

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

July 8, 2015

Ms. Gina Toigo, Assistant Controller
Laurel Baye Healthcare of South Carolina
3409 Salterbeck Court
Mt. Pleasant, South Carolina 29466

Re: AC# 3-FFD-J2 – Fairfield Healthcare Center, LLC

Dear Ms. Toigo:

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, 2011 through September 30, 2012. That report was used to set the rate covering the contract period beginning October 1, 2013.

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

**FAIRFIELD HEALTHCARE CENTER, LLC
RIDGEWAY, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2013
AC# 3-FFD-J2**

**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

December 3, 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 Fairfield Healthcare Center, LLC, for the contract period beginning October 1, 2013, and for the twelve month cost report period ended September 30, 2012, as set forth in the accompanying schedules. The management of Fairfield Healthcare Center, 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 Fairfield Healthcare Center, 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 and Adjustment Report 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 Fairfield Healthcare Center, 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
December 3, 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.", with a stylized flourish at the end.

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

FAIRFIELD HEALTHCARE CENTER, LLC
Computation of Rate Change
For the Contract Period
Beginning October 1, 2013
AC# 3-FFD-J2

10/01/13-
09/30/14

Interim Reimbursement Rate (1)	\$140.58
Adjusted Reimbursement Rate	<u>134.43</u>
Decrease in Reimbursement Rate	\$ <u><u>6.15</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 21, 2014.

FAIRFIELD HEALTHCARE CENTER, LLC
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2013 Through September 30, 2014
 AC# 3-FFD-J2

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 67.90	\$ 85.64	
Dietary		14.75	17.31	
Laundry/Housekeeping/Maintenance		<u>11.53</u>	<u>15.32</u>	
Subtotal	<u>\$8.28</u>	94.18	118.27	\$94.18
Administration & Medical Records	<u>\$3.47</u>	<u>18.82</u>	<u>22.29</u>	<u>18.82</u>
Subtotal		113.00	<u>\$140.56</u>	113.00
<u>Costs Not Subject to Standards:</u>				
Utilities		4.78		4.78
Special Services		1.14		1.14
Medical Supplies & Oxygen		4.46		4.46
Taxes and Insurance		3.43		3.43
Legal Fees		<u>.19</u>		<u>.19</u>
TOTAL		<u>\$127.00</u>		127.00
Inflation Factor (3.60%)				4.57
Cost of Capital				5.16
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.47
Cost Incentive				8.28
Effect of \$1.75 Cap on Cost/Profit Incentives				(10.00)
Budget Neutrality Adjustment (2.9241%)				<u>(4.05)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$134.43</u>

FAIRFIELD HEALTHCARE CENTER, LLC
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2012
 AC# 3-FFD-J2

<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	\$2,841,297	\$ -	\$ 13,975 (1) 40,166 (2) 1,207 (6) 116,988 (9) 5,121 (9)	\$2,663,840
Dietary	578,462	-	-	578,462
Laundry	99,027	-	-	99,027
Housekeeping	140,407	-	717 (6)	139,690
Maintenance	219,965	-	2,575 (6) 3,711 (9)	213,679
Administration & Medical Records	770,633	13,643 (1)	8,000 (5) 36,603 (6) 1,218 (9)	738,455
Utilities	189,554	-	1,869 (6)	187,685
Special Services	49,113	25,802 (2)	30,232 (7)	44,683
Medical Supplies & Oxygen	183,968	10,913 (2) 3,099 (2) 8,331 (3)	10,436 (3) 19,377 (7) 1,364 (8)	175,134
Taxes and Insurance	142,158	-	4,703 (4) 3,064 (6)	134,391
Legal Fees	7,560	-	-	7,560

FAIRFIELD HEALTHCARE CENTER, LLC
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2012
AC# 3-FFD-J2

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments Debit	Credit	Adjusted Totals
Cost of Capital	<u>202,479</u>	<u>-</u>	<u>-</u>	<u>202,479</u>
Subtotal	5,424,623	61,788	301,326	5,185,085
Ancillary	226,590	-	-	226,590
Nonallowable	1,168,493	332 (1) 352 (2) 2,105 (3) 4,703 (4) 8,000 (5) 46,035 (6) 49,609 (7) 127,038 (9)	-	1,406,667
CNA Training and Testing	<u>672</u>	<u>-</u>	<u>-</u>	<u>672</u>
Total Operating Expenses	<u>\$6,820,378</u>	<u>\$299,962</u>	<u>\$301,326</u>	<u>\$6,819,014</u>
Total Patient Days	<u>39,230</u>	<u>-</u>	<u>-</u>	<u>39,230</u>
Total Beds	<u>112</u>			

FAIRFIELD HEALTHCARE CENTER, LLC
Adjustment Report
Cost Report Period Ended September 30, 2012
AC# 3-FFD-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Administration Nonallowable Nursing	\$13,643 332	 \$13,975
	To properly classify expenses DH&HS Expense Crosswalk State Plan, Attachment 4.19D		
2	Medical Supplies & Oxygen - Equip Rent Wound Vac Medical Supplies & Oxygen - Oxygen R/T Special Services Nonallowable Nursing	10,913 3,099 25,802 352	 40,166
	To properly classify expenses DH&HS Expense Crosswalk State Plan, Attachment 4.19D		
3	Medical Supplies & Oxygen - Equip Rent Wound Vac Nonallowable Medical Supplies & Oxygen - Med Sup Billable	8,331 2,105	 10,436
	To properly classify expenses DH&HS Expense Crosswalk State Plan, Attachment 4.19D		
4	Nonallowable Taxes and Insurance	4,703	 4,703
	To adjust captive liability insurance to paid claims HIM-15-1, Section 2162 State Plan, Attachment 4.19D		

FAIRFIELD HEALTHCARE CENTER, LLC
Adjustment Report
Cost Report Period Ended September 30, 2012
AC# 3-FFD-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable Medical Records	8,000	8,000
	To disallow expense due to a lack of documentation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
6	Nonallowable	46,035	
	Nursing		1,207
	Housekeeping		717
	Maintenance		2,575
	Administration		36,603
	Utilities		1,869
	Taxes and Insurance		3,064
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Nonallowable	49,609	
	Medical Supplies & Oxygen		19,377
	Special Services		30,232
	To remove special (ancillary) services reimbursed by Medicare HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Revenue-Specialty Beds	1,364	
	Medical Supplies & Oxygen		1,364
	To offset specialty bed revenue against expenses State Plan, Attachment 4.19D		

FAIRFIELD HEALTHCARE CENTER, LLC
Adjustment Report
Cost Report Period Ended September 30, 2012
AC# 3-FFD-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Nonallowable	127,038	
	Nursing		116,988
	Restorative		5,121
	Maintenance		3,711
	Administration		1,218
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
		\$301,326	\$301,326
	TOTAL ADJUSTMENTS	\$301,326	\$301,326

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.

2 copies of this document were published at an estimated printing cost of \$1.35 each, and a total printing cost of \$2.70. Section 1-11-425 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.