

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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August 31, 2010

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

Re: AC# 3-LMC-J6 – 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, 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.

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/sag

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, 2007
AC# 3-LMC-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

June 17, 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, 2007, and for the twelve month cost report period ended September 30, 2006, 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, 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 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 17, 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, 2007
AC# 3-LMC-J6

10/01/07-
09/30/08

Interim Reimbursement Rate (1)	\$150.06
Adjusted Reimbursement Rate	<u>149.04</u>
Decrease in Reimbursement Rate	\$ <u>1.02</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, 2007 Through September 30, 2008
 AC# 3-LMC-J6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 77.89	\$ 82.94	
Dietary		16.11	13.85	
Laundry/Housekeeping/Maintenance		<u>10.70</u>	<u>12.55</u>	
Subtotal	<u>\$4.64</u>	104.70	109.34	\$104.70
Administration & Medical Records	<u>\$3.33</u>	<u>14.89</u>	<u>18.22</u>	<u>14.89</u>
Subtotal		119.59	<u>\$127.56</u>	119.59
<u>Costs Not Subject to Standards:</u>				
Utilities		3.77		3.77
Special Services		.23		.23
Medical Supplies & Oxygen		7.33		7.33
Taxes and Insurance		.62		.62
Legal Fees		<u>.08</u>		<u>.08</u>
TOTAL		<u>\$131.62</u>		131.62
Inflation Factor (4.60%)				6.05
Cost of Capital				9.43
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.33
Cost Incentive				4.64
Effect of \$1.75 Cap on Cost/Profit Incentives				(6.22)
Transportation Escort Add-On				<u>.19</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$149.04</u>

LEXINGTON MEDICAL CENTER EXTENDED CARE
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2006
 AC# 3-LMC-J6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$9,726,966	\$ 63,383 (2)	\$ 63,383 (3)	\$ 9,726,966
Dietary	2,012,170	192,285 (2)	192,284 (3)	2,012,171
Laundry	357,860	34,197 (2)	34,197 (3)	357,860
Housekeeping	547,609	108,542 (2)	124,335 (3)	531,816
Maintenance	459,319	90,484 (2)	103,588 (3)	446,215
Administration & Medical Records	1,866,804	182,203 (2) 28,189 (2)	189,400 (3) 28,187 (3)	1,859,609
Utilities	484,899	94,930 (2)	108,525 (3)	471,304
Special Services	28,842	-	-	28,842
Medical Supplies & Oxygen	945,780	62,005 (2)	91,849 (3)	915,936
Taxes and Insurance	109,235	20,829 (2)	35,731 (1) 17,237 (3)	77,096
Legal Fees	9,561	1,139 (2)	1,187 (3)	9,513
Cost of Capital	1,187,725	30,225 (2) <u>2,549 (5)</u>	42,097 (3) <u>603 (4)</u>	1,177,799
Subtotal	17,736,770	910,960	1,032,603	17,615,127

LEXINGTON MEDICAL CENTER EXTENDED CARE
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2006
AC# 3-LMC-J6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	954,238	-	-	954,238
Nonallowable	3,887,818	35,731 (1) 996,269 (3) 603 (4)	908,411 (2) 2,549 (5)	4,009,461
CNA Training and Testing	<u>1,575</u>	<u>-</u>	<u>-</u>	<u>1,575</u>
Total Operating Expenses	<u>\$22,580,401</u>	<u>\$1,943,563</u>	<u>\$1,943,563</u>	<u>\$22,580,401</u>
Total Patient Days	<u>124,884</u>	<u>-</u>	<u>-</u>	<u>124,884</u>
Total Beds	<u>352</u>			

LEXINGTON MEDICAL CENTER EXTENDED CARE
Adjustment Report
Cost Report Period Ended September 30, 2006
AC# 3-LMC-J6

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Taxes and Insurance	\$ 35,731	\$ 35,731
	To adjust liability insurance expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Restorative	63,383	
	Dietary	192,285	
	Laundry	34,197	
	Housekeeping	108,542	
	Maintenance	90,484	
	Administration	182,203	
	Medical Records	28,189	
	Legal	1,139	
	Utilities	94,930	
	Taxes and Insurance	20,829	
	Medical Supplies & Oxygen	62,005	
	Cost of Capital	30,225	
	Nonallowable		908,411
	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	996,269	
	Restorative		63,383
	Dietary		192,284
	Laundry		34,197
	Housekeeping		124,335
	Maintenance		103,588
	Administration		189,400
	Medical Records		28,187
	Legal		1,187
	Utilities		108,525
	Taxes and Insurance		17,237
	Medical Supplies & Oxygen		91,849
	Cost of Capital		42,097
	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, 2006
AC# 3-LMC-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
4	Nonallowable Cost of Capital	603	603
	To adjust deemed asset value limitation amortization expense State Plan, Attachment 4.19D		
5	Cost of Capital Nonallowable	2,549	2,549
	To adjust capital return State Plan, Attachment 4.19D		
6	<u>Memo Adjustment</u> To increase the noncertified square footage by 3,524 square feet from 21,889 to 25,413 square feet		
	<u>TOTAL ADJUSTMENTS</u>	<u>\$1,943,563</u>	<u>\$1,943,563</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.

LEXINGTON MEDICAL CENTER EXTENDED CARE
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2006
 AC# 3-LMC-J6

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.85382</u>	<u>2.85382</u>	<u>2.85382</u>	
Deemed Asset Value (Per Bed)	44,571	44,571	44,571	
Number of Beds	<u>132</u>	<u>176</u>	<u>44</u>	
Deemed Asset Value	5,883,372	7,844,496	1,961,124	
Improvements Since 1981	1,945,011	1,232,902	103,838	
Accumulated Depreciation at 9/30/06	<u>(3,350,905)</u>	<u>(3,008,453)</u>	<u>(572,437)</u>	
Deemed Depreciated Value	4,477,478	6,068,945	1,492,525	
Market Rate of Return	<u>.0489</u>	<u>.0489</u>	<u>.0489</u>	
Total Annual Return	218,949	296,771	72,984	
Return Applicable to Non-Reimbursable Cost Centers	(2,489)	(4,499)	(277)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>7,161</u>	<u>9,549</u>	<u>2,387</u>	
Allowable Annual Return	223,621	301,821	75,094	
Depreciation Expense	248,786	299,979	60,063	
Amortization Expense	4,830	5,838	-	
Capital Related Income Offsets	(51)	(68)	(17)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(15,786)</u>	<u>(21,049)</u>	<u>(5,262)</u>	<u>Total</u>
Allowable Cost of Capital Expense	461,400	586,521	129,878	\$1,177,799
Total Patient Days	<u>46,827</u>	<u>62,445</u>	<u>15,612</u>	<u>124,884</u>
Cost of Capital Per Diem	\$ <u>9.85</u>	\$ <u>9.39</u>	\$ <u>8.32</u>	\$ <u>9.43</u>

LEXINGTON MEDICAL CENTER EXTENDED CARE
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2006
 AC# 3-LMC-J6

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ N/A	\$ N/A	\$ N/A
Adjustment for Maximum Increase	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$9.85</u>	<u>\$9.39</u>	<u>\$8.32</u>
Reimbursable Cost of Capital Per Diem		\$9.43	
Cost of Capital Per Diem		<u>9.43</u>	
Cost of Capital Per Diem Limitation		<u>\$ -</u>	

2 copies of this document were published at an estimated printing cost of \$1.38 each, and a total printing cost of \$2.76. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.