

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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June 14, 2011

Mr. John Twitty, Controller
HMR Advantage Health Systems, Inc.
101 Grace Drive
Easley, South Carolina 29640

Re: AC# 3-BWD-J6 – Briarwood Living Center, LLC

Dear Mr. Twitty:

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, 2005 through September 30, 2006. That report was used to set the rate covering the contract period beginning October 1, 2007.

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.

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

**BRIARWOOD LIVING CENTER, LLC
SIMPSONVILLE, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2007
AC# 3-BWD-J6**

**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

September 23, 2010

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 Briarwood Living Center, LLC, for the contract period beginning October 1, 2007, and for the twelve month cost report period ended September 30, 2006, as set forth in the accompanying schedules. The management of Briarwood Living Center, LLC 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 Briarwood Living Center, LLC, 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 Briarwood Living Center, LLC 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
September 23, 2010

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

BRIARWOOD LIVING CENTER, LLC
Computation of Rate Change
For the Contract Period
Beginning October 1, 2007
AC# 3-BWD-J6

	10/01/07- <u>09/30/08</u>
Interim Reimbursement Rate (1)	\$148.57
Adjusted Reimbursement Rate	<u>144.95</u>
Decrease in Reimbursement Rate	\$ <u><u>3.62</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated June 8, 2009.

BRIARWOOD LIVING CENTER, LLC
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2007 Through September 30, 2008
 AC# 3-BWD-J6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 72.03	\$ 79.97	
Dietary		16.05	16.36	
Laundry/Housekeeping/Maintenance		<u>15.22</u>	<u>13.89</u>	
Subtotal	\$ <u>6.92</u>	103.30	110.22	\$103.30
Administration & Medical Records	\$ <u>5.15</u>	<u>16.26</u>	<u>21.41</u>	<u>16.26</u>
Subtotal		119.56	<u>\$131.63</u>	119.56
<u>Costs Not Subject to Standards:</u>				
Utilities		2.54		2.54
Special Services		.15		.15
Medical Supplies & Oxygen		4.88		4.88
Taxes and Insurance		3.93		3.93
Legal Fees		<u>.07</u>		<u>.07</u>
TOTAL		<u>\$131.13</u>		131.13
Inflation Factor (4.60%)				6.03
Cost of Capital				6.69
Cost of Capital Limitation				(2.06)
Profit Incentive (Maximum 3.5% of Allowable Cost)				4.59
Cost Incentive				6.92
Effect of \$1.75 Cap on Cost/Profit Incentives				(9.76)
Transportation Escort Add-On				<u>1.41</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$144.95</u>

BRIARWOOD LIVING CENTER, LLC
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2006
 AC# 3-BWD-J6

<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	\$1,011,139	\$ -	\$11,871 (6) 5,283 (7) 2,732 (7) 432 (9) 18 (9) 2,011 (10)	\$988,792
Dietary	223,369	-	214 (7) 12 (9) 2,772 (10)	220,371
Laundry	51,107	109 (7)	242 (9)	50,974
Housekeeping	88,771	245 (9)	-	89,016
Maintenance	69,192	-	216 (7) 83 (9)	68,893
Administration & Medical Records	233,280	-	3,426 (2) 568 (7) 114 (7) 5,978 (9) 3 (9)	223,191
Utilities	34,887	-	25 (9)	34,862
Special Services	2,049	15 (10)	-	2,064
Medical Supplies & Oxygen	76,057	-	1,731 (4) 7,305 (10)	67,021
Taxes and Insurance	56,793	-	2,817 (5) 40 (9)	53,936

BRIARWOOD LIVING CENTER, LLC
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2006
AC# 3-BWD-J6

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Legal Fees	1,029	-	59 (9)	970
Cost of Capital	63,556	35,712 (8) 368 (9)	1,363 (1) 3,276 (2) <u>3,136 (3)</u>	91,861
Subtotal	1,911,229	36,449	55,727	1,891,951
Ancillary	82,876	1,731 (4)	-	84,607
Nonallowable	306,831	6,702 (2) 3,136 (3) 2,817 (5) 11,871 (6) 9,018 (7) 6,279 (9) 12,073 (10)	35,712 (8)	323,015
CNA Training and Testing	<u>1,430</u>	<u>-</u>	<u>-</u>	<u>1,430</u>
Total Operating Expenses	<u>\$2,302,366</u>	<u>\$90,076</u>	<u>\$91,439</u>	<u>\$2,301,003</u>
Total Patient Days	<u>13,727</u>	<u>-</u>	<u>-</u>	<u>13,727</u>
Total Beds	<u>39</u>			

BRIARWOOD LIVING CENTER, LLC
Adjustment Report
Cost Report Period Ended September 30, 2006
AC# 3-BWD-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$64,204	
	Accumulated Depreciation		\$61,089
	Other Equity		1,752
	Cost of Capital		1,363
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	6,702	
	Administration		3,426
	Cost of Capital		3,276
	To remove reorganization costs HIM-15-1, Section 2134.10 State Plan, Attachment 4.19D		
3	Nonallowable	3,136	
	Cost of Capital		3,136
	To remove loan cost amortization State Plan, Attachment 4.19D		
4	Ancillary	1,731	
	Medical Supplies		1,731
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
5	Nonallowable	2,817	
	Taxes and Insurance		2,817
	To adjust liability insurance expense HIM-15-1, Section 2162.2 State Plan, Attachment 4.19D		
6	Nonallowable	11,871	
	Restorative		11,871
	To reclassify expense to the proper cost center HIM-15-1, Section 2102.3 DH&HS Expense Crosswalk		

BRIARWOOD LIVING CENTER, LLC
Adjustment Report
Cost Report Period Ended September 30, 2006
AC# 3-BWD-J6

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
7	Laundry	109	
	Nonallowable	9,018	
	Nursing		5,283
	Restorative		2,732
	Dietary		214
	Maintenance		216
	Administration		568
	Medical Records		114
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Cost of Capital	35,712	
	Nonallowable		35,712
	To adjust capital return State Plan, Attachment 4.19D		
9	Housekeeping	245	
	Cost of Capital	368	
	Nonallowable	6,279	
	Nursing		432
	Restorative		18
	Dietary		12
	Laundry		242
	Maintenance		83
	Administration		5,978
	Medical Records		3
	Legal		59
	Utilities		25
	Taxes and Insurance		40
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

BRIARWOOD LIVING CENTER, LLC
Adjustment Report
Cost Report Period Ended September 30, 2006
AC# 3-BWD-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Special Services	15	
	Nonallowable	12,073	
	Nursing		2,011
	Dietary		2,772
	Medical Supplies		7,305
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
		\$154,280	\$154,280
	TOTAL ADJUSTMENTS	\$154,280	\$154,280

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.

BRIARWOOD LIVING CENTER, LLC
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2006
 AC# 3-BWD-J6

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.85382</u>
Deemed Asset Value (Per Bed)	44,571
Number of Beds	<u>39</u>
Deemed Asset Value	1,738,269
Improvements Since 1981	138,400
Accumulated Depreciation at 9/30/06	<u>(200,144)</u>
Deemed Depreciated Value	1,676,525
Market Rate of Return	<u>.0489</u>
Total Annual Return	81,982
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	81,982
Depreciation Expense	9,879
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	91,861
Total Patient Days (Actual)	<u>13,727</u>
Cost of Capital Per Diem	<u>\$ 6.69</u>

BRIARWOOD LIVING CENTER, LLC
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2006
AC# 3-BWD-J6

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$.64
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>4.63</u>
Reimbursable Cost of Capital Per Diem	\$ 4.63
Cost of Capital Per Diem	<u>6.69</u>
Cost of Capital Per Diem Limitation	\$ <u>(2.06)</u>

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