



**South Carolina  
Office of the State Auditor**

**George L. Kennedy, III, CPA  
State Auditor**

---

March 30, 2016

Mr. Gary Geise  
Divisional Director of Reimbursement Services  
HCR – Manor Care  
Post Office Box 10086  
Toledo, Ohio 43699-0086

Re: AC# 3-ELH-J1 – Heartland - Charleston of Hanahan SC, LLC d/b/a Heartland Health Care Center - Charleston

Dear Mr. Geise:

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 blue ink that reads "George L. Kennedy, III".

George L. Kennedy, III, CPA  
State Auditor

GLKIII/cwc

cc: Mr. Jeff Saxon  
Ms. Melissa Simmons  
Mr. Byron Roberts  
Ms. Nicole Mitchell Threat  
Ms. Brittany Sandifer  
Ms. Chari Preacher

**HEARTLAND – CHARLESTON OF HANAHAN SC, LLC D/B/A  
HEARTLAND HEALTH CARE CENTER - CHARLESTON**

**HANAHAN, SOUTH CAROLINA**

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

**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 PERIOD BEGINNING OCTOBER 1, 2012	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2012 THROUGH SEPTEMBER 30, 2013	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2011	C	5
ADJUSTMENT REPORT	1	7
COST OF REIMBURSEMENT ANALYSIS	2	11



**South Carolina  
Office of the State Auditor**

**George L. Kennedy, III, CPA  
State Auditor**

---

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

---

November 23, 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 Heartland - Charleston of Hanahan SC, LLC d/b/a Heartland Health Care Center - Charleston, 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 Heartland - Charleston of Hanahan SC, LLC d/b/a Heartland Health Care Center - Charleston 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 Heartland - Charleston of Hanahan SC, LLC d/b/a Heartland Health Care Center - Charleston, 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 Heartland - Charleston of Hanahan SC, LLC d/b/a Heartland Health Care Center - Charleston 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  
November 23, 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.



George L. Kennedy, III, CPA  
State Auditor

**HEARTLAND HEALTH CARE CENTER - CHARLESTON**

Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2012  
AC# 3-ELH-J1

	10/01/12- <u>09/30/13</u>
Interim Reimbursement Rate (1)	\$171.79
Adjusted Reimbursement Rate	<u>155.07</u>
Decrease in Reimbursement Rate	\$ <u><u>16.72</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 12, 2015.

**HEARTLAND HEALTH CARE CENTER - CHARLESTON**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2012 Through September 30, 2013  
 AC# 3-ELH-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 79.92	\$ 90.02	
Dietary		14.78	17.38	
Laundry/Housekeeping/Maintenance		<u>15.06</u>	<u>16.63</u>	
Subtotal	<u>\$8.68</u>	109.76	124.03	\$109.76
Administration & Medical Records	<u>\$1.39</u>	<u>22.22</u>	<u>23.61</u>	<u>22.22</u>
Subtotal		131.98	<u>\$147.64</u>	131.98
<u>Costs Not Subject to Standards:</u>				
Utilities		4.75		4.75
Special Services		.47		.47
Medical Supplies & Oxygen		5.59		5.59
Taxes and Insurance		7.68		7.68
Legal Fees		<u>.01</u>		<u>.01</u>
<b>TOTAL</b>		<u>\$150.48</u>		150.48
Inflation Factor (N/A)				-
Cost of Capital				8.97
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				1.39
Cost Incentive				8.68
Effect of \$1.75 Cap on Cost/Profit Incentives				(8.32)
Budget Neutrality Adjustment (3.805%)				<u>(6.13)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$155.07</u>

**HEARTLAND HEALTH CARE CENTER - CHARLESTON**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2011  
 AC# 3-ELH-J1

<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	\$3,122,314	\$ 30,099 (7) 33 (9) 3,496 (9)	\$480,758 (8) 35,031 (8)	\$2,640,153
Dietary	497,334	4,358 (4) 81,443 (7) 24 (9)	396 (5) 94,481 (8)	488,282
Laundry	51,065	8,362 (7)	9,732 (8)	49,695
Housekeeping	227,771	73,632 (7)	71,548 (8)	229,855
Maintenance	218,481	70,380 (7)	3,835 (1) 132 (6) 64,042 (8) 2,287 (9) 660 (10)	217,905
Administration & Medical Records	842,178	324 (4) 173 (4) 72,206 (7) 11,229 (7)	77 (6) 117,039 (8) 13,096 (8) 61,502 (9) 390 (10)	734,006
Utilities	155,248	49,721 (7)	47,897 (8) 254 (9)	156,818
Special Services	18,655	3 (9) 167,150 (10)	170,419 (6)	15,389
Medical Supplies & Oxygen	235,963	38,641 (7)	4,855 (4) 3,634 (5) 31,111 (6) 20,660 (8) 29,555 (10)	184,789

**HEARTLAND HEALTH CARE CENTER - CHARLESTON**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2011  
AC# 3-ELH-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Taxes and Insurance	238,826	15,900 (3) 72,815 (7)	73,787 (8) 28 (9)	253,726
Legal Fees	307	31 (7)	67 (8)	271
Cost of Capital	332,456	7,639 (2) 12,977 (7)	7,504 (1) 9,737 (8) 4,459 (9) 1,328 (10) 33,644 (11)	296,400
Subtotal	5,940,598	720,636	1,393,945	5,267,289
Ancillary	461,707	39,277 (10)	-	500,984
Nonallowable	3,325,964	7,504 (1) 201,739 (6) 1,037,875 (8) 64,974 (9) 33,644 (11)	7,639 (2) 521,536 (7) 174,494 (10)	3,968,031
CNA Training and Testing	-	-	-	-
Total Operating Expenses	<u>\$9,728,269</u>	<u>\$2,105,649</u>	<u>\$2,097,614</u>	<u>\$9,736,304</u>
Total Patient Days	<u>31,711</u>	<u>1,322</u> (12)	<u>-</u>	<u>33,033</u>
Total Beds	<u>95</u>			

**HEARTLAND HEALTH CARE CENTER - CHARLESTON**  
Adjustment Report  
Cost Report Period Ended September 30, 2011  
AC# 3-ELH-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 5,779	
	Other Equity	170,645	
	Nonallowable	7,504	
	Fixed Assets		\$172,589
	Maintenance		3,835
	Cost of Capital		7,504
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Cost of Capital	7,639	
	Nonallowable		7,639
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
3	Taxes and Insurance	15,900	
	Accrued Property Taxes		15,900
	To adjust property tax expense and related accrual HIM-15-1, Sections 2302.1 and 2304		
4	Dietary	4,358	
	Administration	324	
	Medical Records	173	
	Medical Supplies		4,855
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
5	Retained Earnings	4,030	
	Dietary		396
	Medical Supplies		3,634
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1		

**HEARTLAND HEALTH CARE CENTER - CHARLESTON**  
Adjustment Report  
Cost Report Period Ended September 30, 2011  
AC# 3-ELH-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable	201,739	
	Maintenance		132
	Administration		77
	Medical Supplies		31,111
	Special Services		170,419
	To reclassify ancillary service cost to a non-reimbursable cost center HIM-15-1, Sections 2102.3 and 2304 State Plan, Attachment 4.19D		
7	Restorative	30,099	
	Dietary	81,443	
	Laundry	8,362	
	Housekeeping	73,632	
	Maintenance	70,380	
	Administration	72,206	
	Medical Records	11,229	
	Legal	31	
	Utilities	49,721	
	Taxes and Insurance	72,815	
	Medical Supplies	38,641	
	Cost of Capital	12,977	
	Nonallowable		521,536
	To reverse DH&HS adjustment to remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

**HEARTLAND HEALTH CARE CENTER - CHARLESTON**  
Adjustment Report  
Cost Report Period Ended September 30, 2011  
AC# 3-ELH-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Nonallowable	1,037,875	
	Nursing		480,758
	Restorative		35,031
	Dietary		94,481
	Laundry		9,732
	Housekeeping		71,548
	Maintenance		64,042
	Administration		117,039
	Medical Records		13,096
	Legal		67
	Utilities		47,897
	Taxes and Insurance		73,787
	Medical Supplies		20,660
	Cost of Capital		9,737
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
9	Nursing	33	
	Restorative	3,496	
	Dietary	24	
	Special Services	3	
	Nonallowable	64,974	
	Maintenance		2,287
	Administration		61,502
	Utilities		254
	Taxes and Insurance		28
	Cost of Capital		4,459
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

**HEARTLAND HEALTH CARE CENTER - CHARLESTON**  
Adjustment Report  
Cost Report Period Ended September 30, 2011  
AC# 3-ELH-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Special Services	167,150	
	Ancillary	39,277	
	Maintenance		660
	Administration		390
	Medical Supplies		29,555
	Cost of Capital		1,328
	Nonallowable		174,494
	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		
11	Nonallowable	33,644	
	Cost of Capital		33,644
	To adjust capital return State Plan, Attachment 4.19D		
12	<u>Memo Adjustment:</u>		
	To increase total patient days by 1,322 to 33,033		
	<u>TOTAL ADJUSTMENTS</u>	<u>\$2,286,103</u>	<u>\$2,286,103</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.

**HEARTLAND HEALTH CARE CENTER - CHARLESTON**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2011  
 AC# 3-ELH-J1

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>3.1821</u>	<u>3.1821</u>	
Deemed Asset Value (Per Bed)	49,698	49,698	
Number of Beds	<u>83</u>	<u>12</u>	
Deemed Asset Value	4,124,934	596,376	
Improvements Since 1981	1,249,928	63,253	
Accumulated Depreciation at 9/30/11	(2,339,350)	(165,548)	
Deemed Depreciated Value	3,035,512	494,081	
Market Rate of Return	<u>.0408</u>	<u>.0408</u>	
Total Annual Return	123,849	20,159	
Return Applicable to Non-Reimbursable Cost Centers	(4,745)	(772)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>3,215</u>	<u>416</u>	
Allowable Annual Return	122,319	19,803	
Depreciation Expense	140,825	26,576	
Amortization Expense	-	-	
Capital Related Income Offsets	(2,958)	(428)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(8,342)</u>	<u>(1,395)</u>	<u>Total</u>
Allowable Cost of Capital Expense	251,844	44,556	\$296,400
Total Patient Days (Minimum 92% Occupancy)	<u>29,003</u>	<u>4,030</u>	<u>33,033</u>
Cost of Capital Per Diem	\$ <u>8.68</u>	\$ <u>11.06</u>	\$ <u>8.97</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 1-11-425 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.