

*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

October 30, 2013

Ms. Autumn Grove, Senior Reimbursement Manager  
Fundamental Administrative Services  
920 Ridgebrook Road  
Sparks, Maryland 21152

Re: AC# 3-DRF-J9 – THI of South Carolina at Charleston, LLC d/b/a Riverside  
Health and Rehab

Dear Ms. Grove:

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

**THE UNIVERSITY OF SOUTH CAROLINA AT CHARLESTON, LLC  
D/B/A RIVERSIDE HEALTH AND REHAB  
NORTH CHARLESTON, SOUTH CAROLINA**

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

**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 PERIODS BEGINNING OCTOBER 1, 2010	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2010 THROUGH APRIL 7, 2011	B-1	4
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD APRIL 8, 2011 THROUGH OCTOBER 31, 2011	B-2	5
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2009	C	6
ADJUSTMENT REPORT	1	8
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	10

# 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

### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 27, 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 THI of South Carolina at Charleston, LLC d/b/a Riverside Health and Rehab, 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 THI of South Carolina at Charleston, LLC d/b/a Riverside Health and Rehab 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 THI of South Carolina at Charleston, LLC d/b/a Riverside Health and Rehab, 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 THI of South Carolina at Charleston, LLC d/b/a Riverside Health and Rehab 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  
August 27, 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.", with a stylized flourish at the end.

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

**RIVERSIDE HEALTH AND REHAB**  
Computation of Rate Change  
For the Contract Periods  
Beginning October 1, 2010  
AC# 3-DRF-J9

	10/01/10- <u>04/07/11</u>	04/08/11- <u>10/31/11</u>
Interim Reimbursement Rate (1)	\$146.08	\$141.70
Adjusted Reimbursement Rate	<u>144.78</u>	<u>140.44</u>
Decrease in Reimbursement Rate	\$ <u>1.30</u>	\$ <u>1.26</u>

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

**RIVERSIDE HEALTH AND REHAB**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2010 Through April 7, 2011  
 AC# 3-DRF-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 76.80	\$ 86.60	
Dietary		11.28	15.58	
Laundry/Housekeeping/Maintenance		<u>8.91</u>	<u>14.87</u>	
Subtotal	\$ <u>8.19</u>	96.99	117.05	\$ 96.99
Administration & Medical Records	\$ <u>-</u>	<u>20.97</u>	<u>20.15</u>	<u>20.15</u>
Subtotal		117.96	<u>\$137.20</u>	117.14
<u>Costs Not Subject to Standards:</u>				
Utilities		3.76		3.76
Special Services		.09		.09
Medical Supplies & Oxygen		5.32		5.32
Taxes and Insurance		5.55		5.55
Legal Fees		<u>.40</u>		<u>.40</u>
<b>TOTAL</b>		<u>\$133.08</u>		132.26
Inflation Factor (2.00%)				2.65
Cost of Capital				8.12
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				8.19
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(6.44)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$144.78</u>

**RIVERSIDE HEALTH AND REHAB**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period April 8, 2011 Through October 31, 2011  
 AC# 3-DRF-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 76.80	\$ 86.60	
Dietary		11.28	15.58	
Laundry/Housekeeping/Maintenance		<u>8.91</u>	<u>14.87</u>	
Subtotal	\$ <u>8.19</u>	96.99	117.05	\$ 96.99
Administration & Medical Records	\$ <u>-</u>	<u>20.97</u>	<u>20.15</u>	<u>20.15</u>
Subtotal		117.96	<u>\$137.20</u>	117.14
<u>Costs Not Subject to Standards:</u>				
Utilities		3.76		3.76
Special Services		.09		.09
Medical Supplies & Oxygen		5.32		5.32
Taxes and Insurance		5.55		5.55
Legal Fees		<u>.40</u>		<u>.40</u>
<b>TOTAL</b>		<u>\$133.08</u>		132.26
Inflation Factor (2.00%)				2.65
Cost of Capital				8.12
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				8.19
Effect of \$1.75 Cap on Cost/Profit Incentives				(6.44)
Effect of 3% Rate Reduction				<u>(4.34)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$140.44</u>

**RIVERSIDE HEALTH AND REHAB**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2009  
AC# 3-DRF-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$4,328,100	\$ -	\$11,935 (3) 659 (3) 9,753 (4)	\$4,305,753
Dietary	633,539	-	1,312 (3)	632,227
Laundry	121,065	-	-	121,065
Housekeeping	178,285	-	-	178,285
Maintenance	201,079	-	635 (3)	200,444
Administration & Medical Records	1,228,450	-	1,134 (3) 16 (3) 51,532 (4)	1,175,768
Utilities	210,911	-	-	210,911
Special Services	5,139	68 (4)	-	5,207
Medical Supplies & Oxygen	322,621	-	118 (3) 24,049 (5)	298,454
Taxes and Insurance	310,999	-	1 (4)	310,998
Legal Fees	22,649	-	-	22,649

**RIVERSIDE HEALTH AND REHAB**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2009  
AC# 3-DRF-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Cost of Capital	478,710	986 (2)	22,603 (1)	454,977
	<u>                    </u>	<u>                    </u>	<u>2,116 (4)</u>	<u>                    </u>
Subtotal	8,041,547	1,054	125,863	7,916,738
Ancillary	116,031	169 (5)	-	116,200
Nonallowable	1,561,158	22,603 (1)	986 (2)	1,685,798
		15,809 (3)		
		63,334 (4)		
		23,880 (5)		
CNA Training and Testing	<u>    973</u>	<u>    -</u>	<u>    -</u>	<u>    973</u>
Total Operating Expenses	<u>\$9,719,709</u>	<u>\$126,849</u>	<u>\$126,849</u>	<u>\$9,719,709</u>
Total Patient Days	<u>    56,064</u>	<u>    -</u>	<u>    -</u>	<u>    56,064</u>
Total Beds	<u>    160</u>			

**RIVERSIDE HEALTH AND REHAB**  
Adjustment Report  
Cost Report Period Ended September 30, 2009  
AC# 3-DRF-J9

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 5,002	
	Accumulated Depreciation	18,547	
	Nonallowable	22,603	
	Other Equity		\$ 23,549
	Cost of Capital		22,603
	To adjust fixed assets and related depreciation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
2	Cost of Capital	986	
	Nonallowable		986
	To adjust capital return		
	State Plan, Attachment 4.19D		
3	Nonallowable	15,809	
	Nursing		11,935
	Restorative		659
	Dietary		1,312
	Maintenance		635
	Administration		1,134
	Medical Records		16
	Medical Supplies		118
	To adjust fringe benefits and related allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
4	Special Services	68	
	Nonallowable	63,334	
	Nursing		9,753
	Administration		51,532
	Taxes and Insurance		1
	Cost of Capital		2,116
	To adjust home office cost allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		

**RIVERSIDE HEALTH AND REHAB**  
Adjustment Report  
Cost Report Period Ended September 30, 2009  
AC# 3-DRF-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Ancillary Nonallowable Medical Supplies	169 23,880	24,049
	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		
	<b>TOTAL ADJUSTMENTS</b>	\$150,398	\$150,398

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.

**RIVERSIDE HEALTH AND REHAB**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 2009  
AC# 3-DRF-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>160</u>
Deemed Asset Value	7,770,240
Improvements Since 1981	1,947,284
Accumulated Depreciation at 9/30/09	<u>(4,313,359)</u>
Deemed Depreciated Value	5,404,165
Market Rate of Return	<u>.0440</u>
Total Annual Return	237,783
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	237,783
Depreciation Expense	219,310
Amortization Expense	-
Capital Related Income Offsets	(2,116)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	454,977
Total Patient Days (Minimum 96% Occupancy)	<u>56,064</u>
Cost of Capital Per Diem	\$ <u><u>8.12</u></u>

**RIVERSIDE HEALTH AND REHAB**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 2009  
AC# 3-DRF-J9

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 7.79
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$11.78</u>
Reimbursable Cost of Capital Per Diem	\$ 8.12
Cost of Capital Per Diem	<u>8.12</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

2 copies of this document were published at an estimated printing cost of \$1.41 each, and a total printing cost of \$2.82. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.