

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

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January 20, 2005

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

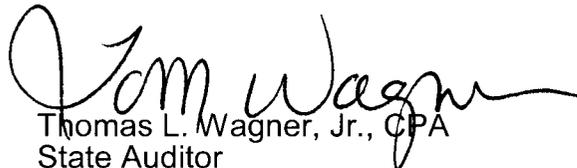
Re: AC# 3-SDV-J2 – GranCare South Carolina, Inc. d/b/a Springdale Healthcare Center

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, 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/sag

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

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

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 Springdale 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 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.

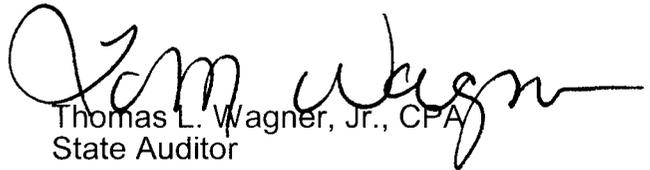
The procedures and the associated findings are as follows:

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
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

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

10/01/03-
09/30/04

Interim Reimbursement Rate (1)	\$108.21
Adjusted Reimbursement Rate	<u>104.67</u>
Decrease in Reimbursement Rate	\$ <u><u>3.54</u></u>

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

SPRINGDALE HEALTHCARE CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2003 Through September 30, 2004
 AC# 3-SDV-J2

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$53.20	\$ 66.44	
Dietary		8.87	11.55	
Laundry/Housekeeping/Maintenance		<u>6.93</u>	<u>9.83</u>	
Subtotal	<u>\$6.15</u>	69.00	87.82	\$ 69.00
Administration & Medical Records	<u>\$1.50</u>	<u>11.96</u>	<u>13.46</u>	<u>11.96</u>
Subtotal		80.96	<u>\$101.28</u>	80.96
<u>Costs Not Subject to Standards:</u>				
Utilities		2.58		2.58
Special Services		.03		.03
Medical Supplies & Oxygen		4.21		4.21
Taxes and Insurance		3.76		3.76
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$91.54</u>		91.54
Inflation Factor (4.70%)				4.30
Cost of Capital				7.08
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				1.50
Cost Incentive				6.15
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(5.90)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$104.67</u>

SPRINGDALE HEALTHCARE CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2002
 AC# 3-SDV-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	\$2,816,136	\$ 5,310 (8) 1,295 (14)	\$ 2,971 (10) 346 (10) 18,678 (11) 37,095 (13) 4,903 (15)	\$ 2,758,748
Dietary	469,753	925 (7) 11,742 (14)	239 (10) 10,281 (13) 11,692 (15)	460,208
Laundry	101,183	-	7,020 (15)	94,163
Housekeeping	143,154	2,997 (14)	13,420 (15)	132,731
Maintenance	131,129	3,332 (11) 27,194 (14)	2,381 (2) 86 (10) 26,662 (15)	132,526
Administration & Medical Records	634,490	2,043 (11) 13,305 (14)	1,917 (1) 3,000 (3) 9,849 (9) 2,092 (10) 14 (10) 616 (13) 12,166 (15)	620,184
Utilities	137,182	868 (14)	3,000 (4) 10 (11) 1,045 (15)	133,995
Special Services	1,607	4,690 (11)	250 (10) 4,407 (13)	1,640
Medical Supplies & Oxygen	261,675	3,720 (13)	27,942 (7) 7,774 (8) 11,419 (12)	218,260

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

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Taxes and Insurance	188,974	9,808 (6) 3,850 (11) 25,541 (14)	6,580 (5) 26,752 (15)	194,841
Legal Fees	143	3 (14)	4 (15)	142
Cost of Capital	406,044	806 (14) 187 (16)	6,515 (1) 32,335 (11) 850 (15)	367,337
Subtotal	5,291,470	117,616	294,311	5,114,775
Ancillary	243,510	2,464 (8) 810 (13)	-	246,784
Nonallowable	1,802,747	8,432 (1) 2,381 (2) 3,000 (4) 4,061 (5) 27,017 (7) 9,849 (9) 5,998 (10) 37,108 (11) 47,869 (13) 104,514 (15)	9,808 (6) 83,751 (14) 187 (16)	1,959,230
Total Operating Expenses	<u>\$7,337,727</u>	<u>\$371,119</u>	<u>\$388,057</u>	<u>\$7,320,789</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, 2002
AC# 3-SDV-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$100,159	
	Other Equity	19,456	
	Nonallowable	8,432	
	Fixed Assets		\$119,615
	Administration		1,917
	Cost of Capital		6,515
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	2,381	
	Maintenance		2,381
	To reclassify expense to the proper cost center HIM-15-1, Section 2102.3 DH&HS Expense Crosswalk		
3	Accounts Payable	3,000	
	Medical Records		3,000
	To adjust Medical Director expense HIM-15-1, Section 2302.1		
4	Nonallowable	3,000	
	Utilities		3,000
	To adjust utilities expense HIM-15-1, Section 2304		
5	Accrued Property Taxes	2,519	
	Nonallowable	4,061	
	Taxes and Insurance		6,580
	To adjust property taxes and related accrual HIM-15-1, Sections 2302.1 and 2304		
6	Taxes and Insurance	9,808	
	Nonallowable		9,808
	To adjust liability insurance expense HIM-15-1, Section 2304		

SPRINGDALE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2002
AC# 3-SDV-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
7	Dietary Nonallowable Medical Supplies	925 27,017	 27,942
	To reclassify expense to the proper cost center and disallow expense due to lack of documentation HIM-15-1, Section 2304 DH&HS Expense Crosswalk		
8	Nursing Ancillary Medical Supplies	5,310 2,464	 7,774
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
9	Nonallowable Administration	9,849	 9,849
	To reclassify salary expense to the proper cost center HIM-15-1, Section 2102.3 DH&HS Expense Crosswalk		
10	Nonallowable Nursing Restorative Dietary Maintenance Administration Medical Records Special Services	5,998	 2,971 346 239 86 2,092 14 250
	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, 2002
AC# 3-SDV-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
11	Maintenance	3,332	
	Administration	2,043	
	Taxes and Insurance	3,850	
	Special Services	4,690	
	Nonallowable	37,108	
	Nursing		18,678
	Utilities		10
	Cost of Capital		32,335
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
12	Miscellaneous Income	11,419	
	Medical Supplies		11,419
	To properly offset income against related expense HIM-15-1, Section 2328		
13	Medical Supplies	3,720	
	Ancillary	810	
	Nonallowable	47,869	
	Nursing		37,095
	Dietary		10,281
	Administration		616
	Special Services		4,407
	To adjust special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
14	Restorative	1,295	
	Dietary	11,742	
	Housekeeping	2,997	
	Maintenance	27,194	
	Administration	13,305	
	Legal	3	
	Utilities	868	
	Taxes and Insurance	25,541	
	Cost of Capital	806	
	Nonallowable		83,751
	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, 2002
AC# 3-SDV-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
15	Nonallowable	104,514	
	Restorative		4,903
	Dietary		11,692
	Laundry		7,020
	Housekeeping		13,420
	Maintenance		26,662
	Administration		12,166
	Legal		4
	Utilities		1,045
	Taxes and Insurance		26,752
	Cost of Capital		850
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
16	Cost of Capital	187	
	Nonallowable		187
	To adjust capital return State Plan, Attachment 4.19D		
		<u> </u>	<u> </u>
	TOTAL ADJUSTMENTS	\$ <u>507,672</u>	\$ <u>507,672</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.

SPRINGDALE HEALTHCARE CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2002
 AC# 3-SDV-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	225,491
Accumulated Depreciation at 9/30/02	<u>(1,281,567)</u>
Deemed Depreciated Value	4,838,468
Market Rate of Return	<u>.0561</u>
Total Annual Return	271,438
Return Applicable to Non-Reimbursable Cost Centers	(2,121)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	269,317
Depreciation Expense	120,144
Amortization Expense	1,918
Capital Related Income Offsets	(23,192)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(850)</u>
Allowable Cost of Capital Expense	367,337
Total Patient Days (Minimum 96% Occupancy)	<u>51,859</u>
Cost of Capital Per Diem	\$ <u><u>7.08</u></u>

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