

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-ENC-J6 – Easley 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/sag

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

EASLEY LIVING CENTER, LLC

EASLEY, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2007
AC# 3-ENC-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 Easley 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 Easley 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 Easley 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 Easley 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

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

10/01/07-
09/30/08

Interim Reimbursement Rate (1)	\$129.67
Adjusted Reimbursement Rate	<u>127.52</u>
Decrease in Reimbursement Rate	\$ <u><u>2.15</u></u>

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

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 66.08	\$ 82.94	
Dietary		11.69	13.85	
Laundry/Housekeeping/Maintenance		<u>12.28</u>	<u>12.55</u>	
Subtotal	<u>\$7.65</u>	90.05	109.34	\$ 90.05
Administration & Medical Records	<u>\$6.45</u>	<u>11.77</u>	<u>18.22</u>	<u>11.77</u>
Subtotal		101.82	<u>\$127.56</u>	101.82
<u>Costs Not Subject to Standards:</u>				
Utilities		2.20		2.20
Special Services		.05		.05
Medical Supplies & Oxygen		5.85		5.85
Taxes and Insurance		3.57		3.57
Legal Fees		<u>.08</u>		<u>.08</u>
TOTAL		<u>\$113.57</u>		113.57
Inflation Factor (4.60%)				5.22
Cost of Capital				6.50
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.97
Cost Incentive				7.65
Effect of \$1.75 Cap on Cost/Profit Incentives				(9.87)
Transportation Escort Add-On				<u>.48</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$127.52</u>

EASLEY LIVING CENTER, LLC
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2006
 AC# 3-ENC-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	\$2,489,768	\$ -	\$ 4,800 (4) 17,388 (7) 8,989 (7) 7,461 (8) 2,414 (8) 1,159 (10) 49 (10) 12,769 (11)	\$2,434,739
Dietary	434,575	-	31 (10) 3,850 (11)	430,694
Laundry	129,822	-	593 (10)	129,229
Housekeeping	220,525	658 (10)	-	221,183
Maintenance	102,340	-	66 (8) 139 (10)	102,135
Administration & Medical Records	419,945	17,388 (7) 4,243 (8) 1 (10)	3,426 (2) 40 (8) 4,481 (10)	433,630
Utilities	81,199	10 (10)	-	81,209
Special Services	1,788	141 (11)	1 (8)	1,928
Medical Supplies & Oxygen	236,377	-	710 (5) 36 (8) 19,949 (11)	215,682
Taxes and Insurance	138,873	16 (10)	7,450 (6)	131,439

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

<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>
Legal Fees	2,776	22 (10)	-	2,798
Cost of Capital	241,341	3,171 (1) 18,750 (9) <u>1,063 (10)</u>	3,276 (2) 21,369 (3)	239,680
Subtotal	4,499,329	45,463	120,446	4,424,346
Ancillary	185,735	710 (5)	-	186,445
Nonallowable	995,471	6,702 (2) 21,369 (3) 4,800 (4) 7,450 (6) 8,989 (7) 5,775 (8) 4,682 (10) 36,427 (11)	18,750 (9)	1,072,915
CNA Training and Testing	<u>20,748</u>	<u>-</u>	<u>-</u>	<u>20,748</u>
Total Operating Expenses	<u>\$5,701,283</u>	<u>\$142,367</u>	<u>\$139,196</u>	<u>\$5,704,454</u>
Total Patient Days	<u>36,846</u>	<u>-</u>	<u>-</u>	<u>36,846</u>
Total Beds	<u>103</u>			

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

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 791	
	Other Equity	9,001	
	Cost of Capital	3,171	
	Fixed Assets		\$12,963
	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	21,369	
	Cost of Capital		21,369
	To remove loan cost amortization State Plan, Attachment 4.19D		
4	Nonallowable	4,800	
	Nursing		4,800
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
5	Ancillary	710	
	Medical Supplies		710
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		

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

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable Taxes and Insurance	7,450	7,450
	To adjust liability insurance expense HIM-15-1, Section 2162.2 State Plan, Attachment 4.19D		
7	Administration Nonallowable Nursing Restorative	17,388 8,989	17,388 8,989
	To reclassify expense to the proper cost center HIM-15-1, Section 2102.3 DH&HS Expense Crosswalk		
8	Administration Nonallowable Nursing Restorative Maintenance Medical Records Medical Supplies Special Services	4,243 5,775	7,461 2,414 66 40 36 1
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
9	Cost of Capital Nonallowable	18,750	18,750
	To adjust capital return State Plan, Attachment 4.19D		

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

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Housekeeping	658	
	Medical Records	1	
	Legal	22	
	Utilities	10	
	Taxes and Insurance	16	
	Cost of Capital	1,063	
	Nonallowable	4,682	
	Nursing		1,159
	Restorative		49
	Dietary		31
	Laundry		593
	Maintenance		139
	Administration		4,481
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
11	Special Services	141	
	Nonallowable	36,427	
	Nursing		12,769
	Dietary		3,850
	Medical Supplies		19,949
	To remove special (ancillary) Services reimbursed by Medicare State Plan, Attachment 4.19D		
		\$152,159	\$152,159
	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.

EASLEY LIVING CENTER, LLC
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2006
AC# 3-ENC-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>103</u>
Deemed Asset Value	4,590,813
Improvements Since 1981	445,484
Accumulated Depreciation at 9/30/06	<u>(707,841)</u>
Deemed Depreciated Value	4,328,456
Market Rate of Return	<u>.0489</u>
Total Annual Return	211,661
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	211,661
Depreciation Expense	28,266
Amortization Expense	-
Capital Related Income Offsets	(247)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	239,680
Total Patient Days (Actual)	<u>36,846</u>
Cost of Capital Per Diem	\$ <u><u>6.50</u></u>

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

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$2.56
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$6.55</u>
Reimbursable Cost of Capital Per Diem	\$6.50
Cost of Capital Per Diem	<u>6.50</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

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