

*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-SUM-J6 – Summit Place 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

**SUMMIT PLACE LIVING CENTER, LLC  
SIMPSONVILLE, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2007  
AC# 3-SUM-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 31, 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 Summit Place 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 Summit Place 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 Summit Place 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 Summit Place 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 31, 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

**SUMMIT PLACE LIVING CENTER, LLC**

Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2007  
AC# 3-SUM-J6

10/01/07-  
09/30/08

Interim Reimbursement Rate (1)	\$141.42
Adjusted Reimbursement Rate	<u>135.64</u>
Decrease in Reimbursement Rate	\$ <u>5.78</u>

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

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

<u>Costs Subject to Standards:</u>	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
General Services		\$ 71.74	\$ 82.94	
Dietary		13.50	13.85	
Laundry/Housekeeping/Maintenance		<u>12.69</u>	<u>12.55</u>	
Subtotal	<u>\$7.65</u>	97.93	109.34	\$ 97.93
Administration & Medical Records	<u>\$7.98</u>	<u>10.24</u>	<u>18.22</u>	<u>10.24</u>
Subtotal		108.17	<u>\$127.56</u>	108.17
 <u>Costs Not Subject to Standards:</u>				
Utilities		2.53		2.53
Special Services		.10		.10
Medical Supplies & Oxygen		6.45		6.45
Taxes and Insurance		4.22		4.22
Legal Fees		<u>.19</u>		<u>.19</u>
<b>TOTAL</b>		<u>\$121.66</u>		121.66
Inflation Factor (4.60%)				5.60
Cost of Capital				6.27
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				4.26
Cost Incentive				7.65
Effect of \$1.75 Cap on Cost/Profit Incentives				(10.16)
Transportation Escort Add-On				<u>.36</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$135.64</u>

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

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$3,487,305	\$ -	\$ 10,957 (5) 32,574 (8) 1,449 (8) 48,039 (9) 3,764 (9) 1,486 (11)	\$3,389,036
Dietary	637,609	-	24 (11)	637,585
Laundry	181,135	-	319 (9) 4 (11)	180,812
Housekeeping	261,988	-	70 (11)	261,918
Maintenance	159,661	-	1,595 (1) 1,190 (9) 295 (11)	156,581
Administration & Medical Records	485,288	23,802 (8) 286 (9)	3,426 (2) 425 (9) 21,697 (11) 11 (11)	483,817
Utilities	119,785	-	93 (11)	119,692
Special Services	4,556	-	1 (11)	4,555
Medical Supplies & Oxygen	350,193	-	39,384 (5) 6,049 (7)	304,760
Taxes and Insurance	209,448	-	9,866 (6) 149 (11)	199,433

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

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Legal Fees	9,202	-	221 (11)	8,981
Cost of Capital	403,324	4,358 (4)	83,427 (1)	296,021
		6,255 (10)	3,276 (2)	
	<u>                    </u>	<u>1,263 (11)</u>	<u>32,476 (3)</u>	<u>                    </u>
Subtotal	6,309,494	35,964	302,267	6,043,191
Ancillary	290,660	2,986 (7)	-	293,646
Nonallowable	1,326,290	6,702 (2)	4,358 (4)	1,501,522
		32,476 (3)	6,255 (10)	
		50,341 (5)		
		9,866 (6)		
		10,221 (8)		
		53,451 (9)		
		22,788 (11)		
CNA Training and Testing	<u>7,932</u>	<u>-</u>	<u>-</u>	<u>7,932</u>
Total Operating Expenses	<u>\$7,934,376</u>	<u>\$224,795</u>	<u>\$312,880</u>	<u>\$7,846,291</u>
Total Patient Days	<u>47,243</u>	<u>-</u>	<u>-</u>	<u>47,243</u>
Total Beds	<u>132</u>			

**SUMMIT PLACE LIVING CENTER, LLC**  
Adjustment Report  
Cost Report Period Ended September 30, 2006  
AC# 3-SUM-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$209,028	
	Fixed Assets		\$101,866
	Other Equity		22,140
	Maintenance		1,595
	Cost of Capital		83,427
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	6,702	
	Administration		3,426
	Cost of Capital		3,276
	To remove reorganization costs HIM-15-1, Section 2134.10 State Plan, Attachment 4.19D		
3	Nonallowable	32,476	
	Cost of Capital		32,476
	To remove loan cost amortization State Plan, Attachment 4.19D		
4	Cost of Capital	4,358	
	Nonallowable		4,358
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
5	Nonallowable	50,341	
	Nursing		10,957
	Medical Supplies		39,384
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		

**SUMMIT PLACE LIVING CENTER, LLC**  
Adjustment Report  
Cost Report Period Ended September 30, 2006  
AC# 3-SUM-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable Taxes and Insurance	9,866	9,866
	To adjust liability insurance expense HIM-15-1, Section 2162.2 State Plan, Attachment 4.19D		
7	Accounts Payable Ancillary Medical Supplies	3,063 2,986	6,049
	To reclassify expense to the proper cost center and remove duplicate expense posting HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Administration Nonallowable Nursing Restorative	23,802 10,221	32,574 1,449
	To reclassify expense to the proper cost center HIM-15-1, Section 2102.3 DH&HS Expense Crosswalk		
9	Administration Nonallowable Nursing Restorative Laundry Maintenance Medical Records	286 53,451	48,039 3,764 319 1,190 425
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

**SUMMIT PLACE LIVING CENTER, LLC**  
Adjustment Report  
Cost Report Period Ended September 30, 2006  
AC# 3-SUM-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Cost of Capital Nonallowable	6,255	6,255
	To adjust capital return State Plan, Attachment 4.19D		
11	Cost of Capital Nonallowable	1,263 22,788	
	Nursing		1,486
	Dietary		24
	Laundry		4
	Housekeeping		70
	Maintenance		295
	Administration		21,697
	Medical Records		11
	Legal		221
	Utilities		93
	Taxes and Insurance		149
	Special Services		1
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$436,886	\$436,886

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.

**SUMMIT PLACE LIVING CENTER, LLC**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2006  
 AC# 3-SUM-J6

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.85382</u>	<u>2.85382</u>	
Deemed Asset Value (Per Bed)	44,571	44,571	
Number of Beds	<u>88</u>	<u>44</u>	
Deemed Asset Value	3,922,248	1,961,124	
Improvements Since 1981	517,196	34,097	
Accumulated Depreciation at 9/30/06	<u>(1,173,927)</u>	<u>(630,075)</u>	
Deemed Depreciated Value	3,265,517	1,365,146	
Market Rate of Return	<u>.0489</u>	<u>.0489</u>	
Total Annual Return	159,684	66,756	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	159,684	66,756	
Depreciation Expense	32,413	37,191	
Amortization Expense	-	-	
Capital Related Income Offsets	(15)	(8)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	192,082	103,939	\$296,021
Total Patient Days (Actual)	<u>31,652</u>	<u>15,591</u>	<u>47,243</u>
Cost of Capital Per Diem	\$ <u>6.07</u>	\$ <u>6.67</u>	\$ <u>6.27</u>

**SUMMIT PLACE LIVING CENTER, LLC**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 2006  
AC# 3-SUM-J6

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$4.93	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$8.92</u>	<u>\$6.67</u>
Reimbursable Cost of Capital Per Diem	\$6.27	
Cost of Capital Per Diem	<u>6.27</u>	
Cost of Capital Per Diem Limitation	<u>\$ -</u>	

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