

# 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

(803) 253-4160  
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December 14, 2007

Mr. John Twitty, Controller  
Health Management Resources  
101 Grace Drive  
Easley, South Carolina 29640

Re: AC# 3-GNC-J3 – Greenville Nursing Center, Inc.

Dear Mr. Twitty:

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 payable for amounts underpaid as a result of the rate changes shown on Exhibit A. You will be notified of payment 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

**GREENVILLE NURSING CENTER, INC.  
GREENVILLE, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2004  
AC# 3-GNC-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

August 15, 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 Greenville Nursing Center, Inc., 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 Greenville Nursing Center, Inc. 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 Greenville Nursing Center, Inc., 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 Greenville Nursing Center, Inc. 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, 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

**GREENVILLE NURSING CENTER, INC.**  
Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2004  
AC# 3-GNC-J3

	10/01/04- <u>09/30/05</u>
Adjusted Reimbursement Rate	\$125.83
Interim Reimbursement Rate (1)	<u>124.84</u>
Increase in Reimbursement Rate	\$ <u><u>.99</u></u>

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

**GREENVILLE NURSING CENTER, INC.**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2004 Through September 30, 2005  
 AC# 3-GNC-J3

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 63.61	\$ 70.36	
Dietary		11.47	12.42	
Laundry/Housekeeping/Maintenance		<u>12.20</u>	<u>11.28</u>	
Subtotal	<u>\$6.58</u>	87.28	94.06	\$ 87.28
Administration & Medical Records	<u>\$2.20</u>	<u>12.45</u>	<u>14.65</u>	<u>12.45</u>
Subtotal		99.73	<u>\$108.71</u>	99.73
<u>Costs Not Subject to Standards:</u>				
Utilities		2.38		2.38
Special Services		.02		.02
Medical Supplies & Oxygen		5.07		5.07
Taxes and Insurance		6.20		6.20
Legal Fees		<u>.13</u>		<u>.13</u>
<b>TOTAL</b>		<u>\$113.53</u>		113.53
Inflation Factor (4.70%)				5.34
Cost of Capital				6.62
Cost of Capital Limitation				(1.41)
Profit Incentive (Maximum 3.5% of Allowable Cost)				2.20
Cost Incentive				6.58
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(7.03)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$125.83</u>

**GREENVILLE NURSING CENTER, INC.**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2003  
 AC# 3-GNC-J3

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$1,761,725	\$ -	\$ 813 (6)	\$1,760,912
Dietary	317,385	7 (6)	-	317,392
Laundry	104,382	-	-	104,382
Housekeeping	140,155	26 (6)	-	140,181
Maintenance	93,188	25 (6)	-	93,213
Administration & Medical Records	342,575	809 (5) 1,289 (6)	-	344,673
Utilities	65,740	33 (6)	-	65,773
Special Services	531	-	-	531
Medical Supplies & Oxygen	146,406	4,822 (8)	10,930 (7)	140,298
Taxes and Insurance	140,973	30,502 (5) 131 (6)	-	171,606
Legal Fees	3,533	24 (6)	-	3,557
Cost of Capital	144,223	3,290 (1) 42,736 (4)	2,243 (2) 3,514 (3)	183,368
	_____	_____	<u>1,124 (6)</u>	_____
Subtotal	3,260,816	83,694	18,624	3,325,886

**GREENVILLE NURSING CENTER, INC.**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2003  
AC# 3-GNC-J3

<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>
Ancillary	97,674	10,930 (7)	-	108,604
Nonallowable	156,191	2,243 (2) 3,514 (3) 402 (6)	42,736 (4) 31,311 (5) 4,822 (8)	83,481
CNA Training and Testing	<u>5,637</u>	<u>-</u>	<u>-</u>	<u>5,637</u>
Total Operating Expenses	<u>\$3,520,318</u>	<u>\$100,783</u>	<u>\$97,493</u>	<u>\$3,523,608</u>
Total Patient Days	<u>27,682</u>	<u>-</u>	<u>-</u>	<u>27,682</u>
Total Beds	<u>79</u>			

**GREENVILLE NURSING CENTER, INC.**  
Adjustment Report  
Cost Report Period Ended September 30, 2003  
AC# 3-GNC-J3

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$14,753	
	Cost of Capital	3,290	
	Other Equity		\$ 5,323
	Accumulated Depreciation		12,720
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	2,243	
	Cost of Capital		2,243
	To remove reorganization costs HIM-15-1, Section 2134.10		
3	Nonallowable	3,514	
	Cost of Capital		3,514
	To properly state loan cost amortization HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Cost of Capital	42,736	
	Nonallowable		42,736
	To adjust capital return State Plan, Attachment 4.19D		
5	Administration & Medical Records	809	
	Taxes and Insurance	30,502	
	Nonallowable		31,311
	To adjust general insurance expense HIM-15-1, Section 2162 State Plan, Attachment 4.19D		

**GREENVILLE NURSING CENTER, INC.**  
Adjustment Report  
Cost Report Period Ended September 30, 2003  
AC# 3-GNC-J3

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable	402	
	Dietary	7	
	Housekeeping	26	
	Maintenance	25	
	Legal	24	
	Utilities	33	
	Taxes and Insurance	131	
	Administration & Medical Records	1,289	
	General Services		813
	Cost of Capital		1,124
	To adjust home office allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
7	Ancillary	10,930	
	Medical Supplies & Oxygen		10,930
	To reclassify expenses to the proper		
	cost center		
	DH&HS Crosswalk		
	State Plan, Attachment 4.19D		
8	Medical Supplies & Oxygen	4,822	
	Nonallowable		4,822
	To remove special (ancillary) services		
	cost reimbursed by Medicare		
	State Plan, Attachment 4.19D		
		\$115,536	\$115,536
	TOTAL ADJUSTMENTS		

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.

**GREENVILLE NURSING CENTER, INC.**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2003  
 AC# 3-GNC-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>79</u>
Deemed Asset Value	3,254,642
Improvements Since 1981	295,454
Accumulated Depreciation at 9/30/03	<u>(715,527)</u>
Deemed Depreciated Value	2,834,569
Market Rate of Return	<u>.0531</u>
Total Annual Return	150,516
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	150,516
Depreciation Expense	32,852
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	183,368
Total Patient Days (Minimum 96% Occupancy)	<u>27,682</u>
Cost of Capital Per Diem	\$ <u><u>6.62</u></u>

**GREENVILLE NURSING CENTER, INC.**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 2003  
AC# 3-GNC-J3

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 1.22
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>5.21</u>
Reimbursable Cost of Capital Per Diem	\$ 5.21
Cost of Capital Per Diem	<u>6.62</u>
Cost of Capital Per Diem Limitation	\$ <u>(1.41)</u>

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