

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

June 16, 2014

Mr. James St. Jean, CPA, Controller
Agape Management Services, Inc.
1624 Main Street
Columbia, South Carolina 29201

Re: AC# 3-ANR-J0 – Agape Nursing and Rehabilitation Center, Inc.

Dear Mr. St. Jean:

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, 2009 through September 30, 2010. That report was used to set the rate covering the contract period beginning November 1, 2011.

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.", is written over a light blue horizontal line.

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

RHGjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Ms. Kathleen C. Snider
Ms. Nicole Mitchell Threat
Ms. Melissa Simmons

AGAPE NURSING AND REHABILITATION CENTER, INC.

WEST COLUMBIA, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING NOVEMBER 1, 2011
AC# 3-ANR-J0**

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 25, 2014

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 Agape Nursing and Rehabilitation Center, Inc., for the contract period beginning November 1, 2011, and for the twelve month cost report period ended September 30, 2010, as set forth in the accompanying schedules. The management of Agape Nursing and Rehabilitation Center, Inc. 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 Agape Nursing and Rehabilitation Center, Inc., 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 Agape Nursing and Rehabilitation Center, Inc. dated as of October 1, 2011, 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
March 25, 2014

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

AGAPE NURSING AND REHABILITATION CENTER, INC.
Computation of Rate Change
For the Contract Period
Beginning November 1, 2011
AC# 3-ANR-J0

	<u>11/01/11-</u> <u>09/30/12</u>
Interim Reimbursement Rate (1)	\$152.58
Adjusted Reimbursement Rate	<u>130.97</u>
Decrease in Reimbursement Rate	\$ <u><u>21.61</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated August 2, 2013.

AGAPE NURSING AND REHABILITATION CENTER, INC.

Computation of Adjusted Reimbursement Rate

For the Contract Period November 1, 2011 Through September 30, 2012
AC# 3-ANR-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 82.69	\$101.78	
Dietary		10.22	15.92	
Laundry/Housekeeping/Maintenance		<u>5.33</u>	<u>14.77</u>	
Subtotal	<u>\$9.27</u>	98.24	132.47	\$ 98.24
Administration & Medical Records	<u>\$ -</u>	<u>28.88</u>	<u>20.62</u>	<u>20.62</u>
Subtotal		127.12	<u>\$153.09</u>	118.86
<u>Costs Not Subject to Standards:</u>				
Utilities		3.06		3.06
Special Services		-		-
Medical Supplies & Oxygen		4.21		4.21
Taxes and Insurance		.37		.37
Legal Fees		-		-
TOTAL		<u>\$134.76</u>		126.50
Inflation Factor (N/A)				-
Cost of Capital				6.80
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				9.27
Effect of \$1.75 Cap on Cost/Profit Incentives				(7.52)
Budget Neutrality Adjustment (3.02%)				<u>(4.08)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$130.97</u>

AGAPE NURSING AND REHABILITATION CENTER, INC.
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2010
 AC# 3-ANR-J0

<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	\$1,694,764	\$ 23,013 (8) 55,630 (12) 162,153 (13)	\$ 3,195 (4) 112,244 (7) 6,914 (7) 53,861 (9) 2,949 (10) 17,530 (10) 54,909 (14)	\$1,683,958
Dietary	256,025	181,791 (12)	16,043 (7) 54,242 (8) 12,000 (10) 147,360 (14)	208,171
Laundry	5,067	3,597 (12)	5,182 (8) 1,445 (14)	2,037
Housekeeping	94,322	68,187 (12)	5,818 (7) 42,979 (8) 424 (9) 1,141 (10) 47,146 (14)	65,001
Maintenance	99,245	71,745 (12)	7,032 (5) 95 (7) 29,427 (8) 46,639 (9) 15,853 (10) 30,371 (14)	41,573
Administration & Medical Records	668,601	1,375 (4) 1,901 (5) 324,577 (12) 24,162 (12)	16,315 (7) 204,634 (13) 187,328 (14) 24,164 (14)	588,175
Utilities	69,900	50,530 (12)	12,474 (8) 45,574 (14)	62,382
Special Services	-	59,063 (11)	59,063 (7)	-

AGAPE NURSING AND REHABILITATION CENTER, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2010
AC# 3-ANR-J0

<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>
Medical Supplies & Oxygen	275,274	162,276 (13)	251,867 (9) 99,968 (11)	85,715
Taxes and Insurance	80,456	56,699 (12)	124,296 (6) 5,380 (14)	7,479
Legal Fees	-	-	-	-
Cost of Capital	173,476	10,207 (3) 4,973 (12) 7,119 (15)	46,625 (1) 5,840 (2) 3,737 (13) 1,130 (14)	138,443
Subtotal	<u>3,417,130</u>	<u>1,268,998</u>	<u>1,803,194</u>	<u>2,882,934</u>
Ancillary	819,765	-	-	819,765
Nonallowable	5,748,903	46,625 (1) 5,840 (2) 5,131 (5) 124,296 (6) 216,492 (7) 121,291 (8) 352,791 (9) 49,473 (10) 40,905 (11) 544,807 (14)	10,207 (3) 841,891 (12) 116,058 (13) 7,119 (15)	6,281,279
CNA Training & Testing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>\$9,985,798</u>	<u>\$2,776,649</u>	<u>\$2,778,469</u>	<u>\$9,983,978</u>
Total Patient Days	<u>20,364</u>	<u>-</u>	<u>-</u>	<u>20,364</u>
Total Beds	<u>100</u>			

AGAPE NURSING AND REHABILITATION CENTER, INC.
Adjustment Report
Cost Report Period Ended September 30, 2010
AC# 3-ANR-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 183,102	
	Other Equity	3,317,981	
	Nonallowable	46,625	
	Fixed Assets		\$3,501,083
	Cost of Capital		46,625
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Accumulated Amortization	24,876	
	Other Equity	41,309	
	Nonallowable	5,840	
	Loan Cost		66,185
	Cost of Capital		5,840
	To disallow loan cost and related amortization HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Cost of Capital	10,207	
	Nonallowable		10,207
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
4	Retained Earnings	1,820	
	Administration	1,375	
	Nursing		3,195
	To properly charge expense applicable to the prior period and reclassify expense to the proper cost center HIM-15-1, Section 2302.1 DH&HS Expense Crosswalk		

AGAPE NURSING AND REHABILITATION CENTER, INC.
Adjustment Report
Cost Report Period Ended September 30, 2010
AC# 3-ANR-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Administration Nonallowable Maintenance	1,901 5,131	 7,032
	To disallow expense due to lack of adequate documentation and reclassify expense to the proper cost center HIM-15-1, Section 2304 DH&HS Expense Crosswalk		
6	Nonallowable Taxes and Insurance	124,296	 124,296
	To adjust liability insurance expense HIM-15-1, Sections 2162.2 and 2304 State Plan, Attachment 4.19D		
7	Nonallowable Nursing Restorative Dietary Housekeeping Maintenance Administration Special Services	216,492	 112,244 6,914 16,043 5,818 95 16,315 59,063
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Restorative Nonallowable Dietary Laundry Housekeeping Maintenance Utilities	23,013 121,291	 54,242 5,182 42,979 29,427 12,474
	To adjust shared service cost allocations HIM-15-1, Sections 2102.3 and 2304		

AGAPE NURSING AND REHABILITATION CENTER, INC.
Adjustment Report
Cost Report Period Ended September 30, 2010
AC# 3-ANR-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Nonallowable	352,791	
	Nursing		53,861
	Housekeeping		424
	Maintenance		46,639
	Medical Supplies		251,867
	To adjust related party cost and disallow expense due to lack of adequate documentation HIM-15-1, Sections 1005 and 2304		
10	Nonallowable	49,473	
	Nursing		2,949
	Restorative		17,530
	Dietary		12,000
	Housekeeping		1,141
	Maintenance		15,853
	To disallow expense due to lack of adequate documentation HIM-15-1, Section 2304		
11	Special Services	59,063	
	Nonallowable	40,905	
	Medical Supplies		99,968
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
12	Restorative	55,630	
	Dietary	181,791	
	Laundry	3,597	
	Housekeeping	68,187	
	Maintenance	71,745	
	Administration	324,577	
	Medical Records	24,162	
	Utilities	50,530	
	Taxes and Insurance	56,699	
	Cost of Capital	4,973	
	Nonallowable		841,891
	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		

AGAPE NURSING AND REHABILITATION CENTER, INC.
Adjustment Report
Cost Report Period Ended September 30, 2010
AC# 3-ANR-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
13	Nursing	162,153	
	Medical Supplies	162,276	
	Administration		204,634
	Cost of Capital		3,737
	Nonallowable		116,058
	To adjust nursing and medical supply allocation and remove home office cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
14	Nonallowable	544,807	
	Restorative		54,909
	Dietary		147,360
	Laundry		1,445
	Housekeeping		47,146
	Maintenance		30,371
	Administration		187,328
	Medical Records		24,164
	Utilities		45,574
	Taxes and Insurance		5,380
	Cost of Capital		1,130
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
15	Cost of Capital	7,119	
	Nonallowable		7,119
	To adjust capital return State Plan, Attachment 4.19D		
	<u>TOTAL ADJUSTMENTS</u>	<u>\$6,345,737</u>	<u>\$6,345,737</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.

AGAPE NURSING AND REHABILITATION CENTER, INC.
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2010
 AC# 3-ANR-J0

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>3.15264</u>	<u>3.15264</u>	
Deemed Asset Value (Per Bed)	49,238	49,238	
Number of Beds	<u>44</u>	<u>56</u>	
Deemed Asset Value	2,166,472	2,757,328	
Improvements Since 1981	5,700	-	
Accumulated Depreciation at 9/30/10	<u>(145,543)</u>	<u>(81,172)</u>	
Deemed Depreciated Value	2,026,629	2,676,156	
Market Rate of Return	<u>.0420</u>	<u>.0420</u>	
Total Annual Return	85,118	112,399	
Number of Days in Period	<u>365/365</u>	<u>92/365</u>	
Adjusted Annual Return	85,118	28,331	
Return Applicable to Non-Reimbursable Cost Centers	(4,948)	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	80,170	28,331	
Depreciation Expense	23,428	7,710	
Amortization Expense	-	-	
Capital Related Income Offsets	(29)	(37)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(1,130)</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	102,439	36,004	\$138,443
Total Patient Days (Minimum 96% Occupancy)	<u>15,418</u>	<u>4,946</u>	<u>20,364</u>
Cost of Capital Per Diem	\$ <u>6.64</u>	\$ <u>7.28</u>	\$ <u>6.80</u>

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