

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
FAX (803) 343-0723

August 28, 2009

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

Re: AC# 3-MAN-J5 – Manor Care of Lexington, Inc. d/b/a Heartland of Lexington
Rehabilitation and Nursing Center

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

**MANOR CARE OF LEXINGTON, INC.
D/B/A HEARTLAND OF LEXINGTON
REHABILITATION AND NURSING CENTER**

WEST COLUMBIA, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2006
AC# 3-MAN-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 28, 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 Manor Care of Lexington, Inc. d/b/a Heartland of Lexington Rehabilitation and Nursing Center, 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 Manor Care of Lexington, Inc. d/b/a Heartland of Lexington Rehabilitation and Nursing Center 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 Manor Care of Lexington, Inc. d/b/a Heartland of Lexington Rehabilitation and Nursing Center, 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 and Adjustment Report 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 Manor Care of Lexington, Inc. d/b/a Heartland of Lexington Rehabilitation and Nursing Center 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 28, 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 OF LEXINGTON REHABILITATION AND NURSING CENTER

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

10/01/06-
09/30/07

Interim Reimbursement Rate (1)	\$123.31
Adjusted Reimbursement Rate	<u>122.40</u>
Decrease in Reimbursement Rate	\$ <u><u>.91</u></u>

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

HEARTLAND OF LEXINGTON REHABILITATION AND NURSING CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2006 Through September 30, 2007
 AC# 3-MAN-J5

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 59.20	\$ 79.77	
Dietary		10.79	13.46	
Laundry/Housekeeping/Maintenance		<u>8.83</u>	<u>12.03</u>	
Subtotal	<u>\$7.37</u>	78.82	105.26	\$ 78.82
Administration & Medical Records	<u>\$ -</u>	<u>17.14</u>	<u>16.87</u>	<u>16.87</u>
Subtotal		95.96	<u>\$122.13</u>	95.69
<u>Costs Not Subject to Standards:</u>				
Utilities		2.79		2.79
Special Services		.34		.34
Medical Supplies & Oxygen		4.55		4.55
Taxes and Insurance		2.06		2.06
Legal Fees		<u>.23</u>		<u>.23</u>
TOTAL		<u>\$105.93</u>		105.66
Inflation Factor (4.60%)				4.86
Cost of Capital				10.13
Cost of Capital Limitation				-
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>\$122.40</u>

HEARTLAND OF LEXINGTON REHABILITATION AND NURSING CENTERSummary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2005

AC# 3-MAN-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	\$2,762,325	\$ 1,490 (1)	\$17,590 (1) 8,129 (2)	\$2,738,096
Dietary	513,735	-	14,478 (1)	499,257
Laundry	107,131	-	-	107,131
Housekeeping	156,666	-	-	156,666
Maintenance	129,847	14,618 (1)	-	144,465
Administration & Medical Records	776,540	16,108 (1)	-	792,648
Utilities	129,186	-	18 (1)	129,168
Special Services	15,664	-	1 (2)	15,663
Medical Supplies & Oxygen	225,203	-	120 (1) 14,417 (2)	210,666
Taxes and Insurance	95,475	-	298 (1)	95,177
Legal Fees	15,727	-	5,110 (1)	10,617
Cost of Capital	<u>468,671</u>	<u>-</u>	<u>-</u>	<u>468,671</u>
Subtotal	5,396,170	32,216	60,161	5,368,225

HEARTLAND OF LEXINGTON REHABILITATION AND NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2005
AC# 3-MAN-J5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Ancillary	274,295	1,105 (2)	-	275,400
Nonallowable	1,552,710	5,398 (1) 21,442 (2)	-	1,579,550
CNA Training and Testing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>\$7,223,175</u>	<u>\$60,161</u>	<u>\$60,161</u>	<u>\$7,223,175</u>
Total Patient Days	<u>46,253</u>	<u>-</u>	<u>-</u>	<u>46,253</u>
Total Beds	<u>132</u>			

HEARTLAND OF LEXINGTON REHABILITATION AND NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 2005
AC# 3-MAN-J5

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Restorative	\$ 1,490	
	Maintenance	14,618	
	Administration	16,108	
	Nonallowable	5,398	
	Nursing		\$17,590
	Dietary		14,478
	Legal		5,110
	Utilities		18
	Taxes and Insurance		298
	Medical Supplies		120
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Ancillary	1,105	
	Nonallowable	21,442	
	Nursing		8,129
	Medical Supplies		14,417
	Special Services		1
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$60,161	\$60,161

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.

2 copies of this document were published at an estimated printing cost of \$1.29 each, and a total printing cost of \$2.58. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.