

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

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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-GNC-J6 – Greenville 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

**GREENVILLE LIVING CENTER, LLC
GREENVILLE, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2007
AC# 3-GNC-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 Greenville 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 Greenville 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 Greenville 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 Greenville 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

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

	10/01/07- <u>09/30/08</u>
Interim Reimbursement Rate (1)	\$137.73
Adjusted Reimbursement Rate	<u>134.61</u>
Decrease in Reimbursement Rate	\$ <u><u>3.12</u></u>

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

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 68.37	\$ 83.18	
Dietary		12.68	13.90	
Laundry/Housekeeping/Maintenance		<u>13.81</u>	<u>13.36</u>	
Subtotal	<u>\$7.73</u>	94.86	110.44	\$ 94.86
Administration & Medical Records	<u>\$2.94</u>	<u>14.13</u>	<u>17.07</u>	<u>14.13</u>
Subtotal		108.99	<u>\$127.51</u>	108.99
<u>Costs Not Subject to Standards:</u>				
Utilities		3.27		3.27
Special Services		.04		.04
Medical Supplies & Oxygen		5.07		5.07
Taxes and Insurance		3.86		3.86
Legal Fees		<u>.14</u>		<u>.14</u>
TOTAL		<u>\$121.37</u>		121.37
Inflation Factor (4.60%)				5.58
Cost of Capital				6.85
Cost of Capital Limitation				(1.64)
Profit Incentive (Maximum 3.5% of Allowable Cost)				2.94
Cost Incentive				7.73
Effect of \$1.75 Cap on Cost/Profit Incentives				(8.92)
Transportation Escort Add-On				<u>.70</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$134.61</u>

GREENVILLE LIVING CENTER, LLC
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2006
 AC# 3-GNC-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	\$2,001,245	\$ -	\$38,395 (6) 398 (6) 29,376 (7) 1,687 (7) 881 (9) 14,603 (10)	\$1,915,905
Dietary	359,218	-	282 (7) 14 (9) 3,594 (10)	355,328
Laundry	119,272	-	2 (9)	119,270
Housekeeping	164,534	-	18 (9)	164,516
Maintenance	104,035	-	548 (7) 141 (9)	103,346
Administration & Medical Records	376,261	30,129 (6) 1,177 (7)	3,426 (2) 8,175 (9) 3 (9)	395,963
Utilities	91,782	-	24 (9)	91,758
Special Services	723	466 (10)	-	1,189
Medical Supplies & Oxygen	149,381	-	242 (4) 7,147 (10)	141,992
Taxes and Insurance	114,011	-	5,714 (5) 39 (9)	108,258

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

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Legal Fees	4,060	-	58 (9)	4,002
Cost of Capital	146,000	56,810 (8) 778 (9)	3,542 (1) 3,780 (2) <u>4,253 (3)</u>	192,013
Subtotal	<u>3,630,522</u>	<u>89,360</u>	<u>126,342</u>	<u>3,593,540</u>
Ancillary	114,394	242 (4)	-	114,636
Nonallowable	764,739	7,206 (2) 4,253 (3) 5,714 (5) 8,664 (6) 30,716 (7) 8,577 (9) 24,878 (10)	56,810 (8)	797,937
CNA Training and Testing	<u>1,605</u>	<u>-</u>	<u>-</u>	<u>1,605</u>
Total Operating Expenses	<u>\$4,511,260</u>	<u>\$179,610</u>	<u>\$183,152</u>	<u>\$4,507,718</u>
Total Patient Days	<u>28,023</u>	<u>-</u>	<u>-</u>	<u>28,023</u>
Total Beds	<u>79</u>			

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

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$10,406	
	Accumulated Depreciation	2,642	
	Other Equity		\$9,506
	Cost of Capital		3,542
	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	4,253	
	Cost of Capital		4,253
	To remove loan cost amortization State Plan, Attachment 4.19D		
4	Ancillary	242	
	Medical Supplies		242
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
5	Nonallowable	5,714	
	Taxes and Insurance		5,714
	To adjust liability insurance expense HIM-15-1, Section 2162.2 State Plan, Attachment 4.19D		

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

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Administration	30,129	
	Nonallowable	8,664	
	Nursing		38,395
	Restorative		398
	To reclassify expense to the proper cost center		
	HIM-15-1, Section 2102.3		
	DH&HS Expense Crosswalk		
7	Administration	1,177	
	Nonallowable	30,716	
	Nursing		29,376
	Restorative		1,687
	Dietary		282
	Maintenance		548
	To adjust fringe benefits and related allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
8	Cost of Capital	56,810	
	Nonallowable		56,810
	To adjust capital return		
	State Plan, Attachment 4.19D		
9	Cost of Capital	778	
	Nonallowable	8,577	
	Nursing		881
	Dietary		14
	Laundry		2
	Housekeeping		18
	Maintenance		141
	Administration		8,175
	Medical Records		3
	Legal		58
	Utilities		24
	Taxes and Insurance		39
	To adjust home office cost allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		

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

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Special Services	466	
	Nonallowable	24,878	
	Nursing		14,603
	Dietary		3,594
	Medical Supplies		7,147
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
		\$192,658	\$192,658
	TOTAL ADJUSTMENTS	\$192,658	\$192,658

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.

GREENVILLE LIVING CENTER, LLC
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2006
 AC# 3-GNC-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>79</u>
Deemed Asset Value	3,521,109
Improvements Since 1981	590,312
Accumulated Depreciation at 9/30/06	<u>(794,673)</u>
Deemed Depreciated Value	3,316,748
Market Rate of Return	<u>.0489</u>
Total Annual Return	162,189
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	162,189
Depreciation Expense	29,824
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	192,013
Total Patient Days (Actual)	<u>28,023</u>
Cost of Capital Per Diem	<u>\$ 6.85</u>

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

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 1.22
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>5.21</u>
Reimbursable Cost of Capital Per Diem	\$ 5.21
Cost of Capital Per Diem	<u>6.85</u>
Cost of Capital Per Diem Limitation	\$ <u>(1.64)</u>

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