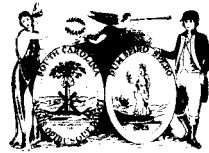


State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

March 18, 2005

Ms. Linda A. Holtzscheiter, Reimbursement Manager
Sava Senior Care
5300 West Sam Houston Parkway North
Houston, Texas 77041

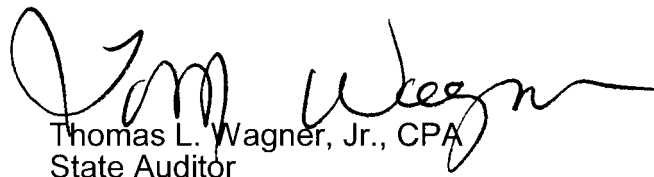
Re: AC# 3-BCC-J1 – GranCare South Carolina, Inc. d/b/a Central Carolina Health &
Rehabilitation Center

Dear Ms. Holtzscheiter:

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, 2000 through September 30, 2001. That report was used to set the rate covering the contract period beginning January 1, 2003.

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.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Ms. Kathleen C. Snider

**GRANCARE SOUTH CAROLINA, INC.
D/B/A CENTRAL CAROLINA HEALTH &
REHABILITATION CENTER**

COLUMBIA, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING JANUARY 1, 2003
AC# 3-BCC-J1**

AGREED-UPON PROCEDURES REPORT

ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

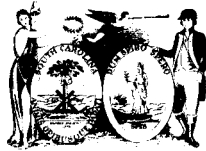
STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

January 27, 2005

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 GranCare South Carolina, Inc. d/b/a Central Carolina Health & Rehabilitation Center, for the contract period beginning January 1, 2003, and for the twelve month cost report period ended September 30, 2001, as set forth in the accompanying schedules. The management of GranCare South Carolina, Inc. d/b/a Central Carolina Health & Rehabilitation 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.

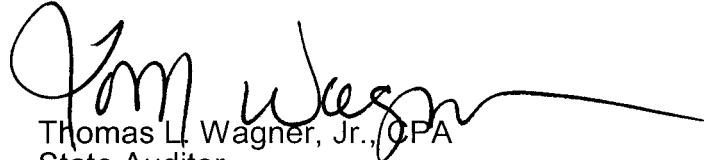
The procedures and the associated findings are as follows:

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 GranCare South Carolina, Inc. d/b/a Central Carolina Health & Rehabilitation 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 Adjustment Report, Summary of Costs and Total Patient Days, 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 GranCare South Carolina, Inc. d/b/a Central Carolina Health & Rehabilitation Center dated as of October 1, 2001 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 27, 2005

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.


Thomas L. Wagner, Jr., CPA
State Auditor

CENTRAL CAROLINA HEALTH & REHABILITATION CENTER

Computation of Rate Change
For the Contract Period
Beginning January 1, 2003
AC# 3-BCC-J1

01/01/03-
09/30/03

Interim Reimbursement Rate (1)	\$117.65
Adjusted Reimbursement Rate	<u>116.84</u>
Decrease in Reimbursement Rate	\$ <u><u>.81</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 6, 2004

CENTRAL CAROLINA HEALTH & REHABILITATION CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period January 1, 2003 Through September 30, 2003
AC# 3-BCC-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 65.60	\$62.89	
Dietary		11.54	11.21	
Laundry/Housekeeping/Maintenance		<u>10.65</u>	<u>9.67</u>	
Subtotal	\$ <u>-</u>	87.79	83.77	\$ 83.77
Administration & Medical Records	\$ <u>.76</u>	<u>12.01</u>	<u>12.77</u>	<u>12.01</u>
Subtotal		99.80	<u>\$96.54</u>	95.78
<u>Costs Not Subject to Standards:</u>				
Utilities		2.52		2.52
Special Services		.47		.47
Medical Supplies & Oxygen		4.86		4.86
Taxes and Insurance		2.64		2.64
Legal Fees		<u>.01</u>		<u>.01</u>
TOTAL		<u>\$110.30</u>		106.28
Inflation Factor (3.70%)				3.93
Cost of Capital				7.20
Cost of Capital Limitation				(1.33)
Profit Incentive (Max. 3.5% of Allowable Cost)				.76
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>-</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$116.84</u>

CENTRAL CAROLINA HEALTH & REHABILITATION CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2001
 AC# 3-BCC-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	\$ 5,997,011	\$ -	\$ 3,990 (5) 42,079 (5) 4,423 (6) 11,405 (6) 9,865 (8) 17,897 (11)	\$ 5,907,352
Dietary	1,033,535	13,946 (4)	8,052 (6)	1,039,429
Laundry	299,717	-	4,021 (6)	295,696
Housekeeping	369,205	1,548 (9)	5,353 (6) 1,505 (10)	363,895
Maintenance	298,002	3,699 (8) 891 (9)	1,984 (6) 1,189 (10)	299,419
Administration & Medical Records	1,075,079	35,351 (5) 815 (9)	4,113 (6) 612 (6) 59 (7) 456 (7) 23,991 (8) 893 (10)	1,081,121
Utilities	232,363	695 (9)	5,500 (2) 2 (8) 899 (10)	226,657
Special Services	37,078	9,056 (8)	1,993 (6) 1,961 (11)	42,180
Medical Supplies & Oxygen	503,656	-	31,802 (4) 149 (6) 4,070 (7) 29,784 (11)	437,851

CENTRAL CAROLINA HEALTH & REHABILITATION CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2001
 AC# 3-BCC-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>
Taxes and Insurance	242,274	687 (9)	3,901 (3) 200 (8) 918 (10)	237,942
Legal Fees	566	-	-	566
Cost of Capital	528,611	730 (9) 227,634 (12)	78,685 (1) 29,079 (8) <u>574 (10)</u>	648,637
Subtotal	<u>10,617,097</u>	<u>295,052</u>	<u>331,404</u>	<u>10,580,745</u>
Ancillary	325,463	17,856 (4)	-	343,319
Nonallowable	(455,899)	78,685 (1) 3,901 (3) 10,718 (5) 42,105 (6) 4,585 (7) 50,382 (8) 5,978 (10) <u>49,642 (11)</u>	5,366 (9) 227,634 (12)	(442,903)
Total Operating Expenses	<u>\$10,486,661</u>	<u>\$558,904</u>	<u>\$564,404</u>	<u>\$10,481,161</u>
Total Patient Days	<u>90,053</u>	<u>-</u>	<u>-</u>	<u>90,053</u>
Total Beds	<u>257</u>			

CENTRAL CAROLINA HEALTH & REHABILITATION CENTER
 Adjustment Report
 Cost Report Period Ended September 30, 2001
 AC# 3-BCC-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 461,580	
	Other Equity	705,964	
	Nonallowable	78,685	
	Fixed Assets		\$1,167,544
	Cost of Capital		78,685
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Accounts Payable	1,034	
	Retained Earnings	4,466	
	Utilities		5,500
	To properly charge expense applicable to the prior period and adjust year-end accrual HIM-15-1, Sections 2302.1 and 2304		
3	Nonallowable	3,901	
	Taxes and Insurance		3,901
	To adjust liability insurance expense HIM-15-1, Section 2304		
4	Dietary	13,946	
	Ancillary	17,856	
	Medical Supplies		31,802
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
5	Administration	35,351	
	Nonallowable	10,718	
	Nursing		3,990
	Restorative		42,079
	To reclassify expense to the proper cost center HIM-15-1, Sections 2102.3 and 2304 DH&HS Expense Crosswalk		

CENTRAL CAROLINA HEALTH & REHABILITATION CENTER
 Adjustment Report
 Cost Report Period Ended September 30, 2001
 AC# 3-BCC-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable	42,105	
	Nursing		4,423
	Restorative		11,405
	Dietary		8,052
	Laundry		4,021
	Housekeeping		5,353
	Maintenance		1,984
	Administration		4,113
	Medical Records		612
	Medical Supplies		149
	Special Services		1,993
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Nonallowable	4,585	
	Administration		59
	Medical Records		456
	Medical Supplies		4,070
	To adjust expense to cost of related organization HIM-15-1, Section 1000		
8	Maintenance	3,699	
	Special Services	9,056	
	Nonallowable	50,382	
	Nursing		9,865
	Administration		23,991
	Utilities		2
	Taxes and Insurance		200
	Cost of Capital		29,079
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

CENTRAL CAROLINA HEALTH & REHABILITATION CENTER
Adjustment Report
Cost Report Period Ended September 30, 2001
AC# 3-BCC-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Housekeeping	1,548	
	Maintenance	891	
	Administration	815	
	Utilities	695	
	Taxes and Insurance	687	
	Cost of Capital	730	
	Nonallowable		5,366
	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		
10	Nonallowable	5,978	
	Housekeeping		1,505
	Maintenance		1,189
	Administration		893
	Utilities		899
	Taxes and Insurance		918
	Cost of Capital		574
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
11	Nonallowable	49,642	
	Nursing		17,897
	Medical Supplies		29,784
	Special Services		1,961
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		

CENTRAL CAROLINA HEALTH & REHABILITATION CENTER
Adjustment Report
Cost Report Period Ended September 30, 2001
AC# 3-BCC-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
12	Cost of Capital Nonallowable	227,634	227,634
	To adjust capital return State Plan, Attachment 4.19D		
		\$1,731,948	\$1,731,948
	TOTAL ADJUSTMENTS	\$1,731,948	\$1,731,948

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.

CENTRAL CAROLINA HEALTH & REHABILITATION CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2001
 AC# 3-BCC-J1

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.4607</u>
Deemed Asset Value (Per Bed)	38,431
Number of Beds	<u>257</u>
Deemed Asset Value	9,876,767
Improvements Since 1981	1,595,544
Accumulated Depreciation at 9/30/01	<u>(2,771,608)</u>
Deemed Depreciated Value	8,700,703
Market Rate of Return	<u>.0577</u>
Total Annual Return	502,031
Return Applicable to Non-Reimbursable Cost Centers	(1,933)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	500,098
Depreciation Expense	174,671
Amortization Expense	1,609
Capital Related Income Offsets	(27,167)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(574)</u>
Allowable Cost of Capital Expense	648,637
Total Patient Days (Minimum 96% Occupancy)	<u>90,053</u>
Cost of Capital Per Diem	\$ <u><u>7.20</u></u>

CENTRAL CAROLINA HEALTH & REHABILITATION CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2001
 AC# 3-BCC-J1

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 1.88
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>5.87</u>
Reimbursable Cost of Capital Per Diem	\$ 5.87
Cost of Capital Per Diem	<u>7.20</u>
Cost of Capital Per Diem Limitation	\$(<u>1.33</u>)

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