



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 to which the Ohio Department of Medicaid (ODM) agreed, solely to assist ODM in evaluating whether Essex Healthcare Corporation DBA Canton Health 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 the Appendix to Ohio Admin. Code § 5123:2-7, and to assist ODM 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 reporting period and may be different from those currently in effect. The Provider's management is responsible for preparing this report. 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 Census Daily Detail by Name – all Units Report 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 reports for accuracy.

We found inpatient days were greater than reported and reported this variance in Appendix A.

2. We haphazardly selected five residents' medical records and compared the total days of care for December 2014 with the total inpatient days reported on the Census Daily Detail by Name – all Units Reports and Schedule A-1, Summary of Inpatient Days to determine if total inpatient days were greater than 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 received the proper authorization on form JFS 09402 in accordance with Ohio Admin. Code § 5123:2-7-08.

We found no variances where inpatient days were greater than reported and no misclassified waiver respite days. However, we found eight unauthorized bed hold days for one resident above the 30 bed hold days allowed. We removed the unauthorized bed hold days as reported in Appendix A; see also recoverable finding in the Medicaid Paid Claims section below.

Occupancy and Usage (Continued)

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 per MITS.

Medicaid Paid Claims

1. We selected all paid claims for five residents for the December 2014 from MITS and compared the reimbursed Medicaid 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 \$1,593.52

We found eight unauthorized bed hold days above the 30 bed hold days allowed under with Ohio Admin. Code § 5123: 2-7-08 and identified a recoverable finding for these days in the amount of \$1,593.52.

The Provider stated that it did not get approval for bed hold days over 30 and it also verified this with the Ohio Department of Developmental Disabilities.

Revenue

1. We compared all revenues on the Provider's 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 to identify variances exceeding \$500.

We found no differences.

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

We did not identify any revenue offsets/applicable credits on any schedule.

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 Care Cost Center* to the Provider's General Ledger report to identify any variances exceeding \$500 resulting in decreased costs on any schedule.

We found no differences exceeding \$500 resulting in decreased costs.

Non-Payroll Expenses (Continued)

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. We identified any variances exceeding \$500 resulting in decreased costs.

We reported differences in Appendix A.

3. We reviewed the allocation methodology used in the Provider's Home Office Allocation schedule for *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 Chapter 5123:2-7 and CMS Publication 15-1, Section 2150. We identified any variances exceeding five percent of Home Office costs reported on any schedule.

We found no improper allocation methodologies; however, we noted errors in the total amounts that were allocated and reported the variances in Appendix A.

4. We scanned the Provider's General Ledger and Trial Balance reports for non-payroll expenses exceeding \$500 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 Chapter 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 found no differences or 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 schedule. We identified 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 costs on *Schedule B-1* was due to patient needs;
- The increase in Commercial Activity Tax costs on *Schedule B-1* was due to the increase in revenue;
- The increase in Active Treatment Off site Day Programming costs on *Schedule B-2* was due to the increase in contracted rates;
- The increase in Workers Compensation costs on *Schedule B-2* was due to increase in worker claims;
- The increase in Other Administrative Personnel costs on *Schedule C* was to maintain administration labor.

We reported no differences.

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 Chapter 5123:2-7 and CMS Publication 15-1 to identify any variances.

We noted that the Provider does 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 took depreciation in the month that the asset was placed into service and not the month after. This is inconsistent with Ohio Admin. Code § 5123:2-7-18(E)(1) which states "In the month that a capital asset is placed into service, no depreciation expense is recognized as an allowable expense. A full month's depreciation expense is recognized in the month following the month the asset is placed into service."

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 begin depreciating capital assets after the month of acquisition.

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 Expense report to identify variances exceeding \$500 resulting in decreased costs on any schedule.

We reported differences exceeding \$500 in Appendix A.

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 Chapter § 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 Chapter § 5123:2-7 and CMS Publication 15-1. We identified variances exceeding \$500 which result in decreased costs on any schedule.

We found no differences exceeding \$500 on any schedule.

4. We reviewed the rent and lease agreements and determined if any related party lease costs were recorded in accordance 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. We identified any variances exceeding \$500 which result in decreased costs on any schedule.

We found no differences.

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, and report reclassifications and variances exceeding \$500 which result in decreased costs on any schedule.

We did not perform this procedure as the Provider reported no costs On *Schedule E, Balance Sheet*, Account 1300, Renovations.

Property (Continued)

6. We reviewed the Depreciation Expense report to ensure transportation expenses were reasonable, allowable and related to patient care as defined in CMS Publication 15-1, Chapter 9 for transportation costs reported on *Schedule D-1, Analysis of Property, Plant and Equipment*. We also reviewed W-2's for corporate officers and owners that exclusively used vehicles to determine if they reported additional compensation or were adjusted from allowable expenses pursuant to CMS Publication 15-1. We identified any variances exceeding \$500 which results in decreased costs on any schedule.

We found no differences.

Payroll

1. We compared all salary, fringe benefits, payroll tax entries and hours worked reported on the Provider's General Ledger report to the payroll 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 resulting in decreased costs on any schedule.

We found no differences.

2. We selected five employees (including all Administrators and Owners) 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 the Provider's Timecard by Job Class – History report 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 resulting in decreased costs on any schedule.

We found no differences.

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 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. We identified any differences exceeding \$500 and five percent of payroll costs resulting in decreased costs on any schedule.

The Provider reported the following explanations:

- The increase in payroll costs for Registered Nurse, Licensed Practical Nurse and Habilitation Supervisor on *Schedule C, Indirect Cost Care Center* is due to increased pay to maintain clinical staff in a competitive market.
- The increase in Activity Staff and Social Services on *Schedule C, Indirect Cost Care Center* was due to these items not being included in the previous cost report.

We reported no variances.

Essex Healthcare Corporation DBA Canton Health 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 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 initial "D" and a long, sweeping tail on the "y".

Dave Yost
Auditor of State

December 15, 2016

Appendix A

**Essex Healthcare Corporation DBA Canton Health Care Center
2014 Medicaid ICF-IID Cost Report**

	<u>Reported Amount</u>	<u>Correction</u>	<u>Corrected Amount</u>	<u>Explanation of Correction</u>
Schedule A-1 Summary of Inpatient Days				
8. August - Hospital Leave Days (3)	9	1	\$ 10	To correct attendance days
12. December - Leave Days for Visits with Friends and Relatives (5)	45	(8)	\$ 37	To remove unauthorized bedhold days over 30 day limit
Schedule B-2 Direct Care Cost Center				
22. Active Treatment Off-site Day Programming - 6215 - Other/Contract Wages (2)	\$ 454,315	\$ (2,740)	\$ 451,575	To reclassify unsupported expense
24. Home office Costs/Direct Care - 6230 - Salary Facility Employed (1)	\$ 23,268	\$ (1,711)	\$ 21,557	To remove Home office Costs
24. Home office Costs/Direct Care - 6230 - Other/Contract Wages (2)	\$ 3,141	\$ (231)	\$ 2,910	To remove Home office Costs
Schedule C Indirect Care Cost Center				
31. Security Services - 7230 - Other/Contract Wages (2)	\$ 2,108	\$ (704)	\$ 1,404	To reclassify unsupported expense
48. Home Office Costs/Indirect Care ** - 7310 - Salary Facility Employed (1)	\$ 63,273	\$ (4,651)	\$ 58,622	To remove Home office Costs
48. Home Office Costs/Indirect Care ** - 7310 - Other/Contract Wages (2)	\$ 81,857	\$ (6,017)	\$ 75,840	To remove Home office Costs
68. Other Non-Reimbursable - Specify Below - 9725 - Other/Contract Wages (2)	\$ 47	\$ 2,740		
		\$ 704	\$ 3,491	To reclassify unsupported expense
Schedule D - Capital Cost Center				
10. Home Office Costs/Capital Cost 8090 (3)	\$ 5,795	\$ (823)	\$ 4,972	To remove Home Office Capital Costs
Schedule D-1 Analysis of Property, Plant and Equipment				
3. Land Improvements - Cost at Beginning of Period (2)	\$ 8,964	\$ (6,746)	\$ 2,218	To remove nursing home depreciation
3. Land Improvements - Cost at end of period (4)	\$ 8,964	\$ (6,746)	\$ 2,218	To remove nursing home depreciation
3. Land Improvements - Accumulated Depreciation End of Period (5)	\$ 1,569	\$ (1,181)	\$ 388	To remove nursing home depreciation costs
3. Land Improvements - Net Book Value End of Period (6)	\$ 7,395	\$ (5,565)	\$ 1,830	To remove nursing home depreciation costs
4. Leasehold Improvements - Cost at Beginning of Period (2)	\$ 299,883	\$ (225,692)	\$ 74,191	To remove nursing home depreciation costs
4. Leasehold Improvements - Additions or Reductions (3)	\$ 46,477	\$ (34,979)	\$ 11,498	To remove nursing home depreciation costs
4. Leasehold improvements - Cost at end of period (4)	\$ 346,360	\$ (260,671)	\$ 85,689	To remove nursing home depreciation
4. Leasehold Improvements - Accumulated Depreciation End of Period (5)	\$ 132,754	\$ (99,911)	\$ 32,843	To remove nursing home depreciation costs
4. Leasehold Improvements - Net Book Value End of Period (6)	\$ 213,606	\$ (160,760)	\$ 52,846	To remove nursing home depreciation costs
5. Equipment - Cost at Beginning of Period (2)	\$ 636,808	\$ (479,262)	\$ 157,546	To remove nursing home depreciation
5. Equipment - Additions or Reductions (3)	\$ 35,624	\$ (26,811)	\$ 8,813	To remove nursing home depreciation
5. Equipment - Cost at end of period (4)	\$ 672,432	\$ (506,072)	\$ 166,360	To remove nursing home depreciation
5. Equipment - Accumulated Depreciation End of Period (5)	\$ 492,140	\$ (370,385)	\$ 121,755	To remove nursing home depreciation costs
5. Equipment - Net Book Value End of Period (6)	\$ 180,292	\$ (135,688)	\$ 44,604	To remove nursing home depreciation
6. Transportation - Cost at Beginning of Period (2)	\$ 29,494	\$ (22,197)	\$ 7,297	To remove nursing home depreciation
6. Transportation - Cost at end of period (4)	\$ 29,494	\$ (22,197)	\$ 7,297	To remove nursing home depreciation
6. Transportation - Accumulated Depreciation End of Period (5)	\$ 25,737	\$ (19,370)	\$ 6,367	To remove nursing home depreciation costs
6. Transportation - Net Book Value End of Period (6)	\$ 3,757	\$ (2,828)	\$ 929	To remove nursing home depreciation

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ESSEX dba CANTON HEALTHCARE CENTER

STARK 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 7, 2017**