

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-J4 – Westside 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

**WESTSIDE LIVING CENTER, LLC
GREENVILLE, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2005
AC# 3-WNC-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 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 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 Westside 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 Westside 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 Westside 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 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 LIVING CENTER, LLC
Computation of Rate Change
For the Contract Period
Beginning October 1, 2005
AC# 3-WNC-J4

	10/01/05- <u>09/30/06</u>
Interim Reimbursement Rate (1)	\$130.46
Adjusted Reimbursement Rate	<u>126.33</u>
Decrease in Reimbursement Rate	\$ <u><u>4.13</u></u>

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

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 65.07	\$ 80.35	
Dietary		10.88	12.63	
Laundry/Housekeeping/Maintenance		<u>11.54</u>	<u>10.97</u>	
Subtotal	<u>\$7.28</u>	87.49	103.95	\$ 87.49
Administration & Medical Records	<u>\$5.04</u>	<u>11.09</u>	<u>16.13</u>	<u>11.09</u>
Subtotal		98.58	<u>\$120.08</u>	98.58
<u>Costs Not Subject to Standards:</u>				
Utilities		2.00		2.00
Special Services		.13		.13
Medical Supplies & Oxygen		6.28		6.28
Taxes and Insurance		5.80		5.80
Legal Fees		<u>.08</u>		<u>.08</u>
TOTAL		<u>\$112.87</u>		112.87
Inflation Factor (4.70%)				5.30
Cost of Capital				6.41
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.95
Cost Incentive				7.28
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(9.48)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$126.33</u>

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

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$3,116,875	\$ -	\$ 1,636 (8) 54,787 (11)	\$3,060,452
Dietary	516,695	-	5 (8) 5,182 (11)	511,508
Laundry	152,269	-	3 (8) 529 (11)	151,737
Housekeeping	242,116	-	15 (8)	242,101
Maintenance	149,901	-	27 (8) 950 (11)	148,924
Administration & Medical Records	546,786	1,301 (6)	16,000 (5) 6,847 (8) 3,799 (11)	521,441
Utilities	93,919	-	17 (8)	93,902
Special Services	5,739	16,000 (5)	15,697 (10)	6,042
Medical Supplies & Oxygen	317,227	-	3,468 (7) 2 (8) 11,578 (9) 6,605 (10) 415 (11)	295,159
Taxes and Insurance	327,247	-	48,755 (6) 5,903 (8)	272,589
Legal Fees	4,308	-	651 (8)	3,657

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

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Cost of Capital	322,953	633 (3) 784 (4)	2,837 (1) 17,786 (2) <u>2,257 (8)</u>	301,490
Subtotal	5,796,035	18,718	205,751	5,609,002
Ancillary	256,333	11,578 (9)	-	267,911
Nonallowable	405,866	17,786 (2) 47,454 (6) 3,468 (7) 17,363 (8) 22,302 (10) 65,662 (11)	633 (3) 784 (4)	578,484
CNA Training and Testing	<u>8,984</u>	-	-	<u>8,984</u>
Total Operating Expenses	<u>\$6,467,218</u>	<u>\$204,331</u>	<u>\$207,168</u>	<u>\$6,464,381</u>
Total Patient Days	<u>47,033</u>	-	-	<u>47,033</u>
Total Beds	<u>132</u>			

WESTSIDE LIVING CENTER, LLC
Adjustment Report
Cost Report Period Ended September 30, 2004
AC# 3-WNC-J4

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 5,937	
	Other Equity	1,219	
	Fixed Assets		\$ 4,319
	Cost of Capital		2,837
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	17,786	
	Cost of Capital		17,786
	To properly state loan cost amortization HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Cost of Capital	633	
	Nonallowable		633
	To adjust capital return State Plan, Attachment 4.19D		
4	Cost of Capital	784	
	Nonallowable		784
	To adjust depreciation and amortization to comply with capital cost policy State Plan, Attachment 4.19D		
5	Special Services	16,000	
	Administration & Medical Records		16,000
	To reclassify expenses to the proper cost center HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

WESTSIDE LIVING CENTER, LLC
Adjustment Report
Cost Report Period Ended September 30, 2004
AC# 3-WNC-J4

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Administration & Medical Records Nonallowable Taxes and Insurance	1,301 47,454	 48,755
	To adjust general insurance HIM-15-1, Section 2162 State Plan, Attachment 4.19D		
7	Nonallowable Medical Supplies & Oxygen	3,468	 3,468
	To reclassify expenses to the appropriate cost center HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Nonallowable General Services Dietary Laundry Housekeeping Maintenance Administration & Medical Records Legal Utilities Taxes and Insurance Medical Supplies & Oxygen Cost of Capital	17,363	 1,636 5 3 15 27 6,847 651 17 5,903 2 2,257
	To adjust home office allocation HIM-15-1, Section 2152 State Plan, Attachment 4.19D		
9	Ancillary Medical Supplies & Oxygen	11,578	 11,578
	To reclassify expenses to the proper cost center DH&HS Crosswalk State Plan, Attachment 4.19D		

WESTSIDE LIVING CENTER, LLC
Adjustment Report
Cost Report Period Ended September 30, 2004
AC# 3-WNC-J4

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Nonallowable Medical Supplies & Oxygen Special Services	22,302	6,605 15,697
	To remove special (ancillary) services cost reimbursed by Medicare State Plan, Attachment 4.19D		
11	Nonallowable General Services Dietary Laundry Maintenance Administration & Medical Records Medical Supplies & Oxygen	65,662	54,787 5,182 529 950 3,799 415
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$211,487</u>	<u>\$211,487</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.

WESTSIDE LIVING CENTER, LLC
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2004
 AC# 3-WNC-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	550,470	36,498	
Accumulated Depreciation at 9/30/04	<u>(1,156,678)</u>	<u>(402,769)</u>	
Deemed Depreciated Value	3,125,168	1,499,417	
Market Rate of Return	<u>.0516</u>	<u>.0516</u>	
Total Annual Return	161,259	77,370	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	161,259	77,370	
Depreciation Expense	32,134	30,735	
Amortization Expense	-	-	
Capital Related Income Offsets	(5)	(3)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	193,388	108,102	\$301,490
Total Patient Days (Actual)	<u>31,355</u>	<u>15,678</u>	<u>47,033</u>
Cost of Capital Per Diem	\$ <u>6.17</u>	\$ <u>6.90</u>	\$ <u>6.41</u>

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