

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-JOL-J7 – Palmetto Jolley Acres Operating, LLC d/b/a
Jolley Acres 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 JOLLEY ACRES OPERATING, LLC D/B/A
JOLLEY ACRES HEALTHCARE CENTER**

ORANGEBURG, SOUTH CAROLINA

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

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, 2008	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2008 THROUGH SEPTEMBER 30, 2009	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2007	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	9

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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 Jolley Acres Operating, LLC d/b/a Jolley Acres 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 Jolley Acres Operating, LLC d/b/a Jolley Acres 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 Jolley Acres Operating, LLC d/b/a Jolley Acres 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 Jolley Acres Operating, LLC d/b/a Jolley Acres 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

JOLLEY ACRES HEALTHCARE CENTER

Computation of Rate Change
For the Contract Period
Beginning October 1, 2008
AC# 3-JOL-J7

	10/01/08- <u>09/30/09</u>
Interim Reimbursement Rate (1)	\$162.03
Adjusted Reimbursement Rate	<u>149.79</u>
Decrease in Reimbursement Rate	\$ <u><u>12.24</u></u>

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

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 71.53	\$ 87.40	
Dietary		13.29	16.33	
Laundry/Housekeeping/Maintenance		<u>13.68</u>	<u>14.74</u>	
Subtotal	\$ <u>8.29</u>	98.50	118.47	\$ 98.50
Administration & Medical Records	\$ <u>-</u>	<u>26.08</u>	<u>23.19</u>	<u>23.19</u>
Subtotal		124.58	<u>\$141.66</u>	121.69
<u>Costs Not Subject to Standards:</u>				
Utilities		2.89		2.89
Special Services		-		-
Medical Supplies & Oxygen		6.02		6.02
Taxes and Insurance		3.24		3.24
Legal Fees		<u>.18</u>		<u>.18</u>
TOTAL		<u>\$136.91</u>		134.02
Inflation Factor (4.80%)				6.43
Cost of Capital				6.48
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				8.29
Effect of \$1.75 Cap on Cost/Profit Incentives				(6.54)
Transportation Escort Add-On				<u>1.11</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$149.79</u>

JOLLEY ACRES HEALTHCARE CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2007
 AC# 3-JOL-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	\$1,519,643	\$ 31 (6)	\$ 11,952 (4) 924 (4) 2,926 (6)	\$1,503,872
Dietary	280,919	-	1,406 (4)	279,513
Laundry	51,170	-	303 (4)	50,867
Housekeeping	116,473	-	695 (4)	115,778
Maintenance	120,177	1,282 (5)	575 (4)	120,884
Administration & Medical Records	576,685	-	2,730 (4) 12 (4) 20,858 (5) 2,866 (6) 1,844 (7)	548,375
Utilities	60,319	491 (5)	-	60,810
Special Services	(8)	3,736 (7)	3,728 (4)	-
Medical Supplies & Oxygen	172,454	-	192 (4) 45,700 (7)	126,562
Taxes and Insurance	248,888	-	180,534 (3) 169 (5) 8 (6)	68,177

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

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Legal Fees	3,675	67 (5)	4 (6)	3,738
Cost of Capital	138,338	768 (5)	1,790 (1)	136,307
	<u> </u>	<u>6 (6)</u>	<u>1,015 (2)</u>	<u> </u>
Subtotal	3,288,733	6,381	280,231	3,014,883
Ancillary	138,089	-	-	138,089
Nonallowable	459,623	1,790 (1)	-	733,473
		1,015 (2)		
		180,534 (3)		
		22,517 (4)		
		18,419 (5)		
		5,767 (6)		
		43,808 (7)		
CNA Training and Testing	<u>275</u>	<u>-</u>	<u>-</u>	<u>275</u>
Total Operating Expenses	<u>\$3,886,720</u>	<u>\$280,231</u>	<u>\$280,231</u>	<u>\$3,886,720</u>
Total Patient Days	<u>21,024</u>	<u>-</u>	<u>-</u>	<u>21,024</u>
Total Beds	<u>60</u>			

JOLLEY ACRES HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2007
AC# 3-JOL-J7

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 14,490	
	Nonallowable	1,790	
	Accumulated Depreciation		\$ 10,200
	Other Equity		4,290
	Cost of Capital		1,790
	To adjust fixed assets and related depreciation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
2	Nonallowable	1,015	
	Cost of Capital		1,015
	To adjust capital return		
	State Plan, Attachment 4.19D		
3	Nonallowable	180,534	
	Taxes and Insurance		180,534
	To adjust liability insurance expense		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
4	Nonallowable	22,517	
	Nursing		11,952
	Restorative		924
	Dietary		1,406
	Laundry		303
	Housekeeping		695
	Maintenance		575
	Administration		2,730
	Medical Records		12
	Medical Supplies		192
	Special Services		3,728
	To adjust fringe benefits and related allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		

JOLLEY ACRES HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2007
AC# 3-JOL-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Maintenance	1,282	
	Utilities	491	
	Legal	67	
	Cost of Capital	768	
	Nonallowable	18,419	
	Administration		20,858
	Taxes and Insurance		169
	To adjust related party expense HIM-15-1, Sections 1005 and 2304		
6	Restorative	31	
	Cost of Capital	6	
	Nonallowable	5,767	
	Nursing		2,926
	Administration		2,866
	Legal		4
	Taxes and Insurance		8
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Special Services	3,736	
	Nonallowable	43,808	
	Administration		1,844
	Medical Supplies		45,700
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$294,721</u>	<u>\$294,721</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.

JOLLEY ACRES HEALTHCARE CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2007
 AC# 3-JOL-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>40</u>	<u>20</u>	
Deemed Asset Value	1,837,560	918,780	
Improvements Since 1981	247,817	48,895	
Accumulated Depreciation at 9/30/07	<u>(550,348)</u>	<u>(236,818)</u>	
Deemed Depreciated Value	1,535,029	730,857	
Market Rate of Return	<u>.0483</u>	<u>.0483</u>	
Total Annual Return	74,142	35,300	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	74,142	35,300	
Depreciation Expense	10,341	16,216	
Amortization Expense	133	547	
Capital Related Income Offsets	(248)	(124)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	84,368	51,939	\$136,307
Total Patient Days (Minimum 96% Occupancy)	<u>14,016</u>	<u>7,008</u>	<u>21,024</u>
Cost of Capital Per Diem	\$ <u>6.02</u>	\$ <u>7.41</u>	\$ <u>6.48</u>

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

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$2.19	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$6.18</u>	<u>\$7.41</u>
Reimbursable Cost of Capital Per Diem	\$6.48	
Cost of Capital Per Diem	<u>6.48</u>	
Cost of Capital Per Diem Limitation	\$ <u>-</u>	

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