

# 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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May 23, 2006

Mr. Gregory Williams, Reimbursement Manager  
Sava Senior Care  
5300 West Sam Houston Parkway North  
Houston, Texas 77041

Re: AC# 3-FAI-J2 – GranCare South Carolina, Inc. d/b/a Faith Health Care Center

Dear Mr. Williams:

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.

A handwritten signature in cursive script that reads "Tom Wagner".

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 FAITH HEALTH CARE CENTER**

**FLORENCE, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2003  
AC# 3-FAI-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

April 10, 2006

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described 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 Faith Health Care 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 Faith Health Care Center is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed 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 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 Faith Health Care 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 Summary of Costs and Total Patient Days and Adjustment Report 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 Faith Health Care 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  
April 10, 2006

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.

A handwritten signature in black ink, appearing to read "Tom Wagner". The signature is fluid and cursive, with a large initial "T" and "W".

Thomas L. Wagner, Jr., CPA  
State Auditor

**FAITH HEALTH CARE CENTER**  
Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2003  
AC# 3-FAI-J2

	<u>10/01/03-</u> <u>09/30/04</u>
Interim Reimbursement Rate (1)	\$96.73
Adjusted Reimbursement Rate	<u>95.19</u>
Decrease in Reimbursement Rate	\$ <u>1.54</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated March 1, 2006

**FAITH HEALTH CARE CENTER**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2003 Through September 30, 2004  
 AC# 3-FAI-J2

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$47.39	\$ 66.44	
Dietary		9.74	11.55	
Laundry/Housekeeping/Maintenance		<u>8.52</u>	<u>9.83</u>	
Subtotal	<u>\$6.15</u>	65.65	87.82	\$65.65
Administration & Medical Records	<u>\$3.25</u>	<u>10.21</u>	<u>13.46</u>	<u>10.21</u>
Subtotal		75.86	<u>\$101.28</u>	75.86
<u>Costs Not Subject to Standards:</u>				
Utilities		2.18		2.18
Special Services		.13		.13
Medical Supplies & Oxygen		2.66		2.66
Taxes and Insurance		3.30		3.30
Legal Fees		<u>.02</u>		<u>.02</u>
<b>TOTAL</b>		<u>\$84.15</u>		84.15
Inflation Factor (4.70%)				3.96
Cost of Capital				7.25
Cost of Capital Limitation				(1.92)
Profit Incentive (Maximum 3.5% of Allowable Cost)				2.95
Cost Incentive				6.15
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(7.35)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$95.19</u>

**FAITH HEALTH CARE CENTER**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2002  
 AC# 3-FAI-J2

<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	\$1,766,121	\$ 4,528 (6) 6,202 (6)	\$13,291 (3) 415 (3) 5,903 (4) 11,523 (5) 2,117 (7) 6,168 (7)	\$1,737,434
Dietary	361,181	68,061 (6)	1,799 (3) 2,674 (5) 67,776 (7)	356,993
Laundry	84,406	15,904 (6)	15,905 (7)	84,405
Housekeeping	146,621	3,096 (6)	5,600 (7)	144,117
Maintenance	82,155	1,987 (4) 16,723 (6)	433 (3) 16,715 (7)	83,717
Administration & Medical Records	381,024	6,159 (4) 17,967 (6) 21 (6)	8,316 (2) 3,016 (3) 107 (3) 1,283 (5) 18,119 (7)	374,330
Utilities	80,019	16,457 (6)	3 (4) 16,529 (7)	79,944
Special Services	4,728	2,691 (4)	648 (3) 1,932 (5)	4,839
Medical Supplies & Oxygen	111,266	2,901 (6)	11,512 (5) 5,201 (7)	97,454

**FAITH HEALTH CARE CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2002  
AC# 3-FAI-J2

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
Taxes and Insurance	121,017	2,139 (4) 16,438 (6)	2,419 (1) 16,127 (7)	121,048
Legal Fees	777	74 (6)	76 (7)	775
Cost of Capital	<u>195,392</u>	<u>-</u>	<u>-</u>	<u>195,392</u>
Subtotal	3,334,707	181,348	235,607	3,280,448
Ancillary	23,258	-	-	23,258
Nonallowable	1,562,638	2,419 (1) 8,316 (2) 19,709 (3) 28,924 (5) <u>170,333 (7)</u>	7,070 (4) 168,372 (6)	1,616,897
Total Operating Expenses	<u>\$4,920,603</u>	<u>\$411,049</u>	<u>\$411,049</u>	<u>\$4,920,603</u>
Total Patient Days	<u>36,659</u>	<u>-</u>	<u>-</u>	<u>36,659</u>
Total Beds	<u>104</u>			

**FAITH HEALTH CARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2002  
AC# 3-FAI-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Taxes and Insurance	\$ 2,419	\$ 2,419
	To adjust liability insurance expense HIM-15-1, Section 2304		
2	Nonallowable Administration	8,316	8,316
	To reclassify expense to the proper cost center HIM-15-1, Section 2304 DH&HS Expense Crosswalk		
3	Nonallowable	19,709	
	Nursing		13,291
	Restorative		415
	Dietary		1,799
	Maintenance		433
	Administration		3,016
	Medical Records		107
	Special Services		648
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Maintenance	1,987	
	Administration	6,159	
	Special Services	2,691	
	Taxes and Insurance	2,139	
	Nursing		5,903
	Utilities		3
	Nonallowable		7,070
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

**FAITH HEALTH CARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2002  
AC# 3-FAI-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable	28,924	
	Nursing		11,523
	Dietary		2,674
	Administration		1,283
	Special Services		1,932
	Medical Supplies		11,512
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
6	Nursing	4,528	
	Restorative	6,202	
	Dietary	68,061	
	Laundry	15,904	
	Housekeeping	3,096	
	Maintenance	16,723	
	Administration	17,967	
	Medical Records	21	
	Utilities	16,457	
	Medical Supplies	2,901	
	Taxes and Insurance	16,438	
	Legal	74	
	Nonallowable		168,372
	To reverse DH&HS adjustment to remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19		

**FAITH HEALTH CARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2002  
AC# 3-FAI-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
7	Nonallowable	170,333	
	Nursing		2,117
	Restorative		6,168
	Dietary		67,776
	Laundry		15,905
	Housekeeping		5,600
	Maintenance		16,715
	Administration		18,119
	Utilities		16,529
	Medical Supplies		5,201
	Taxes and Insurance		16,127
	Legal		76
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
	<u>TOTAL ADJUSTMENTS</u>	<u>\$411,049</u>	<u>\$411,049</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.

2 copies of this document were published at an estimated printing cost of \$1.35 each, and a total printing cost of \$2.70. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.