

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  
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December 7, 2005

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

Re: AC# 3-BKV-J3 – GranCare South Carolina, Inc. d/b/a Brookview 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, 2002 through September 30, 2003. That report was used to set the rate covering the contract period beginning October 1, 2004.

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 BROOKVIEW HEALTHCARE CENTER**

**GAFFNEY, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2004  
AC# 3-BKV-J3**

**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

October 10, 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 Brookview Healthcare Center, for the contract period beginning October 1, 2004, and for the twelve month cost report period ended September 30, 2003, as set forth in the accompanying schedules. The management of GranCare South Carolina, Inc. d/b/a Brookview 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.

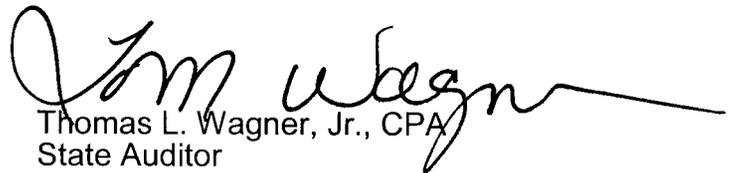
The procedures and the associated findings are as follows:

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 Brookview 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 Brookview 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  
October 10, 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

**BROOKVIEW HEALTHCARE CENTER**  
Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2004  
AC# 3-BKV-J3

	<u>10/01/04-</u> <u>09/30/05</u>
Interim Reimbursement Rate (1)	\$124.11
Adjusted Reimbursement Rate	<u>121.06</u>
Decrease in Reimbursement Rate	\$ <u><u>3.05</u></u>

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

**BROOKVIEW HEALTHCARE CENTER**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2004 Through September 30, 2005  
 AC# 3-BKV-J3

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 63.06	\$ 66.04	
Dietary		11.92	12.15	
Laundry/Housekeeping/Maintenance		<u>7.64</u>	<u>10.42</u>	
Subtotal	\$ <u>5.99</u>	82.62	88.61	\$ 82.62
Administration & Medical Records	\$ <u>1.87</u>	<u>13.19</u>	<u>15.06</u>	<u>13.19</u>
Subtotal		95.81	\$ <u>103.67</u>	95.81
<u>Costs Not Subject to Standards:</u>				
Utilities		2.91		2.91
Special Services		.04		.04
Medical Supplies & Oxygen		5.52		5.52
Taxes and Insurance		2.93		2.93
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		\$ <u>107.21</u>		107.21
Inflation Factor (4.70%)				5.04
Cost of Capital				7.06
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				1.87
Cost Incentive				5.99
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(6.11)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				\$ <u>121.06</u>

**BROOKVIEW HEALTHCARE CENTER**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2003  
 AC# 3-BKV-J3

<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	\$2,967,564	\$51,339 (6) 2,898 (6)	\$ 19,855 (4) 23,409 (7) 9,552 (8) 20,740 (11)	\$2,948,245
Dietary	554,222	5,979 (6)	3,047 (11)	557,154
Laundry	93,519	-	-	93,519
Housekeeping	143,271	1,532 (9)	1,222 (10)	143,581
Maintenance	118,385	1,438 (6) 1,261 (9)	48 (8) 1,019 (10)	120,017
Administration & Medical Records	745,793	207 (3) 6,996 (6) 1,008 (6) 6,725 (7) 1,153 (9)	2,780 (5) 139,262 (8) 2,943 (10) 113 (11)	616,784
Utilities	135,840	1,447 (9)	21 (8) 1,155 (10)	136,111
Special Services	498	3,370 (6) 3,915 (8)	6,012 (11)	1,771
Medical Supplies & Oxygen	265,189	19,855 (4) 651 (6)	4,813 (3) 22,802 (11)	258,080
Taxes and Insurance	147,763	1,465 (9)	10,578 (2) 491 (8) 1,124 (10)	137,035

**BROOKVIEW HEALTHCARE CENTER**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2003  
 AC# 3-BKV-J3

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
Legal Fees	192	6 (9)	1 (10)	197
Cost of Capital	349,269	1,653 (9) 13,390 (12)	5,631 (1) 27,442 (8) <u>1,089 (10)</u>	330,150
Subtotal	5,521,505	126,288	305,149	5,342,644
Ancillary	254,849	1,235 (3)	-	256,084
Nonallowable	226,722	5,631 (1) 10,578 (2) 3,371 (3) 2,780 (5) 16,684 (7) 172,901 (8) 8,553 (10) <u>52,714 (11)</u>	73,679 (6) 8,517 (9) 13,390 (12)	404,348
Total Operating Expenses	<u>\$6,003,076</u>	<u>\$400,735</u>	<u>\$400,735</u>	<u>\$6,003,076</u>
Total Patient Days	<u>46,755</u>	<u>-</u>	<u>-</u>	<u>46,755</u>
Total Beds	<u>132</u>			

**BROOKVIEW HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2003  
AC# 3-BKV-J3

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 8,601	
	Other Equity	10,394	
	Nonallowable	5,631	
	Accumulated Depreciation		\$18,995
	Cost of Capital		5,631
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	10,578	
	Taxes and Insurance		10,578
	To adjust liability insurance expense HIM-15-1, Section 2304		
3	Medical Records	207	
	Ancillary	1,235	
	Nonallowable	3,371	
	Medical Supplies		4,813
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
4	Medical Supplies	19,855	
	Nursing		19,855
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
5	Nonallowable	2,780	
	Administration		2,780
	To reclassify expense to the proper cost center HIM-15-1, Sections 2102.3 and 2304 DH&HS Expense Crosswalk		

**BROOKVIEW HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2003  
AC# 3-BKV-J3

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nursing	51,339	
	Restorative	2,898	
	Dietary	5,979	
	Maintenance	1,438	
	Administration	6,996	
	Medical Records	1,008	
	Medical Supplies	651	
	Special Services	3,370	
	Nonallowable		73,679
	To adjust fringe benefits and related allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
7	Administration	6,725	
	Nonallowable	16,684	
	Nursing		23,409
	To reclassify expense to the proper cost center		
	HIM-15-1, Sections 2102.3 and 2304		
	DH&HS Expense Crosswalk		
8	Special Services	3,915	
	Nonallowable	172,901	
	Nursing		9,552
	Maintenance		48
	Administration		139,262
	Utilities		21
	Taxes and Insurance		491
	Cost of Capital		27,442
	To adjust home office cost allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		

**BROOKVIEW HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2003  
AC# 3-BKV-J3

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Housekeeping	1,532	
	Maintenance	1,261	
	Administration	1,153	
	Legal	6	
	Utilities	1,447	
	Taxes and Insurance	1,465	
	Cost of Capital	1,653	
	Nonallowable		8,517
	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		
10	Nonallowable	8,553	
	Housekeeping		1,222
	Maintenance		1,019
	Administration		2,943
	Legal		1
	Utilities		1,155
	Taxes and Insurance		1,124
	Cost of Capital		1,089
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
11	Nonallowable	52,714	
	Nursing		20,740
	Dietary		3,047
	Administration		113
	Medical Supplies		22,802
	Special Services		6,012
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		

**BROOKVIEW HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2003  
AC# 3-BKV-J3

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
12	Cost of Capital Nonallowable	13,390	13,390
	To adjust capital return State Plan, Attachment 4.19D		
		_____	_____
	TOTAL ADJUSTMENTS	<u>\$419,730</u>	<u>\$419,730</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.

**BROOKVIEW HEALTHCARE CENTER**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2003  
 AC# 3-BKV-J3

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.63785</u>	<u>2.63785</u>	
Deemed Asset Value (Per Bed)	41,198	41,198	
Number of Beds	<u>88</u>	<u>44</u>	
Deemed Asset Value	3,625,424	1,812,712	
Improvements Since 1981	845,923	80,400	
Accumulated Depreciation at 9/30/03	<u>(1,538,959)</u>	<u>(599,736)</u>	
Deemed Depreciated Value	2,932,388	1,293,376	
Market Rate of Return	<u>.0531</u>	<u>.0531</u>	
Total Annual Return	155,710	68,678	
Return Applicable to Non-Reimbursable Cost Centers	(1,268)	(559)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>137</u>	<u>69</u>	
Allowable Annual Return	154,579	68,188	
Depreciation Expense	83,100	41,553	
Amortization Expense	190	95	
Capital Related Income Offsets	(10,977)	(5,489)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(726)</u>	<u>(363)</u>	<u>Total</u>
Allowable Cost of Capital Expense	226,166	103,984	\$330,150
Total Patient Days (Actual)	<u>31,169</u>	<u>15,586</u>	<u>46,755</u>
Cost of Capital Per Diem	\$ <u>7.26</u>	\$ <u>6.67</u>	\$ <u>7.06</u>

**BROOKVIEW HEALTHCARE CENTER**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2003  
 AC# 3-BKV-J3

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$3.54	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$7.53</u>	<u>\$6.67</u>
Reimbursable Cost of Capital Per Diem	\$7.06	
Cost of Capital Per Diem	<u>7.06</u>	
Cost of Capital Per Diem Limitation	<u>\$ -</u>	

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