

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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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-JOL-J4 – GranCare South Carolina, Inc. d/b/a Jolley Acres 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." with a stylized flourish at the end.

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

RHGjr/ms

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

**GRANCARE SOUTH CAROLINA, INC.
D/B/A JOLLEY ACRES HEALTHCARE CENTER
ORANGEBURG, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2005
AC# 3-JOL-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 25, 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 Jolley Acres 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 Jolley Acres 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 Jolley Acres 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 Jolley Acres 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 25, 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

JOLLEY ACRES HEALTHCARE CENTER

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

	10/01/05- <u>09/30/06</u>
Interim Reimbursement Rate (1)	\$113.75
Adjusted Reimbursement Rate	<u>110.23</u>
Decrease in Reimbursement Rate	\$ <u><u>3.52</u></u>

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

JOLLEY ACRES HEALTHCARE CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2005 Through September 30, 2006
 AC# 3-JOL-J4

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$51.15	\$ 78.07	
Dietary		10.85	14.25	
Laundry/Housekeeping/Maintenance		<u>9.02</u>	<u>11.97</u>	
Subtotal	\$ <u>7.30</u>	71.02	104.29	\$ 71.02
Administration & Medical Records	\$ <u>.24</u>	<u>17.95</u>	<u>18.19</u>	<u>17.95</u>
Subtotal		88.97	<u>\$122.48</u>	88.97
<u>Costs Not Subject to Standards:</u>				
Utilities		2.53		2.53
Special Services		.02		.02
Medical Supplies & Oxygen		3.75		3.75
Taxes and Insurance		2.13		2.13
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$97.40</u>		97.40
Inflation Factor (4.70%)				4.58
Cost of Capital				6.50
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				.24
Cost Incentive				7.30
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(5.79)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$110.23</u>

JOLLEY ACRES HEALTHCARE CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2004
 AC# 3-JOL-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	\$1,042,293	\$ 721 (5)	\$ 6,541 (3) 21,371 (4) 2,470 (4) 4,303 (8)	\$1,008,329
Dietary	216,290	180 (5)	2,680 (4)	213,790
Laundry	35,837	-	42 (4)	35,795
Housekeeping	70,723	520 (6)	41 (4) 510 (7)	70,692
Maintenance	66,795	5,143 (5) 487 (6)	657 (4) 509 (7)	71,259
Administration & Medical Records	367,198	6,541 (3) 1,226 (4) 431 (6)	3,720 (4) 17,543 (5) 354 (7)	353,779
Utilities	49,813	363 (6)	11 (5) 356 (7)	49,809
Special Services	335	5 (5) 63 (8)	62 (4)	341
Medical Supplies & Oxygen	76,624	-	2,745 (8)	73,879
Taxes and Insurance	59,720	398 (6)	17,766 (2) 42 (5) 275 (7)	42,035

JOLLEY ACRES HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2004
AC# 3-JOL-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>	
Legal Fees	-	-	-	-
Cost of Capital	138,051	416 (6) 7,842 (9)	679 (1) 17,267 (5) <u>212 (7)</u>	128,151
Subtotal	<u>2,123,679</u>	<u>24,336</u>	<u>100,156</u>	<u>2,047,859</u>
Ancillary	68,960	-	-	68,960
Nonallowable	386,123	679 (1) 17,766 (2) 29,817 (4) 28,814 (5) 2,216 (7) 6,985 (8)	2,615 (6) 7,842 (9)	461,943
CNA Training and Testing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>\$2,578,762</u>	<u>\$110,613</u>	<u>\$110,613</u>	<u>\$2,578,762</u>
Total Patient Days	<u>19,713</u>	<u>-</u>	<u>-</u>	<u>19,713</u>
Total Beds	<u>60</u>			

JOLLEY ACRES HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2004
AC# 3-JOL-J4

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 7,003	
	Other Equity	6,086	
	Nonallowable	679	
	Accumulated Depreciation		\$13,089
	Cost of Capital		679
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	17,766	
	Taxes and Insurance		17,766
	To adjust liability insurance expense HIM-15-1, Section 2304		
3	Medical Records	6,541	
	Restorative		6,541
	To reclassify expense to the proper cost center HIM-15-1, Section 2304 DH&HS Expense Crosswalk		
4	Medical Records	1,226	
	Nonallowable	29,817	
	Nursing		21,371
	Restorative		2,470
	Dietary		2,680
	Laundry		42
	Housekeeping		41
	Maintenance		657
	Administration		3,720
	Special Services		62
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

JOLLEY ACRES HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2004
AC# 3-JOL-J4

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nursing	721	
	Dietary	180	
	Maintenance	5,143	
	Special Services	5	
	Nonallowable	28,814	
	Administration		17,543
	Utilities		11
	Taxes and Insurance		42
	Cost of Capital		17,267
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
6	Housekeeping	520	
	Maintenance	487	
	Administration	431	
	Utilities	363	
	Taxes and Insurance	398	
	Cost of Capital	416	
	Nonallowable		2,615
	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		
7	Nonallowable	2,216	
	Housekeeping		510
	Maintenance		509
	Administration		354
	Utilities		356
	Taxes and Insurance		275
	Cost of Capital		212
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

JOLLEY ACRES HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2004
AC# 3-JOL-J4

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Special Services Nonallowable	63	
	Nursing	6,985	4,303
	Medical Supplies		2,745
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
9	Cost of Capital Nonallowable	7,842	
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$ <u>123,702</u>	\$ <u>123,702</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.

JOLLEY ACRES HEALTHCARE CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2004
 AC# 3-JOL-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>40</u>	<u>20</u>	
Deemed Asset Value	1,696,080	848,040	
Improvements Since 1981	281,637	53,093	
Accumulated Depreciation at 9/30/04	<u>(558,148)</u>	<u>(195,051)</u>	
Deemed Depreciated Value	1,419,569	706,082	
Market Rate of Return	<u>.0516</u>	<u>.0516</u>	
Total Annual Return	73,250	36,434	
Return Applicable to Non-Reimbursable Cost Centers	(705)	(9)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>164</u>	<u>2</u>	
Allowable Annual Return	72,709	36,427	
Depreciation Expense	15,374	19,817	
Amortization Expense	436	698	
Capital Related Income Offsets	(11,399)	(5,699)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(206)</u>	<u>(6)</u>	<u>Total</u>
Allowable Cost of Capital Expense	76,914	51,237	\$128,151
Total Patient Days	<u>13,142</u>	<u>6,571</u>	<u>19,713</u>
Cost of Capital Per Diem	\$ <u>5.85</u>	\$ <u>7.80</u>	\$ <u>6.50</u>

JOLLEY ACRES HEALTHCARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2004
AC# 3-JOL-J4

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$2.19	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$6.18</u>	<u>\$7.80</u>
Reimbursable Cost of Capital Per Diem		\$6.50
Cost of Capital Per Diem		<u>6.50</u>
Cost of Capital Per Diem Limitation		\$ <u>-</u>

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