

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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August 28, 2009

Mr. Craig G. DeKany, Reimbursement Manager
HCR – Manor Care
Post Office Box 10086
Toledo, Ohio 43699-0086

Re: AC# 3-ELH-J5 – Health Care & Retirement Corporation of America d/b/a Heartland Health
Care Center - Charleston

Dear Mr. DeKany:

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, 2004 through September 30, 2005. That report was used to set the rate covering the contract period beginning October 1, 2006.

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/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Ms. Kathleen C. Snider

**HEALTH CARE & RETIREMENT
CORPORATION OF AMERICA D/B/A
HEARTLAND HEALTH CARE CENTER - CHARLESTON**

HANAHAN, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2006
AC# 3-ELH-J5**

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

July 30, 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 Health Care & Retirement Corporation of America d/b/a Heartland Health Care Center - Charleston, for the contract period beginning October 1, 2006, and for the twelve month cost report period ended September 30, 2005, as set forth in the accompanying schedules. The management of Health Care & Retirement Corporation of America d/b/a Heartland Health Care Center - Charleston 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 Health Care & Retirement Corporation of America d/b/a Heartland Health Care Center - Charleston, 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 Health Care & Retirement Corporation of America d/b/a Heartland Health Care Center - Charleston 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
July 30, 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.", written in a cursive style.

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

HEARTLAND HEALTH CARE CENTER - CHARLESTON

Computation of Rate Change
For the Contract Period
Beginning October 1, 2006
AC# 3-ELH-J5

10/01/06-
09/30/07

Interim Reimbursement Rate (1)	\$145.92
Adjusted Reimbursement Rate	<u>141.02</u>
Decrease in Reimbursement Rate	\$ <u>4.90</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated February 13, 2008.

HEARTLAND HEALTH CARE CENTER - CHARLESTON
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2006 Through September 30, 2007
AC# 3-ELH-J5

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 63.61	\$ 79.77	
Dietary		11.71	13.46	
Laundry/Housekeeping/Maintenance		<u>9.21</u>	<u>12.03</u>	
Subtotal	<u>\$7.37</u>	84.53	105.26	\$ 84.53
Administration & Medical Records	<u>\$ -</u>	<u>24.62</u>	<u>16.87</u>	<u>16.87</u>
Subtotal		109.15	<u>\$122.13</u>	101.40
<u>Costs Not Subject to Standards:</u>				
Utilities		3.38		3.38
Special Services		.38		.38
Medical Supplies & Oxygen		5.96		5.96
Taxes and Insurance		12.76		12.76
Legal Fees		<u>.06</u>		<u>.06</u>
TOTAL		<u>\$131.69</u>		123.94
Inflation Factor (4.60%)				5.70
Cost of Capital				9.63
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				7.37
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(5.62)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$141.02</u>

HEARTLAND HEALTH CARE CENTER - CHARLESTON
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2005
 AC# 3-ELH-J5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$2,387,507	\$ 1,454 (4)	\$20,211 (3) 811 (3) 17,168 (4) 10,484 (5)	\$2,340,287
Dietary	433,189	138 (4)	2,375 (3)	430,952
Laundry	60,056	-	-	60,056
Housekeeping	163,228	-	-	163,228
Maintenance	116,195	1 (4)	508 (3)	115,688
Administration & Medical Records	898,145	9 (3) 17,209 (4)	9,329 (3) 260 (5)	905,774
Utilities	124,528	-	17 (4)	124,511
Special Services	14,134	6,078 (5)	6,257 (3)	13,955
Medical Supplies & Oxygen	254,884	-	572 (3) 117 (4) 35,073 (5)	219,122
Taxes and Insurance	469,669	-	281 (4)	469,388
Legal Fees	7,095	-	4,988 (4)	2,107

HEARTLAND HEALTH CARE CENTER - CHARLESTON
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2005
AC# 3-ELH-J5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	439,725	7,864 (2)	39,728 (1) 9,494 (4) <u>44,188 (6)</u>	354,179
	_____	_____	_____	_____
Subtotal	5,368,355	32,753	201,861	5,199,247
Ancillary	241,021	5,106 (5)	-	246,127
Nonallowable	785,304	39,728 (1) 40,054 (3) 13,263 (4) 34,633 (5) 44,188 (6)	7,864 (2)	949,306
CNA Training and Testing	-	-	-	-
Total Operating Expenses	<u>\$6,394,680</u>	<u>\$209,725</u>	<u>\$209,725</u>	<u>\$6,394,680</u>
Total Patient Days	<u>36,792</u>	-	-	<u>36,792</u>
Total Beds	<u>105</u>			

HEARTLAND HEALTH CARE CENTER - CHARLESTON
Adjustment Report
Cost Report Period Ended September 30, 2005
AC# 3-ELH-J5

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$43,267	
	Nonallowable	39,728	
	Fixed Assets		\$14,584
	Other Equity		28,683
	Cost of Capital		39,728
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Cost of Capital	7,864	
	Nonallowable		7,864
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
3	Medical Records	9	
	Nonallowable	40,054	
	Nursing		20,211
	Restorative		811
	Dietary		2,375
	Maintenance		508
	Administration		9,329
	Medical Supplies		572
	Special Services		6,257
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

HEARTLAND HEALTH CARE CENTER - CHARLESTON
Adjustment Report
Cost Report Period Ended September 30, 2005
AC# 3-ELH-J5

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
4	Restorative	1,454	
	Dietary	138	
	Maintenance	1	
	Administration	17,209	
	Nonallowable	13,263	
	Nursing		17,168
	Legal		4,988
	Utilities		17
	Taxes and Insurance		281
	Medical Supplies		117
	Cost of Capital		9,494
	To adjust home office cost allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
5	Special Services	6,078	
	Ancillary	5,106	
	Nonallowable	34,633	
	Nursing		10,484
	Medical Records		260
	Medical Supplies		35,073
	To remove special (ancillary) services reimbursed by Medicare		
	State Plan, Attachment 4.19D		

HEARTLAND HEALTH CARE CENTER - CHARLESTON
Adjustment Report
Cost Report Period Ended September 30, 2005
AC# 3-ELH-J5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable Cost of Capital	44,188	44,188
	To adjust capital return State Plan, Attachment 4.19D		
		\$252,992	\$252,992
	TOTAL ADJUSTMENTS	\$252,992	\$252,992

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.

HEARTLAND HEALTH CARE CENTER - CHARLESTON
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2005
 AC# 3-ELH-J5

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.77878</u>	<u>2.77878</u>	
Deemed Asset Value (Per Bed)	43,399	43,399	
Number of Beds	<u>93</u>	<u>12</u>	
Deemed Asset Value	4,036,107	520,788	
Improvements Since 1981	938,235	12,621	
Accumulated Depreciation at 9/30/05	<u>(1,666,787)</u>	<u>(29,677)</u>	
Deemed Depreciated Value	3,307,555	503,732	
Market Rate of Return	<u>.0490</u>	<u>.0490</u>	
Total Annual Return	162,070	24,683	
Return Applicable to Non-Reimbursable Cost Centers	(1,003)	(129)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>624</u>	<u>80</u>	
Allowable Annual Return	161,691	24,634	
Depreciation Expense	157,783	19,522	
Amortization Expense	-	-	
Capital Related Income Offsets	(6,052)	(780)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(2,320)</u>	<u>(299)</u>	<u>Total</u>
Allowable Cost of Capital Expense	311,102	43,077	\$354,179
Total Patient Days (Minimum 96% Occupancy)	<u>32,587</u>	<u>4,205</u>	<u>36,792</u>
Cost of Capital Per Diem	\$ <u>9.55</u>	\$ <u>10.24</u>	\$ <u>9.63</u>

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