

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-LBW-J1 – Laurel Baye Health Care of Williston, Inc.

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 HEALTH CARE OF WILLISTON, INC.

WILLISTON, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2012
AC# 3-LBW-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 CAPITAL REIMBURSEMENT ANALYSIS	2	10

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

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

January 13, 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 Laurel Baye Health Care of Williston, Inc., 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 Health Care of Williston, Inc. 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 Health Care of Williston, Inc., 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 Health Care of Williston, Inc. 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
January 13, 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

LAUREL BAYE HEALTH CARE OF WILLISTON, INC.

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

	10/01/12- <u>09/30/13</u>
Interim Reimbursement Rate (1)	\$146.25
Adjusted Reimbursement Rate	<u>142.97</u>
Decrease in Reimbursement Rate	\$ <u><u>3.28</u></u>

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

LAUREL BAYE HEALTH CARE OF WILLISTON, INC.
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2012 Through September 30, 2013
 AC# 3-LBW-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 64.38	\$ 93.38	
Dietary		14.21	19.46	
Laundry/Housekeeping/Maintenance		<u>16.30</u>	<u>18.30</u>	
Subtotal	<u>\$9.18</u>	94.89	131.14	\$ 94.89
Administration & Medical Records	<u>\$4.72</u>	<u>27.44</u>	<u>32.16</u>	<u>27.44</u>
Subtotal		122.33	<u>\$163.30</u>	122.33
<u>Costs Not Subject to Standards:</u>				
Utilities		4.96		4.96
Special Services		.20		.20
Medical Supplies & Oxygen		6.68		6.68
Taxes and Insurance		5.64		5.64
Legal Fees		<u>.07</u>		<u>.07</u>
TOTAL		<u>\$139.88</u>		139.88
Inflation Factor (N/A)				-
Cost of Capital				6.99
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				4.72
Cost Incentive				9.18
Effect of \$1.75 Cap on Cost/Profit Incentives				(12.15)
Budget Neutrality Adjustment (3.805%)				<u>(5.65)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$142.97</u>

LAUREL BAYE HEALTH CARE OF WILLISTON, INC.
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2011
 AC# 3-LBW-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	\$1,031,557	\$ -	\$ 37,207 (2) 15,479 (3) 6,523 (5) 572 (5) 72 (7)	\$971,704
Dietary	214,516	-	-	214,516
Laundry	40,770	-	-	40,770
Housekeeping	104,464	-	127 (7)	104,337
Maintenance	102,397	-	347 (5) 1,092 (7)	100,958
Administration & Medical Records	412,346	14,265 (3) 811 (5) 9,376 (6)	11,459 (7) 11,205 (8)	414,134
Utilities	75,544	-	698 (7)	74,846
Special Services	2,885	17,575 (2)	17,427 (9)	3,033
Medical Supplies & Oxygen	82,296	19,632 (2) 1,183 (3)	2,244 (10)	100,867
Taxes and Insurance	108,986	-	23,290 (4) 559 (7)	85,137

LAUREL BAYE HEALTH CARE OF WILLISTON, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2011
AC# 3-LBW-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>
Legal Fees	1,113	-	-	1,113
Cost of Capital	91,430	5,149 (1) 11,205 (8)	567 (7) 524 (11) <u>1,258 (12)</u>	105,435
Subtotal	<u>2,268,304</u>	79,196	130,650	2,216,850
Ancillary	197,857	-	-	197,857
Nonallowable	859,182	31 (3) 23,290 (4) 6,631 (5) 14,574 (7) 17,427 (9) 524 (11) 1,258 (12)	5,149 (1)	917,768
CNA Training and Testing	<u>364</u>	-	-	<u>364</u>
Total Operating Expenses	<u>\$3,325,707</u>	<u>\$142,931</u>	<u>\$135,799</u>	<u>\$3,332,839</u>
Total Patient Days	<u>15,093</u>	-	-	<u>15,093</u>
Total Beds	<u>44</u>			

LAUREL BAYE HEALTH CARE OF WILLISTON, INC.
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-LBW-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$10,185	
	Other Equity	11,155	
	Cost of Capital	5,149	
	Accumulated Depreciation		\$21,340
	Nonallowable		5,149
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Medical Supplies & Oxygen - Specialty Beds	19,632	
	Special Services	17,575	
	Nursing		37,207
	To properly classify expenses DH&HS Expense Crosswalk State Plan, Attachment 4.19D		
3	Administration	14,265	
	Medical Supplies & Oxygen - Specialty Beds	1,183	
	Nonallowable	31	
	Nursing		15,479
	To properly classify expenses DH&HS Expense Crosswalk State Plan, Attachment 4.19D		
4	Nonallowable	23,290	
	Taxes and Insurance		23,290
	To adjust captive liability insurance to paid claims HIM-15-1, Section 2162 State Plan, Attachment 4.19D		

LAUREL BAYE HEALTH CARE OF WILLISTON, INC.
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-LBW-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Administration	811	
	Nonallowable	6,631	
	Nursing		6,523
	Restorative		572
	Maintenance		347
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
6	Administration	9,376	
	Intercompany Transfer		9,376
	To reverse salary transfer due to a lack of adequate documentation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Nonallowable	14,574	
	Nursing		72
	Housekeeping		127
	Maintenance		1,092
	Administration		11,459
	Utilities		698
	Taxes and Insurance		559
	Cost of Capital		567
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Cost of Capital	11,205	
	Administration		11,205
	To properly offset Medicaid Interest revenue HIM-15-1, Section 2102.3		

LAUREL BAYE HEALTH CARE OF WILLISTON, INC.
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-LBW-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Nonallowable Special Services	17,427	17,427
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
10	Revenue - Specialty Beds Medical Supplies & Oxygen	2,244	2,244
	To offset specialty bed revenue against expenses State Plan, Attachment 4.19D		
11	Nonallowable Cost of Capital	524	524
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
12	Nonallowable Cost of Capital	1,258	1,258
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$166,515	\$166,515

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 HEALTH CARE OF WILLISTON, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2011
AC# 3-LBW-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>44</u>
Deemed Asset Value	2,186,712
Improvements Since 1981	101,875
Accumulated Depreciation at 9/30/11	<u>(946,322)</u>
Deemed Depreciated Value	1,342,265
Market Rate of Return	<u>.0408</u>
Total Annual Return	54,764
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	54,764
Depreciation Expense	52,477
Amortization Expense	(1,587)
Capital Related Income Offsets	(219)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	105,435
Total Patient Days (Actual)	<u>15,093</u>
Cost of Capital Per Diem	\$ <u><u>6.99</u></u>

2 copies of this document were published at an estimated printing cost of \$1.38 each, and a total printing cost of \$2.76. Section 1-11-425 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.