

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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March 31, 2006

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

Re: AC# 3-LCC-J2 – 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, 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/ms

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 OCTOBER 1, 2003
AC# 3-LCC-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

August 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 REM – Columbia, Inc. d/b/a Life Care Center of Columbia, 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 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.

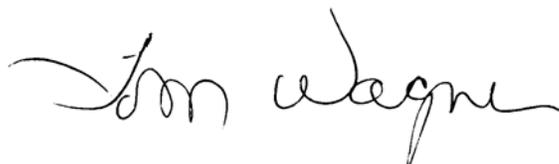
The procedures and the associated findings are as follows:

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
August 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.

A handwritten signature in black ink that reads "Tom Wagner". The signature is written in a cursive, flowing style.

Thomas L. Wagner, Jr., CPA
State Auditor

LIFE CARE CENTER OF COLUMBIA
Computation of Rate Change
For the Contract Period
Beginning October 1, 2003
AC# 3-LCC-J2

	10/01/03- <u>09/30/04</u>
Interim Reimbursement Rate (1)	\$121.28
Adjusted Reimbursement Rate	<u>113.29</u>
Decrease in Reimbursement Rate	\$ <u><u>7.99</u></u>

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

LIFE CARE CENTER OF COLUMBIA
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2003 Through September 30, 2004
 AC# 3-LCC-J2

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$56.13	\$ 66.44	
Dietary		11.60	11.55	
Laundry/Housekeeping/Maintenance		<u>9.38</u>	<u>9.83</u>	
Subtotal	<u>\$6.15</u>	77.11	87.82	\$ 77.11
Administration & Medical Records	<u>\$1.87</u>	<u>11.59</u>	<u>13.46</u>	<u>11.59</u>
Subtotal		88.70	<u>\$101.28</u>	88.70
<u>Costs Not Subject to Standards:</u>				
Utilities		3.56		3.56
Special Services		.06		.06
Medical Supplies & Oxygen		1.94		1.94
Taxes and Insurance		4.09		4.09
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$98.35</u>		98.35
Inflation Factor (4.70%)				4.62
Cost of Capital				8.57
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				1.87
Cost Incentive				6.15
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(6.27)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$113.29</u>

LIFE CARE CENTER OF COLUMBIA
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2002
AC# 3-LCC-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	\$2,948,514	\$ 6,734 (6) 79 (6) 34,190 (11)	\$ 15,730 (7) 87,566 (9) 5,693 (9) 47,202 (12) 32,118 (12)	\$2,801,208
Dietary	577,354	6,146 (6) 107,048 (11)	8,826 (9) 102,806 (12)	578,916
Laundry	109,196	563 (6) 20,245 (11)	2,667 (9) 19,203 (12)	108,134
Housekeeping	184,993	1,201 (6) 33,671 (11)	5,021 (9) 46,977 (12)	167,867
Maintenance	249,243	4,347 (6) 48,589 (11)	9,828 (3) 43,870 (4) 2,400 (9) 53,812 (12)	192,269
Administration & Medical Records	604,412	1,826 (6) 1,128 (6) 15,730 (7) 1,771 (9) 59,348 (11) 13,529 (11)	9,102 (8) 18,027 (9) 50,089 (12) 15,854 (12) 26,537 (13)	578,135
Utilities	184,477	9,828 (3) 33,500 (11)	812 (5) 49,489 (12)	177,504
Special Services	2,849	8,766 (10)	8,784 (9)	2,831
Medical Supplies & Oxygen	140,384	27,806 (11)	41,201 (6) 9,459 (10) 20,596 (12)	96,934

LIFE CARE CENTER OF COLUMBIA
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2002
AC# 3-LCC-J2

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
Taxes and Insurance	207,867	35,059 (11)	38,904 (12)	204,022
Legal Fees	-	-	-	-
Cost of Capital	409,097	2,656 (1) 533 (4) 29,189 (11) 46,904 (14) <u>63,696 (15)</u>	536 (2) 4,161 (12) 2,389 (13)	544,989
Subtotal	5,618,386	614,082	779,659	5,452,809
Ancillary	217,495	19,177 (6)	-	236,672
Nonallowable	1,863,338	536 (2) 812 (5) 9,102 (8) 137,213 (9) 693 (10) 481,211 (12) <u>28,926 (13)</u>	2,656 (1) 442,174 (11) 46,904 (14) 63,696 (15)	1,966,401
Total Operating Expenses	<u>\$7,699,219</u>	<u>\$1,291,752</u>	<u>\$1,335,089</u>	<u>\$7,655,882</u>
Total Patient Days	<u>49,056</u>	<u>846 (16)</u>	<u>-</u>	<u>49,902</u>
			Cost of Capital Patient Days	<u>63,568</u>
Total Beds	<u>140</u>			

LIFE CARE CENTER OF COLUMBIA
Adjustment Report
Cost Report Period Ended September 30, 2002
AC# 3-LCC-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 23,970	
	Other Equity	115,875	
	Cost of Capital	2,656	
	Accumulated Depreciation		\$139,845
	Nonallowable		2,656
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	536	
	Cost of Capital		536
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
3	Utilities	9,828	
	Maintenance		9,828
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
4	Fixed Assets	43,870	
	Cost of Capital	533	
	Accumulated Depreciation		533
	Maintenance		43,870
	To capitalize fixed assets and record related depreciation HIM-15-1, Sections 108 and 2304		
5	Nonallowable	812	
	Utilities		812
	To disallow cable TV expense HIM-15-1, Section 2106.1		

LIFE CARE CENTER OF COLUMBIA
Adjustment Report
Cost Report Period Ended September 30, 2002
AC# 3-LCC-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nursing	6,734	
	Restorative	79	
	Dietary	6,146	
	Laundry	563	
	Housekeeping	1,201	
	Maintenance	4,347	
	Administration	1,826	
	Medical Records	1,128	
	Ancillary	19,177	
	Medical Supplies		41,201
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
7	Medical Records	15,730	
	Nursing		15,730
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
8	Nonallowable	9,102	
	Administration		9,102
	To remove cost not related to patient care HIM-15-1, Sections 2102.3 and 2304		
9	Medical Records	1,771	
	Nonallowable	137,213	
	Nursing		87,566
	Restorative		5,693
	Dietary		8,826
	Laundry		2,667
	Housekeeping		5,021
	Maintenance		2,400
	Administration		18,027
	Special Services		8,784
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

LIFE CARE CENTER OF COLUMBIA
Adjustment Report
Cost Report Period Ended September 30, 2002
AC# 3-LCC-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Special Services Nonallowable Medical Supplies	8,766 693	9,459
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
11	Restorative Dietary Laundry Housekeeping Maintenance Administration Medical Records Utilities Taxes and Insurance Medical Supplies Cost of Capital Nonallowable	34,190 107,048 20,245 33,671 48,589 59,348 13,529 33,500 35,059 27,806 29,189	442,174
	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		
12	Nonallowable Nursing Restorative Dietary Laundry Housekeeping Maintenance Administration Medical Records Utilities Taxes and Insurance Medical Supplies Cost of Capital	481,211	47,202 32,118 102,806 19,203 46,977 53,812 50,089 15,854 49,489 38,904 20,596 4,161
	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, 2002
AC# 3-LCC-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
13	Nonallowable Administration Cost of Capital	28,926	26,537 2,389
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
14	Cost of Capital Nonallowable	46,904	46,904
	To record capital cost related to 10/1/03 bed addition State Plan, Attachment 4.19D		
15	Cost of Capital Nonallowable	63,696	63,696
	To adjust capital return State Plan, Attachment 4.19D		
16	<u>Memo Adjustment:</u> To increase total patient days by 846 to 49,902		
	TOTAL ADJUSTMENTS	<u>\$1,475,467</u>	<u>\$1,475,467</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, 2002
 AC# 3-LCC-J2

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.55013</u>	<u>2.55013</u>	<u>2.55013</u>	
Deemed Asset Value (Per Bed)	39,828	39,828	39,828	
Number of Beds	<u>132</u>	<u>8</u>	<u>39</u>	
Deemed Asset Value	5,257,296	318,624	1,553,292	
Improvements Since 1981	301,297	9,404	-	
Accumulated Depreciation at 9/30/02	<u>(1,210,152)</u>	<u>(48,758)</u>	<u>(354,085)</u>	
Deemed Depreciated Value	4,348,441	279,270	1,199,207	
Market Rate of Return	<u>.0561</u>	<u>.0561</u>	<u>.0561</u>	
Total Annual Return	243,948	15,667	67,276	
Return Applicable to Non-Reimbursable Cost Centers	(2,637)	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>2,522</u>	<u>-</u>	<u>-</u>	
Allowable Annual Return	243,833	15,667	67,276	
Depreciation Expense	164,738	12,427	46,925	
Amortization Expense	421	437	79	
Capital Related Income Offsets	(843)	(1,651)	(159)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(4,161)</u>	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	403,988	26,880	114,121	\$544,989
Total Patient Days	<u>47,050</u>	<u>2,852</u>	<u>13,666</u>	<u>63,568</u>
Cost of Capital Per Diem	\$ <u><u>8.59</u></u>	\$ <u><u>9.42</u></u>	\$ <u><u>8.35</u></u>	\$ <u><u>8.57</u></u>

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