

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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April 25, 2013

Mr. Chris Stenger, Vice President
Planning and Reimbursement
Sava Senior Care Administrative Services, LLC
5300 West Sam Houston Parkway North, Suite 100
Houston, Texas 77041

Re: AC# 3-MAS-J9 – SSC Seneca Operating Company, LLC d/b/a
Seneca Health and Rehabilitation Center

Dear Mr. Stenger:

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, 2008 through September 30, 2009. That report was used to set the rate covering the contract periods beginning October 1, 2010.

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
Ms. Nicole Mitchell Threat
Ms. Melissa Simmons

**SSC SENECA OPERATING COMPANY, LLC D/B/A
SENECA HEALTH AND REHABILITATION CENTER**

SENECA, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 2010
AC# 3-MAS-J9**

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

March 19, 2013

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 SSC Seneca Operating Company, LLC d/b/a Seneca Health and Rehabilitation Center, for the contract periods beginning October 1, 2010, and for the twelve month cost report period ended September 30, 2009, as set forth in the accompanying schedules. The management of SSC Seneca Operating Company, LLC d/b/a Seneca Health and Rehabilitation 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 SSC Seneca Operating Company, LLC d/b/a Seneca Health and Rehabilitation 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 contracts between the South Carolina Department of Health and Human Services and SSC Seneca Operating Company, LLC d/b/a Seneca Health and Rehabilitation Center dated as of October 1, 2006 and October 1, 2011, as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
March 19, 2013

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

SENECA HEALTH AND REHABILITATION CENTER

Computation of Rate Change
For the Contract Periods
Beginning October 1, 2010
AC# 3-MAS-J9

	10/01/10- <u>04/07/11</u>	04/08/11- <u>10/31/11</u>
Interim Reimbursement Rate (1)	\$142.70	\$138.42
Adjusted Reimbursement Rate	<u>140.29</u>	<u>136.08</u>
Decrease in Reimbursement Rate	\$ <u><u>2.41</u></u>	\$ <u><u>2.34</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated April 10, 2012.

SENECA HEALTH AND REHABILITATION CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2010 Through April 7, 2011
 AC# 3-MAS-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 74.98	\$ 93.10	
Dietary		12.50	15.58	
Laundry/Housekeeping/Maintenance		<u>10.68</u>	<u>14.87</u>	
Subtotal	\$ <u>8.65</u>	98.16	123.55	\$ 98.16
Administration & Medical Records	\$ <u>-</u>	<u>20.34</u>	<u>20.15</u>	<u>20.15</u>
Subtotal		118.50	<u>\$143.70</u>	118.31
<u>Costs Not Subject to Standards:</u>				
Utilities		4.70		4.70
Special Services		.01		.01
Medical Supplies & Oxygen		3.33		3.33
Taxes and Insurance		2.41		2.41
Legal Fees		<u>.02</u>		<u>.02</u>
TOTAL		<u>\$128.97</u>		128.78
Inflation Factor (2.00%)				2.58
Cost of Capital				7.18
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				8.65
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(6.90)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$140.29</u>

SENECA HEALTH AND REHABILITATION CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period April 8, 2011 Through October 31, 2011
 AC# 3-MAS-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 74.98	\$ 93.10	
Dietary		12.50	15.58	
Laundry/Housekeeping/Maintenance		<u>10.68</u>	<u>14.87</u>	
Subtotal	\$ <u>8.65</u>	98.16	123.55	\$ 98.16
Administration & Medical Records	\$ <u>-</u>	<u>20.34</u>	<u>20.15</u>	<u>20.15</u>
Subtotal		118.50	<u>\$143.70</u>	118.31
<u>Costs Not Subject to Standards:</u>				
Utilities		4.70		4.70
Special Services		.01		.01
Medical Supplies & Oxygen		3.33		3.33
Taxes and Insurance		2.41		2.41
Legal Fees		<u>.02</u>		<u>.02</u>
TOTAL		<u>\$128.97</u>		128.78
Inflation Factor (2.00%)				2.58
Cost of Capital				7.18
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				8.65
Effect of \$1.75 Cap on Cost/Profit Incentives				(6.90)
Effect of 3% Rate Reduction				<u>(4.21)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$136.08</u>

SENECA HEALTH AND REHABILITATION CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2009
 AC# 3-MAS-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$3,576,925	\$ 754 (4)	\$ 21,054 (2) 66,830 (5) 16,156 (6)	\$3,473,639
Dietary	571,191	8,041 (4)	-	579,232
Laundry	95,631	263 (4)	-	95,894
Housekeeping	119,206	1,243 (4) 506 (11)	512 (12)	120,443
Maintenance	283,462	1,182 (11)	4,973 (2) 1,160 (12)	278,511
Administration & Medical Records	899,232	261 (2) 426 (4) 66,830 (5) 7,432 (6) 9,105 (10) 3,317 (11)	36,084 (7) 4,816 (9) 3,580 (12)	942,123
Utilities	227,688	948 (11)	10,135 (10) 907 (12)	217,594
Special Services	423	-	-	423
Medical Supplies & Oxygen	178,759	-	21,807 (4) 2,769 (9)	154,183

SENECA HEALTH AND REHABILITATION CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2009
AC# 3-MAS-J9

<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>
Taxes and Insurance	121,405	504 (11)	9,795 (3) 462 (12)	111,652
Legal Fees	1,021	4 (11)	3 (12)	1,022
Cost of Capital	333,560	457 (11) 4,649 (13)	1,552 (1) 4,137 (8) 435 (12)	332,542
Subtotal	6,408,503	105,922	207,167	6,307,258
Ancillary	348,912	647 (2) 10,534 (4) 4,766 (9)	-	364,859
Nonallowable	1,800,686	1,552 (1) 9,795 (3) 546 (4) 8,724 (6) 36,084 (7) 4,137 (8) 2,819 (9) 1,030 (10) 7,059 (12)	6,918 (11) 4,649 (13)	1,860,865
CNA Training and Testing	<u>9,283</u>	-	-	<u>9,283</u>
Total Operating Expenses	<u>\$8,567,384</u>	<u>\$193,615</u>	<u>\$218,734</u>	<u>\$8,542,265</u>
Total Patient Days	<u>46,328</u>	-	-	<u>46,328</u>
Total Beds	<u>132</u>			

SENECA HEALTH AND REHABILITATION CENTER
Adjustment Report
Cost Report Period Ended September 30, 2009
AC# 3-MAS-J9

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$69,993	
	Nonallowable	1,552	
	Accumulated Depreciation		\$33,366
	Other Equity		36,627
	Cost of Capital		1,552
	To adjust fixed assets and related depreciation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
2	Retained Earnings	37,356	
	Ancillary	647	
	Administration	261	
	Accounts Payable		12,237
	Nursing		21,054
	Maintenance		4,973
	To properly charge expense applicable to current and prior periods and reclassify expense to the proper cost center		
	HIM-15-1, Section 2302.1		
	DH&HS Crosswalk		
3	Nonallowable	9,795	
	Taxes and Insurance		9,795
	To adjust property tax expense		
	HIM-15-1, Sections 2302.1 and 2304		
4	Nursing	754	
	Dietary	8,041	
	Laundry	263	
	Housekeeping	1,243	
	Administration	426	
	Ancillary	10,534	
	Nonallowable	546	
	Medical Supplies		21,807
	To reclassify expense to the proper cost center and disallow expense due to lack of documentation		
	HIM-15-1, Section 2304		
	DH&HS Expense Crosswalk		

SENECA HEALTH AND REHABILITATION CENTER
Adjustment Report
Cost Report Period Ended September 30, 2009
AC# 3-MAS-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Administration Nursing	66,830	66,830
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
6	Administration Nonallowable Nursing	7,432 8,724	16,156
	To adjust fringe benefit allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Nonallowable Administration	36,084	36,084
	To reclassify expense to the proper cost center HIM-15-1, Section 2136 DH&HS Expense Crosswalk		
8	Nonallowable Cost of Capital	4,137	4,137
	To properly offset income against related expense State Plan, Attachment 4.19D		
9	Ancillary Nonallowable Administration Medical Supplies	4,766 2,819	4,816 2,769
	To remove special (ancillary) services reimbursed by Medicare and reclassify expense to the proper cost center State Plan, Attachment 4.19D DH&HS Expense Crosswalk		

SENECA HEALTH AND REHABILITATION CENTER
 Adjustment Report
 Cost Report Period Ended September 30, 2009
 AC# 3-MAS-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Administration	9,105	
	Nonallowable	1,030	
	Utilities		10,135
	To properly offset income against related expense and disallow expense due to lack of documentation HIM-15-1, Section 2304		
11	Housekeeping	506	
	Maintenance	1,182	
	Administration	3,317	
	Taxes and Insurance	504	
	Legal	4	
	Utilities	948	
	Cost of Capital	457	
	Nonallowable		6,918
	To reverse DH&HS adjustment to remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
12	Nonallowable	7,059	
	Housekeeping		512
	Maintenance		1,160
	Administration		3,580
	Taxes and Insurance		462
	Legal		3
	Utilities		907
	Cost of Capital		435
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

SENECA HEALTH AND REHABILITATION CENTER
Adjustment Report
Cost Report Period Ended September 30, 2009
AC# 3-MAS-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
13	Cost of Capital Nonallowable	4,649	4,649
	To adjust capital return State Plan, Attachment 4.19D		
		\$300,964	\$300,964

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.

SENECA HEALTH AND REHABILITATION CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2009
AC# 3-MAS-J9

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>3.10948</u>
Deemed Asset Value (Per Bed)	48,564
Number of Beds	<u>132</u>
Deemed Asset Value	6,410,448
Improvements Since 1981	1,531,409
Accumulated Depreciation at 9/30/09	<u>(2,740,700)</u>
Deemed Depreciated Value	5,201,157
Market Rate of Return	<u>.0440</u>
Total Annual Return	228,851
Return Applicable to Non-Reimbursable Cost Centers	(947)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	227,904
Depreciation Expense	109,325
Amortization Expense	-
Capital Related Income Offsets	(4,252)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(435)</u>
Allowable Cost of Capital Expense	332,542
Total Patient Days (Actual)	<u>46,328</u>
Cost of Capital Per Diem	\$ <u><u>7.18</u></u>

SENECA HEALTH AND REHABILITATION CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2009
AC# 3-MAS-J9

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 7.04
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$11.03</u>
Reimbursable Cost of Capital Per Diem	\$ 7.18
Cost of Capital Per Diem	<u>7.18</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

2 copies of this document were published at an estimated printing cost of \$1.47 each, and a total printing cost of \$2.94. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.