



**South Carolina
Office of the State Auditor**

**George L. Kennedy, III, CPA
State Auditor**

March 24, 2016

Mr. Eric Rogers, Controller
LexMed, Inc.
815 Old Cherokee Road
Lexington, South Carolina 29072

Re: AC# 3-LMC-J1 – LexMed, Inc. d/b/a Lexington Medical Center Extended Care

Dear Mr. Rogers:

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 blue ink that reads "George L. Kennedy, III".

George L. Kennedy, III, CPA
State Auditor

GLKIII/cwc

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

**LEXMED, INC. D/B/A LEXINGTON
MEDICAL CENTER EXTENDED CARE**

LEXINGTON, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2012
AC# 3-LMC-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 17, 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 LexMed, Inc. d/b/a Lexington Medical Center Extended Care, 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 LexMed, Inc. d/b/a Lexington Medical Center Extended Care 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 LexMed, Inc. d/b/a Lexington Medical Center Extended Care, 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 LexMed, Inc. d/b/a Lexington Medical Center Extended Care 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 17, 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.



George L. Kennedy, III, CPA
State Auditor

LEXINGTON MEDICAL CENTER EXTENDED CARE

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

	<u>10/01/12-</u> <u>09/30/13</u>
Interim Reimbursement Rate (1)	\$173.75
Adjusted Reimbursement Rate	<u>171.59</u>
Decrease in Reimbursement Rate	\$ <u><u>2.16</u></u>

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

LEXINGTON MEDICAL CENTER EXTENDED CARE
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2012 Through September 30, 2013
 AC# 3-LMC-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$100.96	\$108.17	
Dietary		19.60	17.37	
Laundry/Housekeeping/Maintenance		<u>13.30</u>	<u>15.73</u>	
Subtotal	<u>\$7.41</u>	133.86	141.27	\$133.86
Administration & Medical Records	<u>\$2.61</u>	<u>20.34</u>	<u>22.95</u>	<u>20.34</u>
Subtotal		154.20	<u>\$164.22</u>	154.20
<u>Costs Not Subject to Standards:</u>				
Utilities		3.79		3.79
Special Services		.52		.52
Medical Supplies & Oxygen		9.21		9.21
Taxes and Insurance		.84		.84
Legal Fees		<u>.02</u>		<u>.02</u>
TOTAL		<u>\$168.58</u>		168.58
Inflation Factor (N/A)				-
Cost of Capital				8.05
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				2.61
Cost Incentive				7.41
Effect of \$1.75 Cap on Cost/Profit Incentives				(8.27)
Budget Neutrality Adjustment (3.805%)				<u>(6.79)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$171.59</u>

LEXINGTON MEDICAL CENTER EXTENDED CARE
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2011
 AC# 3-LMC-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	\$12,813,247	\$ 21,651 (6) 72,419 (7)	\$185,681 (2) 104,858 (3) 72,420 (8)	\$12,544,358
Dietary	2,367,444	73,076 (5) 190,657 (7)	196,103 (8)	2,435,074
Laundry	421,587	33,952 (7)	33,952 (8)	421,587
Housekeeping	626,533	37,483 (5) 138,295 (7)	148,075 (8)	654,236
Maintenance	579,519	126,615 (7)	129,277 (8)	576,857
Administration & Medical Records	2,567,872	15,974 (2) 190,281 (7) 47,976 (7)	58,144 (4) 193,564 (8) 43,643 (8)	2,526,752
Utilities	473,444	103,077 (7)	105,103 (8)	471,418
Special Services	60,382	158,293 (2)	153,769 (9)	64,906
Medical Supplies & Oxygen	1,158,103	11,414 (2) 104,858 (3) 68,338 (7)	110,559 (5) 51,185 (8) 36,442 (9)	1,144,527
Taxes and Insurance	104,547	22,160 (7)	22,553 (8)	104,154

LEXINGTON MEDICAL CENTER EXTENDED CARE
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2011
AC# 3-LMC-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Legal Fees	2,323	232 (7)	232 (8)	2,323
Cost of Capital	1,049,069	23,781 (7) 3,589 (10)	12,189 (1) 32,180 (8) <u>31,563 (11)</u>	1,000,507
Subtotal	<u>22,224,070</u>	<u>1,444,121</u>	<u>1,721,492</u>	<u>21,946,699</u>
Ancillary	1,459,174	-	-	1,459,174
Nonallowable	4,815,153	12,189 (1) 58,144 (4) 1,028,287 (8) 190,211 (9) 31,563 (11)	21,651 (6) 1,017,783 (7) 3,589 (10)	5,092,524
CNA Training and Testing	<u>4,614</u>	<u>-</u>	<u>-</u>	<u>4,614</u>
Total Operating Expenses	<u>\$28,503,011</u>	<u>\$2,764,515</u>	<u>\$2,764,515</u>	<u>\$28,503,011</u>
Total Patient Days	<u>124,247</u>	<u>-</u>	<u>-</u>	<u>124,247</u>
Total Beds	<u>352</u>			

LEXINGTON MEDICAL CENTER EXTENDED CARE
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-LMC-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$735,678	
	Nonallowable	12,189	
	Accumulated Depreciation		\$703,857
	Other Equity		31,821
	Cost of Capital		12,189
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Administration	15,974	
	Medical Supplies	11,414	
	Special Services	158,293	
	Nursing		185,681
	To reclassify expenses to the proper cost centers DH&HS Expense Crosswalk		
3	Medical Supplies	104,858	
	Nursing		104,858
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
4	Nonallowable	58,144	
	Medical Records		58,144
	To disallow expense due to lack of documentation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

LEXINGTON MEDICAL CENTER EXTENDED CARE
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-LMC-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Dietary	73,076	
	Housekeeping	37,483	
	Medical Supplies		110,559
	To reclassify expenses to the proper cost centers		
	DH&HS Expense Crosswalk		
6	Nursing	21,651	
	Nonallowable		21,651
	To adjust allocation of nursing cost to private pay wing		
	HIM-15-1, Section 2340.1		
	State Plan, Attachment 4.19D		
7	Restorative	72,419	
	Dietary	190,657	
	Laundry	33,952	
	Housekeeping	138,295	
	Maintenance	126,615	
	Administration	190,281	
	Medical Records	47,976	
	Legal	232	
	Taxes and Insurance	22,160	
	Utilities	103,077	
	Medical Supplies	68,338	
	Cost of Capital	23,781	
	Nonallowable		1,017,783
	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		

LEXINGTON MEDICAL CENTER EXTENDED CARE
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-LMC-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Nonallowable	1,028,287	
	Restorative		72,420
	Dietary		196,103
	Laundry		33,952
	Housekeeping		148,075
	Maintenance		129,277
	Administration		193,564
	Medical Records		43,643
	Legal		232
	Taxes and Insurance		22,553
	Utilities		105,103
	Medical Supplies		51,185
	Cost of Capital		32,180
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
9	Nonallowable	190,211	
	Medical Supplies		36,442
	Special Services		153,769
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
10	Cost of Capital	3,589	
	Nonallowable		3,589
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		

LEXINGTON MEDICAL CENTER EXTENDED CARE
 Adjustment Report
 Cost Report Period Ended September 30, 2011
 AC# 3-LMC-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
11	Nonallowable Cost of Capital	31,563	31,563
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$3,500,193</u>	<u>\$3,500,193</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.

LEXINGTON MEDICAL CENTER EXTENDED CARE
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2011
AC# 3-LMC-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>176</u>	<u>44</u>	
Deemed Asset Value	6,560,136	8,746,848	2,186,712	
Improvements Since 1981	2,693,614	1,533,132	197,315	
Accumulated Depreciation at 9/30/11	(4,416,772)	(3,985,059)	(800,824)	
Deemed Depreciated Value	4,836,978	6,294,921	1,583,203	
Market Rate of Return	<u>.0408</u>	<u>.0408</u>	<u>.0408</u>	
Total Annual Return	197,349	256,833	64,595	
Return Applicable to Non-Reimbursable Cost Centers	(4,855)	(7,518)	(1,915)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>5,081</u>	<u>8,062</u>	<u>2,041</u>	
Allowable Annual Return	197,575	257,377	64,721	
Depreciation Expense	240,900	209,312	52,457	
Amortization Expense	4,830	5,838	-	
Capital Related Income Offsets	(121)	(162)	(40)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(12,067)</u>	<u>(16,090)</u>	<u>(4,023)</u>	<u>Total</u>
Allowable Cost of Capital Expense	431,117	456,275	113,115	\$1,000,507
Total Patient Days (Actual)	<u>46,590</u>	<u>62,126</u>	<u>15,531</u>	<u>124,247</u>
Cost of Capital Per Diem	\$ <u>9.25</u>	\$ <u>7.34</u>	\$ <u>7.28</u>	\$ <u>8.05</u>

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