

*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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September 16, 2015

Mr. Doug Ruth, Director of Reimbursement  
Life Care Centers of America  
3570 Keith Street, NW  
Post Office Box 3480  
Cleveland, Tennessee 37320

Re: AC# 3-LCC-J1 – RCM - Columbia, Inc. d/b/a Life Care Center of Columbia

Dear Mr. Ruth:

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

**RCM - COLUMBIA, INC. D/B/A  
LIFE CARE CENTER OF COLUMBIA  
COLUMBIA, SOUTH CAROLINA**

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

June 1, 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 RCM - Columbia, Inc. d/b/a Life Care Center of Columbia, 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 RCM - Columbia, Inc. d/b/a Life Care Center of Columbia 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 RCM - Columbia, Inc. d/b/a Life Care Center of Columbia, 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 RCM - Columbia, Inc. d/b/a Life Care Center of Columbia 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  
June 1, 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

**LIFE CARE CENTER OF COLUMBIA**  
Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2012  
AC# 3-LCC-J1

	10/01/12- <u>09/30/13</u>
Interim Reimbursement Rate (1)	\$164.67
Adjusted Reimbursement Rate	<u>159.16</u>
Decrease in Reimbursement Rate	\$ <u><u>5.51</u></u>

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

**LIFE CARE CENTER OF COLUMBIA**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2012 Through September 30, 2013  
 AC# 3-LCC-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 89.23	\$ 94.06	
Dietary		15.28	17.37	
Laundry/Housekeeping/Maintenance		<u>13.14</u>	<u>15.73</u>	
Subtotal	<u>\$8.90</u>	117.65	127.16	\$117.65
Administration & Medical Records	<u>\$1.60</u>	<u>21.35</u>	<u>22.95</u>	<u>21.35</u>
Subtotal		139.00	<u>\$150.11</u>	139.00
<u>Costs Not Subject to Standards:</u>				
Utilities		4.61		4.61
Special Services		.39		.39
Medical Supplies & Oxygen		4.04		4.04
Taxes and Insurance		4.91		4.91
Legal Fees		<u>.08</u>		<u>.08</u>
<b>TOTAL</b>		<u>\$153.03</u>		153.03
Inflation Factor (N/A)				-
Cost of Capital				10.68
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				1.60
Cost Incentive				8.90
Effect of \$1.75 Cap on Cost/Profit Incentives				(8.75)
Budget Neutrality Adjustment (3.805%)				<u>(6.30)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$159.16</u>

**LIFE CARE CENTER OF COLUMBIA**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2011  
 AC# 3-LCC-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	\$5,530,658	\$ -	\$158,067 (7) 9,009 (7)	\$5,363,582
Dietary	932,773	-	14,439 (7)	918,334
Laundry	181,278	-	4,384 (7)	176,894
Housekeeping	284,965	3,004 (10)	7,064 (7) 2,346 (11)	278,559
Maintenance	339,953	3,549 (10)	1,300 (3) 4,762 (7) 49 (9) 2,794 (11)	334,597
Administration & Medical Records	1,330,423	7,271 (10)	14,747 (6) 15,314 (7) 3,755 (7) 7,240 (8) 6,832 (9) 6,696 (11)	1,283,110
Utilities	277,651	2,894 (10)	1,401 (3) 2,308 (11)	276,836
Special Services	24,274	49,263 (9)	49,987 (7)	23,550
Medical Supplies & Oxygen	413,293	-	4,587 (5) 166,065 (9)	242,641

**LIFE CARE CENTER OF COLUMBIA**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2011  
AC# 3-LCC-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments		Adjusted Totals
		<u>Debit</u>	<u>Credit</u>	
Taxes and Insurance	286,364	8,313 (4) 2,963 (10)	2,445 (11)	295,195
Legal Fees	4,900	30 (10)	29 (11)	4,901
Cost of Capital	578,367	14,305 (1) 100,877 (2) <u>6,482 (10)</u>	723 (8) 2,867 (11) <u>54,730 (12)</u>	641,711
Subtotal	10,184,899	198,951	543,940	9,839,910
Ancillary	1,132,787	3,042 (5)	-	1,135,829
Nonallowable	3,081,672	2,701 (3) 14,747 (6) 266,781 (7) 7,963 (8) 123,683 (9) 19,485 (11) 54,730 (12)	14,305 (1) 100,877 (2) 8,313 (4) 26,193 (10)	3,422,074
CNA Training and Testing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>\$14,399,358</u>	<u>\$692,083</u>	<u>\$693,628</u>	<u>\$14,397,813</u>
Total Patient Days	<u>60,108</u>	<u>-</u>	<u>-</u>	<u>60,108</u>
Total Beds	<u>179</u>			

**LIFE CARE CENTER OF COLUMBIA**  
Adjustment Report  
Cost Report Period Ended September 30, 2011  
AC# 3-LCC-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$592,885	
	Other Equity	79,735	
	Cost of Capital	14,305	
	Accumulated Depreciation Nonallowable		\$672,620 14,305
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Cost of Capital	100,877	
	Nonallowable		100,877
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
3	Nonallowable	2,701	
	Maintenance		1,300
	Utilities		1,401
	To disallow expense due to lack of adequate documentation and disallow cable TV expense HIM-15-1, Sections 2106.1 and 2304		
4	Taxes and Insurance	8,313	
	Nonallowable		8,313
	To adjust liability insurance expense HIM-15-1, Sections 2162.2, 2162.7 and 2304 State Plan, Attachment 4.19D		
5	Retained Earnings	1,545	
	Ancillary	3,042	
	Medical Supplies		4,587
	To properly charge expense applicable to the prior period and reclassify expense to the proper cost center HIM-15-1, Sections 2203.2 and 2302.1		

**LIFE CARE CENTER OF COLUMBIA**  
Adjustment Report  
Cost Report Period Ended September 30, 2011  
AC# 3-LCC-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable Administration	14,747	14,747
	To remove cost not related to patient care HIM-15-1, Sections 2102.3 and 2304		
7	Nonallowable	266,781	
	Nursing		158,067
	Restorative		9,009
	Dietary		14,439
	Laundry		4,384
	Housekeeping		7,064
	Maintenance		4,762
	Administration		15,314
	Medical Records		3,755
	Special Services		49,987
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Nonallowable	7,963	
	Administration		7,240
	Cost of Capital		723
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
9	Special Services	49,263	
	Nonallowable	123,683	
	Maintenance		49
	Administration		6,832
	Medical Supplies		166,065
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		

**LIFE CARE CENTER OF COLUMBIA**  
Adjustment Report  
Cost Report Period Ended September 30, 2011  
AC# 3-LCC-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Housekeeping	3,004	
	Maintenance	3,549	
	Administration	7,271	
	Legal	30	
	Utilities	2,894	
	Taxes and Insurance	2,963	
	Cost of Capital	6,482	
	Nonallowable		26,193
	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		
11	Nonallowable	19,485	
	Housekeeping		2,346
	Maintenance		2,794
	Administration		6,696
	Legal		29
	Utilities		2,308
	Taxes and Insurance		2,445
	Cost of Capital		2,867
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
12	Nonallowable	54,730	
	Cost of Capital		54,730
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$1,366,248</u>	<u>\$1,366,248</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.

**LIFE CARE CENTER OF COLUMBIA**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2011  
 AC# 3-LCC-J1

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>3.1821</u>	<u>3.1821</u>	<u>3.1821</u>	
Deemed Asset Value (Per Bed)	49,698	49,698	49,698	
Number of Beds	<u>132</u>	<u>8</u>	<u>39</u>	
Deemed Asset Value	6,560,136	397,584	1,938,222	
Improvements Since 1981	1,743,834	71,146	376,131	
Accumulated Depreciation at 9/30/11	<u>(2,741,595)</u>	<u>(153,372)</u>	<u>(802,177)</u>	
Deemed Depreciated Value	5,562,375	315,358	1,512,176	
Market Rate of Return	<u>.0408</u>	<u>.0408</u>	<u>.0408</u>	
Total Annual Return	226,945	12,867	61,697	
Return Applicable to Non-Reimbursable Cost Centers	(2,492)	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>52</u>	<u>-</u>	<u>-</u>	
Allowable Annual Return	224,505	12,867	61,697	
Depreciation Expense	259,170	14,300	75,889	
Amortization Expense	120	7	35	
Capital Related Income Offsets	(2,959)	(179)	(874)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(2,867)</u>	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	477,969	26,995	136,747	\$641,711
Total Patient Days (Minimum 92% Occupancy)	<u>44,326</u>	<u>2,686</u>	<u>13,096</u>	<u>60,108</u>
Cost of Capital Per Diem	<u>\$ 10.78</u>	<u>\$ 10.05</u>	<u>\$ 10.44</u>	<u>\$ 10.68</u>

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