

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

May 23, 2006

Mr. Gregory Williams, Reimbursement Manager
Sava Senior Care
5300 West Sam Houston Parkway North
Houston, Texas 77041

Re: AC# 3-BKV-J2 – GranCare South Carolina, Inc. d/b/a Brookview Healthcare Center

Dear Mr. Williams:

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, 2001 through September 30, 2002. That report was used to set the rate covering the contract period beginning October 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.

A handwritten signature in black ink, appearing to read "Tom Wagner".

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 BROOKVIEW HEALTHCARE CENTER
GAFFNEY, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2003
AC# 3-BKV-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, 2003	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2003 THROUGH SEPTEMBER 30, 2004	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2002	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	9

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

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

April 13, 2006

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 Brookview Healthcare Center, for the contract period beginning October 1, 2003, and for the twelve month cost report period ended September 30, 2002, as set forth in the accompanying schedules. The management of GranCare South Carolina, Inc. d/b/a Brookview Healthcare 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.

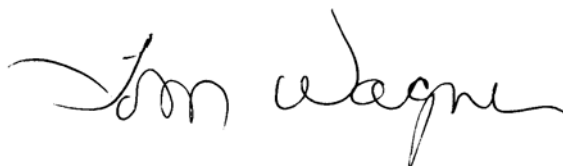
The procedures and the associated findings are as follows:

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 Brookview Healthcare 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 GranCare South Carolina, Inc. d/b/a Brookview Healthcare 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
April 13, 2006

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.

A handwritten signature in black ink, appearing to read "Tom Wagner", with a stylized flourish at the end.

Thomas L. Wagner, Jr., CPA
State Auditor

BROOKVIEW HEALTHCARE CENTER
Computation of Rate Change
For the Contract Period
Beginning October 1, 2003
AC# 3-BKV-J2

10/01/03-
09/30/04

Interim Reimbursement Rate (1)	\$118.04
Adjusted Reimbursement Rate	<u>115.56</u>
Decrease in Reimbursement Rate	\$ <u><u>2.48</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated March 1, 2006

BROOKVIEW HEALTHCARE CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2003 Through September 30, 2004
AC# 3-BKV-J2

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 57.60	\$ 66.44	
Dietary		10.91	11.55	
Laundry/Housekeeping/Maintenance		<u>7.75</u>	<u>9.83</u>	
Subtotal	<u>\$6.15</u>	76.26	87.82	\$ 76.26
Administration & Medical Records	<u>\$.35</u>	<u>13.11</u>	<u>13.46</u>	<u>13.11</u>
Subtotal		89.37	<u>\$101.28</u>	89.37
<u>Costs Not Subject to Standards:</u>				
Utilities		2.61		2.61
Special Services		.07		.07
Medical Supplies & Oxygen		5.23		5.23
Taxes and Insurance		4.36		4.36
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$101.64</u>		101.64
Inflation Factor (4.70%)				4.78
Cost of Capital				7.60
Cost of Capital Limitation				(.21)
Profit Incentive (Maximum 3.5% of Allowable Cost)				.35
Cost Incentive				6.15
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(4.75)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$115.56</u>

BROOKVIEW HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2002
AC# 3-BKV-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	\$2,809,932	\$ -	\$ 56,840 (4) 844 (4) 18,451 (5) 23,258 (6)	\$2,710,539
Dietary	515,242	478 (6)	2,111 (4)	513,609
Laundry	94,833	-	-	94,833
Housekeeping	136,863	-	-	136,863
Maintenance	130,240	3,458 (5)	515 (4)	133,183
Administration & Medical Records	629,860	7,378 (5)	8,606 (1) 7,073 (3) 3,647 (4) 482 (4) 386 (6)	617,044
Utilities	122,652	-	9 (5)	122,643
Special Services	3,111	4,736 (5)	1,367 (4) 3,312 (6)	3,168
Medical Supplies & Oxygen	229,022	37,733 (4)	20,814 (6)	245,941
Taxes and Insurance	206,499	3,834 (5)	5,021 (2)	205,312
Legal Fees	-	-	-	-
Cost of Capital	364,038	6,587 (1) 18,888 (7)	31,971 (5)	357,542
Subtotal	5,242,292	83,092	184,707	5,140,677

BROOKVIEW HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2002
AC# 3-BKV-J2

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Ancillary	197,522	-	-	197,522
Nonallowable	1,436,769	2,019 (1) 5,021 (2) 7,073 (3) 28,073 (4) 31,025 (5) <u>47,292 (6)</u>	18,888 (7)	1,538,384
Total Operating Expenses	<u>\$6,876,583</u>	<u>\$203,595</u>	<u>\$203,595</u>	<u>\$6,876,583</u>
Total Patient Days	<u>47,057</u>	<u>-</u>	<u>-</u>	<u>47,057</u>
Total Beds	<u>132</u>			

BROOKVIEW HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2002
AC# 3-BKV-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Other Equity	\$59,587	
	Cost of Capital	6,587	
	Nonallowable	2,019	
	Fixed Assets		\$34,196
	Accumulated Depreciation		25,391
	Administration		8,606
	To adjust fixed assets and related depreciation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
2	Nonallowable	5,021	
	Taxes and Insurance		5,021
	To adjust liability insurance expense		
	HIM-15-1, Section 2304		
3	Nonallowable	7,073	
	Administration		7,073
	To reclassify expense to the proper cost center		
	HIM-15-1, Section 2304		
	DH&HS Expense Crosswalk		
4	Medical Supplies	37,733	
	Nonallowable	28,073	
	Nursing		56,840
	Restorative		844
	Dietary		2,111
	Maintenance		515
	Administration		3,647
	Medical Records		482
	Special Services		1,367
	To reclassify expense to the proper cost center and adjust fringe benefits and related allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
	DH&HS Expense Crosswalk		

BROOKVIEW HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2002
AC# 3-BKV-J2

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
5	Maintenance	3,458	
	Administration	7,378	
	Special Services	4,736	
	Taxes and Insurance	3,834	
	Nonallowable	31,025	
	Nursing		18,451
	Utilities		9
	Cost of Capital		31,971
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
6	Dietary	478	
	Nonallowable	47,292	
	Nursing		23,258
	Administration		386
	Special Services		3,312
	Medical Supplies		20,814
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
7	Cost of Capital	18,888	
	Nonallowable		18,888
	To adjust capital return State Plan, Attachment 4.19D		
		_____	_____
	TOTAL ADJUSTMENTS	\$263,182	\$263,182

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.

BROOKVIEW HEALTHCARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2002
AC# 3-BKV-J2

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.55013</u>	<u>2.55013</u>	
Deemed Asset Value (Per Bed)	39,828	39,828	
Number of Beds	<u>88</u>	<u>44</u>	
Deemed Asset Value	3,504,864	1,752,432	
Improvements Since 1981	796,517	60,406	
Accumulated Depreciation at 9/30/02	<u>(1,461,656)</u>	<u>(561,081)</u>	
Deemed Depreciated Value	2,839,725	1,251,757	
Market Rate of Return	<u>.0561</u>	<u>.0561</u>	
Total Annual Return	159,309	70,224	
Return Applicable to Non-Reimbursable Cost Centers	(2,029)	(894)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	157,280	69,330	
Depreciation Expense	105,159	50,735	
Amortization Expense	408	204	
Capital Related Income Offsets	(15,705)	(7,853)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(1,208)</u>	<u>(808)</u>	<u>Total</u>
Allowable Cost of Capital Expense	245,934	111,608	\$357,542
Total Patient Days (Actual)	<u>31,372</u>	<u>15,685</u>	<u>47,057</u>
Cost of Capital Per Diem	\$ <u>7.84</u>	\$ <u>7.12</u>	\$ <u>7.60</u>

BROOKVIEW HEALTHCARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2002
AC# 3-BKV-J2

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$3.54	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$7.53</u>	<u>\$7.12</u>
Reimbursable Cost of Capital Per Diem	\$7.39	
Cost of Capital Per Diem	<u>7.60</u>	
Cost of Capital Per Diem Limitation	<u>\$(.21)</u>	

2 copies of this document were published at an estimated printing cost of \$1.38 each, and a total printing cost of \$2.76. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.