

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

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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-LBB-J1 – Laurel Baye Healthcare of Blackville, 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, 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/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Ms. Kathleen C. Snider
Ms. Nicole Mitchell Threat
Ms. Melissa Simmons

**LAUREL BAYE HEALTHCARE OF BLACKVILLE, LLC
BLACKVILLE, SOUTH CAROLINA**

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

December 15, 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 Laurel Baye Healthcare of Blackville, 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 Laurel Baye Healthcare of Blackville, 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 Laurel Baye Healthcare of Blackville, 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 Laurel Baye Healthcare of Blackville, 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 15, 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

LAUREL BAYE HEALTHCARE OF BLACKVILLE, LLC
Computation of Rate Change
For the Contract Period
Beginning October 1, 2012
AC# 3-LBB-J1

10/01/12-
09/30/13

Interim Reimbursement Rate (1)	\$130.79
Adjusted Reimbursement Rate	<u>126.22</u>
Decrease in Reimbursement Rate	\$ <u>4.57</u>

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

LAUREL BAYE HEALTHCARE OF BLACKVILLE, LLC
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2012 Through September 30, 2013
 AC# 3-LBB-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 63.40	\$ 90.02	
Dietary		14.98	17.38	
Laundry/Housekeeping/Maintenance		<u>12.25</u>	<u>16.63</u>	
Subtotal	<u>\$8.68</u>	90.63	124.03	\$ 90.63
Administration & Medical Records	<u>\$2.97</u>	<u>20.64</u>	<u>23.61</u>	<u>20.64</u>
Subtotal		111.27	<u>\$147.64</u>	111.27
<u>Costs Not Subject to Standards:</u>				
Utilities		3.99		3.99
Special Services		.18		.18
Medical Supplies & Oxygen		4.68		4.68
Taxes and Insurance		3.49		3.49
Legal Fees		<u>.06</u>		<u>.06</u>
TOTAL		<u>\$123.67</u>		123.67
Inflation Factor (N/A)				-
Cost of Capital				5.79
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				2.97
Cost Incentive				8.68
Effect of \$1.75 Cap on Cost/Profit Incentives				(9.90)
Budget Neutrality Adjustment (3.805%)				<u>(4.99)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$126.22</u>

LAUREL BAYE HEALTHCARE OF BLACKVILLE, LLC
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2011
 AC# 3-LBB-J1

<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	\$1,883,567	\$ -	\$20,348 (2) 18,265 (5) 33,217 (7) 2,013 (7) 130 (8)	\$1,809,594
Dietary	427,670	-	-	427,670
Laundry	75,374	-	-	75,374
Housekeeping	140,937	-	231 (8)	140,706
Maintenance	136,495	-	891 (7) 1,986 (8)	133,618
Administration & Medical Records	610,513	13,588 (2)	9,376 (6) 4,238 (7) 524 (7) 20,836 (8)	589,127
Utilities	115,110	-	1,270 (8)	113,840
Special Services	4,737	11,388 (5)	11,099 (9)	5,026
Medical Supplies & Oxygen	124,620	6,760 (2) 2,426 (5) 4,066 (5)	4,066 (9) 176 (10)	133,630
Taxes and Insurance	145,150	-	44,496 (4) 1,015 (8)	99,639
Legal Fees	1,732	-	-	1,732

LAUREL BAYE HEALTHCARE OF BLACKVILLE, LLC
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2011
AC# 3-LBB-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>
Cost of Capital	164,814	1,037 (1) 383 (3)	1,031 (8)	165,203
Subtotal	3,830,719	39,648	175,208	3,695,159
Ancillary	90,180	-	-	90,180
Nonallowable	400,905	44,496 (4) 385 (5) 40,883 (7) 26,499 (8) 15,165 (9)	1,037 (1) 383 (3)	526,913
CNA Training and Testing	<u>728</u>	<u>-</u>	<u>-</u>	<u>728</u>
Total Operating Expenses	<u>\$4,322,532</u>	<u>\$167,076</u>	<u>\$176,628</u>	<u>\$4,312,980</u>
Total Patient Days	<u>28,543</u>	<u>-</u>	<u>-</u>	<u>28,543</u>
Total Beds	<u>85</u>			

LAUREL BAYE HEALTHCARE OF BLACKVILLE, LLC
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-LBB-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 650	
	Accumulated Depreciation	2,103	
	Cost of Capital	1,037	
	Other Equity		\$ 2,753
	Nonallowable		1,037
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Administration	13,588	
	Medical Supplies & Oxygen - Specialty Beds	6,760	
	Nursing		20,348
	To properly classify expenses DH&HS Expense Crosswalk State Plan, Attachment 4.19D		
3	Cost of Capital	383	
	Nonallowable		383
	To adjust capital return State Plan, Attachment 4.19D		
4	Nonallowable	44,496	
	Taxes and Insurance		44,496
	To adjust captive liability insurance to paid claims HIM-15-1, Section 2162 State Plan, Attachment 4.19D		
5	Medical Supplies & Oxygen - Specialty Beds	2,426	
	Medical Supplies & Oxygen - Wound Therapy	4,066	
	Special Services	11,388	
	Nonallowable	385	
	Nursing		18,265
	To properly classify expenses DH&HS Expense Crosswalk State Plan, Attachment 4.19D HIM-15-1, Section 2304		

LAUREL BAYE HEALTHCARE OF BLACKVILLE, LLC
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-LBB-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Intercompany Transfer Administration	9,376	9,376
	To disallow expense due to a lack of documentation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Nonallowable Nursing Restorative Maintenance Administration Medical Records	40,883	33,217 2,013 891 4,238 524
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Nonallowable Nursing Housekeeping Maintenance Administration Taxes and Insurance Utilities Cost of Capital	26,499	130 231 1,986 20,836 1,015 1,270 1,031
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
9	Nonallowable Medical Supplies & Oxygen Special Services	15,165	4,066 11,099
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		

LAUREL BAYE HEALTHCARE OF BLACKVILLE, LLC
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-LBB-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Revenue - Specialty Beds Medical Supplies & Oxygen	176	176
	To offset specialty bed revenue against expense State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$179,381</u>	<u>\$179,381</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.

LAUREL BAYE HEALTHCARE OF BLACKVILLE, LLC
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2011
 AC# 3-LBB-J1

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>3.1821</u>
Deemed Asset Value (Per Bed)	49,698
Number of Beds	<u>85</u>
Deemed Asset Value	4,224,330
Improvements Since 1981	203,969
Accumulated Depreciation at 9/30/11	<u>(810,375)</u>
Deemed Depreciated Value	3,617,924
Market Rate of Return	<u>.0408</u>
Total Annual Return	147,611
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	147,611
Depreciation Expense	22,083
Amortization Expense	380
Capital Related Income Offsets	(4,871)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	165,203
Total Patient Days (Minimum 92% Occupancy)	<u>28,543</u>
Cost of Capital Per Diem	<u>\$ 5.79</u>

LAUREL BAYE HEALTHCARE OF BLACKVILLE, LLC
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2011
AC# 3-LBB-J1

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$3.21
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$7.20</u>
Reimbursable Cost of Capital Per Diem	\$5.79
Cost of Capital Per Diem	<u>5.79</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 1-11-425 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.