



**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-MNC-J1 – West Ashley Rehabilitation and Nursing Center – Charleston SC, LLC
d/b/a Heartland of West Ashley 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 payable for amounts underpaid as a result of the rate change 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

**WEST ASHLEY REHABILITATION AND
NURSING CENTER – CHARLESTON SC, LLC
D/B/A HEARTLAND OF WEST ASHLEY
REHABILITATION AND NURSING CENTER**

CHARLESTON, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2012
AC# 3-MNC-J1**

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, 2012	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2012 THROUGH SEPTEMBER 30, 2013	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2011	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	11



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

December 11, 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 West Ashley Rehabilitation and Nursing Center – Charleston SC, LLC d/b/a Heartland of West Ashley 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 West Ashley Rehabilitation and Nursing Center – Charleston SC, LLC d/b/a Heartland of West Ashley 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 West Ashley Rehabilitation and Nursing Center – Charleston SC, LLC d/b/a Heartland of West Ashley 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 West Ashley Rehabilitation and Nursing Center – Charleston SC, LLC d/b/a Heartland of West Ashley 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
December 11, 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 WEST ASHLEY REHABILITATION AND NURSING CENTER

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

	<u>10/01/12-</u> <u>09/30/13</u>
Adjusted Reimbursement Rate	\$173.64
Interim Reimbursement Rate (1)	<u>170.04</u>
Increase in Reimbursement Rate	\$ <u><u>3.60</u></u>

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

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 96.47	\$ 93.38	
Dietary		15.92	19.46	
Laundry/Housekeeping/Maintenance		<u>14.05</u>	<u>18.30</u>	
Subtotal	<u>\$4.70</u>	126.44	131.14	\$126.44
Administration & Medical Records	<u>\$3.82</u>	<u>28.34</u>	<u>32.16</u>	<u>28.34</u>
Subtotal		154.78	<u>\$163.30</u>	154.78
<u>Costs Not Subject to Standards:</u>				
Utilities		5.08		5.08
Special Services		.01		.01
Medical Supplies & Oxygen		2.08		2.08
Taxes and Insurance		5.72		5.72
Legal Fees		<u>.14</u>		<u>.14</u>
TOTAL		<u>\$167.81</u>		167.81
Inflation Factor (N/A)				-
Cost of Capital				17.83
Cost of Capital Limitation				(6.88)
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.82
Cost Incentive				4.70
Effect of \$1.75 Cap on Cost/Profit Incentives				(6.77)
Budget Neutrality Adjustment (3.805%)				<u>(6.87)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$173.64</u>

HEARTLAND OF WEST ASHLEY REHABILITATION AND NURSING CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2011
 AC# 3-MNC-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	\$3,053,553	\$ 1,313 (8)	\$1,992,909 (7) 169,643 (7) 1,895 (8)	\$890,419
Dietary	503,799	-	403 (4) 352,428 (7) 4,058 (8)	146,910
Laundry	94,504	-	66,993 (7)	27,511
Housekeeping	261,118	1,586 (6)	198,778 (7)	63,926
Maintenance	184,554	1,090 (6)	9,360 (1) 21,706 (4) 105,635 (7) 10,670 (8)	38,273
Administration & Medical Records	951,104	2,211 (3) 2,254 (6)	175 (5) 447,391 (7) 57,609 (7) 188,712 (8) 72 (9)	261,610
Utilities	188,523	1,114 (6)	1,008 (3) 140,484 (7) 1,279 (8)	46,866
Special Services	478	1 (8) 863,698 (9)	864,052 (5)	125
Medical Supplies & Oxygen	218,934	39 (4) 13,883 (9)	2,211 (3) 120,560 (5) 90,850 (7)	19,235

HEARTLAND OF WEST ASHLEY REHABILITATION AND NURSING CENTER

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

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Taxes and Insurance	191,607	1,093 (6)	2,627 (2) 136,704 (7) 571 (8)	52,798
Legal Fees	5,123	14 (6)	3,874 (7)	1,263
Cost of Capital	364,024	2,896 (6) 177,209 (10)	309,946 (1) 59,614 (7) 8,989 (8) 1,025 (9)	164,555
Subtotal	<u>6,017,321</u>	<u>1,068,401</u>	<u>5,372,231</u>	<u>1,713,491</u>
Ancillary	560,326	45,330 (9)	-	605,656
Nonallowable	4,022,445	309,946 (1) 1,008 (3) 984,787 (5) 3,822,912 (7) 214,860 (8)	10,047 (6) 921,814 (9) 177,209 (10)	8,246,888
CNA Training and Testing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>\$10,600,092</u>	<u>\$6,447,244</u>	<u>\$6,481,301</u>	<u>\$10,566,035</u>
Total Patient Days	<u>33,244</u>	<u>-</u>	<u>24,014</u> (11)	<u>9,230</u>
Total Beds	<u>27</u>			

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

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$4,321,282	
	Other Equity	1,684,823	
	Nonallowable	309,946	
	Fixed Assets		\$5,996,745
	Maintenance		9,360
	Cost of Capital		309,946
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Accounts Payable	2,627	
	Taxes and Insurance		2,627
	To adjust liability insurance expense HIM-15-1, Sections 2302.1 and 2304 State Plan, Attachment 4.19D		
3	Medical Records	2,211	
	Nonallowable	1,008	
	Utilities		1,008
	Medical Supplies		2,211
	To reclassify expense to the proper cost center and disallow cable TV expense HIM-15-1, Section 2106.1 DH&HS Expense Crosswalk		
4	Retained Earnings	22,070	
	Medical Supplies	39	
	Dietary		403
	Maintenance		21,706
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1		

HEARTLAND OF WEST ASHLEY REHABILITATION AND NURSING CENTER

Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-MNC-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable	984,787	
	Administration		175
	Medical Supplies		120,560
	Special Services		864,052
	To reclassify ancillary service cost to a non-reimbursable cost center HIM-15-1, Sections 2102.3 and 2304 State Plan, Attachment 4.19D		
6	Housekeeping	1,586	
	Maintenance	1,090	
	Administration	2,254	
	Legal	14	
	Utilities	1,114	
	Taxes and Insurance	1,093	
	Cost of Capital	2,896	
	Nonallowable		10,047
	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		
7	Nonallowable	3,822,912	
	Nursing		1,992,909
	Restorative		169,643
	Dietary		352,428
	Laundry		66,993
	Housekeeping		198,778
	Maintenance		105,635
	Administration		447,391
	Medical Records		57,609
	Legal		3,874
	Utilities		140,484
	Taxes and Insurance		136,704
	Medical Supplies		90,850
	Cost of Capital		59,614
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

HEARTLAND OF WEST ASHLEY REHABILITATION AND NURSING CENTER

Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-MNC-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Restorative	1,313	
	Special Services	1	
	Nonallowable	214,860	
	Nursing		1,895
	Dietary		4,058
	Maintenance		10,670
	Administration		188,712
	Utilities		1,279
	Taxes and Insurance		571
	Cost of Capital		8,989
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
9	Medical Supplies	13,883	
	Special Services	863,698	
	Ancillary	45,330	
	Administration		72
	Cost of Capital		1,025
	Nonallowable		921,814
	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 WEST ASHLEY REHABILITATION AND NURSING CENTER

Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-MNC-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Cost of Capital Nonallowable	177,209	177,209
	To adjust capital return State Plan, Attachment 4.19D		
11	<u>Memo Adjustment:</u> To decrease total patient days by 24,014 to 9,230		
	TOTAL ADJUSTMENTS	<u>\$12,478,046</u>	<u>\$12,478,046</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 WEST ASHLEY REHABILITATION AND NURSING CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2011
 AC# 3-MNC-J1

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>3.1821</u>
Deemed Asset Value (Per Bed)	49,698
Number of Beds	<u>27</u>
Deemed Asset Value	1,341,846
Improvements Since 1981	2,891,785
Accumulated Depreciation at 9/30/11	<u>(2,930,602)</u>
Deemed Depreciated Value	1,303,029
Market Rate of Return	<u>.0408</u>
Total Annual Return	53,164
Return Applicable to Non-Reimbursable Cost Centers	(16,888)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>456</u>
Allowable Annual Return	36,732
Depreciation Expense	189,114
Amortization Expense	-
Capital Related Income Offsets	(1,677)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(59,614)</u>
Allowable Cost of Capital Expense	164,555
Total Patient Days (Actual)	<u>9,230</u>
Cost of Capital Per Diem	<u>\$ 17.83</u>

HEARTLAND OF WEST ASHLEY REHABILITATION AND NURSING CENTER

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

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 6.96
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$10.95</u>
Reimbursable Cost of Capital Per Diem	\$10.95
Cost of Capital Per Diem	<u>17.83</u>
Cost of Capital Per Diem Limitation	<u>\$(6.88)</u>

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