

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
FAX (803) 343-0723

December 14, 2007

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

Re: AC# 3-GNC-J4 – Greenville Living Center, LLC

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, 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/ms

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

**GREENVILLE LIVING CENTER, LLC
GREENVILLE, SOUTH CAROLINA**

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

**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 OCTOBER 1, 2005	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2005 THROUGH SEPTEMBER 30, 2006	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2004	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	10

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
FAX (803) 343-0723

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 Living Center, LLC, 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 Greenville Living Center, LLC 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 Living Center, LLC, 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 Living Center, LLC 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 LIVING CENTER, LLC
Computation of Rate Change
For the Contract Period
Beginning October 1, 2005
AC# 3-GNC-J4

	10/01/05- <u>09/30/06</u>
Interim Reimbursement Rate (1)	\$133.00
Adjusted Reimbursement Rate	<u>130.21</u>
Decrease in Reimbursement Rate	\$ <u><u>2.79</u></u>

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

GREENVILLE LIVING CENTER, LLC
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2005 Through September 30, 2006
 AC# 3-GNC-J4

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 63.48	\$ 74.64	
Dietary		12.69	13.22	
Laundry/Housekeeping/Maintenance		<u>12.95</u>	<u>11.64</u>	
Subtotal	\$ <u>6.97</u>	89.12	99.50	\$ 89.12
Administration & Medical Records	\$ <u>.68</u>	<u>15.63</u>	<u>16.31</u>	<u>15.63</u>
Subtotal		104.75	<u>\$115.81</u>	104.75
<u>Costs Not Subject to Standards:</u>				
Utilities		2.53		2.53
Special Services		.08		.08
Medical Supplies & Oxygen		4.71		4.71
Taxes and Insurance		5.58		5.58
Legal Fees		<u>.07</u>		<u>.07</u>
TOTAL		<u>\$117.72</u>		117.72
Inflation Factor (4.70%)				5.53
Cost of Capital				6.58
Cost of Capital Limitation				(1.37)
Profit Incentive (Maximum 3.5% of Allowable Cost)				.68
Cost Incentive				6.97
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(5.90)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$130.21</u>

GREENVILLE LIVING CENTER, LLC
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2004
 AC# 3-GNC-J4

<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	\$1,827,967	\$ -	\$ 26,880 (7) 980 (8) 10,851 (11)	\$1,789,256
Dietary	359,008	2 (7)	3 (8) 1,361 (11)	357,646
Laundry	108,574	1 (7)	2 (8)	108,573
Housekeeping	148,708	13 (7)	5 (8)	148,716
Maintenance	107,914	211 (7)	8 (8) 254 (11)	107,863
Administration & Medical Records	415,448	778 (5) 28,754 (7)	3,076 (8) 1,314 (11)	440,590
Utilities	70,842	454 (7)	5 (8)	71,291
Special Services	2,274	72 (7)	-	2,346
Medical Supplies & Oxygen	161,271	2 (7)	1,206 (6) 1 (8) 12,158 (9) 15,116 (10)	132,792
Taxes and Insurance	188,528	22 (7)	27,631 (5) 3,506 (8)	157,413
Legal Fees	2,438	15 (7)	382 (8)	2,071

GREENVILLE LIVING CENTER, LLC
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2004
AC# 3-GNC-J4

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Debit	Adjustments Credit	Adjusted Totals
Cost of Capital	146,854	47,817 (4)	4,138 (1)	185,419
		107 (7)	374 (2)	
			3,514 (3)	
			<u>1,333 (8)</u>	
Subtotal	<u>3,539,826</u>	<u>78,248</u>	<u>114,098</u>	<u>3,503,976</u>
Ancillary	104,105	12,158 (9)	-	116,263
Nonallowable	191,439	374 (2)	47,817 (4)	210,993
		3,514 (3)	2,773 (7)	
		26,853 (5)		
		1,206 (6)		
		9,301 (8)		
		15,116 (10)		
		13,780 (11)		
CNA Training and Testing	<u>10,145</u>	<u>-</u>	<u>-</u>	<u>10,145</u>
Total Operating Expenses	<u>\$3,845,515</u>	<u>\$160,550</u>	<u>\$164,688</u>	<u>\$3,841,377</u>
Total Patient Days	<u>28,187</u>	<u>-</u>	<u>-</u>	<u>28,187</u>
Total Beds	<u>79</u>			

GREENVILLE LIVING CENTER, LLC
Adjustment Report
Cost Report Period Ended September 30, 2004
AC# 3-GNC-J4

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$10,407	
	Other Equity	465	
	Accumulated Depreciation		\$ 6,734
	Cost of Capital		4,138
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	374	
	Cost of Capital		374
	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	47,817	
	Nonallowable		47,817
	To adjust capital return State Plan, Attachment 4.19D		
5	Administration & Medical Records	778	
	Nonallowable	26,853	
	Taxes and Insurance		27,631
	To adjust general insurance expense HIM-15-1, Section 2162 State Plan, Attachment 4.19D		
6	Nonallowable	1,206	
	Medical Supplies & Oxygen		1,206
	To reclassify expenses to the proper cost center HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

GREENVILLE LIVING CENTER, LLC
Adjustment Report
Cost Report Period Ended September 30, 2004
AC# 3-GNC-J4

<u>ADJUSTMENT</u>			
<u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
7	Dietary	2	
	Laundry	1	
	Housekeeping	13	
	Maintenance	211	
	Administration & Medical Records	28,754	
	Legal	15	
	Utilities	454	
	Taxes and Insurance	22	
	Medical Supplies & Oxygen	2	
	Special Services	72	
	Cost of Capital	107	
	General Services		26,880
	Nonallowable		2,773
	To adjust related party		
	cost allocation		
	HIM-15-1, Section 1000 & 2304		
	State Plan, Attachment 4.19D		
8	Nonallowable	9,301	
	General Services		980
	Dietary		3
	Laundry		2
	Housekeeping		5
	Maintenance		8
	Administration & Medical Records		3,076
	Legal		382
	Utilities		5
	Taxes and Insurance		3,506
	Medical Supplies & Oxygen		1
	Cost of Capital		1,333
	To adjust home office allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
9	Ancillary	12,158	
	Medical Supplies & Oxygen		12,158
	To reclassify expenses to the		
	proper cost center		
	DH&HS Crosswalk		
	State Plan, Attachment 4.19D		

GREENVILLE LIVING CENTER, LLC
Adjustment Report
Cost Report Period Ended September 30, 2004
AC# 3-GNC-J4

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Nonallowable Medical Supplies & Oxygen	15,116	15,116
	To remove special (ancillary) services cost reimbursed by Medicare State Plan, Attachment 4.19D		
11	Nonallowable General Services Dietary Maintenance Administration & Medical Records	13,780	10,851 1,361 254 1,314
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$171,422</u>	<u>\$171,422</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.

GREENVILLE LIVING CENTER, LLC
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2004
 AC# 3-GNC-J4

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2,71494</u>
Deemed Asset Value (Per Bed)	42,402
Number of Beds	<u>79</u>
Deemed Asset Value	3,349,758
Improvements Since 1981	462,890
Accumulated Depreciation at 9/30/04	<u>(741,340)</u>
Deemed Depreciated Value	3,071,308
Market Rate of Return	<u>.0516</u>
Total Annual Return	158,479
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	158,479
Depreciation Expense	26,940
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	185,419
Total Patient Days (Actual)	<u>28,187</u>
Cost of Capital Per Diem	\$ <u><u>6.58</u></u>

GREENVILLE LIVING CENTER, LLC
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2004
AC# 3-GNC-J4

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>6.58</u>
Cost of Capital Per Diem Limitation	\$ <u>(1.37)</u>

2 copies of this document were published at an estimated printing cost of \$1.40 each, and a total printing cost of \$2.81. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.