



Dave Yost • Auditor of State



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Independent Accountant's Report on Applying Agreed-Upon Procedures

Ohio Department of Medicaid
50 West Town Street, Suite 400
Columbus, Ohio 43215

We have performed the procedures enumerated below, with which the Ohio Department of Medicaid (ODM) agreed, solely to assist ODM in evaluating whether Miller Holdings Manor, Inc. DBA Broadfield Care Center (hereafter referred to as the Provider) prepared its Medicaid ICF-IID Cost Report for the period January 1, 2014 through December 31, 2014 in accordance with the Medicaid cost report instructions and Ohio Admin. Code § 5123:2-7, and to assist you in evaluating whether reported transactions complied with CMS Publication 15-1 (Provider Reimbursement Manual) and other compliance requirements described in the procedures below. Note that all rules and code sections relied upon in this report were those in effect during the Cost Report period and may be different from those currently in effect. The Provider's management is responsible for preparing these reports. This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards. The sufficiency of these procedures is solely the responsibility of ODM. 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.

Occupancy and Usage:

1. We compared the number of patient days for Medicaid and non-Medicaid patients from the Provider's Detailed Census Report by Payer to those reported on *Schedule A-1, Summary of Inpatient Days* to determine if the Provider's patient days were greater than those reported. We also footed the Provider's census report for accuracy.

We reported variances in Appendix A.

2. We haphazardly selected five residents' medical records and compared the total days of care for December 2014 with the inpatient days reported on the monthly census reports and *Schedule A-1, Summary of Inpatient Days* to determine if total patient days were greater than those reported. We also determined if the Provider included any waiver respite days as Medicaid or Medicare days and, if bed hold days in excess of 30 in a calendar year, it received the proper authorization in accordance with Ohio Admin. Code § 5123:2-7-08.

We found variances and unauthorized bed hold days as reported in Appendix A. See also recoverable finding in Medicaid Paid Claims section below.

3. We compared the number of reimbursed Medicaid days per the Medicaid Information Technology System (MITS) with the total Medicaid days reported on *Schedule A-1, Summary of Inpatient Days* to identify if reimbursed Medicaid days were greater than total Medicaid days.

We found that total Medicaid days reported exceeded Medicaid reimbursed days.

Medicaid Paid Claims

1. We selected paid claims for five residents for December 2014 from MITS and compared the reimbursed days to the days documented per the resident's medical records.

We determined if the Provider's documentation met the general requirements of CMS Publication 15-1, Chapter 23, and Ohio Admin. Code § 5123:2-7-12, and if the days billed met the specific requirements of Ohio Admin. Code §5123:2-7-08(C) to (I) as an occupied or bed hold day and Ohio Admin. Code §5123:2-7-15 for the payment adjustment requirements for resident's admission, discharge or death.

Recoverable Finding – 2014

Finding \$24,230.61

We found the Provider was reimbursed for 86 unauthorized bed hold days above the 30 bed hold days allowed; therefore, we issued findings for recovery in the amount of \$24,230.61.

Revenue

1. We compared all revenues on the Provider's Historical Detailed Trial Balance report with those revenues reported on *Attachment 1, Revenue Trial Balance* to determine if all revenues were reported in accordance with the Appendix to Ohio Admin. Code § 5123:2-7-16 and CMS Publication 15-1 and to identify variances exceeding \$500.

We found no differences.

2. We scanned the Provider's Historical Detailed Trial Balance report for any revenue offsets or applicable credits exceeding \$500 which were not reported on *Attachment 2, Adjustments to Trial Balance; Schedule B-1, Other Protected Costs; Schedule B-2, Direct Care Cost Center; or Schedule C, Indirect Care Cost Center* to offset corresponding expenses in accordance with CMS Publication 15-1, Chapters 1, 6, and 8.

We did not identify any revenue offsets/applicable credits.

Non-Payroll Expenses

1. We compared all non-payroll expenses reported on *Schedule B-1, Other Protected Costs; Schedule B-2, Direct Care Cost Center; and Schedule C, Indirect Cost Care Center* to the Provider's General Ledger report and Detailed Trial Balance to identify any variances exceeding \$500 resulting in decreased costs on any schedule.

We found no variances exceeding \$500 on any schedule which resulted in decreased costs.

2. We selected 20 non-payroll expenses from *Schedule B-1, Other Protected Costs; Schedule B-2, Direct Care Cost Center; Schedule C, Indirect Cost Center; and Exhibit 3, Home Office Trial Balance* and determined if these expenses had supporting documentation, were properly allocated and classified and were allowable expenses per Ohio Admin. Code § 5123:2-7 and CMS Publication 15-1. ODM asked us to identify any variances exceeding \$500 resulting in decreased costs on any schedule.

We found no variances for decreased costs exceeding \$500 on any schedule.

3. We reviewed the allocation methodology used in the Provider's Home Office Allocation schedule allocating costs on *Schedule B-1, Other Protected Costs; Schedule B-2, Direct Care Cost Center; and Schedule C, Indirect Cost Care Center* and determined if it was reasonable, allowable, related to residential care, and properly classified in accordance with Ohio Admin. Code § 5123:2-7 and CMS Publication 15-1, Section 2150.

Non-Payroll Expenses (Continued)

ODM asked us to report any reclassifications between schedules and adjustments resulting in decreased Home Office costs exceeding five percent of Home Office costs reported on any schedule.

We found no inconsistencies or improper allocation methodologies exceeding five percent of Home Office Costs reported on any schedule.

4. We scanned the Provider's Historical Detailed Trial Balance report for non-payroll expenses reported on *Schedule B-1, Other Protected Costs; Schedule B-2, Direct Care Cost Center; and Schedule C, Indirect Cost Center* for non-federal reimbursable costs or costs not classified in accordance with Ohio Admin. Code § 5123:2-7 and CMS Publication 15-1. We also scanned for any contract costs which would require reporting on *Schedule C-3, Costs of Services from Related Parties*. We identified any reclassifications between schedules and adjustments exceeding \$500 resulting in decreased costs on any schedule or contractor costs over \$10,000 that should have been reported on *Schedule C-3*.

We reported misclassified and non-federal reimbursable costs in Appendix A. We found no contracts which should be reported on *Schedule C-3*.

5. We compared the 2014 non-payroll costs reported on *Schedule B-1, Other Protected Costs; Schedule B-2, Direct Care Cost Center; and Schedule C, Indirect Cost Care Center* by chart of account code to non-payroll costs reported by chart of account code in 2013 and obtained the Provider's explanation for five non-payroll variances that increased by more than five percent and \$500 from the prior year's schedules. ODM asked us to identify variances exceeding \$500 and five percent of non-payroll costs resulting in decreased costs on any schedule.

The Provider reported the following explanations:

- The increase in Medical Supplies-Medicare Non-Billable on *Schedule B-1* was due to a resident requiring special PKU formula and other acuity changes.
- The increase in Medical Director costs on *Schedule B-2* was due to having no Medical Director fees for seven months in 2013 while having costs for all of 2014. In addition, the Provider hired a second Medical Director in August 2013 and this individual was employed during all of 2014.
- The increase in Physical Therapy on *Schedule B-2* was due changes in acuity and other therapy needs.
- The increase in Food-in-Facility costs on *Schedule C* was due changes in the menu from resident requests and increased food costs.
- The increase in Consulting & Management Fees - Indirect fees on *Schedule C* was due to changes in the contract which was renegotiated in 2014.

We found no differences resulting in decreased costs on any schedule.

Property

1. We compared the Provider's procedures regarding capitalization of fixed assets used for preparing *Schedule D, Capital Cost Center; Schedule D-1, Analysis of Property, Plant and Equipment; and Schedule D-2, Capital Additions/Deletions* with Ohio Admin. Code § 5123:2-7 and CMS Publication 15-1.

We found an inconsistency as the Provider did not determine a salvage value when calculating depreciation as required by CMS Publication 15-1, 104.19, which states "Virtually all assets have a salvage value substantial enough to be included in calculating depreciation, and only in rare instance is salvage value so negligible that it may be ignored."

We also noted the Provider only depreciated assets with an acquisition cost of \$1,000 or more. This is inconsistent with Ohio Admin. Code § 5123:2-7-18(B)(1) which states, "Any expenditure for an item that costs \$500 or more and has a useful life of two or more years per item must be capitalized and depreciated over the asset's useful life."

Recommendation:

We recommend the Provider calculate a salvage value equal to 10 percent of historical cost when determining the initial net book value to be depreciated for each new capital asset purchase and the Provider capitalize assets with a useful life of two or more years and \$500.

2. We compared capital assets and corresponding depreciation listed on *Schedule D, Capital Cost Center; Schedule D-1, Analysis of Property, Plant and Equipment; and Schedule D-2, Capital Additions/Deletions* to the Provider's Depreciation Schedule, Miller Holdings Cost Allocation and Historical Detailed Trial Balance reports to identify variances exceeding \$500 resulting in decreased costs on any schedule.

We found no variances.

3. We selected three additions reported on *Schedule D-1, Analysis of Property, Plant and Equipment* and *Schedule D-2, Capital Additions/Deletions* and determined if the cost basis, useful life and depreciation expense were reported in accordance with Ohio Admin. Code § 5123:2-7. We determined if assets were used in residential care or should be reclassified as the Costs of Ownership in accordance with Ohio Admin Code § 5123:2-7 and CMS Publication 15-1 to identify variances exceeding \$500 which result in decreased costs on any schedule.

We found no variances exceeding \$500.

4. We reviewed the rent and lease agreements and determined if any related party lease costs were recorded in accordance with CMS Publication 15-1, Section 1011.5 and Ohio Admin. Code § 5123:2-7-24(D) and that non-related leases meet the requirements of FASB 13 and Ohio Admin. Code § 5123:2-7-24(B) and related FASB guidance on leasehold improvements, if costs were recorded in *Schedule D, Analysis of Property, Plant and Equipment* in Lease and Rent Accounts 8060 or 8065. ODM asked us to identify any variances exceeding \$500 which result in decreased costs on any schedule.

We found no variances.

5. ODM asked that we compare the renovation and financing costs in the Non-extensive Renovation Letter to *Schedule D-1, Analysis of Property, Plant and Equipment*, if costs were recorded in *Schedule E, Balance Sheet* (Account 1300, Renovations) to identify variances exceeding \$500 which result in decreased costs on any schedule.

We did not perform this procedure as no renovation costs were recorded on *Schedule E*.

Property (Continued)

6. ODM asked that we review the Depreciation Schedule to ensure transportation expenses were reasonable, allowable and related to patient care as defined in CMS Publication 15-1, Chapter 9 for costs recorded on *Schedule D-1, Analysis of Property, Plant and Equipment*.

ODM also asked that if any corporate officers and owners exclusively used vehicles, we review the W-2s to determine if they reported additional compensation or were adjusted from allowable expenses pursuant to CMS Publication 15-1. ODM asked that we identify any variances exceeding \$500 which result in decreased costs on any schedule.

We did not perform this procedure as no transportation costs were recorded on *Schedule D-1*.

Payroll

1. We compared all salary, fringe benefits and payroll tax entries and hours worked reported on the Provider's Historical Detailed Trial Balance report to the amounts reported on *Schedule B-1, Other Protected Costs; Schedule B-2, Direct Care Cost Center; Schedule C, Indirect Cost Care Center; Schedule C-1, Administrator's Compensation; and Schedule C-2, Owner's Relatives Compensation* to identify any variances exceeding \$500 which result in decreased costs on any schedule.

We found no variances exceeding \$500 on any schedule that resulted in decreased costs.

2. We selected a sample of five employees reported on *Schedule B-1, Other Protected Costs; Schedule B-2, Direct Care Cost Center; Schedule C, Indirect Cost Center; and Exhibit 3, Home Office Trial Balance* and compared to the Provider's job descriptions to the schedule in which each employee's salary and fringe benefit expenses were reported. We determined if the payroll costs were allowable under CMS Publication 15-1, were properly classified, allocated and allowable in accordance with Ohio Admin. Code §5123:2-7 and CMS Publication 15-1, Chapter 9 and Section 2150 to identify any variances exceeding \$500 which result in decreased costs on any schedule.

We found no variances exceeding \$500 on any schedule which resulted in decreased costs.

3. We compared the 2014 payroll costs reported on *Schedule B-1, Other Protected Costs; Schedule B-2, Direct Care Cost Center; Schedule C, Indirect Cost Care Center; Schedule C-1, Administrator's Compensation; and Schedule C-2, Owner's Relatives Compensation* by chart of account code to payroll costs reported by chart of account code in 2013 and obtained the Provider's explanation for five payroll variances that increased by more than five percent and \$500 from the prior year's schedules. ODM asked that we identify variances exceeding \$500 and five percent of payroll costs on any schedule.

The Provider reported the following explanations:

- The increase in the Director of Nursing on *Schedule B-2* was due to the hiring of a Director of Nursing rather than an Assistant Director of Nursing.
- The increase in the Licensed Practical Nurse on *Schedule B-2* was due to having staffing pattern changes due to increased acuity levels of the clients.
- The increase in the Habilitation Staff on *Schedule B-2* was due to having increased acuity levels of the clients including a 1:1 supervision level.
- The increase in the Dietary Personnel on *Schedule B-2* was due to having a change in staffing levels to meet increased needs.
- The increase in the Housekeeping Staff on *Schedule B-2* was due to a change in Housekeeping Department staffing and needs.

We found no differences resulting in decreased costs on any schedule.

Miller Holdings Manor, Inc. DBA Broadfield Care Center
Independent Accountant's Report on
Applying Agreed-Upon Procedures

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the Provider's Cost Report. 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 use of the Provider's management, the Ohio Department of Medicaid, the Ohio Department of Developmental Disabilities and the Centers for Medicare and Medicaid Services, and is not intended to be, and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

January 10, 2017

Appendix A
Miller Holdings Manor, Inc. DBA Broadfield Care Center
2014 Medicaid ICF-IID Cost Report Adjustments

	Reported Amount	Correction	Corrected Amount	Explanation of Correction
Schedule A-1 Summary of Inpatient Days				
2. February - Authorized Days (2)	1,324	2	1,326	To match census report
3. March - Authorized Days (2)	1,422	(4)	1,418	To remove unauthorized bed hold days
5. May - Authorized Days (2)	1,395	(4)	1,386	To remove unauthorized bed hold days
6. June - Authorized Days (2)	1,350	(5)	1,342	To remove unauthorized bed hold days
7. July - Authorized Days (2)	1,384	(2)	1,377	To remove unauthorized bed hold days
8. August - Authorized Days (2)	1,385	(7)	1,373	To remove unauthorized bed hold days
9. September - Authorized Days (2)	1,321	(12)	1,318	To remove unauthorized bed hold days
10. October - Authorized Days (2)	1,410	(3)	1,393	To remove unauthorized bed hold days
11. November - Authorized Days (2)	1,380	(17)	1,373	To remove unauthorized bed hold days
12. December - Authorized Days (2)	1,426	(7)	1,373	To remove unauthorized bed hold days
		1		To correct inpatient days
		(9)		To remove unauthorized bed hold days
		(10)	1,408	To remove unauthorized bed hold days
Schedule C Indirect Care Cost Center				
24. Program Supplies - 7125 - Other/Contract Wages (2)	\$ 21,546	\$ (900)	\$ 20,646	To reclassify Christmas party and client entertainment costs
32. Travel and Entertainment - 7235 - Other/Contract Wages (2)	\$ 42,806	\$ 900	\$ 43,706	To reclassify Christmas party and client entertainment costs

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MILLER HOLDINGS DBA BROADFIELD

LAKE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 14, 2017**