16,210 (5)	388,077
	<u>                    </u>	<u>                    </u>	<u>921 (9)</u>	<u>                    </u>
Subtotal	4,906,686	115,356	262,382	4,759,660
Ancillary	224,547	-	-	224,547
Nonallowable	516,492	6,540 (1) 5,085 (3) 38,720 (4) 43,334 (5) 26,983 (7) <u>104,112 (9)</u>	282 (6) 80,466 (8)	660,518
Total Operating Expenses	<u>\$5,647,725</u>	<u>\$340,130</u>	<u>\$343,130</u>	<u>\$5,644,725</u>
Total Patient Days	<u>51,859</u>	<u>-</u>	<u>-</u>	<u>51,859</u>
Total Beds	<u>148</u>			

**SPRINGDALE HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2001  
AC# 3-SDV-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 93,645	
	Other Equity	20,690	
	Nonallowable	6,540	
	Fixed Assets		\$114,335
	Cost of Capital		6,540
	To adjust fixed assets and related depreciation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
2	Retained Earnings	3,000	
	Medical Records		3,000
	To properly charge expense applicable to the prior period		
	HIM-15-1, Section 2302.1		
3	Administration	27,573	
	Nonallowable	5,085	
	Restorative		32,658
	To reclassify expense to the proper cost center		
	HIM-15-1, Sections 2102.3 and 2304		
	DH&HS Expense Crosswalk		
4	Administration	647	
	Nonallowable	38,720	
	Nursing		27,426
	Restorative		6,589
	Dietary		2,332
	Maintenance		707
	Medical Records		149
	Special Services		2,164
	To adjust fringe benefits and related allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		

**SPRINGDALE HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2001  
AC# 3-SDV-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Maintenance	1,672	
	Taxes and Insurance	264	
	Special Services	4,452	
	Nonallowable	43,334	
	Nursing		7,191
	Administration		26,315
	Utilities		6
	Cost of Capital		16,210
	To adjust home office cost allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
6	Cost of Capital	282	
	Nonallowable		282
	To adjust capital return		
	State Plan, Attachment 4.19D		
7	Nonallowable	26,983	
	Nursing		15,689
	Administration		483
	Medical Supplies		8,544
	Special Services		2,267
	To adjust special (ancillary) services		
	reimbursed by Medicare		
	State Plan, Attachment 4.19D		
8	Restorative	1,114	
	Dietary	13,509	
	Housekeeping	3,215	
	Maintenance	23,407	
	Administration	13,804	
	Legal	37	
	Utilities	867	
	Taxes and Insurance	23,678	
	Cost of Capital	835	
	Nonallowable		80,466
	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		

**SPRINGDALE HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2001  
AC# 3-SDV-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Nonallowable	104,112	
	Restorative		5,548
	Dietary		13,441
	Laundry		7,267
	Housekeeping		14,374
	Maintenance		23,279
	Administration		13,423
	Legal		49
	Utilities		1,110
	Taxes and Insurance		24,700
	Cost of Capital		921
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
		\$457,465	\$457,465
	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.

**SPRINGDALE HEALTHCARE CENTER**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2001  
 AC# 3-SDV-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	225,491
Accumulated Depreciation at 9/30/01	( <u>1,174,124</u> )
Deemed Depreciated Value	4,739,155
Market Rate of Return	<u>.0577</u>
Total Annual Return	273,449
Return Applicable to Non-Reimbursable Cost Centers	(2,274)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	271,175
Depreciation Expense	129,050
Amortization Expense	2,114
Capital Related Income Offsets	(13,341)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(921)</u>
Allowable Cost of Capital Expense	388,077
Total Patient Days (Minimum 96% Occupancy)	<u>51,859</u>
Cost of Capital Per Diem	\$ <u><u>7.48</u></u>

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