

*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-LBG-J1 – Laurel Baye Healthcare of Greenville, 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/cwc

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

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

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

November 13, 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 Greenville, 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 Greenville, 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 Greenville, 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 Greenville, 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  
November 13, 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.", written in a cursive style.

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

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

	10/01/12- <u>09/30/13</u>
Interim Reimbursement Rate (1)	\$155.60
Adjusted Reimbursement Rate	<u>150.30</u>
Decrease in Reimbursement Rate	\$ <u><u>5.30</u></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 GREENVILLE, LLC**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2012 Through September 30, 2013  
 AC# 3-LBG-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 80.41	\$108.17	
Dietary		14.33	17.37	
Laundry/Housekeeping/Maintenance		<u>14.28</u>	<u>15.73</u>	
Subtotal	<u>\$9.89</u>	109.02	141.27	\$109.02
Administration & Medical Records	<u>\$ -</u>	<u>24.66</u>	<u>22.95</u>	<u>22.95</u>
Subtotal		133.68	<u>\$164.22</u>	131.97
<u>Costs Not Subject to Standards:</u>				
Utilities		3.03		3.03
Special Services		.55		.55
Medical Supplies & Oxygen		6.60		6.60
Taxes and Insurance		5.83		5.83
Legal Fees		<u>.12</u>		<u>.12</u>
<b>TOTAL</b>		<u>\$149.81</u>		148.10
Inflation Factor (N/A)				-
Cost of Capital				8.26
Cost of Capital Limitation				(1.86)
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				9.89
Effect of \$1.75 Cap on Cost/Profit Incentives				(8.14)
Budget Neutrality Adjustment (3.805%)				<u>(5.95)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$150.30</u>

**LAUREL BAYE HEALTHCARE OF GREENVILLE, LLC**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2011  
 AC# 3-LBG-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	\$3,125,073	\$527,513 (10) 30,751 (12)	\$ 39,581 (2) 14,280 (3) 62,232 (5) 2,777 (5) 205 (6) 509,892 (11) 214 (13) 30,115 (14)	\$3,024,041
Dietary	539,010	96,252 (12) 1 (13)	96,251 (14)	539,012
Laundry	98,034	17,507 (12)	1 (13) 17,506 (14)	98,034
Housekeeping	264,366	45,722 (12)	392 (6) 38 (13) 45,453 (14)	264,205
Maintenance	179,153	30,514 (12)	1,623 (5) 3,369 (6) 1 (13) 29,686 (14)	174,988
Administration & Medical Records	952,941	14,280 (3) 110,152 (12) 13,979 (12) 4,393 (13)	6,672 (5) 465 (5) 35,338 (6) 112,014 (14) 13,908 (14)	927,348
Utilities	115,691	21,715 (12)	2,153 (6) 2,864 (13) 18,546 (14)	113,843
Special Services	24,049	17,984 (2)	21,519 (9)	20,514

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

<u>Expenses</u>	<u>Totals (From Schedule SC 13) as Adjusted by DH&amp;HS</u>	<u>Debit</u>	<u>Adjustments Credit</u>	<u>Adjusted Totals</u>
Medical Supplies & Oxygen	264,390	13,947 (2) 7,588 (2) 18,885 (12) 1 (13)	266 (5) 13,156 (8) 10,375 (9) 32,697 (14)	248,317
Taxes and Insurance	299,339	45,983 (12) 27 (13)	90,468 (4) 1,722 (6) 33,721 (14)	219,438
Legal Fees	4,409	580 (12) 20 (13)	607 (14)	4,402
Cost of Capital	240,701	75,925 (7) 21,712 (12) 43 (13)	4,472 (1) 1,749 (6) 21,476 (14)	310,684
Subtotal	6,107,156	1,115,474	1,277,804	5,944,826
Ancillary	638,272	-	-	638,272
Nonallowable	3,464,334	4,472 (1) 62 (2) 90,468 (4) 74,035 (5) 44,928 (6) 31,894 (9) 509,892 (11) 451,980 (14)	75,925 (7) 527,513 (10) 453,752 (12) 1,367 (13)	3,613,508
CNA Training & Testing	926	-	-	926
Total Operating Expenses	<u>\$10,210,688</u>	<u>\$2,323,205</u>	<u>\$2,336,361</u>	<u>\$10,197,532</u>
Total Patient Days	<u>37,610</u>	<u>-</u>	<u>-</u>	<u>37,610</u>
Total Beds	<u>112</u>			

**LAUREL BAYE HEALTHCARE OF GREENVILLE, LLC**  
Adjustment Report  
Cost Report Period Ended September 30, 2011  
AC# 3-LBG-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 17,164	
	Other Equity	147,510	
	Nonallowable	4,472	
	Fixed Assets		\$164,674
	Cost of Capital		4,472
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Medical Supplies & Oxygen - Specialty Beds	13,947	
	Medical Supplies & Oxygen - Equipment Rental	7,588	
	Special Services	17,984	
	Nonallowable	62	
	Nursing		39,581
	To properly classify expenses DH&HS Expense Crosswalk State Plan, Attachment 4.19D		
3	Administration	14,280	
	Nursing		14,280
	To properly classify expenses DH&HS Expense Crosswalk State Plan, Attachment 4.19D		
4	Nonallowable	90,468	
	Taxes and Insurance		90,468
	To disallow expense due to a lack of documentation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

**LAUREL BAYE HEALTHCARE OF GREENVILLE, LLC**  
Adjustment Report  
Cost Report Period Ended September 30, 2011  
AC# 3-LBG-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable	74,035	
	Nursing		62,232
	Restorative		2,777
	Maintenance		1,623
	Administration		6,672
	Medical Records		465
	Medical Supplies & Oxygen		266
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19		
6	Nonallowable	44,928	
	Nursing		205
	Housekeeping		392
	Maintenance		3,369
	Administration		35,338
	Utilities		2,153
	Taxes and Insurance		1,722
	Cost of Capital		1,749
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Cost of Capital	75,925	
	Nonallowable		75,925
	To adjust capital return State Plan, Attachment 4.19D		

**LAUREL BAYE HEALTHCARE OF GREENVILLE, LLC**  
Adjustment Report  
Cost Report Period Ended September 30, 2011  
AC# 3-LBG-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Revenue - Specialty Beds Medical Supplies & Oxygen	13,156	13,156
	To offset specialty bed revenue against expenses State Plan, Attachment 4.19D		
9	Nonallowable Medical Supplies & Oxygen Special Services	31,894	10,375 21,519
	To remove special (ancillary) services reimbursed by Medicare HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
10	Nursing Nonallowable - Private Pay Wing	527,513	527,513
	To reverse Provider allocation of nursing costs HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
11	Nonallowable - Private Pay Wing Nursing	509,892	509,892
	To allocate nursing costs to the private pay wing HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

**LAUREL BAYE HEALTHCARE OF GREENVILLE, LLC**  
Adjustment Report  
Cost Report Period Ended September 30, 2011  
AC# 3-LBG-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
12	Restorative	30,751	
	Dietary	96,252	
	Laundry	17,507	
	Housekeeping	45,722	
	Maintenance	30,514	
	Administration	110,152	
	Medical Records	13,979	
	Legal	580	
	Utilities	21,715	
	Taxes and Insurance	45,983	
	Medical Supplies & Oxygen	18,885	
	Cost of Capital	21,712	
	Nonallowable		453,752
	To reverse Provider adjustment to remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
13	Dietary	1	
	Administration	4,393	
	Legal	20	
	Taxes and Insurance	27	
	Medical Supplies	1	
	Cost of Capital	43	
	Restorative		214
	Laundry		1
	Housekeeping		38
	Maintenance		1
	Utilities		2,864
	Nonallowable		1,367
	To reverse DH&HS adjustment to remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

**LAUREL BAYE HEALTHCARE OF GREENVILLE, LLC**  
Adjustment Report  
Cost Report Period Ended September 30, 2011  
AC# 3-LBG-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
14	Nonallowable	451,980	
	Restorative		30,115
	Dietary		96,251
	Laundry		17,506
	Housekeeping		45,453
	Maintenance		29,686
	Administration		112,014
	Medical Records		13,908
	Legal		607
	Utilities		18,546
	Taxes and Insurance		33,721
	Medical Supplies		32,697
	Cost of Capital		21,476
	To remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
	<u>TOTAL ADJUSTMENTS</u>	<u>\$2,501,035</u>	<u>\$2,501,035</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 GREENVILLE, LLC**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 2011  
AC# 3-LBG-J1

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>3.18210</u>
Deemed Asset Value (Per Bed)	49,698
Number of Beds	<u>112</u>
Deemed Asset Value	5,566,176
Improvements Since 1981	2,328,998
Accumulated Depreciation at 9/30/11	<u>(3,083,546)</u>
Deemed Depreciated Value	4,811,628
Market Rate of Return	<u>.0408</u>
Total Annual Return	196,314
Return Applicable to Non-Reimbursable Cost Centers	(8,467)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>15,939</u>
Allowable Annual Return	203,786
Depreciation Expense	134,097
Amortization Expense	645
Capital Related Income Offsets	(6,368)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(21,476)</u>
Allowable Cost of Capital Expense	310,684
Total Patient Days (Minimum 92% Occupancy)	<u>37,610</u>
Cost of Capital Per Diem	\$ <u><u>8.26</u></u>

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

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 2.41
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$ 6.40</u>
Reimbursable Cost of Capital Per Diem	\$ 6.40
Cost of Capital Per Diem	<u>8.26</u>
Cost of Capital Per Diem Limitation	<u>\$(1.86)</u>

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