

# 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-PDL-J4 – Piedmont 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/cwc

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

**PIEDMONT LIVING CENTER, LLC  
GREER, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2005  
AC# 3-PDL-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	11

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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 23, 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 Piedmont 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 Piedmont 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 Piedmont 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 Piedmont 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 23, 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

**PIEDMONT LIVING CENTER, LLC**  
Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2005  
AC# 3-PDL-J4

	10/01/05- <u>09/30/06</u>
Interim Reimbursement Rate (1)	\$132.01
Adjusted Reimbursement Rate	<u>128.78</u>
Decrease in Reimbursement Rate	\$ <u><u>3.23</u></u>

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

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 65.78	\$ 69.87	
Dietary		12.11	12.63	
Laundry/Housekeeping/Maintenance		<u>12.80</u>	<u>10.97</u>	
Subtotal	<u>\$2.78</u>	90.69	93.47	\$ 90.69
Administration & Medical Records	<u>\$4.48</u>	<u>11.65</u>	<u>16.13</u>	<u>11.65</u>
Subtotal		102.34	<u>\$109.60</u>	102.34
<u>Costs Not Subject to Standards:</u>				
Utilities		2.48		2.48
Special Services		.01		.01
Medical Supplies & Oxygen		4.49		4.49
Taxes and Insurance		6.21		6.21
Legal Fees		<u>.11</u>		<u>.11</u>
<b>TOTAL</b>		<u>\$115.64</u>		115.64
Inflation Factor (4.70%)				5.44
Cost of Capital				5.95
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				4.05
Cost Incentive				2.78
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(5.08)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$128.78</u>

**PIEDMONT LIVING CENTER, LLC**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2004  
 AC# 3-PDL-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	\$3,133,962	\$ -	\$13,853 (9) 1,640 (10) 20,778 (13)	\$3,097,691
Dietary	572,318	1 (9)	5 (10) 2,068 (13)	570,246
Laundry	166,500	1 (9)	3 (10)	166,498
Housekeeping	274,690	7 (9)	71 (10)	274,626
Maintenance	162,067	108 (9)	126 (10) 433 (13)	161,616
Administration & Medical Records	561,299	1,301 (6) 14,815 (9)	8,000 (4) 19,225 (10) 1,414 (13)	548,776
Utilities	116,712	234 (9)	82 (10)	116,864
Special Services	289	8,000 (4) 37 (9)	7,991 (12)	335
Medical Supplies & Oxygen	233,640	1 (9)	97 (7) 5,245 (8) 9 (10) 14,107 (11) 2,594 (12)	211,589
Taxes and Insurance	355,861	11 (9)	8,777 (5) 48,276 (6) 6,285 (10)	292,534

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

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Legal Fees	5,722	8 (9)	752 (10)	4,978
Cost of Capital	288,567	163 (3) 55 (9)	772 (1) 5,332 (2) <u>2,486 (10)</u>	280,195
Subtotal	<u>5,871,627</u>	<u>24,742</u>	<u>170,421</u>	<u>5,725,948</u>
Ancillary	180,410	14,107 (11)	-	194,517
Nonallowable	736,190	5,332 (2) 8,777 (5) 46,975 (6) 97 (7) 5,245 (8) 30,684 (10) 10,585 (12) 24,693 (13)	163 (3) 1,425 (9)	866,990
CNA Training and Testing	<u>38,155</u>	<u>-</u>	<u>-</u>	<u>38,155</u>
Total Operating Expenses	<u>\$6,826,382</u>	<u>\$171,237</u>	<u>\$172,009</u>	<u>\$6,825,610</u>
Total Patient Days	<u>47,094</u>	<u>-</u>	<u>-</u>	<u>47,094</u>
Total Beds	<u>132</u>			

**PIEDMONT LIVING CENTER, LLC**  
Adjustment Report  
Cost Report Period Ended September 30, 2004  
AC# 3-PDL-J4

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$10,782	
	Other Equity		\$ 1,290
	Fixed Assets		8,720
	Cost of Capital		772
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	5,332	
	Cost of Capital		5,332
	To properly state loan cost amortization HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Cost of Capital	163	
	Nonallowable		163
	To adjust capital return State Plan, Attachment 4.19D		
4	Special Services	8,000	
	Administration & Medical Records		8,000
	To reclassify expense to the appropriate cost center State Plan, Attachment 4.19D		
5	Nonallowable	8,777	
	Taxes and Insurance		8,777
	To adjust taxes to actual HIM-15-1, Section 2162 State Plan, Attachment 4.19D		
6	Administration & Medical Records	1,301	
	Nonallowable	46,975	
	Taxes and Insurance		48,276
	To adjust general insurance expense HIM-15-1, Section 2162 State Plan, Attachment 4.19D		

**PIEDMONT LIVING CENTER, LLC**  
Adjustment Report  
Cost Report Period Ended September 30, 2004  
AC# 3-PDL-J4

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
7	Nonallowable Medical Supplies & Oxygen	97	97
	To reclassify expenses to the proper cost center HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Nonallowable Medical Supplies & Oxygen	5,245	5,245
	To reclassify expenses to the proper cost center State Plan, Attachment 4.19D		
9	Dietary	1	
	Laundry	1	
	Housekeeping	7	
	Maintenance	108	
	Administration & Medical Records	14,815	
	Legal	8	
	Utilities	234	
	Taxes and Insurance	11	
	Medical Supplies & Oxygen	1	
	Special Services	37	
	Cost of Capital	55	
	General Services		13,853
	Nonallowable		1,425
	To adjust related party cost allocation HIM-15-1, Sections 1000 and 2304 State Plan, Attachment 4.19D		

**PIEDMONT LIVING CENTER, LLC**  
Adjustment Report  
Cost Report Period Ended September 30, 2004  
AC# 3-PDL-J4

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Nonallowable	30,684	
	General Services		1,640
	Dietary		5
	Laundry		3
	Housekeeping		71
	Maintenance		126
	Administration & Medical Records		19,225
	Legal		752
	Utilities		82
	Taxes and Insurance		6,285
	Medical Supplies & Oxygen		9
	Cost of Capital		2,486
	To adjust home office allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
11	Ancillary	14,107	
	Medical Supplies & Oxygen		14,107
	To reclassify expenses to the		
	proper cost center		
	DH&HS Crosswalk		
	State Plan, Attachment 4.19D		
12	Nonallowable	10,585	
	Medical Supplies & Oxygen		2,594
	Special Services		7,991
	To remove special (ancillary) services		
	cost reimbursed by Medicare		
	State Plan, Attachment 4.19D		

**PIEDMONT LIVING CENTER, LLC**  
Adjustment Report  
Cost Report Period Ended September 30, 2004  
AC# 3-PDL-J4

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
13	Nonallowable	24,693	
	General Services		20,778
	Dietary		2,068
	Maintenance		433
	Administration & Medical Records		1,414
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$182,019	\$182,019

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.

**PIEDMONT LIVING CENTER, LLC**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2004  
 AC# 3-PDL-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>132</u>
Deemed Asset Value	5,597,064
Improvements Since 1981	567,390
Accumulated Depreciation at 9/30/04	<u>(1,887,891)</u>
Deemed Depreciated Value	4,276,563
Market Rate of Return	<u>.0516</u>
Total Annual Return	220,671
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	220,671
Depreciation Expense	59,524
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	280,195
Total Patient Days (Actual)	<u>47,094</u>
Cost of Capital Per Diem	\$ <u><u>5.95</u></u>

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

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 7.17
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$11.16</u>
Reimbursable Cost of Capital Per Diem	\$ 5.95
Cost of Capital Per Diem	<u>5.95</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

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