

# 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-MCC-J5 – Manor Care of Columbia, Inc. d/b/a Heartland of Columbia  
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/cwc

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

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

**COLUMBIA, SOUTH CAROLINA**

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

**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, 2006	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2006 THROUGH SEPTEMBER 30, 2007	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2005	C	5
ADJUSTMENT REPORT	1	7

# 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

### 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 Columbia, Inc. d/b/a Heartland of Columbia 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 Columbia, Inc. d/b/a Heartland of Columbia 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 Columbia, Inc. d/b/a Heartland of Columbia 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 Columbia, Inc. d/b/a Heartland of Columbia 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 COLUMBIA REHABILITATION AND NURSING CENTER**

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

	10/01/06- <u>09/30/07</u>
Interim Reimbursement Rate (1)	\$132.10
Adjusted Reimbursement Rate	<u>129.66</u>
Decrease in Reimbursement Rate	\$ <u><u>2.44</u></u>

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

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 58.53	\$ 79.77	
Dietary		12.15	13.46	
Laundry/Housekeeping/Maintenance		<u>8.29</u>	<u>12.03</u>	
Subtotal	<u>\$7.37</u>	78.97	105.26	\$ 78.97
Administration & Medical Records	<u>\$ -</u>	<u>21.31</u>	<u>16.87</u>	<u>16.87</u>
Subtotal		100.28	<u>\$122.13</u>	95.84
<u>Costs Not Subject to Standards:</u>				
Utilities		3.45		3.45
Special Services		.07		.07
Medical Supplies & Oxygen		6.23		6.23
Taxes and Insurance		8.15		8.15
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$118.18</u>		113.74
Inflation Factor (4.60%)				5.23
Cost of Capital				8.94
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>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$129.66</u>

**HEARTLAND OF COLUMBIA REHABILITATION AND NURSING CENTER**

Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2005  
 AC# 3-MCC-J5

<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	\$2,765,038	\$ 1,695 (2)	\$ 35,454 (1) 3,222 (1) 20,007 (2) 827 (3)	\$2,707,223
Dietary	567,427	161 (2)	5,071 (1) 648 (3)	561,869
Laundry	105,153	-	-	105,153
Housekeeping	128,375	-	-	128,375
Maintenance	152,848	-	712 (1) 1 (2) 2,353 (3)	149,782
Administration & Medical Records	967,947	729 (1) 17,690 (2)	442 (1) 158 (3)	985,766
Utilities	159,617	-	20 (2)	159,597
Special Services	3,370	10 (3)	7 (1)	3,373
Medical Supplies & Oxygen	323,649	-	1,091 (1) 136 (2) 34,209 (3)	288,213
Taxes and Insurance	377,364	-	343 (2)	377,021
Legal Fees	5,777	-	5,813 (2)	(36)
Cost of Capital	<u>413,296</u>	<u>-</u>	<u>-</u>	<u>413,296</u>
Subtotal	5,969,861	20,285	110,514	5,879,632

**HEARTLAND OF COLUMBIA REHABILITATION AND NURSING CENTER**

Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2005  
AC# 3-MCC-J5

<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>	
Ancillary	315,239	5,126 (3)	-	320,365
Nonallowable	855,910	45,270 (1) 6,774 (2) 33,059 (3)	-	941,013
CNA Training and Testing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>\$7,141,010</u>	<u>\$110,514</u>	<u>\$110,514</u>	<u>\$7,141,010</u>
Total Patient Days	<u>46,253</u>	<u>-</u>	<u>-</u>	<u>46,253</u>
Total Beds	<u>132</u>			

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

<u>ADJUSTMENT</u>			
<u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Administration	\$ 729	
	Nonallowable	45,270	
	Nursing		\$35,454
	Restorative		3,222
	Dietary		5,071
	Maintenance		712
	Medical Records		442
	Medical Supplies		1,091
	Special Services		7
	To adjust fringe benefits and related allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
2	Restorative	1,695	
	Dietary	161	
	Administration	17,690	
	Nonallowable	6,774	
	Nursing		20,007
	Maintenance		1
	Legal		5,813
	Utilities		20
	Taxes and Insurance		343
	Medical Supplies		136
	To adjust home office cost allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		

**HEARTLAND OF COLUMBIA REHABILITATION AND NURSING CENTER**

Adjustment Report  
Cost Report Period Ended September 30, 2005  
AC# 3-MCC-J5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
3	Special Services	10	
	Ancillary	5,126	
	Nonallowable	33,059	
	Nursing		827
	Dietary		648
	Maintenance		2,353
	Medical Records		158
	Medical Supplies		34,209
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
		\$110,514	\$110,514
	TOTAL ADJUSTMENTS	\$110,514	\$110,514

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 \$1.32 each, and a total printing cost of \$2.64. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.