

State of South Carolina



Office of the State Auditor

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

RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

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June 21, 2006

Mr. Doug Ruth, Director of Reimbursement
Life Care Centers of America
3570 Keith Street, NW
Cleveland, Tennessee 37312

Re: AC# 3-LCC-J1 – REM – Columbia, Inc. d/b/a Life Care Center of Columbia

Dear Mr. Ruth:

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.

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

RHGjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Ms. Kathleen C. Snider

**REM – COLUMBIA, INC.
D/B/A LIFE CARE CENTER OF COLUMBIA
COLUMBIA, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING JANUARY 1, 2003
AC# 3-LCC-J1**

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIOD BEGINNING JANUARY 1, 2003	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD JANUARY 1, 2003 THROUGH SEPTEMBER 30, 2003	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2001	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	10

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

May 5, 2006

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 REM - Columbia, Inc. d/b/a Life Care Center of Columbia, 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 REM - Columbia, Inc. d/b/a Life Care Center of Columbia 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 REM - Columbia, Inc. d/b/a Life Care Center of Columbia, 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, Adjustment Report, 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 REM - Columbia, Inc. d/b/a Life Care Center of Columbia 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
May 5, 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 "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

LIFE CARE CENTER OF COLUMBIA
Computation of Rate Change
For the Contract Period
Beginning January 1, 2003
AC# 3-LCC-J1

	01/01/03- <u>09/30/03</u>
Interim Reimbursement Rate (1)	\$114.74
Adjusted Reimbursement Rate	<u>112.43</u>
Decrease in Reimbursement Rate	\$ <u><u>2.31</u></u>

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

LIFE CARE CENTER OF COLUMBIA
 Computation of Adjusted Reimbursement Rate
 For the Contract Period January 1, 2003 Through September 30, 2003
 AC# 3-LCC-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$55.94	\$62.89	
Dietary		11.54	11.21	
Laundry/Housekeeping/Maintenance		<u>8.74</u>	<u>9.67</u>	
Subtotal	\$ <u>5.86</u>	76.22	83.77	\$ 76.22
Administration & Medical Records	\$ <u>-</u>	<u>12.93</u>	<u>12.77</u>	<u>12.77</u>
Subtotal		89.15	<u>\$96.54</u>	88.99
<u>Costs Not Subject to Standards:</u>				
Utilities		3.80		3.80
Special Services		.01		.01
Medical Supplies & Oxygen		2.50		2.50
Taxes and Insurance		3.14		3.14
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$98.60</u>		98.44
Inflation Factor (3.70%)				3.64
Cost of Capital				8.60
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				5.86
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(4.11)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$112.43</u>

LIFE CARE CENTER OF COLUMBIA
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2001
 AC# 3-LCC-J1

<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	\$2,851,839	\$ 32,993 (6)	\$ 13,982 (4) 24,976 (5) 939 (5) 48,489 (7) 32,849 (7)	\$2,763,597
Dietary	571,792	103,821 (6)	2,105 (5) 103,499 (7)	570,009
Laundry	103,371	18,767 (6)	205 (5) 18,737 (7)	103,196
Housekeeping	198,459	36,090 (6)	2,587 (5) 50,777 (7)	181,185
Maintenance	157,537	32,016 (6)	381 (5) 41,500 (7)	147,672
Administration & Medical Records	659,271	13,982 (4) 3,467 (5) 73,657 (6) 12,436 (6)	17,593 (5) 56,587 (7) 15,119 (7) 34,899 (8)	638,615
Utilities	203,291	36,918 (6)	52,445 (7)	187,764
Special Services	312	-	-	312
Medical Supplies & Oxygen	123,602	14 (5) 23,134 (6)	23,213 (7)	123,537

LIFE CARE CENTER OF COLUMBIA
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2001
AC# 3-LCC-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Taxes and Insurance	169,334	28,530 (6)	42,480 (7)	155,384
Legal Fees	-	-	-	-
Cost of Capital	386,857	101,164 (6)	24,888 (1) 1,442 (2) 6,600 (3) 13,787 (7) 3,229 (8) <u>13,124 (9)</u>	424,951
Subtotal	5,425,665	516,989	646,432	5,296,222
Ancillary	198,652	-	-	198,652
Nonallowable	1,669,512	24,888 (1) 1,442 (2) 6,600 (3) 45,305 (5) 499,482 (7) 38,128 (8) <u>13,124 (9)</u>	499,526 (6)	1,798,955
Total Operating Expenses	<u>\$7,293,829</u>	<u>\$1,145,958</u>	<u>\$1,145,958</u>	<u>\$7,293,829</u>
Total Patient Days	<u>49,407</u>	<u>-</u>	<u>-</u>	<u>49,407</u>
			Cost of Capital Patient Days	<u>49,435</u>

Total Beds 140

LIFE CARE CENTER OF COLUMBIA
Adjustment Report
Cost Report Period Ended September 30, 2001
AC# 3-LCC-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$64,298	
	Nonallowable	24,888	
	Fixed Assets		\$40,264
	Other Equity		24,034
	Cost of Capital		24,888
	To adjust fixed asset and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	1,442	
	Cost of Capital		1,442
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
3	Other Equity	24,677	
	Nonallowable	6,600	
	Loan Cost		24,677
	Cost of Capital		6,600
	To adjust loan cost and related amortization HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Medical Records	13,982	
	Nursing		13,982
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		

LIFE CARE CENTER OF COLUMBIA
Adjustment Report
Cost Report Period Ended September 30, 2001
AC# 3-LCC-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Medical Records	3,467	
	Medical Supplies	14	
	Nonallowable	45,305	
	Nursing		24,976
	Restorative		939
	Dietary		2,105
	Laundry		205
	Housekeeping		2,587
	Maintenance		381
	Administration		17,593
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
6	Restorative	32,993	
	Dietary	103,821	
	Laundry	18,767	
	Housekeeping	36,090	
	Maintenance	32,016	
	Administration	73,657	
	Medical Records	12,436	
	Utilities	36,918	
	Medical Supplies	23,134	
	Taxes and Insurance	28,530	
	Cost of Capital	101,164	
	Nonallowable		499,526
	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		

LIFE CARE CENTER OF COLUMBIA
Adjustment Report
Cost Report Period Ended September 30, 2001
AC# 3-LCC-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
7	Nonallowable	499,482	
	Nursing		48,489
	Restorative		32,849
	Dietary		103,499
	Laundry		18,737
	Housekeeping		50,777
	Maintenance		41,500
	Administration		56,587
	Medical Records		15,119
	Utilities		52,445
	Medical Supplies		23,213
	Taxes and Insurance		42,480
	Cost of Capital		13,787
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
8	Nonallowable	38,128	
	Administration		34,899
	Cost of Capital		3,229
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
9	Nonallowable	13,124	
	Cost of Capital		13,124
	To adjust capital return State Plan, Attachment 4.19D		
	<u>TOTAL ADJUSTMENTS</u>	<u>\$1,234,933</u>	<u>\$1,234,933</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.

LIFE CARE CENTER OF COLUMBIA
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2001
 AC# 3-LCC-J1

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.4607</u>	<u>2.4607</u>	
Deemed Asset Value (Per Bed)	38,431	38,431	
Number of Beds	<u>132</u>	<u>8</u>	
Deemed Asset Value	5,072,892	307,448	
Improvements Since 1981	222,221	6,027	
Accumulated Depreciation at 9/30/01	<u>(1,057,668)</u>	<u>(37,075)</u>	
Deemed Depreciated Value	4,237,445	276,400	
Market Rate of Return	<u>.0577</u>	<u>.0577</u>	
Total Annual Return	244,501	15,948	
Return Applicable to Non-Reimbursable Cost Centers	(8,683)	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>8,469</u>	<u>-</u>	
Allowable Annual Return	244,287	15,948	
Depreciation Expense	165,633	12,429	
Amortization Expense	889	465	
Capital Related Income Offsets	-	(913)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(13,787)</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	397,022	27,929	\$424,951
Total Patient Days	<u>46,632</u>	<u>2,803</u>	<u>49,435</u>
Cost of Capital Per Diem	<u>\$ 8.51</u>	<u>\$ 9.96</u>	<u>\$ 8.60</u>

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