

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 20, 2005

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

Re: AC# 3-FAI-J3 – GranCare South Carolina, Inc. d/b/a Faith Health Care 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/ms

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, 2004  
AC# 3-FAI-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

November 15, 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 Faith Health Care 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 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 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 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 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 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  
November 15, 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

**FAITH HEALTH CARE CENTER**  
Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2004  
AC# 3-FAI-J3

	10/01/04- <u>09/30/05</u>
Interim Reimbursement Rate (1)	\$102.19
Adjusted Reimbursement Rate	<u>97.60</u>
Decrease in Reimbursement Rate	\$ <u><u>4.59</u></u>

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

**FAITH HEALTH CARE CENTER**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2004 Through September 30, 2005  
 AC# 3-FAI-J3

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$48.68	\$ 70.99	
Dietary		10.28	12.15	
Laundry/Housekeeping/Maintenance		<u>8.73</u>	<u>10.42</u>	
Subtotal	\$ <u>6.55</u>	67.69	93.56	\$67.69
Administration & Medical Records	\$ <u>3.28</u>	<u>11.78</u>	<u>15.06</u>	<u>11.78</u>
Subtotal		79.47	<u>\$108.62</u>	79.47
<u>Costs Not Subject to Standards:</u>				
Utilities		2.46		2.46
Special Services		.24		.24
Medical Supplies & Oxygen		2.07		2.07
Taxes and Insurance		2.22		2.22
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$86.46</u>		86.46
Inflation Factor (4.70%)				4.06
Cost of Capital				5.61
Cost of Capital Limitation				(.28)
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.03
Cost Incentive				6.55
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(7.83)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$97.60</u>

**FAITH HEALTH CARE CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2003  
AC# 3-FAI-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	\$1,868,616	\$ 7,759 (10)	\$ 9,450 (2) 120 (5) 23,257 (6) 4,877 (6) 27,303 (7) 1,849 (7) 4,874 (8) 14,687 (9) 5,423 (11) 6,920 (11)	\$1,777,615
Dietary	380,180	68,883 (10)	3,204 (7) 2,191 (9) 68,392 (11)	375,276
Laundry	78,292	14,185 (10)	14,185 (11)	78,292
Housekeeping	118,535	24,474 (10)	5,213 (11)	137,796
Maintenance	103,286	822 (8) 19,680 (10)	724 (7) 20,486 (11)	102,578
Administration & Medical Records	485,950	12,446 (6) 45,396 (10)	7,776 (5) 1,874 (7) 160 (7) 75,375 (8) 68 (9) 28,219 (11)	430,320

**FAITH HEALTH CARE CENTER**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2003  
 AC# 3-FAI-J3

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	<u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Utilities	93,674	17,742 (10)	3,158 (3) 9 (8) 18,537 (11)	89,712
Special Services	6,663	15,688 (6) 1,786 (7) 3,247 (8)	18,750 (9)	8,634
Medical Supplies & Oxygen	91,297	4,966 (10)	104 (7) 14,681 (9) 5,751 (11)	75,727
Taxes and Insurance	90,694	16,407 (10)	10,108 (4) 36 (8) 16,050 (11)	80,907
Legal Fees	99	12 (10)	12 (11)	99
Cost of Capital	194,652	2,432 (10) 23,522 (12)	1,591 (1) 7,496 (8) 6,529 (11)	204,990
Subtotal	3,511,938	279,447	429,439	3,361,946
Ancillary	64,947	-	-	64,947

**FAITH HEALTH CARE CENTER**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2003  
 AC# 3-FAI-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>	
Nonallowable	(1,598,950)	1,591 (1)	221,936 (10)	(1,458,408)
		3,158 (3)	23,522 (12)	
		10,108 (4)		
		7,896 (5)		
		33,432 (7)		
		83,721 (8)		
		50,377 (9)		
		<u>195,717 (11)</u>	<u>          </u>	<u>          </u>
Total Operating Expenses	<u>\$1,977,935</u>	<u>\$665,447</u>	<u>\$674,897</u>	<u>\$1,968,485</u>
Total Patient Days	<u>36,520</u>	<u>-</u>	<u>-</u>	<u>36,520</u>
Total Beds	<u>104</u>			

**FAITH HEALTH CARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2003  
AC# 3-FAI-J3

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 34,276	
	Nonallowable	1,591	
	Fixed Assets		\$23,064
	Other Equity		11,212
	Cost of Capital		1,591
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Retained Earnings	9,450	
	Nursing		9,450
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1		
3	Nonallowable	3,158	
	Utilities		3,158
	To remove duplicate posting of expense HIM-15-1, Section 2304		
4	Nonallowable	10,108	
	Taxes and Insurance		10,108
	To adjust liability insurance expense HIM-15-1, Section 2304		
5	Nonallowable	7,896	
	Restorative		120
	Administration		7,776
	To reclassify expense to the proper cost center HIM-15-1, Sections 2102.3 and 2304 DH&HS Expense Crosswalk		
6	Administration	12,446	
	Special Services	15,688	
	Nursing		23,257
	Restorative		4,877
	To reclassify expense to the proper cost center HIM-15-1, Section 2304 DH&HS Expense Crosswalk		

**FAITH HEALTH CARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2003  
AC# 3-FAI-J3

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
7	Special Services	1,786	
	Nonallowable	33,432	
	Nursing		27,303
	Restorative		1,849
	Dietary		3,204
	Maintenance		724
	Administration		1,874
	Medical Records		160
	Medical Supplies		104
	To adjust fringe benefits and related allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
8	Maintenance	822	
	Special Services	3,247	
	Nonallowable	83,721	
	Nursing		4,874
	Administration		75,375
	Utilities		9
	Taxes and Insurance		36
	Cost of Capital		7,496
	To adjust home office cost allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
9	Nonallowable	50,377	
	Nursing		14,687
	Dietary		2,191
	Administration		68
	Medical Supplies		14,681
	Special Services		18,750
	To remove special (ancillary) services reimbursed by Medicare		
	State Plan, Attachment 4.19D		

**FAITH HEALTH CARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2003  
AC# 3-FAI-J3

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Restorative	7,759	
	Dietary	68,883	
	Laundry	14,185	
	Housekeeping	24,474	
	Maintenance	19,680	
	Administration	45,396	
	Legal	12	
	Utilities	17,742	
	Taxes and Insurance	16,407	
	Medical Supplies	4,966	
	Cost of Capital	2,432	
	Nonallowable		221,936
	<p>To reverse Provider/DH&amp;HS adjustments to remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D</p>		
11	Nonallowable	195,717	
	Nursing		5,423
	Restorative		6,920
	Dietary		68,392
	Laundry		14,185
	Housekeeping		5,213
	Maintenance		20,486
	Administration		28,219
	Legal		12
	Utilities		18,537
	Taxes and Insurance		16,050
	Medical Supplies		5,751
	Cost of Capital		6,529
	<p>To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D</p>		

**FAITH HEALTH CARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2003  
AC# 3-FAI-J3

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
12	Cost of Capital Nonallowable	23,522	23,522
	To adjust capital return State Plan, Attachment 4.19D		
		<u>          </u>	<u>          </u>
	TOTAL ADJUSTMENTS	<u>\$709,173</u>	<u>\$709,173</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.

**FAITH HEALTH CARE CENTER**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2003  
 AC# 3-FAI-J3

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.63785</u>
Deemed Asset Value (Per Bed)	41,198
Number of Beds	<u>104</u>
Deemed Asset Value	4,284,592
Improvements Since 1981	439,430
Accumulated Depreciation at 9/30/03	<u>(963,958)</u>
Deemed Depreciated Value	3,760,064
Market Rate of Return	<u>.0531</u>
Total Annual Return	199,659
Return Applicable to Non-Reimbursable Cost Centers	(33,313)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	166,346
Depreciation Expense	47,516
Amortization Expense	165
Capital Related Income Offsets	(2,508)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(6,529)</u>
Allowable Cost of Capital Expense	204,990
Total Patient Days (Actual)	<u>36,520</u>
Cost of Capital Per Diem	\$ <u><u>5.61</u></u>

**FAITH HEALTH CARE CENTER**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 2003  
AC# 3-FAI-J3

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$1.34
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$5.33</u>
Reimbursable Cost of Capital Per Diem	\$5.33
Cost of Capital Per Diem	<u>5.61</u>
Cost of Capital Per Diem Limitation	<u>\$(.28)</u>

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