

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
FAX (803) 343-0723

August 31, 2010

Mr. Eric Rodgers, Controller
Lexmed, Inc.
815 Old Cherokee Road
Lexington, South Carolina 29072-9041

Re: AC# 3-LMC-J5 – Lexmed, Inc. d/b/a Lexington Medical Center Extended Care

Dear Mr. Rodgers:

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 period 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.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976, as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

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

**LEXMED, INC.
D/B/A LEXINGTON MEDICAL CENTER
EXTENDED CARE**

LEXINGTON, SOUTH CAROLINA

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

June 18, 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 Lexmed, Inc. d/b/a Lexington Medical Center Extended Care, 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 Lexmed, Inc. d/b/a Lexington Medical Center Extended Care 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 Lexmed, Inc. d/b/a Lexington Medical Center Extended Care, 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 and Adjustment Report 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 Lexmed, Inc. d/b/a Lexington Medical Center Extended Care 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
June 18, 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

LEXINGTON MEDICAL CENTER EXTENDED CARE

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

	10/01/06- <u>09/30/07</u>
Interim Reimbursement Rate (1)	\$146.27
Adjusted Reimbursement Rate	<u>145.32</u>
Decrease in Reimbursement Rate	\$ <u><u>.95</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated February 13, 2008.

LEXINGTON MEDICAL CENTER EXTENDED CARE
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2006 Through September 30, 2007
 AC# 3-LMC-J5

<u>Costs Subject to Standards:</u>	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
General Services		\$ 77.37	\$ 79.77	
Dietary		15.14	13.46	
Laundry/Housekeeping/Maintenance		<u>10.38</u>	<u>12.03</u>	
Subtotal	<u>\$2.37</u>	102.89	105.26	\$102.89
Administration & Medical Records	<u>\$2.60</u>	<u>14.27</u>	<u>16.87</u>	<u>14.27</u>
Subtotal		117.16	<u>\$122.13</u>	117.16
 <u>Costs Not Subject to Standards:</u>				
Utilities		3.34		3.34
Special Services		.14		.14
Medical Supplies & Oxygen		7.09		7.09
Taxes and Insurance		.55		.55
Legal Fees		<u>.04</u>		<u>.04</u>
TOTAL		<u>\$128.32</u>		128.32
Inflation Factor (4.60%)				5.90
Cost of Capital				9.35
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				2.60
Cost Incentive				2.37
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(3.22)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$145.32</u>

LEXINGTON MEDICAL CENTER EXTENDED CARE
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2005
 AC# 3-LMC-J5

<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	\$ 9,711,668	\$ 62,529 (2)	\$ 62,531 (3)	\$ 9,711,666
Dietary	1,900,136	192,816 (2)	192,815 (3)	1,900,137
Laundry	322,942	32,770 (2)	32,771 (3)	322,941
Housekeeping	597,870	119,058 (2)	136,368 (3)	580,560
Maintenance	411,097	81,580 (2)	93,341 (3)	399,336
Administration & Medical Records	1,797,805	179,707 (2) 31,960 (2)	186,539 (3) 31,960 (3)	1,790,973
Utilities	431,585	84,936 (2)	97,106 (3)	419,415
Special Services	17,524	-	-	17,524
Medical Supplies & Oxygen	925,755	61,232 (2)	97,599 (3)	889,388
Taxes and Insurance	93,479	17,924 (2)	27,295 (1) 15,442 (3)	68,666
Legal Fees	4,708	584 (2)	606 (3)	4,686
Cost of Capital	<u>1,181,476</u>	<u>36,669</u> (2)	<u>44,035</u> (3)	<u>1,174,110</u>
Subtotal	17,396,045	901,765	1,018,408	17,279,402

LEXINGTON MEDICAL CENTER EXTENDED CARE
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2005
AC# 3-LMC-J5

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Debit	Adjustments Credit	Adjusted Totals
Ancillary	759,046	-	-	759,046
Nonallowable	3,766,251	27,295 (1) 991,113 (3)	901,765 (2)	3,882,894
CNA Training and Testing	<u>2,375</u>	<u>-</u>	<u>-</u>	<u>2,375</u>
Total Operating Expenses	<u>\$21,923,717</u>	<u>\$1,920,173</u>	<u>\$1,920,173</u>	<u>\$21,923,717</u>
Total Patient Days	<u>125,529</u>	<u>-</u>	<u>-</u>	<u>125,529</u>
Total Beds	<u>352</u>			

LEXINGTON MEDICAL CENTER EXTENDED CARE
Adjustment Report
Cost Report Period Ended September 30, 2005
AC# 3-LMC-J5

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Taxes and Insurance	\$ 27,295	\$ 27,295
	To adjust liability insurance expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Restorative Dietary Laundry Housekeeping Maintenance Administration Medical Records Legal Utilities Taxes and Insurance Medical Supplies & Oxygen Cost of Capital Nonallowable	62,529 192,816 32,770 119,058 81,580 179,707 31,960 584 84,936 17,924 61,232 36,669	901,765
	To reverse DH&HS adjustment to remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
3	Nonallowable Restorative Dietary Laundry Housekeeping Maintenance Administration Medical Records Legal Utilities Taxes and Insurance Medical Supplies & Oxygen Cost of Capital	991,113	62,531 192,815 32,771 136,368 93,341 186,539 31,960 606 97,106 15,442 97,599 44,035
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

LEXINGTON MEDICAL CENTER EXTENDED CARE
Adjustment Report
Cost Report Period Ended September 30, 2005
AC# 3-LMC-J5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
4	<u>Memo Adjustment:</u> To increase the noncertified square footage by 3,524 square feet from 21,889 to 25,413 square feet		
	TOTAL ADJUSTMENTS	<u>\$1,920,173</u>	<u>\$1,920,173</u>

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.

2 copies of this document were published at an estimated printing cost of \$1.32 each, and a total printing cost of \$2.64. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.