



**South Carolina
Office of the State Auditor**

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

April 19, 2016

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

Re: AC# 3-MCC-J2 – 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, 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 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

**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, 2013
AC# 3-MCC-J2**

AGREED-UPON PROCEDURES REPORT

ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 2013	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2013 THROUGH SEPTEMBER 30, 2014	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2012	C	5
ADJUSTMENT REPORT	1	7
COST OF REIMBURSEMENT ANALYSIS	2	10



**South Carolina
Office of the State Auditor**

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

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

January 20, 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 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, 2013, and for the twelve month cost report period ended September 30, 2012, 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
January 20, 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

HEARTLAND OF COLUMBIA REHABILITATION AND NURSING CENTER

Computation of Rate Change
For the Contract Period
Beginning October 1, 2013
AC# 3-MCC-J2

	10/01/13- <u>09/30/14</u>
Adjusted Reimbursement Rate	\$157.00
Interim Reimbursement Rate (1)	<u>155.85</u>
Increase in Reimbursement Rate	\$ <u><u>1.15</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, 2013 Through September 30, 2014
 AC# 3-MCC-J2

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 81.92	\$ 99.52	
Dietary		14.84	17.31	
Laundry/Housekeeping/Maintenance		<u>12.46</u>	<u>15.32</u>	
Subtotal	<u>\$9.25</u>	109.22	132.15	\$109.22
Administration & Medical Records	<u>\$3.24</u>	<u>19.05</u>	<u>22.29</u>	<u>19.05</u>
Subtotal		128.27	<u>\$154.44</u>	128.27
<u>Costs Not Subject to Standards:</u>				
Utilities		4.35		4.35
Special Services		.48		.48
Medical Supplies & Oxygen		6.59		6.59
Taxes and Insurance		6.35		6.35
Legal Fees		<u>.01</u>		<u>.01</u>
TOTAL		<u>\$146.05</u>		146.05
Inflation Factor (3.60%)				5.26
Cost of Capital				14.30
Cost of Capital Limitation				(5.63)
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.24
Cost Incentive				9.25
Effect of \$1.75 Cap on Cost/Profit Incentives				(10.74)
Budget Neutrality Adjustment (2.9241%)				<u>(4.73)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$157.00</u>

HEARTLAND OF COLUMBIA REHABILITATION AND NURSING CENTER

Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2012
 AC# 3-MCC-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	\$3,547,362	\$86,927 (4) 6,788 (4)	\$ -	\$3,641,077
Dietary	650,090	9,467 (4)	-	659,557
Laundry	82,716	-	-	82,716
Housekeeping	292,323	4,554 (5)	6,755 (6)	290,122
Maintenance	183,365	1,758 (4) 3,027 (5)	3,120 (1) 4,074 (6)	180,956
Administration & Medical Records	835,132	11,628 (4) 1,108 (4) 3,303 (5)	4,632 (6)	846,539
Utilities	194,407	3,203 (5)	4,341 (6)	193,269
Special Services	22,021	26,434 (4)	26,904 (7)	21,551
Medical Supplies & Oxygen	345,359	764 (4)	53,056 (7)	293,067
Taxes and Insurance	280,147	3,717 (3) 4,338 (5)	5,939 (6)	282,263
Legal Fees	619	2 (5)	3 (6)	618

HEARTLAND OF COLUMBIA REHABILITATION AND NURSING CENTER

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2012
AC# 3-MCC-J2

<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	392,730	30,838 (1)	20,554 (2)	635,712
		6,591 (5)	8,485 (6)	
	<u> </u>	<u>236,440 (8)</u>	<u>1,848 (7)</u>	<u> </u>
Subtotal	6,826,271	440,887	139,711	7,127,447
Ancillary	339,869	1,637 (4)	-	352,043
		10,537 (7)		
Nonallowable	3,385,764	20,554 (2)	30,838 (1)	3,073,011
		34,229 (6)	146,511 (4)	
		71,271 (7)	25,018 (5)	
			236,440 (8)	
CNA Training and Testing	<u>672</u>	<u>-</u>	<u>-</u>	<u>672</u>
Total Operating Expenses	<u>\$10,552,576</u>	<u>\$579,115</u>	<u>\$578,518</u>	<u>\$10,553,173</u>
Total Patient Days	<u>44,447</u>	<u>-</u>	<u>-</u>	<u>44,447</u>
Total Beds	<u>132</u>			

HEARTLAND OF COLUMBIA REHABILITATION AND NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 2012
AC# 3-MCC-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$582,744	
	Cost of Capital	30,838	
	Accumulated Depreciation		\$ 25,099
	Other Equity		554,525
	Maintenance		3,120
	Nonallowable		30,838
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	20,554	
	Cost of Capital		20,554
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
3	Taxes and Insurance	3,717	
	Retained Earnings		3,717
	To adjust liability insurance expense HIM-15-1, Sections 2302.1 and 2304 State Plan, Attachment 4.19D		
4	Nursing	86,927	
	Restorative	6,788	
	Dietary	9,467	
	Maintenance	1,758	
	Administration	11,628	
	Medical Records	1,108	
	Medical Supplies	764	
	Special Services	26,434	
	Ancillary	1,637	
	Nonallowable		146,511
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

HEARTLAND OF COLUMBIA REHABILITATION AND NURSING CENTER

Adjustment Report
Cost Report Period Ended September 30, 2012
AC# 3-MCC-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Housekeeping	4,554	
	Maintenance	3,027	
	Administration	3,303	
	Legal	2	
	Utilities	3,203	
	Taxes and Insurance	4,338	
	Cost of Capital	6,591	
	Nonallowable		25,018
	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		
6	Nonallowable	34,229	
	Housekeeping		6,755
	Maintenance		4,074
	Administration		4,632
	Legal		3
	Utilities		4,341
	Taxes and Insurance		5,939
	Cost of Capital		8,485
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
7	Ancillary	10,537	
	Nonallowable	71,271	
	Medical Supplies		53,056
	Special Services		26,904
	Cost of Capital		1,848
	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		

HEARTLAND OF COLUMBIA REHABILITATION AND NURSING CENTER

Adjustment Report
Cost Report Period Ended September 30, 2012
AC# 3-MCC-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Cost of Capital Nonallowable	236,440	236,440
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<hr style="width: 100%; border: 0.5px solid black;"/> <u>\$1,161,859</u>	<hr style="width: 100%; border: 0.5px solid black;"/> <u>\$1,161,859</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, 2012
AC# 3-MCC-J2

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>3.21571</u>	<u>3.21571</u>	
Deemed Asset Value (Per Bed)	50,223	50,223	
Number of Beds	<u>118</u>	<u>14</u>	
Deemed Asset Value	5,926,314	703,122	
Improvements Since 1981	6,968,790	112,592	
Accumulated Depreciation at 9/30/12	<u>(6,260,445)</u>	<u>(308,079)</u>	
Deemed Depreciated Value	6,634,659	507,635	
Market Rate of Return	<u>.0369</u>	<u>.0369</u>	
Total Annual Return	244,819	18,732	
Return Applicable to Non-Reimbursable Cost Centers	(5,045)	(386)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>448</u>	<u>53</u>	
Allowable Annual Return	240,222	18,399	
Depreciation Expense	365,328	19,195	
Amortization Expense	1,554	184	
Capital Related Income Offsets	(612)	(73)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(8,030)</u>	<u>(455)</u>	<u>Total</u>
Allowable Cost of Capital Expense	598,462	37,250	\$635,712
Total Patient Days (Minimum 92% Occupancy)	<u>39,733</u>	<u>4,714</u>	<u>44,447</u>
Cost of Capital Per Diem	\$ <u>15.06</u>	\$ <u>7.90</u>	\$ <u>14.30</u>

HEARTLAND OF COLUMBIA REHABILITATION AND NURSING CENTER

Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2012
 AC# 3-MCC-J2

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>\$7.90</u>
Reimbursable Cost of Capital Per Diem		\$ 8.67
Cost of Capital Per Diem		<u>14.30</u>
Cost of Capital Per Diem Limitation		<u>\$(5.63)</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.