

# 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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September 27, 2010

Ms. Kylie Grieco, Controller  
Laurel Baye Healthcare, LLC  
3409 Salterbeck Street  
Mt. Pleasant, South Carolina 29466

Re: AC# 3-LBW-J5 – Laurel Baye Health Care of Williston, Inc.

Dear Ms. Grieco:

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 periods 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.

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

**LAUREL BAYE HEALTH CARE OF WILLISTON, INC.**

**WILLISTON, SOUTH CAROLINA**

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

**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

May 6, 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 Laurel Baye Health Care of Williston, Inc., 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 Laurel Baye Health Care of Williston, Inc. 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 Laurel Baye Health Care of Williston, Inc., 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 Laurel Baye Health Care of Williston, Inc. 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  
May 6, 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

**LAUREL BAYE HEALTH CARE OF WILLISTON, INC.**

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

10/01/06-  
09/30/07

Interim Reimbursement Rate (1)	\$127.48
Adjusted Reimbursement Rate	<u>117.74</u>
Decrease in Reimbursement Rate	\$ <u>9.74</u>

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

**LAUREL BAYE HEALTH CARE OF WILLISTON, INC.**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2006 Through September 30, 2007  
 AC# 3-LBW-J5

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 55.75	\$ 69.71	
Dietary		12.01	15.72	
Laundry/Housekeeping/Maintenance		<u>9.87</u>	<u>13.37</u>	
Subtotal	<u>\$6.92</u>	77.63	98.80	\$ 77.63
Administration & Medical Records	<u>\$1.67</u>	<u>17.98</u>	<u>19.65</u>	<u>17.98</u>
Subtotal		95.61	<u>\$118.45</u>	95.61
<u>Costs Not Subject to Standards:</u>				
Utilities		3.26		3.26
Special Services		-		-
Medical Supplies & Oxygen		3.49		3.49
Taxes and Insurance		2.05		2.05
Legal Fees		<u>.05</u>		<u>.05</u>
<b>TOTAL</b>		<u>\$104.46</u>		104.46
Inflation Factor (4.60%)				4.81
Cost of Capital				6.72
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				1.67
Cost Incentive				6.92
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(6.84)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$117.74</u>

**LAUREL BAYE HEALTH CARE OF WILLISTON, INC.**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2005  
AC# 3-LBW-J5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$874,726	\$ -	\$15,224 (2)	\$859,502
Dietary	185,111	-	-	185,111
Laundry	39,318	-	-	39,318
Housekeeping	54,285	-	-	54,285
Maintenance	58,514	-	-	58,514
Administration & Medical Records	277,153	-	-	277,153
Utilities	50,235	-	-	50,235
Special Services	62	-	-	62
Medical Supplies & Oxygen	53,734	-	-	53,734
Taxes and Insurance	162,388	-	130,792 (3)	31,596
Legal Fees	783	-	-	783
Cost of Capital	101,337	2,295 (1) 320 (5)	296 (4)	103,656
Subtotal	1,857,646	2,615	146,312	1,713,949
Ancillary	74,230	-	-	74,230

**LAUREL BAYE HEALTH CARE OF WILLISTON, INC.**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2005  
AC# 3-LBW-J5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Nonallowable	300,649	15,224 (2) 130,792 (3) 296 (4)	2,295 (1) 320 (5)	444,346
CNA Training and Testing	<u>250</u>	<u>-</u>	<u>-</u>	<u>250</u>
Total Operating Expenses	<u>\$2,232,775</u>	<u>\$148,927</u>	<u>\$148,927</u>	<u>\$2,232,775</u>
Total Patient Days	<u>15,418</u>	<u>-</u>	<u>-</u>	<u>15,418</u>
Total Beds	<u>44</u>			

**LAUREL BAYE HEALTH CARE OF WILLISTON, INC.**  
Adjustment Report  
Cost Report Period Ended September 30, 2005  
AC# 3-LBW-J5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 9,756	
	Cost of Capital	2,295	
	Accumulated Depreciation	223	
	Nonallowable		\$ 2,295
	Other Equity		9,979
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	15,224	
	Nursing		15,224
	To adjust expense HIM-15-1, Section 2304		
3	Nonallowable	130,792	
	Taxes and Insurance		130,792
	To adjust liability insurance HIM-15-1, Sections 2162.2 and 2304		
4	Nonallowable	296	
	Cost of Capital		296
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
5	Cost of Capital	320	
	Nonallowable		320
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$158,906	\$158,906

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.

**LAUREL BAYE HEALTH CARE OF WILLISTON, INC.**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2005  
 AC# 3-LBW-J5

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.77878</u>
Deemed Asset Value (Per Bed)	43,399
Number of Beds	<u>44</u>
Deemed Asset Value	1,909,556
Improvements Since 1981	49,560
Accumulated Depreciation at 9/30/05	<u>(696,538)</u>
Deemed Depreciated Value	1,262,578
Market Rate of Return	<u>.0490</u>
Total Annual Return	61,866
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	61,866
Depreciation Expense	42,709
Home Office Depreciation Expense	106
Amortization Expense	-
Capital Related Income Offsets	(1,025)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	103,656
Total Patient Days (Minimum 96% Occupancy)	<u>15,418</u>
Cost of Capital Per Diem	\$ <u><u>6.72</u></u>

**LAUREL BAYE HEALTH CARE OF WILLISTON, INC.**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 2005  
AC# 3-LBW-J5

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ N/A
Adjustment for Maximum Increase	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$6.72</u>
Reimbursable Cost of Capital Per Diem	\$6.72
Cost of Capital Per Diem	<u>6.72</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

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