

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 25, 2004

Mr. John Twitty, Controller
Health Management Resources
101 Grace Drive
Easley, South Carolina 29640

Re: AC# 3-BHC-J1 – Blue Ridge Nursing Center

Dear Mr. Twitty:

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
Mr. Joseph Hayes

BLUE RIDGE NURSING CENTER

EASLEY, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING JANUARY 1, 2003
AC# 3-BHC-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 JANUARY 1, 2003	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD JANUARY 1, 2003 THROUGH SEPTEMBER 30, 2003	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2001	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	8

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

February 26, 2004

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 determine the reimbursement rate to be used by the Department in determining the reimbursement settlement with Blue Ridge Nursing Center, for the contract period beginning January 1, 2003 and for the twelve month cost report period ended September 30, 2001. The management of Blue Ridge 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.

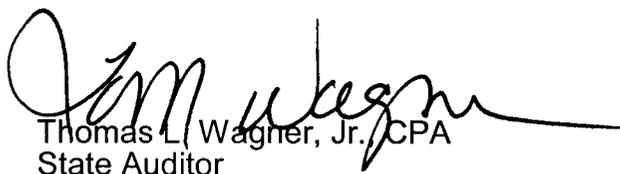
The procedures and the associated findings are as follows:

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 Blue Ridge 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 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 Blue Ridge Nursing 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
February 26, 2004

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

BLUE RIDGE NURSING CENTER
Computation of Rate Change
For the Contract Period
Beginning January 1, 2003
AC# 3-BHC-J1

	01/01/03- <u>09/30/03</u>
Interim Reimbursement Rate (1)	\$114.92
Adjusted Reimbursement Rate	<u>114.63</u>
Decrease in Reimbursement Rate	\$ <u><u>.29</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated May 8, 2003

BLUE RIDGE NURSING CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period January 1, 2003 Through September 30, 2003
 AC# 3-BHC-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 58.96	\$63.44	
Dietary		12.04	11.63	
Laundry/Housekeeping/Maintenance		<u>11.30</u>	<u>10.22</u>	
Subtotal	\$ <u>2.99</u>	82.30	85.29	\$ 82.30
Administration & Medical Records	\$ <u>.91</u>	<u>11.72</u>	<u>12.63</u>	<u>11.72</u>
Subtotal		94.02	<u>\$97.92</u>	94.02
<u>Costs Not Subject to Standards:</u>				
Utilities		1.82		1.82
Special Services		-		-
Medical Supplies & Oxygen		3.88		3.88
Taxes and Insurance		2.36		2.36
Legal Fees		<u>.03</u>		<u>.03</u>
TOTAL		<u>\$102.11</u>		102.11
Inflation Factor (3.70%)				3.78
Cost of Capital				6.99
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				.91
Cost Incentive				2.99
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(2.15)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$114.63</u>

BLUE RIDGE NURSING CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2001
 AC# 3-BHC-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Adjustments</u>		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,379,787	\$ -	\$3,900 (4)	\$1,375,887
Dietary	280,940	-	-	280,940
Laundry	84,663	-	-	84,663
Housekeeping	103,660	-	-	103,660
Maintenance	75,339	-	-	75,339
Administration & Medical Records	273,404	-	-	273,404
Utilities	42,447	-	-	42,447
Special Services	-	-	-	-
Medical Supplies & Oxygen	90,448	-	-	90,448
Taxes and Insurance	57,120	-	2,016 (1)	55,104
Legal Fees	736	-	-	736
Cost of Capital	<u>163,455</u>	<u>44</u> (3)	<u>316</u> (2)	<u>163,183</u>
Subtotal	2,551,999	44	6,232	2,545,811
Ancillary	65,790	-	-	65,790

BLUE RIDGE NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2001
AC# 3-BHC-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>	
Nonallowable	122,134	2,016 (1)	44 (3)	128,006
	<u> </u>	<u>3,900 (4)</u>	<u> </u>	<u> </u>
Total Operating Expenses	<u>\$2,739,923</u>	<u>\$5,960</u>	<u>\$6,276</u>	<u>\$2,739,607</u>
Total Patient Days	<u>23,334</u>	<u>-</u>	<u>-</u>	<u>23,334</u>
Total Beds	<u>66</u>			

BLUE RIDGE NURSING CENTER
Adjustment Report
For the Cost Report Period Ended September 30, 2001
AC# 3-BHC-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Taxes and Insurance	\$ 2,016	\$ 2,016
	To adjust general insurance expense HIM-15-1, Section 2302.1 State Plan, Attachment 4.19D		
2	Accumulated Depreciation Other Equity Fixed Assets Cost of Capital	930 5,529	6,143 316
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Cost of Capital Nonallowable	44	44
	To adjust capital return State Plan, Attachment 4.19D		
4	Nonallowable Nursing	3,900	3,900
	To reclassify expense to the proper cost center HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
	<u>TOTAL ADJUSTMENTS</u>	<u>\$12,419</u>	<u>\$12,419</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.

BLUE RIDGE NURSING CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2001
AC# 3-BHC-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>66</u>
Deemed Asset Value	2,536,446
Improvements Since 1981	334,935
Accumulated Depreciation at 9/30/01	<u>(517,068)</u>
Deemed Depreciated Value	2,354,313
Market Rate of Return	<u>.0577</u>
Total Annual Return	135,844
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	135,844
Depreciation Expense	27,339
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	163,183
Total Patient Days (Actual)	<u>23,334</u>
Cost of Capital Per Diem	\$ <u><u>6.99</u></u>

BLUE RIDGE NURSING CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2001
AC# 3-BHC-J1

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$4.16
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$8.15</u>
Reimbursable Cost of Capital Per Diem	\$6.99
Cost of Capital Per Diem	<u>6.99</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

2 copies of this document were published at an estimated printing cost of \$1.35 each, and a total printing cost of \$2.70. The FY 2003-04 Appropriation Act requires that this information on printing costs be added to the document.