

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-RIV-J6 – Riverside 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

**RIVERSIDE LIVING CENTER, LLC
PIEDMONT, SOUTH CAROLINA**

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

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

10/01/07-
09/30/08

Interim Reimbursement Rate (1)	\$135.81
Adjusted Reimbursement Rate	<u>131.86</u>
Decrease in Reimbursement Rate	\$ <u><u>3.95</u></u>

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

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 67.01	\$ 83.18	
Dietary		12.47	13.90	
Laundry/Housekeeping/Maintenance		<u>11.67</u>	<u>13.36</u>	
Subtotal	<u>\$7.73</u>	91.15	110.44	\$ 91.15
Administration & Medical Records	<u>\$3.75</u>	<u>13.32</u>	<u>17.07</u>	<u>13.32</u>
Subtotal		104.47	<u>\$127.51</u>	104.47
<u>Costs Not Subject to Standards:</u>				
Utilities		2.32		2.32
Special Services		.04		.04
Medical Supplies & Oxygen		5.96		5.96
Taxes and Insurance		4.68		4.68
Legal Fees		<u>.09</u>		<u>.09</u>
TOTAL		<u>\$117.56</u>		117.56
Inflation Factor (4.60%)				5.41
Cost of Capital				6.58
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.75
Cost Incentive				7.73
Effect of \$1.75 Cap on Cost/Profit Incentives				(9.73)
Transportation Escort Add-On				<u>.56</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$131.86</u>

RIVERSIDE LIVING CENTER, LLC
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2006
 AC# 3-RIV-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	\$2,181,148	\$ -	\$ 43,534 (6) 2,201 (6) 29,271 (7) 1,652 (7) 985 (9) 3,603 (10)	\$2,099,902
Dietary	395,352	-	290 (7) 15 (9) 4,401 (10)	390,646
Laundry	98,849	-	310 (7) 3 (9)	98,536
Housekeeping	175,270	-	105 (9)	175,165
Maintenance	92,725	-	421 (7) 282 (9)	92,022
Administration & Medical Records	423,905	21,974 (6) 1,520 (7)	3,426 (2) 310 (7) 26,217 (9) 16 (9)	417,430
Utilities	72,697	-	141 (9)	72,556
Special Services	1,442	-	258 (10)	1,184
Medical Supplies & Oxygen	206,443	-	3,097 (4) 248 (7) 16,336 (10)	186,762

RIVERSIDE LIVING CENTER, LLC
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2006
AC# 3-RIV-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	153,588	-	6,688 (5) 225 (9)	146,675
Legal Fees	3,122	-	332 (9)	2,790
Cost of Capital	203,341	15,460 (1) 149 (8) <u>762 (9)</u>	3,780 (2) 8,670 (3) <u>1,002 (11)</u>	206,260
Subtotal	4,007,882	39,865	157,819	3,889,928
Ancillary	299,231	3,097 (4)	-	302,328
Nonallowable	1,418,438	7,206 (2) 8,670 (3) 6,688 (5) 23,761 (6) 30,982 (7) 27,559 (9) 24,598 (10) 1,002 (11)	149 (8)	1,548,755
CNA Training and Testing	<u>21,374</u>	<u>-</u>	<u>-</u>	<u>21,374</u>
Total Operating Expenses	<u>\$5,746,925</u>	<u>\$173,428</u>	<u>\$157,968</u>	<u>\$5,762,385</u>
Total Patient Days	<u>31,338</u>	<u>-</u>	<u>-</u>	<u>31,338</u>

Total Beds 88

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

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$13,188	
	Cost of Capital	15,460	
	Accumulated Depreciation		\$ 1,359
	Other Equity		27,289
	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	8,670	
	Cost of Capital		8,670
	To remove loan cost amortization State Plan, Attachment 4.19D		
4	Ancillary	3,097	
	Medical Supplies		3,097
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
5	Nonallowable	6,688	
	Taxes and Insurance		6,688
	To adjust liability insurance expense HIM-15-1, Section 2162.2 State Plan, Attachment 4.19D		
6	Administration	21,974	
	Nonallowable	23,761	
	Nursing		43,534
	Restorative		2,201
	To reclassify expense to the proper cost center HIM-15-1, Section 2102.3 DH&HS Expense Crosswalk		

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

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
7	Administration	1,520	
	Nonallowable	30,982	
	Nursing		29,271
	Restorative		1,652
	Dietary		290
	Laundry		310
	Maintenance		421
	Medical Records		310
	Medical Supplies		248
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Cost of Capital	149	
	Nonallowable		149
	To adjust capital return State Plan, Attachment 4.19D		
9	Cost of Capital	762	
	Nonallowable	27,559	
	Nursing		985
	Dietary		15
	Laundry		3
	Housekeeping		105
	Maintenance		282
	Administration		26,217
	Medical Records		16
	Legal		332
	Utilities		141
	Taxes and Insurance		225
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

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

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Nonallowable	24,598	
	Nursing		3,603
	Dietary		4,401
	Medical Supplies		16,336
	Special Services		258
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
11	Nonallowable	1,002	
	Cost of Capital		1,002
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
		\$186,616	\$186,616
	TOTAL ADJUSTMENTS		

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.

RIVERSIDE LIVING CENTER, LLC
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2006
AC# 3-RIV-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>88</u>
Deemed Asset Value	3,922,248
Improvements Since 1981	42,916
Accumulated Depreciation at 9/30/06	<u>(1,065,566)</u>
Deemed Depreciated Value	2,899,598
Market Rate of Return	<u>.0489</u>
Total Annual Return	141,790
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	141,790
Depreciation Expense	64,502
Amortization Expense	-
Capital Related Income Offsets	(32)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	206,260
Total Patient Days (Actual)	<u>31,338</u>
Cost of Capital Per Diem	<u>\$ 6.58</u>

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