

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

November 22, 2011

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

Re: AC# 3-SDV-J7 – Palmetto Springdale Operating, LLC d/b/a
Springdale 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 SPRINGDALE OPERATING, LLC
D/B/A SPRINGDALE HEALTHCARE CENTER**

CAMDEN, SOUTH CAROLINA

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

July 11, 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 Springdale Operating, LLC d/b/a Springdale 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 Springdale Operating, LLC d/b/a Springdale 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 Springdale Operating, LLC d/b/a Springdale 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 Springdale Operating, LLC d/b/a Springdale 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
July 11, 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

SPRINGDALE HEALTHCARE CENTER

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

	10/01/08- <u>09/30/09</u>
Interim Reimbursement Rate (1)	\$166.05
Adjusted Reimbursement Rate	<u>154.56</u>
Decrease in Reimbursement Rate	\$ <u><u>11.49</u></u>

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

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 80.82	\$ 79.75	
Dietary		13.62	14.35	
Laundry/Housekeeping/Maintenance		<u>10.18</u>	<u>13.01</u>	
Subtotal	\$ <u>2.49</u>	104.62	107.11	\$104.62
Administration & Medical Records	\$ <u>.30</u>	<u>19.00</u>	<u>19.30</u>	<u>19.00</u>
Subtotal		123.62	<u>\$126.41</u>	123.62
<u>Costs Not Subject to Standards:</u>				
Utilities		3.32		3.32
Special Services		.47		.47
Medical Supplies & Oxygen		8.45		8.45
Taxes and Insurance		2.54		2.54
Legal Fees		<u>.10</u>		<u>.10</u>
TOTAL		<u>\$138.50</u>		138.50
Inflation Factor (4.80%)				6.65
Cost of Capital				7.25
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				.30
Cost Incentive				2.49
Effect of \$1.75 Cap on Cost/Profit Incentives				(1.04)
Transportation Escort Add-On				<u>.41</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$154.56</u>

SPRINGDALE HEALTHCARE CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2007
 AC# 3-SDV-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	\$4,325,089	\$ 1,340 (12)	\$ 14,118 (3) 40,296 (8) 12,271 (9) 596 (9) 54,681 (10) 2,742 (10) 7,665 (11) 53 (11) 2,880 (13)	\$4,191,127
Dietary	697,077	14,118 (3) 6,055 (12)	1,210 (9) 4,113 (10) 5,634 (13)	706,293
Laundry	52,429	-	172 (9) 456 (10) 176 (13)	51,625
Housekeeping	296,596	1,514 (12)	959 (9) 3,058 (10) 26,700 (13)	267,393
Maintenance	240,242	3,701 (5) 20,331 (12)	10,709 (4) 500 (9) 1,672 (10) 42,569 (13)	208,824
Administration & Medical Records	1,054,824	10,205 (12)	49,276 (5) 153 (8) 2,241 (9) 156 (9) 5,093 (10) 451 (10) 8,157 (11) 13,612 (13) 725 (14)	985,165

SPRINGDALE HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2007
AC# 3-SDV-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>	
Utilities	198,166	1,418 (5)	10,313 (6) 16,210 (12) 967 (13)	172,094
Special Services	25,133	7,418 (11) 9,929 (14)	4,742 (9) 13,520 (10)	24,218
Medical Supplies & Oxygen	498,236	-	129 (9) 823 (10) 59,178 (14)	438,106
Taxes and Insurance	557,499	45,910 (12)	486 (5) 445,317 (7) 38 (11) 26,005 (13)	131,563
Legal Fees	5,060	194 (5) 56 (12)	25 (11) 78 (13)	5,207
Cost of Capital	373,715	2,844 (1) 2,218 (5) 25 (11) <u>195 (12)</u>	2,172 (2) 632 (13)	376,193
Subtotal	8,324,066	127,471	893,729	7,557,808
Ancillary	436,667	-	-	436,667

SPRINGDALE HEALTHCARE CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2007
 AC# 3-SDV-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>	
Nonallowable	1,922,477	2,172 (2)	2,844 (1)	2,674,169
		10,709 (4)	53,672 (12)	
		42,231 (5)		
		2,999 (6)		
		445,317 (7)		
		40,449 (8)		
		86,609 (10)		
		8,495 (11)		
		119,253 (13)		
		49,974 (14)		
CNA Training and Testing	<u>1,100</u>	<u>-</u>	<u>-</u>	<u>1,100</u>
Total Operating Expenses	<u>\$10,684,310</u>	<u>\$935,679</u>	<u>\$950,245</u>	<u>\$10,669,744</u>
Total Patient Days	<u>51,859</u>	<u>-</u>	<u>-</u>	<u>51,859</u>
Total Beds	<u>148</u>			

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

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 11,779	
	Cost of Capital	2,844	
	Fixed Assets		\$ 1,221
	Other Equity		10,558
	Nonallowable		2,844
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	2,172	
	Cost of Capital		2,172
	To adjust capital return State Plan, Attachment 4.19D		
3	Dietary	14,118	
	Nursing		14,118
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
4	Nonallowable	10,709	
	Maintenance		10,709
	To disallow expense due to lack of adequate documentation HIM-15-1, Section 2304		
5	Maintenance	3,701	
	Utilities	1,418	
	Legal	194	
	Cost of Capital	2,218	
	Nonallowable	42,231	
	Administration		49,276
	Taxes and Insurance		486
	To adjust related party expense HIM-15-1, Sections 1005 and 2304		

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

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Retained Earnings Nonallowable Utilities	7,314 2,999	 10,313
	To reclassify expense to the proper cost center and remove expense applicable to the prior period HIM-15-1, Section 2302.1 DH&HS Expense Crosswalk		
7	Nonallowable Taxes and Insurance	445,317	 445,317
	To adjust liability insurance expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Nonallowable Nursing Administration	40,449	 40,296 153
	To reclassify expense to the proper cost center and disallow expense due to lack of adequate documentation HIM-15-1, Section 2304 DH&HS Expense Crosswalk		
9	Retained Earnings Accrued Salaries Nursing Restorative Dietary Laundry Housekeeping Maintenance Administration Medical Records Medical Supplies Special Services	27,994	 5,018 12,271 596 1,210 172 959 500 2,241 156 129 4,742
	To properly charge salaries applicable to prior and current periods HIM-15-1, Section 2302.1		

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

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Nonallowable	86,609	
	Nursing		54,681
	Restorative		2,742
	Dietary		4,113
	Laundry		456
	Housekeeping		3,058
	Maintenance		1,672
	Administration		5,093
	Medical Records		451
	Medical Supplies		823
	Special Services		13,520
	To adjust fringe benefits and related allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
11	Special Services	7,418	
	Cost of Capital	25	
	Nonallowable	8,495	
	Nursing		7,665
	Restorative		53
	Administration		8,157
	Legal		25
	Taxes and Insurance		38
	To adjust home office cost allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		

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

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
12	Nursing	1,340	
	Dietary	6,055	
	Housekeeping	1,514	
	Maintenance	20,331	
	Administration	10,205	
	Legal	56	
	Taxes and Insurance	45,910	
	Cost of Capital	195	
	Other Income		15,724
	Utilities		16,210
	Nonallowable		53,672
	To reverse Provider/DH&HS adjustments to remove indirect cost applicable to non-reimbursable cost centers and adjust utility expense allocation HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
13	Nonallowable	119,253	
	Restorative		2,880
	Dietary		5,634
	Laundry		176
	Housekeeping		26,700
	Maintenance		42,569
	Administration		13,612
	Legal		78
	Utilities		967
	Taxes and Insurance		26,005
	Cost of Capital		632
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

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

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
14	Special Services	9,929	
	Nonallowable	49,974	
	Administration		725
	Medical Supplies		59,178
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
		\$982,766	\$982,766
	TOTAL ADJUSTMENTS		

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.

SPRINGDALE HEALTHCARE CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2007
 AC# 3-SDV-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>148</u>
Deemed Asset Value	6,798,972
Improvements Since 1981	514,019
Accumulated Depreciation at 9/30/07	<u>(1,789,734)</u>
Deemed Depreciated Value	5,523,257
Market Rate of Return	<u>.0483</u>
Total Annual Return	266,773
Return Applicable to Non-Reimbursable Cost Centers	(1,529)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	265,244
Depreciation Expense	111,164
Amortization Expense	1,323
Capital Related Income Offsets	(906)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(632)</u>
Allowable Cost of Capital Expense	376,193
Total Patient Days (Minimum 96% Occupancy)	<u>51,859</u>
Cost of Capital Per Diem	\$ <u><u>7.25</u></u>

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