

# State of South Carolina



## Office of the State Auditor

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COLUMBIA, S.C. 29201

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

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December 20, 2007

Mr. Greg Williams, Reimbursement Manager  
Sava Senior Care Administrative Services, LLC  
5300 West Sam Houston Parkway North, Suite 200  
Houston, Texas 77041

Re: AC# 3-BKV-J4 – GranCare South Carolina, Inc. d/b/a Brookview Healthcare 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, 2003 through September 30, 2004. That report was used to set the rate covering the contract period beginning October 1, 2005.

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.

Yours very truly,

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

**GRANCARE SOUTH CAROLINA, INC. D/B/A  
BROOKVIEW HEALTHCARE CENTER**

**GAFFNEY, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2005  
AC# 3-BKV-J4**

**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

September 27, 2007

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, 2005, and for the twelve month cost report period ended September 30, 2004, 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 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 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  
September 27, 2007

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

**BROOKVIEW HEALTHCARE CENTER**

Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2005  
AC# 3-BKV-J4

	10/01/05- <u>09/28/06</u>
Interim Reimbursement Rate (1)	\$127.75
Adjusted Reimbursement Rate	<u>121.58</u>
Decrease in Reimbursement Rate	\$ <u>6.17</u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated May 17, 2007.

**BROOKVIEW HEALTHCARE CENTER**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2005 Through September 28, 2006  
 AC# 3-BKV-J4

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 61.99	\$ 75.11	
Dietary		11.51	12.63	
Laundry/Housekeeping/Maintenance		<u>8.05</u>	<u>10.97</u>	
Subtotal	\$ <u>6.91</u>	81.55	98.71	\$ 81.55
Administration & Medical Records	\$ <u>-</u>	<u>16.63</u>	<u>16.13</u>	<u>16.13</u>
Subtotal		98.18	<u>\$114.84</u>	97.68
<u>Costs Not Subject to Standards:</u>				
Utilities		3.09		3.09
Special Services		.10		.10
Medical Supplies & Oxygen		5.11		5.11
Taxes and Insurance		1.87		1.87
Legal Fees		<u>.36</u>		<u>.36</u>
<b>TOTAL</b>		<u>\$108.71</u>		108.21
Inflation Factor (4.70%)				5.09
Cost of Capital				6.53
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				6.91
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(5.16)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$121.58</u>

**BROOKVIEW HEALTHCARE CENTER**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2004  
 AC# 3-BKV-J4

<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	\$3,067,934	\$ -	\$ 33,656 (2) 10,676 (5) 107,548 (6) 6,130 (6) 599 (7) 9,456 (10)	\$2,899,869
Dietary	556,069	454 (7)	11,080 (6) 7,036 (10)	538,407
Laundry	93,353	-	1,885 (6)	91,468
Housekeeping	145,313	1,554 (8)	1,241 (9)	145,626
Maintenance	127,195	12,930 (7) 1,355 (8)	1,028 (6) 1,181 (9)	139,271
Administration & Medical Records	837,914	1,335 (8)	11,510 (6) 1,486 (6) 44,104 (7) 3,999 (9)	778,150
Utilities	144,406	1,537 (8)	26 (7) 1,228 (9)	144,689
Special Services	4,422	96 (7) 2,299 (10)	2,359 (6)	4,458
Medical Supplies & Oxygen	221,539	33,656 (2)	1,242 (6) 14,958 (10)	238,995

**BROOKVIEW HEALTHCARE CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2004  
AC# 3-BKV-J4

<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>
Taxes and Insurance	166,695	1,653 (8)	41,149 (3) 39,051 (4) 105 (7) 716 (9)	87,327
Legal Fees	16,793	31 (8)	96 (9)	16,728
Cost of Capital	347,123	1,989 (8) 8,405 (11)	7,275 (1) 43,413 (7) <u>1,237 (9)</u>	305,592
Subtotal	<u>5,728,756</u>	<u>67,294</u>	405,470	5,390,580
Ancillary	165,931	-	-	165,931
Nonallowable	943,603	7,275 (1) 31,830 (3) 39,051 (4) 10,676 (5) 144,268 (6) 74,767 (7) 9,698 (9) 29,151 (10)	9,454 (8) 8,405 (11)	1,272,460
CNA Training and Testing	<u>436</u>	<u>-</u>	<u>-</u>	<u>436</u>
Total Operating Expenses	<u>\$6,838,726</u>	<u>\$414,010</u>	<u>\$423,329</u>	<u>\$6,829,407</u>
Total Patient Days	<u>46,780</u>	<u>-</u>	<u>-</u>	<u>46,780</u>
Total Beds	<u>132</u>			

**BROOKVIEW HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2004  
AC# 3-BKV-J4

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 8,603	
	Other Equity	3,116	
	Nonallowable	7,275	
	Accumulated Depreciation		\$11,719
	Cost of Capital		7,275
	To adjust fixed assets and related depreciation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
2	Medical Supplies	33,656	
	Nursing		33,656
	To reclassify expense to the proper cost center		
	DH&HS Expense Crosswalk		
3	Accrued Property Taxes	17,154	
	Nonallowable	31,830	
	Retained Earnings		7,835
	Taxes and Insurance		41,149
	To adjust property tax expense and related accrual		
	HIM-15-1, Sections 2302.1 and 2304		
4	Nonallowable	39,051	
	Taxes and Insurance		39,051
	To adjust liability insurance expense		
	HIM-15-1, Section 2304		
5	Nonallowable	10,676	
	Nursing		10,676
	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, 2004  
AC# 3-BKV-J4

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable	144,268	
	Nursing		107,548
	Restorative		6,130
	Dietary		11,080
	Laundry		1,885
	Maintenance		1,028
	Administration		11,510
	Medical Records		1,486
	Medical Supplies		1,242
	Special Services		2,359
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Dietary	454	
	Maintenance	12,930	
	Special Services	96	
	Nonallowable	74,767	
	Nursing		599
	Administration		44,104
	Utilities		26
	Taxes and Insurance		105
	Cost of Capital		43,413
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Housekeeping	1,554	
	Maintenance	1,355	
	Administration	1,335	
	Utilities	1,537	
	Taxes and Insurance	1,653	
	Legal	31	
	Cost of Capital	1,989	
	Nonallowable		9,454
	To reverse DH&HS adjustment to remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

**BROOKVIEW HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2004  
AC# 3-BKV-J4

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Nonallowable	9,698	
	Housekeeping		1,241
	Maintenance		1,181
	Administration		3,999
	Utilities		1,228
	Taxes and Insurance		716
	Legal		96
	Cost of Capital		1,237
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
10	Nonallowable	29,151	
	Special Services	2,299	
	Nursing		9,456
	Dietary		7,036
	Medical Supplies		14,958
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
11	Cost of Capital	8,405	
	Nonallowable		8,405
	To adjust capital return State Plan, Attachment 4.19D		
	<b>TOTAL ADJUSTMENTS</b>	<b><u>\$442,883</u></b>	<b><u>\$442,883</u></b>

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, 2004  
 AC# 3-BKV-J4

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.71494</u>	<u>2.71494</u>	
Deemed Asset Value (Per Bed)	42,402	42,402	
Number of Beds	<u>88</u>	<u>44</u>	
Deemed Asset Value	3,731,376	1,865,688	
Improvements Since 1981	845,923	80,400	
Accumulated Depreciation at 9/30/04	<u>(1,615,535)</u>	<u>(638,201)</u>	
Deemed Depreciated Value	2,961,764	1,307,887	
Market Rate of Return	<u>.0516</u>	<u>.0516</u>	
Total Annual Return	152,827	67,487	
Return Applicable to Non-Reimbursable Cost Centers	(1,247)	(548)	
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>349</u>	<u>173</u>	
Allowable Annual Return	151,929	67,112	
Depreciation Expense	86,306	43,328	
Amortization Expense	761	380	
Capital Related Income Offsets	(28,658)	(14,329)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(825)</u>	<u>(412)</u>	<u>Total</u>
Allowable Cost of Capital Expense	209,513	96,079	\$305,592
Total Patient Days (Actual)	<u>31,186</u>	<u>15,594</u>	<u>46,780</u>
Cost of Capital Per Diem	\$ <u>6.72</u>	\$ <u>6.16</u>	\$ <u>6.53</u>

**BROOKVIEW HEALTHCARE CENTER**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2004  
 AC# 3-BKV-J4

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>\$6.16</u>
Weighted Reimbursable Cost of Capital Per Diem		\$6.53
Weighted Average Cost of Capital Per Diem		<u>6.53</u>
Cost of Capital Per Diem Limitation		<u>\$ -</u>

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