

# 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-RIV-J3 – Riverside 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

**RIVERSIDE NURSING CENTER, INC.  
PIEDMONT, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2004  
AC# 3-RIV-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 28, 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 Riverside 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 Riverside 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 Riverside 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 Riverside 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 28, 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

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

	10/01/04- <u>09/30/05</u>
Adjusted Reimbursement Rate	\$125.46
Interim Reimbursement Rate (1)	<u>125.10</u>
Increase in Reimbursement Rate	\$ <u><u>.36</u></u>

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

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 64.32	\$ 75.27	
Dietary		11.83	12.42	
Laundry/Housekeeping/Maintenance		<u>9.99</u>	<u>11.28</u>	
Subtotal	<u>\$6.93</u>	86.14	98.97	\$ 86.14
Administration & Medical Records	<u>\$3.20</u>	<u>11.45</u>	<u>14.65</u>	<u>11.45</u>
Subtotal		97.59	<u>\$113.62</u>	97.59
<u>Costs Not Subject to Standards:</u>				
Utilities		1.96		1.96
Special Services		-		-
Medical Supplies & Oxygen		5.11		5.11
Taxes and Insurance		6.72		6.72
Legal Fees		<u>.39</u>		<u>.39</u>
<b>TOTAL</b>		<u>\$111.77</u>		111.77
Inflation Factor (4.70%)				5.25
Cost of Capital				6.69
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.20
Cost Incentive				6.93
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(8.38)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$125.46</u>

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

<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	\$2,011,556	\$ 3,400 (10)	\$ 937 (7)	\$2,014,019
Dietary	370,443	-	1 (7)	370,442
Laundry	83,067	-	-	83,067
Housekeeping	157,939	-	5 (7)	157,934
Maintenance	71,870	-	4 (7)	71,866
Administration & Medical Records	361,555	928 (6)	3,851 (7)	358,632
Utilities	61,532	-	6 (7)	61,526
Special Services	-	-	-	-
Medical Supplies & Oxygen	169,759	3,174 (9)	13,049 (8)	159,884
Taxes and Insurance	169,342	41,221 (6)	22 (7)	210,541
Legal Fees	12,097	-	4 (7)	12,093
Cost of Capital	229,749	893 (4) 1,973 (5)	7,555 (1) 2,243 (2) 11,881 (3) <u>1,408 (7)</u>	209,528
Subtotal	<u>3,698,909</u>	<u>51,589</u>	<u>40,966</u>	<u>3,709,532</u>

**RIVERSIDE NURSING CENTER, INC.**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2003  
AC# 3-RIV-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	206,073	13,049 (8)	-	219,122
Nonallowable	311,767	2,243 (2)	893 (4)	280,540
		11,881 (3)	1,973 (5)	
		6,238 (7)	42,149 (6)	
			3,174 (9)	
			3,400 (10)	
CNA Training and Testing	<u>13,596</u>	<u>-</u>	<u>-</u>	<u>13,596</u>
Total Operating Expenses	<u>\$4,230,345</u>	<u>\$85,000</u>	<u>\$92,555</u>	<u>\$4,222,790</u>
Total Patient Days	<u>31,313</u>	<u>-</u>	<u>-</u>	<u>31,313</u>
Total Beds	<u>88</u>			

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

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$13,188	
	Accumulated Depreciation	9,242	
	Cost of Capital		\$ 7,555
	Other Equity		14,875
	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	11,881	
	Cost of Capital		11,881
	To properly state loan cost amortization HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Cost of Capital	893	
	Nonallowable		893
	To adjust capital return State Plan, Attachment 4.19D		
5	Cost of Capital	1,973	
	Nonallowable		1,973
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
6	Administration & Medical Records	928	
	Taxes and Insurance	41,221	
	Nonallowable		42,149
	To adjust general insurance expense HIM-15-1, Section 2162 State Plan, Attachment 4.19D		

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

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
7	Nonallowable	6,238	
	General Services		937
	Dietary		1
	Housekeeping		5
	Maintenance		4
	Administration & Medical Records		3,851
	Legal		4
	Utilities		6
	Taxes and Insurance		22
	Cost of Capital		1,408
	To adjust home office allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Ancillary	13,049	
	Medical Supplies & Oxygen		13,049
	To reclassify expenses to the proper cost center DH&HS Crosswalk State Plan, Attachment 4.19D		
9	Medical Supplies & Oxygen	3,174	
	Nonallowable		3,174
	To remove special (ancillary) services cost reimbursed by Medicare State Plan, Attachment 4.19D		
10	General Services	3,400	
	Nonallowable		3,400
	To adjust fringe benefits HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
		\$107,430	\$107,430
	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.

**RIVERSIDE NURSING CENTER, INC.**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2003  
 AC# 3-RIV-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>88</u>
Deemed Asset Value	3,625,424
Improvements Since 1981	24,752
Accumulated Depreciation at 9/30/03	<u>(880,304)</u>
Deemed Depreciated Value	2,769,872
Market Rate of Return	<u>.0531</u>
Total Annual Return	147,080
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	147,080
Depreciation Expense	62,477
Amortization Expense	-
Capital Related Income Offsets	(29)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	209,528
Total Patient Days (Actual)	<u>31,313</u>
Cost of Capital Per Diem	\$ <u><u>6.69</u></u>

2 copies of this document were published at an estimated printing cost of \$1.35 each, and a total printing cost of \$2.70. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.