

*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

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November 22, 2011

Mr. Fred Fauth, Controller  
Millennium Management, LLC  
10800 Biscayne Boulevard, Suite 600  
Miami, Florida 33161

Re: AC# 3-BKV-J7 – Palmetto Brookview Operating, LLC d/b/a Brookview Healthcare Center

Dear Mr. Fauth:

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, 2006 through September 30, 2007. That report was used to set the rate covering the contract period beginning October 1, 2008.

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  
Mr. Terry K. Schmoyer, Jr.

**PALMETTO BROOKVIEW OPERATING, LLC D/B/A  
BROOKVIEW HEALTHCARE CENTER**

**GAFFNEY, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2008  
AC# 3-BKV-J7**

**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

February 22, 2011

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 Palmetto Brookview Operating, LLC d/b/a Brookview Healthcare Center, for the contract period beginning October 1, 2008, and for the twelve month cost report period ended September 30, 2007, as set forth in the accompanying schedules. The management of Palmetto Brookview Operating, LLC d/b/a Brookview Healthcare Center 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 Palmetto Brookview Operating, LLC d/b/a Brookview Healthcare Center, 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 Palmetto Brookview Operating, LLC d/b/a Brookview Healthcare Center dated as of April 1, 2007, 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  
February 22, 2011

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

**BROOKVIEW HEALTHCARE CENTER**  
Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2008  
AC# 3-BKV-J7

	10/01/08- <u>09/30/09</u>
Interim Reimbursement Rate (1)	\$161.48
Adjusted Reimbursement Rate	<u>147.81</u>
Decrease in Reimbursement Rate	\$ <u><u>13.67</u></u>

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

**BROOKVIEW HEALTHCARE CENTER**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2008 Through September 30, 2009  
 AC# 3-BKV-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 73.82	\$ 85.73	
Dietary		13.18	14.35	
Laundry/Housekeeping/Maintenance		<u>12.26</u>	<u>13.01</u>	
Subtotal	<u>\$7.92</u>	99.26	113.09	\$ 99.26
Administration & Medical Records	<u>\$1.32</u>	<u>17.98</u>	<u>19.30</u>	<u>17.98</u>
Subtotal		117.24	<u>\$132.39</u>	117.24
<u>Costs Not Subject to Standards:</u>				
Utilities		3.11		3.11
Special Services		.04		.04
Medical Supplies & Oxygen		9.11		9.11
Taxes and Insurance		2.10		2.10
Legal Fees		<u>.13</u>		<u>.13</u>
<b>TOTAL</b>		<u>\$131.73</u>		131.73
Inflation Factor (4.80%)				6.32
Cost of Capital				7.33
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				1.32
Cost Incentive				7.92
Effect of \$1.75 Cap on Cost/Profit Incentives				(7.49)
Transportation Escort Add-On				<u>.68</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$147.81</u>

**BROOKVIEW HEALTHCARE CENTER**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2007  
 AC# 3-BKV-J7

<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	\$3,482,775	\$ 65 (10) 3,796 (12)	\$ 12,797 (7) 367 (7) 24,805 (8) 3,390 (8) 9,670 (9) 9,640 (9) 6,485 (10)	\$3,419,482
Dietary	613,879	-	1,178 (7) 2,148 (8)	610,553
Laundry	62,397	-	238 (7) 382 (8)	61,777
Housekeeping	259,180	-	847 (7) 1,549 (8) 2,169 (13)	254,615
Maintenance	260,274	2,790 (4)	7,839 (3) 603 (7) 1,026 (8) 2,133 (13)	251,463
Administration & Medical Records	877,219	918 (7) 13 (7)	31,525 (4) 2,490 (8) 293 (8) 670 (9) 6,286 (10) 3,815 (13)	833,071
Utilities	144,185	1,069 (4)	1,222 (13)	144,032
Special Services	1,885	16 (10) 2,180 (11)	340 (7) 1,818 (8)	1,923

**BROOKVIEW HEALTHCARE CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2007  
AC# 3-BKV-J7

<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>
Medical Supplies & Oxygen	498,894	-	11,546 (6) 120 (7) 514 (8) 64,620 (11)	422,094
Taxes and Insurance	495,559	-	367 (4) 397,175 (5) 2 (10) 794 (13)	97,221
Legal Fees	5,788	146 (4)	10 (10) 29 (13)	5,895
Cost of Capital	344,716	127 (1) <u>1,672 (4)</u>	6,120 (2) <u>1,010 (13)</u>	339,385
Subtotal	7,046,751	12,792	618,032	6,441,511
Ancillary	267,703	-	-	267,703
Nonallowable	879,285	6,120 (2) 7,839 (3) 26,215 (4) 397,175 (5) 10,844 (6) 38,415 (8) 19,980 (9) 12,702 (10) 62,440 (11) 11,172 (13)	127 (1)	1,472,060
CNA Training and Testing	<u>1,125</u>	<u>-</u>	<u>-</u>	<u>1,125</u>
Total Operating Expenses	<u>\$8,194,864</u>	<u>\$605,694</u>	<u>\$618,159</u>	<u>\$8,182,399</u>
Total Patient Days	<u>46,324</u>	<u>-</u>	<u>-</u>	<u>46,324</u>
Total Beds	<u>132</u>			

**BROOKVIEW HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2007  
AC# 3-BKV-J7

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$146,006	
	Cost of Capital	127	
	Accumulated Depreciation		\$145,968
	Other Equity		38
	Nonallowable		127
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	6,120	
	Cost of Capital		6,120
	To adjust capital return State Plan, Attachment 4.19D		
3	Nonallowable	7,839	
	Maintenance		7,839
	To disallow expense due to lack of adequate documentation HIM-15-1, Section 2304		
4	Maintenance	2,790	
	Utilities	1,069	
	Legal	146	
	Cost of Capital	1,672	
	Nonallowable	26,215	
	Administration		31,525
	Taxes and Insurance		367
	To adjust related party expense HIM-15-1, Sections 1005 and 2304		
5	Nonallowable	397,175	
	Taxes and Insurance		397,175
	To adjust liability insurance expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

**BROOKVIEW HEALTHCRE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2007  
AC# 3-BKV-J7

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Retained Earnings	702	
	Nonallowable	10,844	
	Medical Supplies		11,546
	To properly charge expense applicable to the prior period and disallow expense not related to patient care HIM-15-1, Sections 2302.1 and 2304		
7	Retained Earnings	19,863	
	Administration	918	
	Medical Records	13	
	Accrued Salaries		4,304
	Nursing		12,797
	Restorative		367
	Dietary		1,178
	Laundry		238
	Housekeeping		847
	Maintenance		603
	Medical Supplies		120
	Special Services		340
	To properly charge salaries applicable to prior and current periods HIM-15-1, Section 2302.1		
8	Nonallowable	38,415	
	Nursing		24,805
	Restorative		3,390
	Dietary		2,148
	Laundry		382
	Housekeeping		1,549
	Maintenance		1,026
	Administration		2,490
	Medical Records		293
	Medical Supplies		514
	Special Services		1,818
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

**BROOKVIEW HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2007  
AC# 3-BKV-J7

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Nonallowable	19,980	
	Nursing		9,670
	Restorative		9,640
	Administration		670
	To reclassify expense to the proper cost center HIM-15-1, Section 2304 DH&HS Expense Crosswalk		
10	Restorative	65	
	Special Services	16	
	Nonallowable	12,702	
	Nursing		6,485
	Administration		6,286
	Legal		10
	Taxes and Insurance		2
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
11	Special Services	2,180	
	Nonallowable	62,440	
	Medical Supplies		64,620
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
12	Restorative	3,796	
	Other Revenue		3,796
	To reverse Provider offset of income applicable to a non-reimbursable cost center HIM-15-1, Sections 2102.3 and 2328 State Plan, Attachment 4.19D		

**BROOKVIEW HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2007  
AC# 3-BKV-J7

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
13	Nonallowable	11,172	
	Housekeeping		2,169
	Maintenance		2,133
	Administration		3,815
	Utilities		1,222
	Taxes and Insurance		794
	Legal		29
	Cost of Capital		1,010
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
	<u>TOTAL ADJUSTMENTS</u>	<u>\$772,265</u>	<u>\$772,265</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.

**BROOKVIEW HEALTHCARE CENTER**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2007  
 AC# 3-BKV-J7

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.94141</u>	<u>2.94141</u>	
Deemed Asset Value (Per Bed)	45,939	45,939	
Number of Beds	<u>88</u>	<u>44</u>	
Deemed Asset Value	4,042,632	2,021,316	
Improvements Since 1981	922,759	117,745	
Accumulated Depreciation at 9/30/07	<u>(1,825,144)</u>	<u>(751,702)</u>	
Deemed Depreciated Value	3,140,247	1,387,359	
Market Rate of Return	<u>.0483</u>	<u>.0483</u>	
Total Annual Return	151,674	67,009	
Return Applicable to Non-Reimbursable Cost Centers	(1,227)	(542)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>7</u>	<u>4</u>	
Allowable Annual Return	150,454	66,471	
Depreciation Expense	82,274	41,196	
Amortization Expense	-	-	
Capital Related Income Offsets	-	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(673)</u>	<u>(337)</u>	<u>Total</u>
Allowable Cost of Capital Expense	232,055	107,330	\$339,385
Total Patient Days (Actual)	<u>30,883</u>	<u>15,441</u>	<u>46,324</u>
Cost of Capital Per Diem	\$ <u>7.51</u>	\$ <u>6.95</u>	\$ <u>7.33</u>

**BROOKVIEW HEALTHCARE CENTER**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 2007  
AC# 3-BKV-J7

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$3.54	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$7.53</u>	<u>\$6.95</u>
Reimbursable Cost of Capital Per Diem		\$7.33
Cost of Capital Per Diem		<u>7.33</u>
Cost of Capital Per Diem Limitation		<u>\$ -</u>

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