

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-J1 – 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, 2010 through September 30, 2011. That report was used to set the rate covering the contract period beginning October 1, 2012.

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
Ms. Nicole Mitchell Threat
Ms. Melissa Simmons

AGAPE NURSING AND REHABILITATION CENTER, INC.

WEST COLUMBIA, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2012
AC# 3-ANR-J1**

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 11, 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 October 1, 2012, and for the twelve month cost report period ended September 30, 2011, 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 11, 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 October 1, 2012
AC# 3-ANR-J1

	10/01/12- <u>09/30/13</u>
Interim Reimbursement Rate (1)	\$170.44
Adjusted Reimbursement Rate	<u>137.09</u>
Decrease in Reimbursement Rate	\$ <u><u>33.35</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 October 1, 2012 Through September 30, 2013
 AC# 3-ANR-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 86.19	\$108.17	
Dietary		11.99	17.37	
Laundry/Housekeeping/Maintenance		<u>6.10</u>	<u>15.73</u>	
Subtotal	<u>\$9.89</u>	104.28	141.27	\$104.28
Administration & Medical Records	<u>\$2.01</u>	<u>20.94</u>	<u>22.95</u>	<u>20.94</u>
Subtotal		125.22	<u>\$164.22</u>	125.22
<u>Costs Not Subject to Standards:</u>				
Utilities		3.49		3.49
Special Services		-		-
Medical Supplies & Oxygen		4.20		4.20
Taxes and Insurance		.37		.37
Legal Fees		-		-
TOTAL		<u>\$133.28</u>		133.28
Inflation Factor (N/A)				-
Cost of Capital				7.48
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				2.01
Cost Incentive				9.89
Effect of \$1.75 Cap on Cost/Profit Incentives				(10.15)
Budget Neutrality Adjustment (3.805%)				<u>(5.42)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$137.09</u>

AGAPE NURSING AND REHABILITATION CENTER, INC.
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2011
 AC# 3-ANR-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$3,018,333	\$11,354 (4) 11,942 (6)	\$ 70,312 (5) 5,516 (5) 2,897 (7) 1,961 (8) 21,741 (10) 14,400 (10)	\$2,924,802
Dietary	544,034	34,502 (4)	15,525 (5) 138,247 (6) 5,959 (8) 12,000 (10)	406,805
Laundry	10,411	5,550 (4)	7,519 (6) 2,610 (7) 959 (8)	4,873
Housekeeping	175,649	1,582 (4)	3,123 (5) 61,949 (6) 273 (8) 3,063 (11)	108,823
Maintenance	228,405	2,212 (11)	3,125 (5) 123,034 (6) 11,162 (10)	93,296
Administration & Medical Records	955,986	7,787 (4) 4,897 (4)	67 (5) 2,255 (6) 63,670 (10) 178,982 (11) 5,900 (13) 7,400 (13)	710,396

AGAPE NURSING AND REHABILITATION CENTER, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2011
AC# 3-ANR-J1

<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>
Utilities	144,793	89 (11)	11,829 (6) 14,766 (12)	118,287
Special Services	(1)	1,310 (4) 12,000 (13) 41,796 (14)	54,153 (5) 726 (7) 226 (8)	-
Medical Supplies & Oxygen	551,135	13,386 (7)	136,927 (4) 9,931 (5) 176,433 (8) 603 (10) 98,028 (14)	142,599
Taxes and Insurance	186,679	-	30,776 (5) 382 (7) 140,235 (9) 2,825 (11)	12,461
Legal Fees	-	-	-	-
Cost of Capital	314,843	18,395 (3) 214 (11) <u>14,802 (15)</u>	87,268 (1) 7,029 (2)	253,957
Subtotal	6,130,267	181,818	1,535,786	4,776,299
Ancillary	877,831	-	3,432 (7) 289 (10)	874,110

AGAPE NURSING AND REHABILITATION CENTER, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2011
AC# 3-ANR-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Nonallowable	4,617,051	87,268 (1)	18,395 (3)	5,974,740
		7,029 (2)	3,339 (7)	
		69,945 (4)	14,802 (15)	
		192,528 (5)		
		332,891 (6)		
		185,811 (8)		
		140,235 (9)		
		123,865 (10)		
		182,355 (11)		
		14,766 (12)		
		1,300 (13)		
		56,232 (14)		
 CNA Training and Testing	 _____ - _____	 _____ - _____	 _____ - _____	 _____ - _____
 Total Operating Expenses	 <u>\$11,625,149</u>	 <u>\$1,576,043</u>	 <u>\$1,576,043</u>	 <u>\$11,625,149</u>
 Total Patient Days	 <u>33,933</u>	 <u>-</u>	 <u>-</u>	 <u>33,933</u>
 Total Beds	 <u>100</u>			

AGAPE NURSING AND REHABILITATION CENTER, INC.
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-ANR-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 46,445	
	Other Equity	3,604,819	
	Nonallowable	87,268	
	Fixed Assets		\$3,651,264
	Cost of Capital		87,268
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Accumulated Amortization	40,589	
	Other Equity	25,596	
	Nonallowable	7,029	
	Loan Cost		66,185
	Cost of Capital		7,029
	To disallow loan cost and related amortization HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Cost of Capital	18,395	
	Nonallowable		18,395
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
4	Nursing	11,354	
	Dietary	34,502	
	Laundry	5,550	
	Housekeeping	1,582	
	Administration	7,787	
	Medical Records	4,897	
	Special Services	1,310	
	Nonallowable	69,945	
	Medical Supplies		136,927
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		

AGAPE NURSING AND REHABILITATION CENTER, INC.
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-ANR-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable	192,528	
	Nursing		70,312
	Restorative		5,516
	Dietary		15,525
	Housekeeping		3,123
	Maintenance		3,125
	Administration		67
	Taxes and Insurance		30,776
	Medical Supplies		9,931
	Special Services		54,153
	To adjust fringe benefits and related allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
	DH&HS Expense Crosswalk		
6	Restorative	11,942	
	Nonallowable	332,891	
	Dietary		138,247
	Laundry		7,519
	Housekeeping		61,949
	Maintenance		123,034
	Administration		2,255
	Utilities		11,829
	To adjust shared service cost allocations		
	HIM-15-1, Sections 2102.3 and 2304		
7	Medical Supplies	13,386	
	Nursing		2,897
	Laundry		2,610
	Taxes and Insurance		382
	Special Services		726
	Ancillary		3,432
	Nonallowable		3,339
	To adjust expense to agree to available documentation		
	HIM-15-1, Section 2304		

AGAPE NURSING AND REHABILITATION CENTER, INC.
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-ANR-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Nonallowable	185,811	
	Nursing		1,961
	Dietary		5,959
	Laundry		959
	Housekeeping		273
	Medical Supplies		176,433
	Special Services		226
	To adjust related party cost and disallow expense due to lack of adequate documentation HIM-15-1, Sections 1005 and 2304		
9	Nonallowable	140,235	
	Taxes and Insurance		140,235
	To adjust liability insurance expense HIM-15-1, Sections 2162.2 and 2304 State Plan, Attachment 4.19D		
10	Nonallowable	123,865	
	Nursing		21,741
	Restorative		14,400
	Dietary		12,000
	Maintenance		11,162
	Administration		63,670
	Medical Supplies		603
	Ancillary		289
	To disallow expense due to lack of adequate documentation HIM-15-1, Section 2304		
11	Maintenance	2,212	
	Utilities	89	
	Cost of Capital	214	
	Nonallowable	182,355	
	Housekeeping		3,063
	Administration		178,982
	Taxes and Insurance		2,825
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

AGAPE NURSING AND REHABILITATION CENTER, INC.
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-ANR-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
12	Nonallowable Utilities	14,766	14,766
	To disallow cable tv expense HIM-15-1, Section 2106.1		
13	Special Services Nonallowable Administration Medical Records	12,000 1,300	5,900 7,400
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
14	Special Services Nonallowable Medical Supplies	41,796 56,232	98,028
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
15	Cost of Capital Nonallowable	14,802	14,802
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$5,293,492</u>	<u>\$5,293,492</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, 2011
 AC# 3-ANR-J1

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>3.18210</u>	<u>3.18210</u>	
Deemed Asset Value (Per Bed)	49,698	49,698	
Number of Beds	<u>44</u>	<u>56</u>	
Deemed Asset Value	2,186,712	2,783,088	
Improvements Since 1981	11,557	7,455	
Accumulated Depreciation at 9/30/11	<u>(165,956)</u>	<u>(108,005)</u>	
Deemed Depreciated Value	2,032,313	2,682,538	
Market Rate of Return	<u>.0408</u>	<u>.0408</u>	
Total Annual Return	82,918	109,448	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	82,918	109,448	
Depreciation Expense	26,885	35,068	
Amortization Expense	-	-	
Capital Related Income Offsets	(159)	(203)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	109,644	144,313	\$253,957
Total Patient Days (Actual)	<u>14,931</u>	<u>19,002</u>	<u>33,933</u>
Cost of Capital Per Diem	\$ <u><u>7.34</u></u>	\$ <u><u>7.59</u></u>	\$ <u><u>7.48</u></u>

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