

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-WNC-J3 – Westside 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

**WESTSIDE NURSING CENTER, INC.
GREENVILLE, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2004
AC# 3-WNC-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 30, 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 Westside 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 Westside 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 Westside 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 Westside 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 30, 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

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

	<u>10/01/04-</u> <u>09/30/05</u>
Adjusted Reimbursement Rate	\$125.10
Interim Reimbursement Rate (1)	<u>124.64</u>
Increase in Reimbursement Rate	\$ <u><u>.46</u></u>

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

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 65.89	\$ 75.95	
Dietary		10.62	12.15	
Laundry/Housekeeping/Maintenance		<u>10.79</u>	<u>10.42</u>	
Subtotal	<u>\$6.90</u>	87.30	98.52	\$ 87.30
Administration & Medical Records	<u>\$5.12</u>	<u>9.94</u>	<u>15.06</u>	<u>9.94</u>
Subtotal		97.24	<u>\$113.58</u>	97.24
<u>Costs Not Subject to Standards:</u>				
Utilities		1.92		1.92
Special Services		.05		.05
Medical Supplies & Oxygen		6.16		6.16
Taxes and Insurance		6.41		6.41
Legal Fees		<u>.18</u>		<u>.18</u>
TOTAL		<u>\$111.96</u>		111.96
Inflation Factor (4.70%)				5.26
Cost of Capital				6.13
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.92
Cost Incentive				6.90
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(9.07)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$125.10</u>

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

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$3,049,011	\$ -	\$ 1,377 (6)	\$3,047,634
Dietary	491,172	4 (6)	-	491,176
Laundry	141,636	-	-	141,636
Housekeeping	231,502	13 (6)	-	231,515
Maintenance	125,969	12 (6)	-	125,981
Administration & Medical Records	459,645	1,366 (5)	1,201 (6)	459,810
Utilities	88,908	16 (6)	-	88,924
Special Services	2,357	-	-	2,357
Medical Supplies & Oxygen	300,995	-	12,495 (7) 3,422 (8)	285,078
Taxes and Insurance	238,919	57,635 (5) 65 (6)	-	296,619
Legal Fees	8,527	12 (6)	-	8,539
Cost of Capital	303,886	495 (3) 1,235 (4)	431 (1) 19,655 (2) <u>2,005 (6)</u>	283,525
Subtotal	5,442,527	60,853	40,586	5,462,794

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

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Ancillary	199,597	12,495 (7)	-	212,092
Nonallowable	417,690	19,655 (2) 4,461 (6) 3,422 (8)	495 (3) 1,235 (4) 59,001 (5)	384,497
CNA Training and Testing	<u>29,609</u>	<u>-</u>	<u>-</u>	<u>29,609</u>
Total Operating Expenses	<u>\$6,089,423</u>	<u>\$100,886</u>	<u>\$101,317</u>	<u>\$6,088,992</u>
Total Patient Days	<u>46,253</u>	<u>-</u>	<u>-</u>	<u>46,253</u>
Total Beds	<u>132</u>			

WESTSIDE NURSING CENTER, INC.
Adjustment Report
Cost Report Period Ended September 30, 2003
AC# 3-WNC-J3

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 3,102	
	Other Equity	1,649	
	Fixed Assets		\$ 4,320
	Cost of Capital		431
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	19,655	
	Cost of Capital		19,655
	To properly state loan cost amortization HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Cost of Capital	495	
	Nonallowable		495
	To adjust capital return State Plan, Attachment 4.19D		
4	Cost of Capital	1,235	
	Nonallowable		1,235
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
5	Administration & Medical Records	1,366	
	Taxes and Insurance	57,635	
	Nonallowable		59,001
	To adjust general insurance HIM-15-1, Section 2162 State Plan, Attachment 4.19D		

WESTSIDE NURSING CENTER, INC.
Adjustment Report
Cost Report Period Ended September 30, 2003
AC# 3-WNC-J3

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable	4,461	
	Dietary	4	
	Housekeeping	13	
	Maintenance	12	
	Legal	12	
	Utilities	16	
	Taxes and Insurance	65	
	General Services		1,377
	Administration & Medical Records		1,201
	Cost of Capital		2,005
	To adjust home office allocation		
	HIM-15-1, Section 2152		
	State Plan, Attachment 4.19D		
7	Ancillary	12,495	
	Medical Supplies & Oxygen		12,495
	To reclassify expenses to the		
	proper cost center		
	DH&HS Crosswalk		
	State Plan, Attachment 4.19D		
8	Nonallowable	3,422	
	Medical Supplies & Oxygen		3,422
	To remove special (ancillary)		
	services cost reimbursed by Medicare		
	State Plan, Attachment 4.19D		
		\$105,637	\$105,637
	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.

WESTSIDE NURSING CENTER, INC.
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2003
 AC# 3-WNC-J3

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.63785</u>	<u>2.63785</u>	
Deemed Asset Value (Per Bed)	41,198	41,198	
Number of Beds	<u>88</u>	<u>44</u>	
Deemed Asset Value	3,625,424	1,812,712	
Improvements Since 1981	464,925	34,782	
Accumulated Depreciation at 9/30/03	<u>(1,125,680)</u>	<u>(372,602)</u>	
Deemed Depreciated Value	2,964,669	1,474,892	
Market Rate of Return	<u>.0531</u>	<u>.0531</u>	
Total Annual Return	157,424	78,317	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	157,424	78,317	
Depreciation Expense	30,976	30,704	
Amortization Expense	-	-	
Capital Related Income Offsets	(8,338)	(5,559)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	180,062	103,462	\$283,524
Total Patient Days (Minimum 96% Occupancy)	<u>30,835</u>	<u>15,418</u>	<u>46,253</u>
Cost of Capital Per Diem	\$ <u>5.84</u>	\$ <u>6.71</u>	\$ <u>6.13</u>

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