



**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-J2 – 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, 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 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/sag

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, 2013  
AC# 3-LMC-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**

January 13, 2016

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, 2013, and for the twelve month cost report period ended September 30, 2012, 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  
January 13, 2016

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, 2013  
AC# 3-LMC-J2

10/01/13-  
09/30/14

Interim Reimbursement Rate (1)	\$186.20
Adjusted Reimbursement Rate	<u>184.72</u>
Decrease in Reimbursement Rate	\$ <u><u>1.48</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, 2013 Through September 30, 2014  
 AC# 3-LMC-J2

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$105.60	\$106.47	
Dietary		20.42	17.31	
Laundry/Housekeeping/Maintenance		<u>13.97</u>	<u>15.32</u>	
Subtotal	\$ <u>-</u>	139.99	139.10	\$139.10
Administration & Medical Records	<u>\$2.27</u>	<u>20.02</u>	<u>22.29</u>	<u>20.02</u>
Subtotal		160.01	<u>\$161.39</u>	159.12
<u>Costs Not Subject to Standards:</u>				
Utilities		4.12		4.12
Special Services		.96		.96
Medical Supplies & Oxygen		9.44		9.44
Taxes and Insurance		.85		.85
Legal Fees		<u>.03</u>		<u>.03</u>
<b>TOTAL</b>		<u>\$175.41</u>		174.52
Inflation Factor (3.60%)				6.28
Cost of Capital				7.73
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				2.27
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				(0.52)
Budget Neutrality Adjustment (2.9241%)				<u>(5.56)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$184.72</u>

**LEXINGTON MEDICAL CENTER EXTENDED CARE**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2012  
AC# 3-LMC-J2

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$12,983,326	\$ 85,751 (4)	\$ 85,749 (5) 51,099 (6)	\$12,932,229
Dietary	2,448,547	56,105 (2) 205,706 (4)	210,055 (5)	2,500,303
Laundry	447,261	37,575 (4)	37,576 (5)	447,260
Housekeeping	657,646	37,325 (2) 141,769 (4)	151,517 (5)	685,223
Maintenance	580,303	123,889 (4)	126,525 (5)	577,667
Administration & Medical Records	2,508,607	187,993 (4) 46,689 (4)	59,468 (3) 190,402 (5) 42,080 (5)	2,451,339
Utilities	506,888	107,858 (4)	110,030 (5)	504,716
Special Services	117,395	1 (6)	-	117,396
Medical Supplies & Oxygen	1,221,130	74,915 (4) 5,660 (6)	93,430 (2) 52,792 (5)	1,155,483
Taxes and Insurance	104,987	21,741 (4)	22,141 (5)	104,587
Legal Fees	3,411	340 (4)	343 (5)	3,408

**LEXINGTON MEDICAL CENTER EXTENDED CARE**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2012  
AC# 3-LMC-J2

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Cost of Capital	1,002,720	20,769 (4) 7,207 (7)	18,391 (1) 27,645 (5) 38,622 (8)	946,038
Subtotal	22,582,221	1,161,293	1,317,865	22,425,649
Ancillary	1,160,365	-	-	1,160,365
Nonallowable	4,127,402	18,391 (1) 59,468 (3) 1,056,855 (5) 45,438 (6) 38,622 (8)	1,054,995 (4) 7,207 (7)	4,283,974
CNA Training and Testing	<u>1,967</u>	<u>-</u>	<u>-</u>	<u>1,967</u>
Total Operating Expenses	<u>\$27,871,955</u>	<u>\$2,380,067</u>	<u>\$2,380,067</u>	<u>\$27,871,955</u>
Total Patient Days	<u>122,459</u>	<u>-</u>	<u>-</u>	<u>122,459</u>
Total Beds	<u>352</u>			

**LEXINGTON MEDICAL CENTER EXTENDED CARE**  
Adjustment Report  
Cost Report Period Ended September 30, 2012  
AC# 3-LMC-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$731,911	
	Nonallowable	18,391	
	Accumulated Depreciation		\$ 698,016
	Other Equity		33,895
	Cost of Capital		18,391
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Dietary	56,105	
	Housekeeping	37,325	
	Medical Supplies		93,430
	To reclassify expenses to the proper cost centers DH&HS Expense Crosswalk		
3	Nonallowable	59,468	
	Medical Records		59,468
	To disallow expense due to lack of documentation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Restorative	85,751	
	Dietary	205,706	
	Laundry	37,575	
	Housekeeping	141,769	
	Maintenance	123,889	
	Administration	187,993	
	Medical Records	46,689	
	Legal	340	
	Utilities	107,858	
	Taxes and Insurance	21,741	
	Medical Supplies	74,915	
	Cost of Capital	20,769	
	Nonallowable		1,054,995
	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, 2012  
AC# 3-LMC-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable	1,056,855	
	Restorative		85,749
	Dietary		210,055
	Laundry		37,576
	Housekeeping		151,517
	Maintenance		126,525
	Administration		190,402
	Medical Records		42,080
	Legal		343
	Utilities		110,030
	Taxes and Insurance		22,141
	Medical Supplies		52,792
	Cost of Capital		27,645
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
6	Medical Supplies	5,660	
	Special Services	1	
	Nonallowable	45,438	
	Nursing		51,099
	To reclassify expense to the proper cost center and remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D DH&HS Expense Crosswalk		
7	Cost of Capital	7,207	
	Nonallowable		7,207
	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, 2012  
AC# 3-LMC-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Nonallowable Cost of Capital	38,622	38,622
	To adjust capital return State Plan, Attachment 4.19D		
	<b>TOTAL ADJUSTMENTS</b>	<b><u>\$3,111,978</u></b>	<b><u>\$3,111,978</u></b>

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, 2012**  
**AC# 3-LMC-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>176</u>	<u>44</u>	
Deemed Asset Value	6,629,436	8,839,248	2,209,812	
Improvements Since 1981	3,171,982	2,004,119	315,062	
Accumulated Depreciation at 9/30/12	<u>(4,560,177)</u>	<u>(4,189,129)</u>	<u>(851,351)</u>	
Deemed Depreciated Value	5,241,241	6,654,238	1,673,523	
Market Rate of Return	<u>.0369</u>	<u>.0369</u>	<u>.0369</u>	
Total Annual Return	193,402	245,541	61,753	
Return Applicable to Non-Reimbursable Cost Centers	(5,154)	(7,172)	(1,843)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>3,955</u>	<u>5,780</u>	<u>1,476</u>	
Allowable Annual Return	192,203	244,149	61,386	
Depreciation Expense	203,271	210,055	52,022	
Amortization Expense	4,830	5,838	-	
Capital Related Income Offsets	(27)	(36)	(8)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(10,367)</u>	<u>(13,822)</u>	<u>(3,456)</u>	<u>Total</u>
Allowable Cost of Capital Expense	389,910	446,184	109,944	\$946,038
Total Patient Days (Actual)	<u>45,917</u>	<u>61,233</u>	<u>15,309</u>	<u>122,459</u>
Cost of Capital Per Diem	\$ <u>8.49</u>	\$ <u>7.29</u>	\$ <u>7.18</u>	\$ <u>7.73</u>

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