

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-FAI-J7 – Palmetto Faith Operating, LLC d/b/a Faith 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/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Ms. Kathleen C. Snider
Mr. Terry K. Schmoyer, Jr.

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

FLORENCE, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2008
AC# 3-FAI-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 Faith Operating, LLC d/b/a Faith 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 Faith Operating, LLC d/b/a Faith 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 Faith Operating, LLC d/b/a Faith 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 Faith Operating, LLC d/b/a Faith 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.", with a stylized flourish at the end.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

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

10/01/08-
09/30/09

Interim Reimbursement Rate (1)	\$144.97
Adjusted Reimbursement Rate	<u>132.68</u>
Decrease in Reimbursement Rate	\$ <u><u>12.29</u></u>

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

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 63.43	\$ 85.73	
Dietary		13.84	14.35	
Laundry/Housekeeping/Maintenance		<u>14.11</u>	<u>13.01</u>	
Subtotal	\$ <u>7.92</u>	91.38	113.09	\$ 91.38
Administration & Medical Records	\$ <u>-</u>	<u>19.80</u>	<u>19.30</u>	<u>19.30</u>
Subtotal		111.18	<u>\$132.39</u>	110.68
<u>Costs Not Subject to Standards:</u>				
Utilities		3.21		3.21
Special Services		-		-
Medical Supplies & Oxygen		2.69		2.69
Taxes and Insurance		2.64		2.64
Legal Fees		<u>.11</u>		<u>.11</u>
TOTAL		<u>\$119.83</u>		119.33
Inflation Factor (4.80%)				5.73
Cost of Capital				6.79
Cost of Capital Limitation				(1.46)
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				7.92
Effect of \$1.75 Cap on Cost/Profit Incentives				(6.17)
Transportation Escort Add-On				<u>.54</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$132.68</u>

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

<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	\$2,406,317	\$ 51 (8)	\$ 54,565 (3) 20,281 (7) 858 (7) 19,140 (8)	\$2,311,524
Dietary	489,106	18,069 (3)	2,677 (7)	504,498
Laundry	29,266	-	128 (7)	29,138
Housekeeping	200,254	-	1,346 (7)	198,908
Maintenance	284,057	4,000 (3) 1,931 (5)	3,100 (4) 729 (7)	286,159
Administration & Medical Records	754,517	-	24,422 (5) 3,556 (7) 161 (7) 4,940 (8)	721,438
Utilities	116,314	740 (5)	-	117,054
Special Services	90	1 (8) 3,818 (9)	3,803 (7)	106
Medical Supplies & Oxygen	134,394	32,496 (3)	123 (7) 68,747 (9)	98,020
Taxes and Insurance	409,256	-	254 (5) 312,925 (6) 16 (8)	96,061

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

<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>	
Legal Fees	4,040	101 (5)	8 (8)	4,133
Cost of Capital	194,236	84 (1) 51,780 (2) 1,157 (5) 9 (8)	-	247,266
Subtotal	5,021,847	114,237	521,779	4,614,305
Ancillary	133,434	-	-	133,434
Nonallowable	444,340	3,100 (4) 20,747 (5) 312,925 (6) 33,662 (7) 24,043 (8) 64,929 (9)	84 (1) 51,780 (2)	851,882
CNA Training and Testing	500	-	-	500
Total Operating Expenses	<u>\$5,600,121</u>	<u>\$573,643</u>	<u>\$573,643</u>	<u>\$5,600,121</u>
Total Patient Days	<u>36,442</u>	<u>-</u>	<u>-</u>	<u>36,442</u>
Total Beds	<u>104</u>			

FAITH HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2007
AC# 3-FAI-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$114,476	
	Cost of Capital	84	
	Accumulated Depreciation		\$109,577
	Other Equity		4,899
	Nonallowable		84
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Cost of Capital	51,780	
	Nonallowable		51,780
	To adjust capital return State Plan, Attachment 4.19D		
3	Dietary	18,069	
	Maintenance	4,000	
	Medical Supplies	32,496	
	Nursing		54,565
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
4	Nonallowable	3,100	
	Maintenance		3,100
	To disallow expense due to lack of adequate documentation HIM-15-1, Section 2304		
5	Maintenance	1,931	
	Utilities	740	
	Legal	101	
	Cost of Capital	1,157	
	Nonallowable	20,747	
	Administration		24,422
	Taxes and Insurance		254
	To adjust related party expense HIM-15-1, Sections 1005 and 2304		

FAITH HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2007
AC# 3-FAI-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable Taxes and Insurance	312,925	312,925
	To adjust liability insurance expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Nonallowable	33,662	
	Nursing		20,281
	Restorative		858
	Dietary		2,677
	Laundry		128
	Housekeeping		1,346
	Maintenance		729
	Administration		3,556
	Medical Records		161
	Medical Supplies		123
	Special Services		3,803
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Restorative	51	
	Special Services	1	
	Cost of Capital	9	
	Nonallowable	24,043	
	Nursing		19,140
	Administration		4,940
	Legal		8
	Taxes and Insurance		16
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

FAITH HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2007
AC# 3-FAI-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Special Services Nonallowable Medical Supplies	3,818 64,929	68,747
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
		\$688,119	\$688,119
	TOTAL ADJUSTMENTS	\$688,119	\$688,119

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.

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

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.94141</u>
Deemed Asset Value (Per Bed)	45,939
Number of Beds	<u>104</u>
Deemed Asset Value	4,777,656
Improvements Since 1981	424,455
Accumulated Depreciation at 9/30/07	<u>(988,688)</u>
Deemed Depreciated Value	4,213,423
Market Rate of Return	<u>.0483</u>
Total Annual Return	203,508
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	203,508
Depreciation Expense	44,400
Amortization Expense	-
Capital Related Income Offsets	(642)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	247,266
Total Patient Days (Minimum 96% Occupancy)	<u>36,442</u>
Cost of Capital Per Diem	\$ <u><u>6.79</u></u>

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

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$1.34
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$5.33</u>
Reimbursable Cost of Capital Per Diem	\$5.33
Cost of Capital Per Diem	<u>6.79</u>
Cost of Capital Per Diem Limitation	<u>\$(1.46)</u>

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