

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-PDL-J6 – Piedmont 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

PIEDMONT LIVING CENTER, LLC

GREER, SOUTH CAROLINA

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

August 30, 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 Piedmont 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 Piedmont 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 Piedmont 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 Piedmont 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
August 30, 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

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

10/01/07-
09/30/08

Interim Reimbursement Rate (1)	\$141.24
Adjusted Reimbursement Rate	<u>138.83</u>
Decrease in Reimbursement Rate	\$ <u><u>2.41</u></u>

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

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 74.02	\$ 77.15	
Dietary		12.37	13.85	
Laundry/Housekeeping/Maintenance		<u>13.79</u>	<u>12.55</u>	
Subtotal	<u>\$3.37</u>	100.18	103.55	\$100.18
Administration & Medical Records	<u>\$5.59</u>	<u>12.63</u>	<u>18.22</u>	<u>12.63</u>
Subtotal		112.81	<u>\$121.77</u>	112.81
<u>Costs Not Subject to Standards:</u>				
Utilities		2.28		2.28
Special Services		.03		.03
Medical Supplies & Oxygen		5.17		5.17
Taxes and Insurance		4.54		4.54
Legal Fees		<u>.12</u>		<u>.12</u>
TOTAL		<u>\$124.95</u>		124.95
Inflation Factor (4.60%)				5.75
Cost of Capital				5.98
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				4.37
Cost Incentive				3.37
Effect of \$1.75 Cap on Cost/Profit Incentives				(5.99)
Transportation Escort Add-On				<u>.40</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$138.83</u>

PIEDMONT LIVING CENTER, LLC
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2006
 AC# 3-PDL-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	\$3,565,490	\$ 6,963 (1)	\$ 6,383 (1) 10,557 (5) 26,919 (8) 12,577 (8) 9,695 (9) 2,143 (9) 1,488 (11) 63 (11)	\$3,502,628
Dietary	591,366	91 (1)	6,195 (5) 35 (9) 39 (11)	585,188
Laundry	175,273	-	796 (11)	174,477
Housekeeping	296,410	845 (11)	-	297,255
Maintenance	182,016	-	149 (1) 927 (2) 64 (9) 229 (11)	180,647
Administration & Medical Records	593,308	22 (1) 26,919 (8) 2,910 (9)	12,860 (1) 27 (9) 12,618 (11) 4 (11)	597,650
Utilities	106,979	4,497 (1)	3,403 (6) 34 (11)	108,039
Special Services	1,371	13,633 (5)	13,690 (1)	1,314
Medical Supplies & Oxygen	260,810	-	16,325 (5) 21 (9)	244,464

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

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
Taxes and Insurance	211,854	12,884 (1)	9,866 (7) 53 (11)	214,819
Legal Fees	5,689	-	79 (11)	5,610
Cost of Capital	315,448	6,702 (1) 792 (10) <u>1,322 (11)</u>	2,620 (2) 6,702 (3) <u>31,889 (4)</u>	283,053
Subtotal	6,306,014	77,580	188,450	6,195,144
Ancillary	182,166	-	-	182,166
Nonallowable	1,036,520	22,426 (1) 6,702 (3) 31,889 (4) 19,444 (5) 9,866 (7) 12,577 (8) 9,075 (9) 13,236 (11)	792 (10)	1,160,943
CNA Training and Testing	<u>25,386</u>	<u>7,083 (1)</u>	<u>-</u>	<u>32,469</u>
Total Operating Expenses	<u>\$7,550,086</u>	<u>\$209,878</u>	<u>\$189,242</u>	<u>\$7,570,722</u>
Total Patient Days	<u>47,319</u>	<u>-</u>	<u>-</u>	<u>47,319</u>
Total Beds	<u>132</u>			

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

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accrued Salaries	\$ 12,209	
	Other Payables	36,196	
	Long Term Debt	3,119,154	
	Revenue	2,806	
	Restorative	6,963	
	Dietary	91	
	Medical Records	22	
	Utilities	4,497	
	Taxes and Insurance	12,884	
	Cost of Capital	6,702	
	Nonallowable	22,426	
	CNA Training and Testing	7,083	
	Cash		\$ 141,951
	Accounts Receivable		25,232
	Prepaid Expenses - Other		68,568
	Other Assets		2,962,200
	Nursing		6,383
	Maintenance		149
	Administration		12,860
	Special Services		13,690
	To adjust accounts to agree to the general ledger HIM-15-1, Section 2304		
2	Accumulated Depreciation	10,929	
	Fixed Assets		3,458
	Other Equity		3,924
	Maintenance		927
	Cost of Capital		2,620
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

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

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
3	Nonallowable Cost of Capital	6,702	6,702
	To remove reorganization costs HIM-15-1, Section 2134.10 State Plan, Attachment 4.19D		
4	Nonallowable Cost of Capital	31,889	31,889
	To remove loan cost amortization State Plan, Attachment 4.19D		
5	Special Services Nonallowable	13,633	
	Nursing	19,444	10,557
	Dietary		6,195
	Medical Supplies		16,325
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
6	Retained Earnings Utilities	3,403	3,403
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1		
7	Nonallowable Taxes and Insurance	9,866	9,866
	To adjust liability insurance expense HIM-15-1, Section 2162.2 State Plan, Attachment 4.19D		

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

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Administration	26,919	
	Nonallowable	12,577	
	Nursing		26,919
	Restorative		12,577
	To reclassify expense to the proper cost center HIM-15-1, Section 2102.3 DH&HS Expense Crosswalk		
9	Administration	2,910	
	Nonallowable	9,075	
	Nursing		9,695
	Restorative		2,143
	Dietary		35
	Maintenance		64
	Medical Records		27
	Medical Supplies		21
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
10	Cost of Capital	792	
	Nonallowable		792
	To adjust capital return State Plan, Attachment 4.19D		

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

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
11	Housekeeping	845	
	Cost of Capital	1,322	
	Nonallowable	13,236	
	Nursing		1,488
	Restorative		63
	Dietary		39
	Laundry		796
	Maintenance		229
	Administration		12,618
	Medical Records		4
	Legal		79
	Utilities		34
	Taxes and Insurance		53
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
		\$3,394,575	\$3,394,575
	TOTAL ADJUSTMENTS	\$3,394,575	\$3,394,575

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.

PIEDMONT LIVING CENTER, LLC
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2006
AC# 3-PDL-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>132</u>
Deemed Asset Value	5,883,372
Improvements Since 1981	717,815
Accumulated Depreciation at 9/30/06	<u>(1,993,902)</u>
Deemed Depreciated Value	4,607,285
Market Rate of Return	<u>.0489</u>
Total Annual Return	225,296
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	225,296
Depreciation Expense	57,757
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	283,053
Total Patient Days (Actual)	<u>47,319</u>
Cost of Capital Per Diem	\$ <u><u>5.98</u></u>

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

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 7.17
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$11.16</u>
Reimbursable Cost of Capital Per Diem	\$ 5.98
Cost of Capital Per Diem	<u>5.98</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

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