

*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-SUM-J4 – Summit Place 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

**SUMMIT PLACE LIVING CENTER, LLC  
SIMPSONVILLE, SOUTH CAROLINA**

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

August 29, 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 Summit Place 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 Summit Place 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 Summit Place 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 Summit Place 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 29, 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

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

	<u>10/01/05-</u> <u>09/30/06</u>
Interim Reimbursement Rate (1)	\$131.89
Adjusted Reimbursement Rate	<u>129.25</u>
Decrease in Reimbursement Rate	\$ <u><u>2.64</u></u>

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

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 65.47	\$ 75.11	
Dietary		13.29	12.63	
Laundry/Housekeeping/Maintenance		<u>12.27</u>	<u>10.97</u>	
Subtotal	<u>\$6.91</u>	91.03	98.71	\$ 91.03
Administration & Medical Records	<u>\$5.23</u>	<u>10.90</u>	<u>16.13</u>	<u>10.90</u>
Subtotal		101.93	<u>\$114.84</u>	101.93
<u>Costs Not Subject to Standards:</u>				
Utilities		2.19		2.19
Special Services		.01		.01
Medical Supplies & Oxygen		5.77		5.77
Taxes and Insurance		5.72		5.72
Legal Fees		<u>.05</u>		<u>.05</u>
<b>TOTAL</b>		<u>\$115.67</u>		115.67
Inflation Factor (4.70%)				5.44
Cost of Capital				6.39
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				4.05
Cost Incentive				6.91
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(9.21)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$129.25</u>

**SUMMIT PLACE LIVING CENTER, LLC**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2004  
 AC# 3-SUM-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	\$3,087,682	\$ -	\$ 597 (8) 11,771 (9) 1,634 (10)	\$3,073,680
Dietary	623,821	1 (9)	68 (8) 5 (10)	623,749
Laundry	162,355	1 (9)	4 (8) 3 (10)	162,349
Housekeeping	244,536	6 (9)	33 (10)	244,509
Maintenance	169,352	93 (9)	15 (8) 59 (10)	169,371
Administration & Medical Records	508,737	1,301 (6) 12,587 (9)	37 (8) 10,871 (10)	511,717
Utilities	102,722	199 (9)	38 (10)	102,883
Special Services	494	32 (9)	-	526
Medical Supplies & Oxygen	301,849	1 (9)	18,037 (7) 5 (10) 9,563 (11) 3,237 (12)	271,008
Taxes and Insurance	320,249	10 (9)	45,832 (6) 6,014 (10)	268,413
Legal Fees	2,855	7 (9)	682 (10)	2,180

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

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments		Adjusted Totals
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	325,344	1,462 (4)	7,563 (1)	300,181
		916 (5)	374 (2)	
		47 (9)	17,325 (3)	
	<u>                    </u>	<u>                    </u>	<u>2,326 (10)</u>	<u>                    </u>
Subtotal	5,849,996	16,663	136,093	5,730,566
Ancillary	232,233	9,563 (11)	-	241,796
Nonallowable	483,602	374 (2)	1,462 (4)	585,906
		17,325 (3)	916 (5)	
		44,531 (6)	1,213 (9)	
		18,037 (7)		
		721 (8)		
		21,670 (10)		
		3,237 (12)		
CNA Training & Testing	<u>7,741</u>	<u>-</u>	<u>-</u>	<u>7,741</u>
Total Operating Expenses	<u>\$6,573,572</u>	<u>\$132,121</u>	<u>\$139,684</u>	<u>\$6,566,009</u>
Total Patient Days	<u>46,946</u>	<u>-</u>	<u>-</u>	<u>46,946</u>
Total Beds	<u>132</u>			

**SUMMIT PLACE LIVING CENTER, LLC**  
Adjustment Report  
Cost Report Period Ended September 30, 2004  
AC# 3-SUM-J4

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$92,600	
	Other Equity	5,135	
	Fixed Assets		\$90,172
	Cost of Capital		7,563
	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 State Plan, Attachment 4.19D		
3	Nonallowable	17,325	
	Cost of Capital		17,325
	To properly state loan cost amortization HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Cost of Capital	1,462	
	Nonallowable		1,462
	To adjust capital return State Plan, Attachment 4.19D		
5	Cost of Capital	916	
	Nonallowable		916
	To adjust depreciation and amortization to comply with capital cost policy State Plan, Attachment 4.19D		
6	Administration & Medical Records	1,301	
	Nonallowable	44,531	
	Taxes and Insurance		45,832
	To adjust general insurance HIM-15-1, Section 2162 State Plan, Attachment 4.19D		

**SUMMIT PLACE LIVING CENTER, LLC**  
Adjustment Report  
Cost Report Period Ended September 30, 2004  
AC# 3-SUM-J4

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
7	Nonallowable Medical Supplies & Oxygen	18,037	18,037
	To reclassify expense to the appropriate cost center HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Nonallowable General Services Dietary Laundry Maintenance Administration & Medical Records	721	597 68 4 15 37
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
9	Dietary Laundry Housekeeping Maintenance Administration & Medical Records Legal Utilities Taxes and Insurance Medical Supplies & Oxygen Special Services Cost of Capital General Services Nonallowable	1 1 6 93 12,587 7 199 10 1 32 47	11,771 1,213
	To adjust related party cost allocation HIM-15-1, Sections 1000 & 2304 State Plan, Attachment 4.19D		

**SUMMIT PLACE LIVING CENTER, LLC**  
Adjustment Report  
Cost Report Period Ended September 30, 2004  
AC# 3-SUM-J4

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Nonallowable	21,670	
	General Services		1,634
	Dietary		5
	Laundry		3
	Housekeeping		33
	Maintenance		59
	Administration & Medical Records		10,871
	Legal		682
	Utilities		38
	Taxes and Insurance		6,014
	Medical Supplies & Oxygen		5
	Cost of Capital		2,326
	To adjust home office allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
11	Ancillary	9,563	
	Medical Supplies & Oxygen		9,563
	To reclassify expenses to the proper cost center DH&HS Crosswalk State Plan, Attachment 4.19D		
12	Nonallowable	3,237	
	Medical Supplies & Oxygen		3,237
	To remove special (ancillary) services cost reimbursed by Medicare State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$229,856	\$229,856

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.

**SUMMIT PLACE LIVING CENTER, LLC**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2004  
 AC# 3-SUM-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>88</u>	<u>44</u>	
Deemed Asset Value	3,731,376	1,865,688	
Improvements Since 1981	476,094	16,040	
Accumulated Depreciation at 9/30/04	<u>(1,111,975)</u>	<u>(554,821)</u>	
Deemed Depreciated Value	3,095,495	1,326,907	
Market Rate of Return	<u>.0516</u>	<u>.0516</u>	
Total Annual Return	159,728	68,468	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	159,728	68,468	
Depreciation Expense	32,554	39,432	
Amortization Expense	-	-	
Capital Related Income Offsets	-	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Totals</u>
Allowable Cost of Capital Expense	192,282	107,900	\$300,182
Total Patient Days (Actual)	<u>31,298</u>	<u>15,648</u>	<u>46,946</u>
Cost of Capital Per Diem	\$ <u>6.14</u>	\$ <u>6.90</u>	\$ <u>6.39</u>

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

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$4.93	\$N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$8.92</u>	<u>\$6.90</u>
Reimbursable Cost of Capital Per Diem	\$6.39	
Cost of Capital Per Diem	<u>6.39</u>	
Cost of Capital Per Diem Limitation	<u>\$ -</u>	

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