

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

June 14, 2011

Mr. John Twitty, Controller
HMR Advantage Health Systems, Inc.
101 Grace Drive
Easley, South Carolina 29640

Re: AC# 3-RMD-J6 – Rosemond 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/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Ms. Kathleen C. Snider

**ROSEMOND LIVING CENTER, LLC
PICKENS, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2007
AC# 3-RMD-J6**

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 2007	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2007 THROUGH SEPTEMBER 30, 2008	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2006	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	10

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

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 Rosemond 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 Rosemond 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.

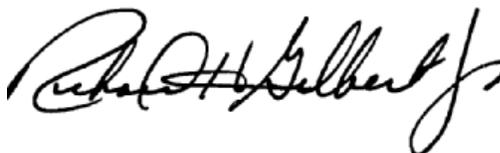
The procedures and the associated findings are as follows:

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 Rosemond 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 Rosemond 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

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

	10/01/07- <u>09/30/08</u>
Interim Reimbursement Rate (1)	\$141.83
Adjusted Reimbursement Rate	<u>139.12</u>
Decrease in Reimbursement Rate	\$ <u><u>2.71</u></u>

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

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 71.47	\$ 79.97	
Dietary		14.67	16.36	
Laundry/Housekeeping/Maintenance		<u>12.78</u>	<u>13.89</u>	
Subtotal	<u>\$7.72</u>	98.92	110.22	\$ 98.92
Administration & Medical Records	<u>\$6.92</u>	<u>14.49</u>	<u>21.41</u>	<u>14.49</u>
Subtotal		113.41	<u>\$131.63</u>	113.41
<u>Costs Not Subject to Standards:</u>				
Utilities		2.32		2.32
Special Services		-		-
Medical Supplies & Oxygen		5.68		5.68
Taxes and Insurance		3.47		3.47
Legal Fees		<u>.07</u>		<u>.07</u>
TOTAL		<u>\$124.95</u>		124.95
Inflation Factor (4.60%)				5.75
Cost of Capital				5.53
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				4.37
Cost Incentive				7.72
Effect of \$1.75 Cap on Cost/Profit Incentives				(10.34)
Transportation Escort Add-On				<u>1.14</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$139.12</u>

ROSEMOND LIVING CENTER, LLC
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2006
 AC# 3-RMD-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	\$1,141,670	\$ 1,289 (10) 358 (10)	\$ 5,621 (4) 6,896 (5) 17,894 (9) 489 (12)	\$1,112,417
Dietary	228,177	173 (10)	8 (12)	228,342
Laundry	61,121	82 (10)	2 (12)	61,201
Housekeeping	80,030	10 (12)	-	80,040
Maintenance	57,520	131 (10)	49 (12)	57,602
Administration & Medical Records	217,009	17,894 (9) 3,602 (10) 43 (10) 2 (12)	3,426 (2) 9,028 (6) 513 (12)	225,583
Utilities	37,197	13 (12)	1,073 (7)	36,137
Special Services	38	-	-	38
Medical Supplies & Oxygen	95,610	30 (10)	7,246 (5)	88,394
Taxes and Insurance	57,160	21 (12)	3,178 (8)	54,003
Legal Fees	995	31 (12)	-	1,026

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

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments		Adjusted Totals
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	95,340	610 (11) 458 (12)	1,063 (1) 3,780 (2) <u>5,509 (3)</u>	86,056
Subtotal	<u>2,071,867</u>	<u>24,747</u>	65,775	2,030,839
Ancillary	45,986	-	-	45,986
Nonallowable	209,779	7,206 (2) 5,509 (3) 5,621 (4) 14,142 (5) 9,028 (6) 3,178 (8) 526 (12)	5,708 (10) 610 (11)	248,671
CNA Training and Testing	<u>15,295</u>	<u>-</u>	<u>-</u>	<u>15,295</u>
Total Operating Expenses	<u>\$2,342,927</u>	<u>\$69,957</u>	<u>\$72,093</u>	<u>\$2,340,791</u>
Total Patient Days	<u>15,564</u>	<u>-</u>	<u>-</u>	<u>15,564</u>
Total Beds	<u>44</u>			

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

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$12,477	
	Other Equity	1,497	
	Fixed Assets		\$12,911
	Cost of Capital		1,063
	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	5,509	
	Cost of Capital		5,509
	To remove loan cost amortization State Plan, Attachment 4.19D		
4	Nonallowable	5,621	
	Nursing		5,621
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
5	Nonallowable	14,142	
	Nursing		6,896
	Medical Supplies		7,246
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
6	Nonallowable	9,028	
	Administration		9,028
	To adjust accounting fees HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

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

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
7	Retained Earnings Utilities	1,073	1,073
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1		
8	Nonallowable Taxes and Insurance	3,178	3,178
	To adjust liability insurance expense HIM-15-1, Section 2162.2 State Plan, Attachment 4.19D		
9	Administration Nursing	17,894	17,894
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
10	Nursing Restorative Dietary Laundry Maintenance Administration Medical Records Medical Supplies Nonallowable	1,289 358 173 82 131 3,602 43 30	5,708
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
11	Cost of Capital Nonallowable	610	610
	To adjust capital return State Plan, Attachment 4.19D		

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

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
12	Housekeeping	10	
	Medical Records	2	
	Legal 31		
	Utilities	13	
	Taxes and Insurance	21	
	Cost of Capital	458	
	Nonallowable	526	
	Nursing		489
	Dietary		8
	Laundry		2
	Maintenance		49
	Administration		513
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
		_____	_____
	TOTAL ADJUSTMENTS	<u>\$85,004</u>	<u>\$85,004</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.

ROSEMOND LIVING CENTER, LLC
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2006
 AC# 3-RMD-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>44</u>
Deemed Asset Value	1,961,124
Improvements Since 1981	145,566
Accumulated Depreciation at 9/30/06	<u>(554,514)</u>
Deemed Depreciated Value	1,552,176
Market Rate of Return	<u>.0489</u>
Total Annual Return	75,901
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	75,901
Depreciation Expense	10,182
Amortization Expense	-
Capital Related Income Offsets	(27)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	86,056
Total Patient Days (Actual)	<u>15,564</u>
Cost of Capital Per Diem	\$ <u><u>5.53</u></u>

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

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$2.76
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$6.75</u>
Reimbursable Cost of Capital Per Diem	\$5.53
Cost of Capital Per Diem	<u>5.53</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

2 copies of this document were published at an estimated printing cost of \$1.41 each, and a total printing cost of \$2.82. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.