



**South Carolina
Office of the State Auditor**

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

March 30, 2016

Mr. Gary Geise
Divisional Director of Reimbursement Services
HCR – Manor Care
Post Office Box 10086
Toledo, Ohio 43699-0086

Re: AC# 3-MCC-J1 – Columbia Rehabilitation and Nursing Center – Columbia SC, LLC d/b/a
Heartland of Columbia Rehabilitation and Nursing Center

Dear Mr. Geise:

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/sag

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

**COLUMBIA REHABILITATION AND NURSING CENTER –
COLUMBIA SC, LLC D/B/A HEARTLAND OF COLUMBIA
REHABILITATION AND NURSING CENTER**

COLUMBIA, SOUTH CAROLINA

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

October 28, 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 Columbia Rehabilitation and Nursing Center – Columbia SC, LLC d/b/a Heartland of Columbia Rehabilitation and Nursing Center, 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 Columbia Rehabilitation and Nursing Center – Columbia SC, LLC d/b/a Heartland of Columbia Rehabilitation and Nursing Center 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 Columbia Rehabilitation and Nursing Center – Columbia SC, LLC d/b/a Heartland of Columbia Rehabilitation and Nursing Center, 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 Columbia Rehabilitation and Nursing Center – Columbia SC, LLC d/b/a Heartland of Columbia Rehabilitation and Nursing Center 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
October 28, 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

HEARTLAND OF COLUMBIA REHABILITATION AND NURSING CENTER

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

10/01/12-
09/30/13

Interim Reimbursement Rate (1)	\$169.72
Adjusted Reimbursement Rate	<u>164.27</u>
Decrease in Reimbursement Rate	\$ <u><u>5.45</u></u>

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

HEARTLAND OF COLUMBIA REHABILITATION AND NURSING CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2012 Through September 30, 2013
 AC# 3-MCC-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 88.53	\$101.11	
Dietary		16.95	17.37	
Laundry/Housekeeping/Maintenance		<u>12.52</u>	<u>15.73</u>	
Subtotal	<u>\$9.39</u>	118.00	134.21	\$118.00
Administration & Medical Records	<u>\$2.34</u>	<u>20.61</u>	<u>22.95</u>	<u>20.61</u>
Subtotal		138.61	<u>\$157.16</u>	138.61
<u>Costs Not Subject to Standards:</u>				
Utilities		4.57		4.57
Special Services		1.64		1.64
Medical Supplies & Oxygen		7.88		7.88
Taxes and Insurance		7.16		7.16
Legal Fees		<u>.48</u>		<u>.48</u>
TOTAL		<u>\$160.34</u>		160.34
Inflation Factor (N/A)				-
Cost of Capital				14.08
Cost of Capital Limitation				(5.40)
Profit Incentive (Maximum 3.5% of Allowable Cost)				2.34
Cost Incentive				9.39
Effect of \$1.75 Cap on Cost/Profit Incentives				(9.98)
Budget Neutrality Adjustment (3.805%)				<u>(6.50)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$164.27</u>

HEARTLAND OF COLUMBIA REHABILITATION AND NURSING CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2011
 AC# 3-MCC-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	\$3,958,168	\$ 715 (8) 5,250 (8)	\$ 40,035 (7)	\$3,924,098
Dietary	750,078	1,459 (8)	80 (6)	751,457
Laundry	90,101	-	-	90,101
Housekeeping	254,942	3,972 (9)	5,891 (10)	253,023
Maintenance	335,095	5,527 (9)	76,448 (1) 20,122 (3) 27,394 (6) 4 (8) 4,767 (10)	211,887
Administration & Medical Records	948,588	4,411 (9)	34,458 (8) 4,907 (10)	913,634
Utilities	203,934	32 (8) 3,359 (9)	4,554 (10)	202,771
Special Services	88,138	4 (8)	15,468 (11)	72,674
Medical Supplies & Oxygen	378,664	40,035 (7)	35,558 (5) 33,862 (11)	349,279
Taxes and Insurance	322,700	158 (8) 5,007 (9)	3,717 (4) 6,683 (10)	317,465
Legal Fees	21,419	109 (9)	126 (10)	21,402

HEARTLAND OF COLUMBIA REHABILITATION AND NURSING CENTER

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2011
AC# 3-MCC-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments		Adjusted Totals
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	391,362	6,367 (9)	3,103 (1)	624,078
		260,444 (12)	17,892 (2)	
			4,137 (8)	
			7,446 (10)	
			<u>1,517 (11)</u>	
Subtotal	7,743,189	336,849	348,169	7,731,869
Ancillary	462,177	5,922 (11)	-	468,099
Nonallowable	2,293,553	3,103 (1)	28,752 (9)	2,191,312
		17,892 (2)	260,444 (12)	
		20,122 (3)		
		35,558 (5)		
		30,981 (8)		
		34,374 (10)		
		44,925 (11)		
CNA Training and Testing	<u>562</u>	<u>-</u>	<u>-</u>	<u>562</u>
Total Operating Expenses	<u>\$10,499,481</u>	<u>\$529,726</u>	<u>\$637,365</u>	<u>\$10,391,842</u>
Total Patient Days	<u>44,326</u>	<u>-</u>	<u>-</u>	<u>44,326</u>
Total Beds	<u>132</u>			

HEARTLAND OF COLUMBIA REHABILITATION AND NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-MCC-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 5,738	
	Other Equity	74,561	
	Nonallowable	3,103	
	Fixed Assets		\$ 3,851
	Maintenance		76,448
	Cost of Capital		3,103
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	17,892	
	Cost of Capital		17,892
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
3	Nonallowable	20,122	
	Maintenance		20,122
	To disallow expense due to lack of adequate documentation HIM-15-1, Section 2304		
4	Accounts Payable	3,717	
	Taxes and Insurance		3,717
	To adjust liability insurance expense HIM-15-1, Sections 2302.1 and 2304 State Plan, Attachment 4.19D		
5	Nonallowable	35,558	
	Medical Supplies		35,558
	To disallow expense due to lack of adequate documentation HIM-15-1, Section 2304		

HEARTLAND OF COLUMBIA REHABILITATION AND NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-MCC-J1

ADJUSTMENT NUMBER	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Retained Earnings	27,474	
	Dietary		80
	Maintenance		27,394
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1		
7	Medical Supplies	40,035	
	Nursing		40,035
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
8	Nursing	715	
	Restorative	5,250	
	Dietary	1,459	
	Utilities	32	
	Taxes and Insurance	158	
	Special Services	4	
	Nonallowable	30,981	
	Maintenance		4
	Administration		34,458
	Cost of Capital		4,137
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan Attachment 4.19D		
9	Housekeeping	3,972	
	Maintenance	5,527	
	Administration	4,411	
	Utilities	3,359	
	Taxes and Insurance	5,007	
	Legal	109	
	Cost of Capital	6,367	
	Nonallowable		28,752
	To reverse DH&HS adjustment to remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

HEARTLAND OF COLUMBIA REHABILITATION AND NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-MCC-J1

ADJUSTMENT NUMBER	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Nonallowable	34,374	
	Housekeeping		5,891
	Maintenance		4,767
	Administration		4,907
	Utilities		4,554
	Taxes and Insurance		6,683
	Legal		126
	Cost of Capital		7,446
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
11	Ancillary	5,922	
	Nonallowable	44,925	
	Medical Supplies		33,862
	Special Services		15,468
	Cost of Capital		1,517
	To remove special (ancillary) services reimbursed by Medicare and reclassify expense to the proper cost center State Plan, Attachment 4.19D DH&HS Expense Crosswalk		
12	Cost of Capital	260,444	
	Nonallowable		260,444
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$641,216</u>	<u>\$641,216</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.

HEARTLAND OF COLUMBIA REHABILITATION AND NURSING CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2011
 AC# 3-MCC-J1

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>3.1821</u>	<u>3.1821</u>	
Deemed Asset Value (Per Bed)	49,698	49,698	
Number of Beds	<u>118</u>	<u>14</u>	
Deemed Asset Value	5,864,364	695,772	
Improvements Since 1981	6,736,150	105,437	
Accumulated Depreciation at 9/30/11	(5,904,914)	(290,047)	
Deemed Depreciated Value	6,695,600	511,162	
Market Rate of Return	<u>.0408</u>	<u>.0408</u>	
Total Annual Return	273,180	20,855	
Return Applicable to Non-Reimbursable Cost Centers	(5,632)	(430)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>302</u>	<u>36</u>	
Allowable Annual Return	267,850	20,461	
Depreciation Expense	329,857	18,148	
Amortization Expense	-	-	
Capital Related Income Offsets	(4,284)	(508)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(7,043)</u>	<u>(403)</u>	<u>Total</u>
Allowable Cost of Capital Expense	586,380	37,698	\$624,078
Total Patient Days (Minimum 92% Occupancy)	<u>39,625</u>	<u>4,701</u>	<u>44,326</u>
Cost of Capital Per Diem	\$ <u>14.80</u>	\$ <u>8.02</u>	\$ <u>14.08</u>

HEARTLAND OF COLUMBIA REHABILITATION AND NURSING CENTER

Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2011
AC# 3-MCC-J1

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$4.77	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$8.76</u>	<u>\$8.02</u>
Reimbursable Cost of Capital Per Diem		\$8.68
Cost of Capital Per Diem		<u>14.08</u>
Cost of Capital Per Diem Limitation		<u>(5.40)</u>

2 copies of this document were published at an estimated printing cost of \$1.41 each, and a total printing cost of \$2.82. Section 1-11-425 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.