

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-CAR-J6 – Carriage Hills 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

**CARRIAGE HILLS LIVING CENTER, LLC
AIKEN, SOUTH CAROLINA**

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

**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, 2007	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2007 THROUGH SEPTEMBER 30, 2008	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2006	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	10

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 30, 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 Carriage Hills 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 Carriage Hills 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 Carriage Hills 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 Carriage Hills 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
August 30, 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

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

	10/01/07- <u>09/30/08</u>
Interim Reimbursement Rate (1)	\$168.54
Adjusted Reimbursement Rate	<u>164.48</u>
Decrease in Reimbursement Rate	\$ <u>4.06</u>

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

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 75.89	\$ 79.97	
Dietary		16.04	16.36	
Laundry/Housekeeping/Maintenance		<u>16.99</u>	<u>13.89</u>	
Subtotal	<u>\$1.30</u>	108.92	110.22	\$108.92
Administration & Medical Records	<u>\$ -</u>	<u>24.66</u>	<u>21.41</u>	<u>21.41</u>
Subtotal		133.58	<u>\$131.63</u>	130.33
<u>Costs Not Subject to Standards:</u>				
Utilities		5.18		5.18
Special Services		.10		.10
Medical Supplies & Oxygen		5.56		5.56
Taxes and Insurance		6.13		6.13
Legal Fees		<u>.12</u>		<u>.12</u>
TOTAL		<u>\$150.67</u>		147.42
Inflation Factor (4.60%)				6.78
Cost of Capital				8.16
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				1.30
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Transportation Escort Add-On				<u>.82</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$164.48</u>

CARRIAGE HILLS LIVING CENTER, LLC
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2006
 AC# 3-CAR-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	\$1,653,491	\$ -	\$36,840 (8) 241 (8) 19,012 (9) 1,054 (9) 641 (11) 265 (12)	\$1,595,438
Dietary	357,806	-	631 (9) 10 (11) 19,964 (12)	337,201
Laundry	70,171	-	1 (11)	70,170
Housekeeping	180,076	-	189 (11)	179,887
Maintenance	107,868	-	403 (9) 362 (11)	107,103
Administration & Medical Records	534,612	29,252 (8) 74 (9)	3,426 (2) 221 (9) 41,728 (11) 31 (11)	518,532
Utilities	115,368	-	6,240 (5) 255 (11)	108,873
Special Services	3,700	-	1 (9) 1 (11) 1,570 (12)	2,128
Medical Supplies & Oxygen	158,084	-	788 (7) 248 (9) 40,124 (12)	116,924

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

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
Taxes and Insurance	133,641	-	4,339 (6) 407 (11)	128,895
Legal Fees	3,213	-	602 (11)	2,611
Cost of Capital	198,160	30,833 (4) 3,711 (10) <u>338 (11)</u>	32,469 (1) 3,780 (2) <u>25,169 (3)</u>	171,624
Subtotal	3,516,190	64,208	241,012	3,339,386
Ancillary	259,927	788 (7)	-	260,715
Nonallowable	971,201	7,206 (2) 25,169 (3) 4,339 (6) 7,829 (8) 21,496 (9) 43,889 (11) 61,923 (12)	30,833 (4) 3,711 (10)	1,108,508
CNA Training and Testing	<u>2,070</u>	<u>-</u>	<u>-</u>	<u>2,070</u>
Total Operating Expenses	<u>\$4,749,388</u>	<u>\$236,847</u>	<u>\$275,556</u>	<u>\$4,710,679</u>
Total Patient Days	<u>21,024</u>	<u>-</u>	<u>-</u>	<u>21,024</u>
Total Beds	<u>60</u>			

CARRIAGE HILLS LIVING CENTER, LLC
Adjustment Report
Cost Report Period Ended September 30, 2006
AC# 3-CAR-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$273,024	
	Fixed Assets		\$180,006
	Other Equity		60,549
	Cost of Capital		32,469
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	7,206	
	Administration		3,426
	Cost of Capital		3,780
	To remove reorganization costs HIM-15-1, Section 2134.10 State Plan, Attachment 4.19D		
3	Nonallowable	25,169	
	Cost of Capital		25,169
	To adjust loan cost amortization State Plan, Attachment 4.19D		
4	Cost of Capital	30,833	
	Nonallowable		30,833
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
5	Retained Earnings	6,240	
	Utilities		6,240
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1		
6	Nonallowable	4,339	
	Taxes and Insurance		4,339
	To adjust liability insurance expense HIM-15-1, Section 2162.2 State Plan, Attachment 4.19D		

CARRIAGE HILLS LIVING CENTER, LLC
Adjustment Report
Cost Report Period Ended September 30, 2006
AC# 3-CAR-J6

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
7	Ancillary Medical Supplies	788	788
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
8	Administration Nonallowable Nursing Restorative	29,252 7,829	36,840 241
	To reclassify expense to the proper cost center HIM-15-1, Section 2102.3 DH&HS Expense Crosswalk		
9	Administration Nonallowable Nursing Restorative Dietary Maintenance Medical Records Medical Supplies Special Services	74 21,496	19,012 1,054 631 403 221 248 1
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
10	Cost of Capital Nonallowable	3,711	3,711
	To adjust capital return State Plan, Attachment 4.19D		

CARRIAGE HILLS LIVING CENTER, LLC
Adjustment Report
Cost Report Period Ended September 30, 2006
AC# 3-CAR-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
11	Cost of Capital	338	
	Nonallowable	43,889	
	Nursing		641
	Dietary		10
	Laundry		1
	Housekeeping		189
	Maintenance		362
	Administration		41,728
	Medical Records		31
	Legal		602
	Utilities		255
	Taxes and Insurance		407
	Special Services		1
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
12	Nonallowable	61,923	
	Nursing		265
	Dietary		19,964
	Medical Supplies		40,124
	Special Services		1,570
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
		\$516,111	\$516,111
	TOTAL ADJUSTMENTS		

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.

CARRIAGE HILLS LIVING CENTER, LLC
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2006
 AC# 3-CAR-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>60</u>
Deemed Asset Value	2,674,260
Improvements Since 1981	30,113
Accumulated Depreciation at 9/30/06	<u>(488,575)</u>
Deemed Depreciated Value	2,215,798
Market Rate of Return	<u>.0489</u>
Total Annual Return	108,353
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	108,353
Depreciation Expense	61,623
Amortization Expense	1,648
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	171,624
Total Patient Days (Minimum 96% Occupancy)	<u>21,024</u>
Cost of Capital Per Diem	\$ <u><u>8.16</u></u>

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