

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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September 29, 2009

Ms. Kylie Grieco, Controller
Laurel Baye Healthcare of South Carolina, LLC
3409 Salterbeck Street
Mt. Pleasant, South Carolina 29466

Re: AC# 3-LBW-J4 – Laurel Baye Healthcare of Williston, Inc.

Dear Ms. Grieco:

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/sag

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

LAUREL BAYE HEALTHCARE OF WILLISTON, INC.

WILLISTON, SOUTH CAROLINA

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

July 21, 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 Laurel Baye Healthcare of Williston, Inc., 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 Laurel Baye Healthcare of Williston, 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 Laurel Baye Healthcare of Williston, 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 Laurel Baye Healthcare of Williston, 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
July 21, 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

LAUREL BAYE HEALTHCARE OF WILLISTON, INC.

Computation of Rate Change
For the Contract Period
Beginning October 1, 2005
AC# 3-LBW-J4

	10/01/05- <u>09/30/06</u>
Interim Reimbursement Rate (1)	\$118.81
Adjusted Reimbursement Rate	<u>116.63</u>
Decrease in Reimbursement Rate	\$ <u><u>2.18</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 24, 2007.

LAUREL BAYE HEALTHCARE OF WILLISTON, INC.
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2005 Through September 30, 2006
AC# 3-LBW-J4

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 54.65	\$ 67.89	
Dietary		11.56	14.25	
Laundry/Housekeeping/Maintenance		<u>8.76</u>	<u>11.97</u>	
Subtotal	<u>\$6.59</u>	74.97	94.11	\$ 74.97
Administration & Medical Records	<u>\$1.64</u>	<u>16.55</u>	<u>18.19</u>	<u>16.55</u>
Subtotal		91.52	<u>\$112.30</u>	91.52
<u>Costs Not Subject to Standards:</u>				
Utilities		3.31		3.31
Special Services		-		-
Medical Supplies & Oxygen		3.09		3.09
Taxes and Insurance		5.16		5.16
Legal Fees		<u>.23</u>		<u>.23</u>
TOTAL		<u>\$103.31</u>		103.31
Inflation Factor (4.70%)				4.86
Cost of Capital				6.71
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				1.64
Cost Incentive				6.59
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(6.48)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$116.63</u>

LAUREL BAYE HEALTHCARE OF WILLISTON, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2004
AC# 3-LBW-J4

<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	\$ 849,227	\$4,108 (4)	\$ 8,392 (5)	\$ 844,943
Dietary	178,697	-	-	178,697
Laundry	37,773	-	-	37,773
Housekeeping	52,153	-	-	52,153
Maintenance	57,986	-	12,463 (6)	45,523
Administration & Medical Records	259,999	-	4,108 (4)	255,891
Utilities	51,198	-	-	51,198
Special Services	-	-	-	-
Medical Supplies & Oxygen	52,868	-	5,126 (8)	47,742
Taxes and Insurance	86,883	-	7,054 (7)	79,829
Legal Fees	3,583	-	-	3,583
Cost of Capital	102,623	1,047 (2) <u>415 (6)</u>	298 (1) <u>74 (3)</u>	<u>103,713</u>
Subtotal	1,732,990	5,570	37,515	1,701,045

LAUREL BAYE HEALTHCARE OF WILLISTON, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2004
AC# 3-LBW-J4

<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>	
Ancillary	77,469	-	-	77,469
Nonallowable	342,310	298 (1) 74 (3) 8,392 (5) 7,054 (7) 5,126 (8)	1,047 (2)	362,207
CNA Training and Testing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>\$2,152,769</u>	<u>\$26,514</u>	<u>\$38,562</u>	<u>\$2,140,721</u>
Total Patient Days	<u>15,460</u>	<u>-</u>	<u>-</u>	<u>15,460</u>
Total Beds	<u>44</u>			

LAUREL BAYE HEALTHCARE OF WILLISTON, INC.
Adjustment Report
Cost Report Period Ended September 30, 2004
AC# 3-LBW-J4

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 2,934	
	Nonallowable	298	
	Fixed Assets		\$ 2,707
	Cost of Capital		298
	Other Equity		227
	To adjust fixed assets and related depreciation HIM-15-1, Sections 2302.5 and 2304 State Plan, Attachment 4.19D		
2	Cost of Capital	1,047	
	Nonallowable		1,047
	To adjust capital return State Plan, Attachment 4.19D		
3	Nonallowable	74	
	Cost of Capital		74
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
4	Nursing	4,108	
	Administration		4,108
	To reclassify expense to proper cost center HIM-15-1, Section 2304		
5	Nonallowable	8,392	
	Nursing		8,392
	To adjust expense to contracted amount HIM-15-1, Section 2304		
6	Fixed Assets	12,463	
	Cost of Capital	415	
	Accumulated Depreciation		415
	Maintenance		12,463
	To capitalize assets HIM-15-1, Sections 108 and 2304		

LAUREL BAYE HEALTHCARE OF WILLISTON, INC.
Adjustment Report
Cost Report Period Ended September 30, 2004
AC# 3-LBW-J4

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
7	Nonallowable Taxes and Insurance	7,054	7,054
	To adjust liability insurance HIM-15-1, Sections 2302.1 and 2304		
8	Nonallowable Medical Supplies and Oxygen	5,126	5,126
	To disallow expense due to a lack of adequate documentation HIM-15-1, Section 2304		
	TOTAL ADJUSTMENTS	<hr style="width: 100%; border: 0.5px solid black;"/> <u>\$41,911</u>	<hr style="width: 100%; border: 0.5px solid black;"/> <u>\$41,911</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.

LAUREL BAYE HEALTHCARE OF WILLISTON, INC.
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2004
 AC# 3-LBW-J4

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.71494</u>
Deemed Asset Value (Per Bed)	42,402
Number of Beds	<u>44</u>
Deemed Asset Value	1,865,688
Improvements Since 1981	56,207
Accumulated Depreciation at 9/30/04	<u>(661,985)</u>
Deemed Depreciated Value	1,259,910
Market Rate of Return	<u>.0516</u>
Total Annual Return	65,011
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	65,011
Depreciation Expense	40,509
Home Office Depreciation Expense	26
Amortization Expense	-
Capital Related Income Offsets	(1,833)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	103,713
Total Patient Days (Minimum 96% Occupancy)	<u>15,460</u>
Cost of Capital Per Diem	\$ <u><u>6.71</u></u>

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