

*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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June 23, 2008

Mr. Chris Stenger, Vice President of Planning and Reimbursement  
Sava Senior Care Administrative Services, LLC  
5300 West Sam Houston Parkway North, Suite 200  
Houston, Texas 77041

Re: AC# 3-MAS-J6 – Seneca Health and Rehabilitation Center

Dear Mr. Stenger:

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, 2005 through September 30, 2006. That report was used to set the rate covering the contract periods beginning October 1, 2007.

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

**SENECA HEALTH AND REHABILITATION CENTER  
SENECA, SOUTH CAROLINA**

**CONTRACT PERIODS  
BEGINNING OCTOBER 1, 2007  
AC# 3-MAS-J6**

**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

April 15, 2008

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 Seneca Health and Rehabilitation Center, for the contract periods beginning October 1, 2007, and for the twelve month cost report period ended September 30, 2006, as set forth in the accompanying schedules. The management of Seneca Health and Rehabilitation 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 Seneca Health and Rehabilitation 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 Seneca Health and Rehabilitation Center dated as of October 1, 2006, 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  
April 15, 2008

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.", with a stylized flourish at the end.

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

**SENECA HEALTH AND REHABILITATION CENTER**

Computation of Rate Change  
For the Contract Periods  
Beginning October 1, 2007  
AC# 3-MAS-J6

	Beginning <u>10/01/07</u>
Interim Reimbursement Rate (1)	\$136.46
Adjusted Reimbursement Rate	<u>132.96</u>
Decrease in Reimbursement Rate	\$ <u><u>3.50</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated February 13, 2008.

**SENECA HEALTH AND REHABILITATION CENTER**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Periods Beginning October 1, 2007  
 AC# 3-MAS-J6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 67.41	\$ 77.15	
Dietary		12.06	13.85	
Laundry/Housekeeping/Maintenance		<u>9.83</u>	<u>12.55</u>	
Subtotal	\$ <u>7.25</u>	89.30	103.55	\$ 89.30
Administration & Medical Records	\$ <u>-</u>	<u>24.08</u>	<u>18.22</u>	<u>18.22</u>
Subtotal		113.38	<u>\$121.77</u>	107.52
<u>Costs Not Subject to Standards</u>				
Utilities		4.02		4.02
Special Services		.02		.02
Medical Supplies & Oxygen		4.55		4.55
Taxes and Insurance		2.01		2.01
Legal Fees		<u>.02</u>		<u>.02</u>
<b>TOTAL</b>		<u>\$124.00</u>		118.14
Inflation Factor (4.60%)				5.43
Cost of Capital				7.14
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				7.25
Effect of \$1.75 Cap on Cost/Profit Incentives				(5.50)
Transportation Escort Add-On				<u>.50</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$132.96</u>

**SENECA HEALTH AND REHABILITATION CENTER**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2006  
 AC# 3-MAS-J6

<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	\$3,205,080	\$17,819 (12) 1,243 (12)	\$ 16,782 (3) 17,898 (9) 8,487 (10) 2,029 (10) 7,964 (11) 27,856 (14)	\$3,143,126
Dietary	570,371	1,643 (12)	5,215 (4) 4,197 (10) 208 (14)	562,394
Laundry	79,520	-	-	79,520
Housekeeping	153,021	649 (15)	651 (16)	153,019
Maintenance	228,086	463 (12) 14,556 (14) 953 (15)	17,031 (4) 118 (10) 943 (16)	225,966
Administration & Medical Records	1,156,035	14,831 (10) 7,964 (11) 4,577 (12) 193 (12) 3,128 (15)	6,292 (13) 54,589 (14) 3,085 (16)	1,122,762
Utilities	188,504	-	188 (15) 782 (16)	187,534
Special Services	857	7,580 (12)	7,568 (13)	869
Medical Supplies & Oxygen	277,488	146 (12)	10,344 (7) 2,641 (8) 52,343 (13)	212,306

**SENECA HEALTH AND REHABILITATION CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2006  
AC# 3-MAS-J6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	<u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Taxes and Insurance	100,746	11,450 (5) 414 (15)	18,515 (6) 33 (14) 385 (16)	93,677
Legal Fees	972	3 (15)	3 (16)	972
Cost of Capital	343,458	1,447 (4) 586 (15) 1,530 (17)	1,971 (1) 1,438 (2) 10,280 (14) <u>574 (16)</u>	332,758
Subtotal	6,304,138	91,175	280,410	6,114,903
Ancillary	282,413	2,055 (8)	-	284,468
Nonallowable	669,677	1,971 (1) 1,438 (2) 11 (5) 18,515 (6) 586 (8) 17,898 (9) 66,203 (13) 78,410 (14) 6,423 (16)	33,664 (12) 6,520 (15) 1,530 (17)	819,418
CNA Training and Testing	<u>2,418</u>	<u>16,782 (3)</u>	<u>-</u>	<u>19,200</u>
Total Operating Expenses	<u>\$7,258,646</u>	<u>\$301,467</u>	<u>\$322,124</u>	<u>\$7,237,989</u>
Total Patient Days	<u>46,626</u>	<u>-</u>	<u>-</u>	<u>46,626</u>
Total Beds	<u>132</u>			

**SENECA HEALTH AND REHABILITATION CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2006  
AC# 3-MAS-J6

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Other Equity	\$15,869	
	Nonallowable	1,971	
	Fixed Assets		\$ 9,071
	Accumulated Depreciation		6,798
	Cost of Capital		1,971
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	1,438	
	Cost of Capital		1,438
	To reclassify expense to the proper cost center State Plan, Attachment 4.19D DH&HS Expense Crosswalk		
3	CNA Training and Testing	16,782	
	Nursing		16,782
	To reclassify expense to the proper cost center State Plan, Attachment 4.19D		
4	Fixed Assets	19,996	
	Retained Earnings	3,086	
	Cost of Capital	1,447	
	Accumulated Depreciation		2,283
	Dietary		5,215
	Maintenance		17,031
	To capitalize assets and record related depreciation and properly charge expense applicable to the prior period HIM-15-1, Sections 2302.1 and 2304 State Plan, Attachment 4.19D		
5	Other Equity	10,132	
	Taxes and Insurance	11,450	
	Nonallowable	11	
	Accrued Property Taxes		21,593
	To adjust property tax expense and related accrual HIM-15-1, Sections 2302.1 and 2304		

**SENECA HEALTH AND REHABILITATION CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2006  
AC# 3-MAS-J6

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable Taxes and Insurance	18,515	18,515
	To adjust liability insurance expense HIM-15-1, Section 2304		
7	Retained Earnings Medical Supplies	10,344	10,344
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1		
8	Ancillary Nonallowable Medical Supplies	2,055 586	2,641
	To reclassify expense to the proper cost center and disallow expense due to lack of documentation HIM-15-1, Section 2304 DH&HS Expense Crosswalk		
9	Nonallowable Restorative	17,898	17,898
	To reclassify expense to the proper cost center State Plan, Attachment 4.19D DH&HS Expense Crosswalk		
10	Administration Nursing Restorative Dietary Maintenance	14,831	8,487 2,029 4,197 118
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
11	Administration Nursing	7,964	7,964
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		

**SENECA HEALTH AND REHABILITATION CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2006  
AC# 3-MAS-J6

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
12	Nursing	17,819	
	Restorative	1,243	
	Dietary	1,643	
	Maintenance	463	
	Administration	4,577	
	Medical Records	193	
	Medical Supplies	146	
	Special Services	7,580	
	Nonallowable		33,664
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
13	Nonallowable	66,203	
	Administration		6,292
	Medical Supplies		52,343
	Special Services		7,568
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
14	Maintenance	14,556	
	Nonallowable	78,410	
	Nursing		27,856
	Dietary		208
	Administration		54,589
	Taxes and Insurance		33
	Cost of Capital		10,280
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

**SENECA HEALTH AND REHABILITATION CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2006  
AC# 3-MAS-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
15	Other Income	975	
	Housekeeping	649	
	Maintenance	953	
	Administration	3,128	
	Taxes and Insurance	414	
	Legal	3	
	Cost of Capital	586	
	Utilities		188
	Nonallowable		6,520
	To offset income against related expense and 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		
16	Nonallowable	6,423	
	Housekeeping		651
	Maintenance		943
	Administration		3,085
	Legal		3
	Utilities		782
	Taxes and Insurance		385
	Cost of Capital		574
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
17	Cost of Capital	1,530	
	Nonallowable		1,530
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$361,869</u>	<u>\$361,869</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.

**SENECA HEALTH AND REHABILITATION CENTER**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2006  
 AC# 3-MAS-J6

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.85382</u>
Deemed Asset Value (Per Bed)	44,571
Number of Beds	<u>132</u>
Deemed Asset Value	5,883,372
Improvements Since 1981	1,417,302
Accumulated Depreciation at 9/30/06	<u>(2,502,317)</u>
Deemed Depreciated Value	4,798,357
Market Rate of Return	<u>.0489</u>
Total Annual Return	234,640
Return Applicable to Non-Reimbursable Cost Centers	(963)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>166</u>
Allowable Annual Return	233,843
Depreciation Expense	109,281
Amortization Expense	40
Capital Related Income Offsets	(9,832)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(574)</u>
Allowable Cost of Capital Expense	332,758
Total Patient Days (Actual)	<u>46,626</u>
Cost of Capital Per Diem	\$ <u><u>7.14</u></u>

**SENECA HEALTH AND REHABILITATION CENTER**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 2006  
AC# 3-MAS-J6

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 7.04
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$11.03</u>
Reimbursable Cost of Capital Per Diem	\$ 7.14
Cost of Capital Per Diem	<u>7.14</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

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