

*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-WNC-J6 – Westside 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 payable for amounts underpaid as a result of the rate change shown on Exhibit A. You will be notified of settlement 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

**WESTSIDE LIVING CENTER, LLC  
GREENVILLE, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2007  
AC# 3-WNC-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 24, 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 Westside 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 Westside 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 Westside 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 Westside 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 24, 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

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

	<u>10/01/07-</u> <u>09/30/08</u>
Adjusted Reimbursement Rate	\$127.81
Interim Reimbursement Rate (1)	<u>\$126.88</u>
Increase in Reimbursement Rate	<u>\$<u>.93</u></u>

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

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 67.16	\$ 88.72	
Dietary		10.76	13.85	
Laundry/Housekeeping/Maintenance		<u>11.91</u>	<u>12.55</u>	
Subtotal	<u>\$8.06</u>	89.83	115.12	\$ 89.83
Administration & Medical Records	<u>\$6.30</u>	<u>11.92</u>	<u>18.22</u>	<u>11.92</u>
Subtotal		101.75	<u>\$133.34</u>	101.75
<u>Costs Not Subject to Standards:</u>				
Utilities		2.59		2.59
Special Services		.07		.07
Medical Supplies & Oxygen		5.21		5.21
Taxes and Insurance		4.23		4.23
Legal Fees		<u>.16</u>		<u>.16</u>
<b>TOTAL</b>		<u>\$114.01</u>		114.01
Inflation Factor (4.60%)				5.24
Cost of Capital				6.45
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.99
Cost Incentive				8.06
Effect of \$1.75 Cap on Cost/Profit Incentives				(10.30)
Transportation Escort Add-On				<u>.36</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$127.81</u>

**WESTSIDE LIVING CENTER, LLC**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2006  
 AC# 3-WNC-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>	
General Services	\$3,151,285	\$99,214 (7) 8,512 (7)	\$47,730 (6) 1,265 (6) 1,496 (9) 13,762 (10)	\$3,194,758
Dietary	522,152	2,321 (7)	24 (9) 12,621 (10)	511,828
Laundry	179,277	1,179 (7)	3 (9)	180,453
Housekeeping	259,577	13 (9)	-	259,590
Maintenance	124,574	2,252 (7)	175 (9)	126,651
Administration & Medical Records	534,313	25,512 (6) 14,335 (7) 1,102 (7) 2 (9)	3,426 (2) 5,033 (9)	566,805
Utilities	123,187	17 (9)	-	123,204
Special Services	3,080	232 (10)	-	3,312
Medical Supplies & Oxygen	258,457	1,022 (7)	1,347 (4) 10,405 (10)	247,727
Taxes and Insurance	211,042	27 (9)	9,866 (5)	201,203
Legal Fees	7,503	40 (9)	-	7,543

**WESTSIDE LIVING CENTER, LLC**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2006  
AC# 3-WNC-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	313,668	2,914 (1)	3,780 (2)	306,932
		221 (8)	7,965 (3)	
		1,377 (9)		
		<u>497 (11)</u>		
Subtotal	5,688,115	160,789	118,898	5,730,006
Ancillary	293,430	1,347 (4)	-	294,777
Nonallowable	1,316,735	7,206 (2)	129,937 (7)	1,276,411
		7,965 (3)	221 (8)	
		9,866 (5)	497 (11)	
		23,483 (6)		
		5,255 (9)		
		36,556 (10)		
CNA Training and Testing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>\$7,298,280</u>	<u>\$252,467</u>	<u>\$249,553</u>	<u>\$7,301,194</u>
Total Patient Days	<u>47,568</u>	<u>-</u>	<u>-</u>	<u>47,568</u>
Total Beds	<u>132</u>			

**WESTSIDE LIVING CENTER, LLC**  
Adjustment Report  
Cost Report Period Ended September 30, 2006  
AC# 3-WNC-J6

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$24,595	
	Cost of Capital	2,914	
	Fixed Assets		\$ 7,905
	Other Equity		19,604
	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	7,965	
	Cost of Capital		7,965
	To remove loan cost amortization		
	State Plan, Attachment 4.19D		
4	Ancillary	1,347	
	Medical Supplies		1,347
	To reclassify expense to the proper cost center		
	DH&HS Expense Crosswalk		
5	Nonallowable	9,866	
	Taxes and Insurance		9,866
	To adjust liability insurance expense		
	HIM-15-1, Section 2162.2		
	State Plan, Attachment 4.19D		
6	Administration	25,512	
	Nonallowable	23,483	
	Nursing		47,730
	Restorative		1,265
	To reclassify expense to the proper cost center		
	HIM-15-1, Section 2102.3		
	DH&HS Expense Crosswalk		

**WESTSIDE LIVING CENTER, LLC**  
Adjustment Report  
Cost Report Period Ended September 30, 2006  
AC# 3-WNC-J6

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
7	Nursing	99,214	
	Restorative	8,512	
	Dietary	2,321	
	Laundry	1,179	
	Maintenance	2,252	
	Administration	14,335	
	Medical Records	1,102	
	Medical Supplies	1,022	
	Nonallowable		129,937
	To adjust fringe benefits and related allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
8	Cost of Capital	221	
	Nonallowable		221
	To adjust capital return		
	State Plan, Attachment 4.19D		
9	Housekeeping	13	
	Medical Records	2	
	Legal	40	
	Utilities	17	
	Taxes and Insurance	27	
	Cost of Capital	1,377	
	Nonallowable	5,255	
	Nursing		1,496
	Dietary		24
	Laundry		3
	Maintenance		175
	Administration		5,033
	To adjust home office cost allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
10	Special Services	232	
	Nonallowable	36,556	
	Nursing		13,762
	Dietary		12,621
	Medical Supplies		10,405
	To remove special (ancillary) services reimbursed by Medicare		
	State Plan, Attachment 4.19D		

**WESTSIDE LIVING CENTER, LLC**  
Adjustment Report  
Cost Report Period Ended September 30, 2006  
AC# 3-WNC-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
11	Cost of Capital Nonallowable	497	497
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$277,062	\$277,062

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.

**WESTSIDE LIVING CENTER, LLC**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2006  
 AC# 3-WNC-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	616,738	61,139	
Accumulated Depreciation at 9/30/06	<u>(1,226,583)</u>	<u>(463,747)</u>	
Deemed Depreciated Value	3,312,403	1,558,516	
Market Rate of Return	<u>.0489</u>	<u>.0489</u>	
Total Annual Return	161,977	76,211	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	161,977	76,211	
Depreciation Expense	37,221	31,545	
Amortization Expense	-	-	
Capital Related Income Offsets	(15)	(7)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	199,183	107,749	\$306,932
Total Patient Days (Actual)	<u>31,709</u>	<u>15,859</u>	<u>47,568</u>
Cost of Capital Per Diem	\$ <u>6.28</u>	\$ <u>6.79</u>	\$ <u>6.45</u>

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

6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$4.85	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$8.84</u>	<u>\$6.79</u>
Reimbursable Cost of Capital Per Diem		\$6.45
Cost of Capital Per Diem		<u>6.45</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.