

State of South Carolina



Office of the State Auditor

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COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA
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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-J2 – 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, 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 payable for amounts underpaid as a result of the rate changes shown on Exhibit A. You will be notified of settlement 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, 2013
AC# 3-LCC-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

July 7, 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, 2013, and for the twelve month cost report period ended September 30, 2012, 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.

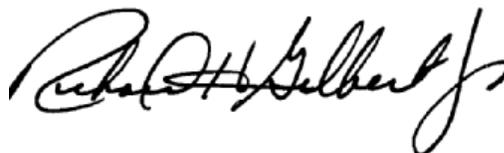
The procedures and the associated findings are as follows:

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
July 7, 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, 2013
AC# 3-LCC-J2

	<u>10/01/13-</u> <u>09/30/14</u>
Adjusted Reimbursement Rate	\$166.82
Interim Reimbursement Rate (1)	<u>164.20</u>
Increase in Reimbursement Rate	\$ <u><u>2.62</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, 2013 Through September 30, 2014
 AC# 3-LCC-J2

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 90.27	\$ 92.58	
Dietary		15.32	17.31	
Laundry/Housekeeping/Maintenance		<u>12.71</u>	<u>15.32</u>	
Subtotal	\$ <u>6.91</u>	118.30	125.21	\$118.30
Administration & Medical Records	\$ <u>.63</u>	<u>21.66</u>	<u>22.29</u>	<u>21.66</u>
Subtotal		139.96	<u>\$147.50</u>	139.96
<u>Costs Not Subject to Standards:</u>				
Utilities		4.56		4.56
Special Services		.01		.01
Medical Supplies & Oxygen		5.26		5.26
Taxes and Insurance		4.96		4.96
Legal Fees		<u>.03</u>		<u>.03</u>
TOTAL		<u>\$154.78</u>		154.78
Inflation Factor (3.60%)				5.57
Cost of Capital				9.75
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				.63
Cost Incentive				6.91
Effect of \$1.75 Cap on Cost/Profit Incentives				(5.79)
Budget Neutrality Adjustment (2.9241%)				<u>(5.03)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$166.82</u>

LIFE CARE CENTER OF COLUMBIA
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2012
 AC# 3-LCC-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	\$5,247,528	\$182,796 (5) 10,429 (5)	\$ -	\$5,440,753
Dietary	906,714	16,401 (5)	-	923,115
Laundry	142,601	4,454 (5)	-	147,055
Housekeeping	265,355	8,181 (5) 2,796 (7)	2,377 (8)	273,955
Maintenance	339,758	5,330 (5) 3,547 (7)	317 (6) 2,971 (8)	345,347
Administration & Medical Records	1,317,396	3,969 (5) 4,383 (5) 7,660 (7)	14,980 (4) 5,477 (6) 7,276 (8)	1,305,675
Utilities	274,340	2,859 (7)	2,360 (8)	274,839
Special Services	819	53,141 (5)	53,113 (6)	847
Medical Supplies & Oxygen	477,568	-	160,512 (6)	317,056
Taxes and Insurance	253,542	45,410 (3) 2,625 (7)	2,553 (8)	299,024
Legal Fees	2,104	16 (7)	16 (8)	2,104

LIFE CARE CENTER OF COLUMBIA
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2012
AC# 3-LCC-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>	
Cost of Capital	530,435	2,326 (1)	2,754 (8)	587,402
		101,337 (2)	50,116 (9)	
		<u>6,174 (7)</u>		
Subtotal	9,758,160	463,834	304,822	9,917,172
Ancillary	1,096,610	-	-	1,096,610
Nonallowable	2,715,673	14,980 (4)	2,326 (1)	2,556,661
		219,419 (6)	101,337 (2)	
		20,307 (8)	45,410 (3)	
		50,116 (9)	289,084 (5)	
			25,677 (7)	
CNA Training and Testing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>\$13,570,443</u>	<u>\$768,656</u>	<u>\$768,656</u>	<u>\$13,570,443</u>
Total Patient Days	<u>60,273</u>	<u>-</u>	<u>-</u>	<u>60,273</u>
Total Beds	<u>179</u>			

LIFE CARE CENTER OF COLUMBIA
Adjustment Report
Cost Report Period Ended September 30, 2012
AC# 3-LCC-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$680,960	
	Other Equity	68,879	
	Cost of Capital	2,326	
	Accumulated Depreciation		\$749,839
	Nonallowable		2,326
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Cost of Capital	101,337	
	Nonallowable		101,337
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
3	Taxes and Insurance	45,410	
	Nonallowable		45,410
	To adjust liability insurance expense HIM-15-1, Sections 2162.2, 2162.7 and 2304 State Plan, Attachment 4.19D		
4	Nonallowable	14,980	
	Administration		14,980
	To remove cost not related to patient care HIM-15-1, Sections 2102.3 and 2304		
5	Nursing	182,796	
	Restorative	10,429	
	Dietary	16,401	
	Laundry	4,454	
	Housekeeping	8,181	
	Maintenance	5,330	
	Administration	3,969	
	Medical Records	4,383	
	Special Services	53,141	
	Nonallowable		289,084
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

LIFE CARE CENTER OF COLUMBIA
Adjustment Report
Cost Report Period Ended September 30, 2012
AC# 3-LCC-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable	219,419	
	Maintenance		317
	Administration		5,477
	Medical Supplies		160,512
	Special Services		53,113
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
7	Housekeeping	2,796	
	Maintenance	3,547	
	Administration	7,660	
	Legal	16	
	Utilities	2,859	
	Taxes and Insurance	2,625	
	Cost of Capital	6,174	
	Nonallowable		25,677
	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		
8	Nonallowable	20,307	
	Housekeeping		2,377
	Maintenance		2,971
	Administration		7,276
	Legal		16
	Utilities		2,360
	Taxes and Insurance		2,553
	Cost of Capital		2,754
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

LIFE CARE CENTER OF COLUMBIA
Adjustment Report
Cost Report Period Ended September 30, 2012
AC# 3-LCC-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Nonallowable Cost of Capital	50,116	50,116
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$1,518,495</u>	<u>\$1,518,495</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, 2012
 AC# 3-LCC-J2

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>3.21571</u>	<u>3.21571</u>	<u>3.21571</u>	
Deemed Asset Value (Per Bed)	50,223	50,223	50,223	
Number of Beds	<u>132</u>	<u>8</u>	<u>39</u>	
Deemed Asset Value	6,629,436	401,784	1,958,697	
Improvements Since 1981	1,797,018	73,417	391,694	
Accumulated Depreciation at 9/30/12	<u>(2,942,828)</u>	<u>(164,842)</u>	<u>(861,056)</u>	
Deemed Depreciated Value	5,483,626	310,359	1,489,335	
Market Rate of Return	<u>.0369</u>	<u>.0369</u>	<u>.0369</u>	
Total Annual Return	202,346	11,452	54,956	
Return Applicable to Non-Reimbursable Cost Centers	(2,290)	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>38</u>	<u>-</u>	<u>-</u>	
Allowable Annual Return	200,094	11,452	54,956	
Depreciation Expense	244,186	13,674	71,509	
Amortization Expense	129	8	38	
Capital Related Income Offsets	(4,344)	(263)	(1,283)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(2,754)</u>	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	437,311	24,871	125,220	\$587,402
Total Patient Days (Minimum 92% Occupancy)	<u>44,447</u>	<u>2,694</u>	<u>13,132</u>	<u>60,273</u>
Cost of Capital Per Diem	\$ <u>9.84</u>	\$ <u>9.23</u>	\$ <u>9.54</u>	\$ <u>9.75</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.