

# 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

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May 11, 2010

Ms. Becky Gibbons, CFO  
Choice Health Management Services, LLC  
301 10<sup>th</sup> Street NW, Suite B-2  
Conover, North Carolina 28613

Re: AC# 3-BCS-J6 – Brian Center of Columbia, S.C. d/b/a Brian Center  
Nursing Care/St. Andrews, LLC

Dear Ms. Gibbons:

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, 2005 through September 30, 2006. That report was used to set the rate covering the contract period beginning October 1, 2007.

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

**BRIAN CENTER OF COLUMBIA, S.C.  
D/B/A BRIAN CENTER NURSING CARE/ST. ANDREWS, LLC  
COLUMBIA, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2007  
AC# 3-BCS-J6**

**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, 2007	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2007 THROUGH SEPTEMBER 30, 2008	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2006	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	10

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

June 10, 2009

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 Brian Center of Columbia, S.C. d/b/a Brian Center Nursing Care/St. Andrews, LLC, for the contract period beginning October 1, 2007, and for the twelve month cost report period ended September 30, 2006, as set forth in the accompanying schedules. The management of Brian Center of Columbia, S.C. d/b/a Brian Center Nursing Care/St. Andrews, 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.

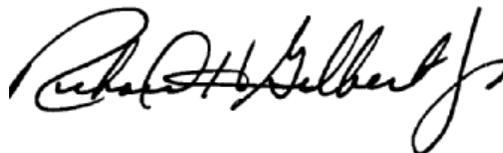
The procedures and the associated findings are as follows:

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 Brian Center of Columbia, S.C. d/b/a Brian Center Nursing Care/St. Andrews, 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 Brian Center of Columbia, S.C. d/b/a Brian Center Nursing Care/St. Andrews, LLC dated as of October 1, 2006, 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  
June 10, 2009

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.", with a stylized flourish at the end.

Richard H. Gilbert, Jr., CPA  
Deputy State Auditor

**BRIAN CENTER NURSING CARE/ST. ANDREWS, LLC**  
Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2007  
AC# 3-BCS-J6

	10/01/07- <u>09/30/08</u>
Interim Reimbursement Rate (1)	\$138.92
Adjusted Reimbursement Rate	<u>135.70</u>
Decrease in Reimbursement Rate	\$ <u><u>3.22</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated June 8, 2009.

**BRIAN CENTER NURSING CARE/ST. ANDREWS, LLC**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2007 Through September 30, 2008  
 AC# 3-BCS-J6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 68.70	\$ 82.94	
Dietary		12.32	13.85	
Laundry/Housekeeping/Maintenance		<u>15.20</u>	<u>12.55</u>	
Subtotal	\$ <u>7.65</u>	96.22	109.34	\$ 96.22
Administration & Medical Records	\$ <u>2.91</u>	<u>15.31</u>	<u>18.22</u>	<u>15.31</u>
Subtotal		111.53	<u>\$127.56</u>	111.53
<u>Costs Not Subject to Standards:</u>				
Utilities		3.39		3.39
Special Services		.17		.17
Medical Supplies & Oxygen		4.24		4.24
Taxes and Insurance		2.09		2.09
Legal Fees		<u>.11</u>		<u>.11</u>
<b>TOTAL</b>		<u>\$121.53</u>		121.53
Inflation Factor (4.60%)				5.59
Cost of Capital				6.24
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				2.91
Cost Incentive				7.65
Effect of \$1.75 Cap on Cost/Profit Incentives				(8.81)
Transportation Escort Add-On				<u>.59</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$135.70</u>

**BRIAN CENTER NURSING CARE/ST. ANDREWS, LLC**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2006  
 AC# 3-BCS-J6

<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	\$2,900,587	\$ -	\$5,075 (1) 5,319 (2) 1,411 (7) 77 (7)	\$2,888,705
Dietary	518,381	-	189 (7)	518,192
Laundry	99,101	-	45 (7)	99,056
Housekeeping	302,046	-	178 (7)	301,868
Maintenance	241,737	-	3,642 (4) 36 (7)	238,059
Administration & Medical Records	652,666	-	153 (7) 41 (7) 8,891 (8)	643,581
Utilities	142,535	-	82 (8)	142,453
Special Services	17,545	5,075 (1) 8,725 (6) 478 (6) 3,874 (6)	5,755 (6) 7,322 (6) 150 (7) 15,284 (9)	7,186
Medical Supplies & Oxygen	178,271	-	4 (7) 1 (9)	178,266
Taxes and Insurance	187,974	-	100,000 (5) 32 (8)	87,942

**BRIAN CENTER NURSING CARE/ST. ANDREWS, LLC**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2006  
AC# 3-BCS-J6

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Legal Fees	4,700	-	-	4,700
Cost of Capital	255,936	7,565 (3)	129 (8)	262,441
			<u>931 (10)</u>	
Subtotal	5,501,479	25,717	154,747	5,372,449
Ancillary	158,950	-	-	158,950
Nonallowable	352,999	5,319 (2)	7,565 (3)	482,029
		3,642 (4)		
		100,000 (5)		
		2,284 (7)		
		9,134 (8)		
		15,285 (9)		
		931 (10)		
CNA Training and Testing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>\$6,013,428</u>	<u>\$162,312</u>	<u>\$162,312</u>	<u>\$6,013,428</u>
Total Patient Days	<u>42,048</u>	<u>-</u>	<u>-</u>	<u>42,048</u>
Total Beds	<u>120</u>			

**BRIAN CENTER NURSING CARE/ST. ANDREWS, LLC**  
Adjustment Report  
Cost Report Period Ended September 30, 2006  
AC# 3-BCS-J6

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Special Services Nursing	\$ 5,075	\$ 5,075
	To properly classify therapy expenses DH&HS Expense Crosswalk		
2	Occupational Therapy Hospice Revenue Nonallowable Contractual Adjustment - Room Hospice Restorative	18,360 5,319	18,360 5,319
	To agree the trial balance to the general ledger HIM-15-1, Section 2304		
3	Fixed Assets Cost of Capital Accumulated Depreciation Nonallowable Other Equity	60,324 7,565	23,822 7,565 36,502
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Nonallowable Maintenance	3,642	3,642
	To disallow expense which is not adequately documented HIM-15-1, Section 2304		
5	Nonallowable Taxes and Insurance	100,000	100,000
	To remove liability settlements greater than 50,000 State Plan, Attachment 4.19D		

**BRIAN CENTER NURSING CARE/ST. ANDREWS, LLC**  
Adjustment Report  
Cost Report Period Ended September 30, 2006  
AC# 3-BCS-J6

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Special Services - Physical Therapy	8,725	
	Special Services - Speech Therapy	478	
	Special Services - Occupational Therapy	3,874	
	Special Services - Physical Therapy		5,755
	Special Services - Speech Therapy		7,322
	To allocate therapy, vacation, and sick wages HIM-15-1, Section 2304		
7	Nonallowable	2,284	
	Nursing		1,411
	Restorative		77
	Dietary		189
	Laundry		45
	Housekeeping		178
	Maintenance		36
	Administration		153
	Medical Records		41
	Medical Supplies & Oxygen		4
	Special Services		150
	To adjust fringe benefits and the related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Nonallowable	9,134	
	Administration		8,891
	Utilities		82
	Taxes and Insurance		32
	Cost of Capital		129
	To adjust the home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

**BRIAN CENTER NURSING CARE/ST. ANDREWS, LLC**  
Adjustment Report  
Cost Report Period Ended September 30, 2006  
AC# 3-BCS-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Nonallowable Special Services Medical Supplies & Oxygen	15,285	15,284 1
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
10	Nonallowable Cost of Capital	931	931
	To adjust capital return State Plan, Attachment 4.19D		
	<b>TOTAL ADJUSTMENTS</b>	\$240,996	\$240,996

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.

**BRIAN CENTER NURSING CARE/ST. ANDREWS, LLC**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2006  
 AC# 3-BCS-J6

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.85382</u>
Deemed Asset Value (Per Bed)	44,571
Number of Beds	<u>120</u>
Deemed Asset Value	5,348,520
Improvements Since 1981	602,832
Accumulated Depreciation at 9/30/06	( <u>1,621,111</u> )
Deemed Depreciated Value	4,330,241
Market Rate of Return	<u>.0489</u>
Total Annual Return	211,749
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	211,749
Depreciation Expense	60,288
Amortization Expense	-
Capital Related Income Offsets	(9,596)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	262,441
Total Patient Days (Minimum 96% Occupancy)	<u>42,048</u>
Cost of Capital Per Diem	\$ <u><u>6.24</u></u>

**BRIAN CENTER NURSING CARE/ST. ANDREWS, LLC**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 2006  
AC# 3-BCS-J6

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$4.54
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u><u>\$8.53</u></u>
Reimbursable Cost of Capital Per Diem	\$6.24
Cost of Capital Per Diem	<u>6.24</u>
Cost of Capital Per Diem Limitation	<u><u>\$ -</u></u>

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