

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
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September 16, 2015

Ms. Rachel Jackson, Director of Accounting
Epic Management, LLC
4493 East Sundance Court
Gilbert, Arizona 85297

Re: AC# 3-BAY-J1 – Bayview Manor, LLC

Dear Ms. Jackson:

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 payable for amounts underpaid as a result of the rate changes shown on Exhibit A. You will be notified of settlement 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: Mr. Jeff Saxon
Ms. Melissa Simmons
Mr. Byron Roberts
Ms. Nicole Mitchell Threat
Ms. Brittany Sandifer
Ms. Chari Preacher

**BAYVIEW MANOR, LLC
BEAUFORT, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2012
AC# 3-BAY-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 17, 2015

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 Bayview Manor, LLC, 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 Bayview Manor, LLC 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 Bayview Manor, LLC, 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 Bayview Manor, LLC 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 17, 2015

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

BAYVIEW MANOR, LLC
Computation of Rate Change
For the Contract Period
Beginning October 1, 2012
AC# 3-BAY-J1

10/01/12-
09/30/13

Interim Reimbursement Rate (1)	\$142.87
Adjusted Reimbursement Rate	<u>142.88</u>
Increase in Reimbursement Rate	\$ <u><u>0.01</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated August 23, 2013.

BAYVIEW MANOR, LLC
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2012 Through September 30, 2013
 AC# 3-BAY-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 79.07	\$101.11	
Dietary		15.65	17.37	
Laundry/Housekeeping/Maintenance		<u>14.08</u>	<u>15.73</u>	
Subtotal	<u>\$9.39</u>	108.80	134.21	\$108.80
Administration & Medical Records	<u>\$7.93</u>	<u>15.02</u>	<u>22.95</u>	<u>15.02</u>
Subtotal		123.82	<u>\$157.16</u>	123.82
<u>Costs Not Subject to Standards:</u>				
Utilities		5.34		5.34
Special Services		.17		.17
Medical Supplies & Oxygen		5.34		5.34
Taxes and Insurance		4.16		4.16
Legal Fees		<u>.20</u>		<u>.20</u>
TOTAL		<u>\$139.03</u>		139.03
Inflation Factor (N/A)				-
Cost of Capital				7.75
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				4.87
Cost Incentive				9.39
Effect of \$1.75 Cap on Cost/Profit Incentives				(12.51)
Budget Neutrality Adjustment (3.805%)				<u>(5.65)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$142.88</u>

BAYVIEW MANOR, LLC
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2011
 AC# 3-BAY-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$4,170,356	\$-	\$-	\$4,170,356
Dietary	825,435	-	-	825,435
Laundry	121,539	-	-	121,539
Housekeeping	372,253	-	-	372,253
Maintenance	248,575	-	-	248,575
Administration & Medical Records	792,333	-	-	792,333
Utilities	281,496	-	-	281,496
Special Services	8,842	-	-	8,842
Medical Supplies & Oxygen	281,872	-	-	281,872
Taxes and Insurance	219,668	-	-	219,668
Legal Fees	10,415	-	-	10,415
Cost of Capital	408,223	4,170 (1)	636 (2)	408,891
			<u>2,866 (3)</u>	
Subtotal	7,741,007	4,170	3,502	7,741,675
Ancillary	428,894	-	-	428,894

BAYVIEW MANOR, LLC
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2011
AC# 3-BAY-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	2,229,903	636 (2) 2,866 (3)	4,170 (1)	2,229,235
CNA Training and Testing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>\$10,399,804</u>	<u>\$7,672</u>	<u>\$7,672</u>	<u>\$10,399,804</u>
Total Patient Days	<u>*52,743</u>	<u>-</u>	<u>-</u>	<u>52,743</u>

*Adjusted to 85% occupancy

Total Beds 170

BAYVIEW MANOR, LLC
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-BAY-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$199,094	
	Cost of Capital	4,170	
	Other Equity		\$ 9,197
	Fixed Assets		189,897
	Nonallowable		4,170
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	636	
	Cost of Capital		636
	To adjust capital return State Plan, Attachment 4.19D		
3	Nonallowable	2,866	
	Cost of Capital		2,866
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$206,766</u>	<u>\$206,766</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.

BAYVIEW MANOR, LLC
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2011
AC# 3-BAY-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>126</u>	<u>44</u>	
Deemed Asset Value	6,261,948	2,186,712	
Improvements Since 1981	1,230,226	295,519	
Accumulated Depreciation at 9/30/11	<u>(2,357,568)</u>	<u>(1,057,282)</u>	
Deemed Depreciated Value	5,134,606	1,424,949	
Market Rate of Return	<u>.0408</u>	<u>.0408</u>	
Total Annual Return	209,492	58,138	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	209,492	58,138	
Depreciation Expense	80,906	60,656	
Amortization Expense	-	-	
Capital Related Income Offsets	(206)	(95)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	290,192	118,699	\$408,891
Total Patient Days (Minimum 85% Occupancy)	<u>39,092</u>	<u>13,651</u>	<u>52,743</u>
Cost of Capital Per Diem	\$ <u>7.42</u>	\$ <u>8.70</u>	\$ <u>7.75</u>

BAYVIEW MANOR, LLC
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2011
AC# 3-BAY-J1

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$4.89*	\$N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$8.88</u>	<u>\$N/A</u>
Reimbursable Cost of Capital Per Diem		\$7.75
Cost of Capital Per Diem		<u>7.75</u>
Cost of Capital Per Diem Limitation		<u>\$ -</u>

*Cost of Capital and Return on Equity Capital per diem as recalculated by DHHS as a result of settlement agreement and communicated to the provider by letter dated January 6, 1995.

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