

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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November 9, 2009

Mr. Doug Ruth, Director of Reimbursement
Life Care Centers of America
3570 Keith Street, NW
Cleveland, Tennessee 37312

Re: AC# 3-LCC-J5 – RCM – Columbia, Inc. d/b/a Life Care Center of Columbia

Dear Mr. Ruth:

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

**RCM – COLUMBIA, INC.
D/B/A LIFE CARE CENTER OF COLUMBIA
COLUMBIA, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2006
AC# 3-LCC-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 14, 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 RCM – Columbia, Inc. d/b/a Life Care Center of Columbia, 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 RCM – Columbia, Inc. d/b/a Life Care Center of Columbia 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 RCM – Columbia, Inc. d/b/a Life Care Center of Columbia, 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 RCM – Columbia, Inc. d/b/a Life Care Center of Columbia 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 14, 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

LIFE CARE CENTER OF COLUMBIA
Computation of Rate Change
For the Contract Period
Beginning October 1, 2006
AC# 3-LCC-J5

	10/01/06- <u>09/30/07</u>
Interim Reimbursement Rate (1)	\$135.65
Adjusted Reimbursement Rate	<u>131.76</u>
Decrease in Reimbursement Rate	\$ <u><u>3.89</u></u>

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

LIFE CARE CENTER OF COLUMBIA
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2006 Through September 30, 2007
 AC# 3-LCC-J5

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 61.26	\$ 85.33	
Dietary		12.43	13.46	
Laundry/Housekeeping/Maintenance		<u>12.37</u>	<u>12.03</u>	
Subtotal	<u>\$7.76</u>	86.06	110.82	\$ 86.06
Administration & Medical Records	<u>\$2.33</u>	<u>14.54</u>	<u>16.87</u>	<u>14.54</u>
Subtotal		100.60	<u>\$127.69</u>	100.60
<u>Costs Not Subject to Standards:</u>				
Utilities		4.26		4.26
Special Services		1.66		1.66
Medical Supplies & Oxygen		3.05		3.05
Taxes and Insurance		7.34		7.34
Legal Fees		<u>.01</u>		<u>.01</u>
TOTAL		<u>\$116.92</u>		116.92
Inflation Factor (4.60%)				5.38
Cost of Capital				7.71
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				2.33
Cost Incentive				7.76
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(8.34)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$131.76</u>

LIFE CARE CENTER OF COLUMBIA
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2005
 AC# 3-LCC-J5

<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	\$3,896,316	\$ 6,921 (8) 523 (8)	\$ 61,607 (4)	\$3,842,153
Dietary	778,686	1,206 (8)	-	779,892
Laundry	155,548	930 (8)	-	156,478
Housekeeping	299,132	477 (8)	3,123 (9)	296,486
Maintenance	350,077	72 (4) 368 (8)	6,543 (1) 17,016 (5) 3,372 (9) 477 (10)	323,109
Administration & Medical Records	1,009,009	61,535 (4) 69 (8)	48,641 (6) 7,431 (7) 84,538 (8) 16,010 (9) 2,029 (10)	911,964
Utilities	252,935	17,016 (5)	2,786 (9)	267,165
Special Services	137,340	6,117 (8)	39,620 (10)	103,837
Medical Supplies & Oxygen	220,472	-	28,866 (10)	191,606
Taxes and Insurance	517,778	-	52,938 (6) 4,335 (9)	460,505

LIFE CARE CENTER OF COLUMBIA
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2005
AC# 3-LCC-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>	
Legal Fees	885	-	16 (9)	869
Cost of Capital	429,754	5,294 (1)	3,376 (2)	483,698
		52,553 (3)	4,123 (9)	
		<u>3,596 (11)</u>		
Subtotal	8,047,932	156,677	386,847	7,817,762
Ancillary	586,368	-	-	586,368
Nonallowable	1,929,693	3,376 (2)	5,294 (1)	2,153,320
		101,579 (6)	52,553 (3)	
		7,431 (7)	3,596 (11)	
		67,927 (8)		
		33,765 (9)		
		70,992 (10)		
CNA Training & Testing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>\$10,563,993</u>	<u>\$441,747</u>	<u>\$448,290</u>	<u>\$10,557,450</u>
Total Patient Days	<u>62,722</u>	<u>-</u>	<u>-</u>	<u>62,722</u>
			Cost of Capital Patient Days	<u>62,760</u>
Total Beds	<u>179</u>			

LIFE CARE CENTER OF COLUMBIA
Adjustment Report
Cost Report Period Ended September 30, 2005
AC# 3-LCC-J5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$210,766	
	Cost of Capital	5,294	
	Accumulated Depreciation		\$106,959
	Other Equity		97,264
	Maintenance		6,543
	Nonallowable		5,294
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Other Equity	8,721	
	Nonallowable	3,376	
	Loan Cost		8,721
	Cost of Capital		3,376
	To adjust loan cost and related amortization HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Cost of Capital	52,553	
	Nonallowable		52,553
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
4	Maintenance	72	
	Administration	61,535	
	Nursing		61,607
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
5	Utilities	17,016	
	Maintenance		17,016
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		

LIFE CARE CENTER OF COLUMBIA
Adjustment Report
Cost Report Period Ended September 30, 2005
AC# 3-LCC-J5

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable	101,579	
	Administration		48,641
	Taxes and Insurance		52,938
	To adjust liability insurance expense HIM-15-1, Section 2304		
7	Nonallowable	7,431	
	Administration		7,431
	To remove cost not related to patient care HIM-15-1, Section 2102.3		
8	Nursing	6,921	
	Restorative	523	
	Dietary	1,206	
	Laundry	930	
	Housekeeping	477	
	Maintenance	368	
	Medical Records	69	
	Special Services	6,117	
	Nonallowable	67,927	
	Administration		84,538
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
9	Nonallowable	33,765	
	Housekeeping		3,123
	Maintenance		3,372
	Administration		16,010
	Utilities		2,786
	Taxes and Insurance		4,335
	Legal		16
	Cost of Capital		4,123
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

LIFE CARE CENTER OF COLUMBIA
Adjustment Report
Cost Report Period Ended September 30, 2005
AC# 3-LCC-J5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Nonallowable	70,992	
	Maintenance		477
	Administration		2,029
	Medical Supplies		28,866
	Special Services		39,620
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
11	Cost of Capital	3,596	
	Nonallowable		3,596
	To adjust capital return State Plan, Attachment 4.19D		
	<u>TOTAL ADJUSTMENTS</u>	<u>\$661,234</u>	<u>\$661,234</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.

LIFE CARE CENTER OF COLUMBIA
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2005
 AC# 3-LCC-J5

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.77878</u>	<u>2.77878</u>	<u>2.77878</u>	
Deemed Asset Value (Per Bed)	43,399	43,399	43,399	
Number of Beds	<u>132</u>	<u>8</u>	<u>39</u>	
Deemed Asset Value	5,728,668	347,192	1,692,561	
Improvements Since 1981	610,935	22,767	44,650	
Accumulated Depreciation at 9/30/05	<u>(1,648,426)</u>	<u>(81,304)</u>	<u>(482,320)</u>	
Deemed Depreciated Value	4,691,177	288,655	1,254,891	
Market Rate of Return	<u>.0490</u>	<u>.0490</u>	<u>.0490</u>	
Total Annual Return	229,868	14,144	61,490	
Return Applicable to Non-Reimbursable Cost Centers	(3,201)	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>2,270</u>	<u>-</u>	<u>-</u>	
Allowable Annual Return	228,937	14,144	61,490	
Depreciation Expense	137,887	11,332	40,371	
Amortization Expense	723	455	213	
Capital Related Income Offsets	(5,564)	(524)	(1,643)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(4,123)</u>	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	357,860	25,407	100,431	\$483,698
Total Patient Days (Minimum 96% Occupancy)	<u>46,291</u>	<u>2,803</u>	<u>13,666</u>	<u>62,760</u>
Cost of Capital Per Diem	<u>\$ 7.73</u>	<u>\$ 9.06</u>	<u>\$ 7.35</u>	<u>\$ 7.71</u>

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