

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

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October 9, 2003

Mr. Howard W. Clarke, Administrator
Honorage Nursing of Florence, S.C., Inc.
1207 North Cashua Road
Florence, South Carolina 29501

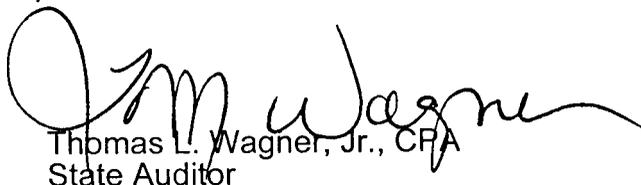
Re: AC# 3-FLR-F1 – Clarke Nursing Center

Dear Mr. Clarke:

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 ended June 30, 2001. That report was used to set the rate covering the contract periods beginning July 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

**CLARKE NURSING CENTER
FLORENCE, SOUTH CAROLINA**

**CONTRACT PERIODS
BEGINNING JULY 1, 2001
AC# 3-FLR-F1**

**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

July 31, 2003

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described 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 Clarke Nursing Center, for the contract period beginning July 1, 2001 and for the six month cost report period ended June 30, 2001, as set forth in the accompanying schedules. The management of Clarke 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 performed 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 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.

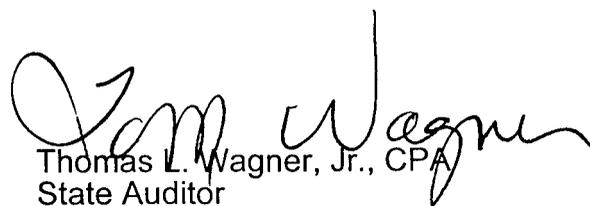
The procedures and the associated findings are as follows:

1. We tested 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 Clarke 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, Summaries of Costs and Total Patient Days, and Cost of Capital Reimbursement Analyses 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 Department of Health and Human Services and Clarke Nursing Center dated as of October 1, 1994 and October 1, 2001 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
July 31, 2003

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is 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

CLARKE NURSING CENTER
Computation of Rate Change
For the Contract Periods
Beginning July 1, 2001
AC# 3-FLR-F1

	<u>07/01/01-</u> <u>09/30/01</u>	<u>Beginning</u> <u>10/01/01</u>
Interim Reimbursement Rate (1)	\$97.24	\$97.74
Adjusted Reimbursement Rate (2)	<u>86.49</u>	<u>86.49</u>
Decrease in Reimbursement Rate	<u>\$10.75</u>	<u>\$11.25</u>

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

- (2) As provided under Article IV, Section E of the Provider's contracts dated October 1, 1994 as amended and October 1, 2001 as amended, "The Provider agrees that the rate charged to DH&HS for service to an eligible Medicaid recipient under this contract will not be greater than that charged for a similar service to a private pay patient." Accordingly, the reimbursement rate is limited to the customary charges to private pay clients.

CLARKE NURSING CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period July 1, 2001 Through September 30, 2001
 AC# 3-FLR-F1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$39.92	\$53.99	
Dietary		10.97	10.56	
Laundry/Housekeeping/Maintenance		<u>16.78</u>	<u>9.12</u>	
Subtotal	\$ <u>5.16</u>	67.67	73.67	\$67.67
Administration & Medical Records	\$ <u>3.86</u>	<u>7.34</u>	<u>11.20</u>	<u>7.34</u>
Subtotal		75.01	\$ <u>84.87</u>	75.01
<u>Costs Not Subject to Standards:</u>				
Utilities		2.94		2.94
Special Services		.04		.04
Medical Supplies & Oxygen		5.02		5.02
Taxes and Insurance		1.64		1.64
Legal Fees		<u>.09</u>		<u>.09</u>
TOTAL		\$ <u>84.74</u>		84.74
Inflation Factor (3.20%)				2.71
Cost of Capital				6.24
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.97
Cost Incentive				5.16
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(6.38)</u>
ADJUSTED REIMBURSEMENT RATE				\$ <u>95.44</u>

CLARKE NURSING CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period Beginning October 1, 2001
 AC# 3-FLR-F1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$39.92	\$58.68	
Dietary		10.97	11.36	
Laundry/Housekeeping/Maintenance		<u>16.78</u>	<u>9.21</u>	
Subtotal	\$ <u>5.55</u>	67.67	79.25	\$67.67
Administration & Medical Records	\$ <u>5.04</u>	<u>7.34</u>	<u>12.38</u>	<u>7.34</u>
Subtotal		75.01	\$ <u>91.63</u>	75.01
<u>Costs Not Subject to Standards:</u>				
Utilities		2.94		2.94
Special Services		.04		.04
Medical Supplies & Oxygen		5.02		5.02
Taxes and Insurance		1.64		1.64
Legal Fees		<u>.09</u>		<u>.09</u>
TOTAL		\$ <u>84.74</u>		84.74
Inflation Factor (3.80%)				3.22
Cost of Capital				6.23
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.97
Cost Incentive				5.55
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(6.77)</u>
ADJUSTED REIMBURSEMENT RATE				\$ <u>95.94</u>

CLARKE NURSING CENTER
 Summary of Costs and Total Patient Days
 For the Contract Period Ended June 30, 2001
 For The Contract Period July 1, 2001 Through September 30, 2001
 AC# 3-FLR-F1

<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	\$ 610,426	\$ -	\$ -	\$ 610,426
Dietary	167,751	-	-	167,751
Laundry	43,615	-	-	43,615
Housekeeping	97,136	-	3,915 (3)	93,221
Maintenance	118,491	1,286 (1)	-	119,777
Administration & Medical Records	112,272	-	-	112,272
Utilities	44,950	-	-	44,950
Special Services	14,982	-	14,410 (4)	572
Medical Supplies & Oxygen	80,501	-	3,801 (2)	76,700
Taxes and Insurance	25,137	-	-	25,137
Legal Fees	1,437	-	-	1,437
Cost of Capital	101,752	-	444 (5)	95,349
			5,959 (6)	
Subtotal	1,418,450	1,286	28,529	1,391,207
Ancillary	16,291	-	-	16,291

CLARKE NURSING CENTER
 Summary of Costs and Total Patient Days
 For the Contract Period Ended June 30, 2001
 For The Contract Period July 1, 2001 Through September 30, 2001
 AC# 3-FLR-F1

<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>	
Non-Allowable	12,621	3,915 (3)	-	36,905
		14,410 (4)		
	<u> </u>	<u>5,959 (6)</u>	<u> </u>	<u> </u>
 Total Operating Expenses	 <u>\$1,447,362</u>	 <u>\$25,570</u>	 <u>\$28,529</u>	 <u>\$1,444,403</u>
 Total Beds	 <u>88</u>	 Total Patient Days		 <u>15,291</u>

CLARKE NURSING CENTER
 Summary of Costs and Total Patient Days
 For the Contract Period Ended June 30, 2001
 For The Contract Periods Beginning October 1, 2001
 AC# 3-FLR-F1

<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	\$ 610,426	\$ -	\$ -	\$ 610,426
Dietary	167,751	-	-	167,751
Laundry	43,615	-	-	43,615
Housekeeping	97,136	-	3,915 (3)	93,221
Maintenance	118,491	1,286 (1)	-	119,777
Administration & Medical Records	112,272	-	-	112,272
Utilities	44,950	-	-	44,950
Special Services	14,982	-	14,410 (4)	572
Medical Supplies & Oxygen	80,501	-	3,801 (2)	76,700
Taxes and Insurance	25,137	-	-	25,137
Legal Fees	1,437	-	-	1,437
Cost of Capital	101,453	-	444 (5)	95,249
			5,760 (6)	
Subtotal	1,418,151	1,286	28,330	1,391,107
Ancillary	16,291	-	-	16,291

CLARKE NURSING CENTER
 Summary of Costs and Total Patient Days
 For the Contract Period Ended June 30, 2001
 For The Contract Periods Beginning October 1, 2001
 AC# 3-FLR-F1

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Non-Allowable	12,920	3,915 (3)	-	37,005
		14,410 (4)		
	<u> </u>	<u>5,760 (6)</u>	<u> </u>	<u> </u>
Total Operating Expenses	<u>\$1,447,362</u>	<u>\$25,371</u>	<u>\$28,330</u>	<u>\$1,444,403</u>
 Total Beds	 <u>88</u>	 Total Patient Days		 <u>15,291</u>

CLARKE NURSING CENTER
Adjustment Report
For the Cost Report Period Ended June 30, 2001
AC# 3-FLR-F1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Maintenance Equipment	\$ 1,286	\$ 1,286
	To reclassify Equipment less than \$5,000 State Plan, Attachment 4.19D		
2	Accounts Payable Medical Supplies	3,801	3,801
	To remove expenses applicable to the subsequent period HIM-15-1, Section 2302.1		
3	Nonallowable Housekeeping	3,915	3,915
	To remove expense not adequately documented HIM-15-1, Section 2304		
4	Nonallowable Special Services	14,410	14,410
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
5	Fixed Assets Other Equity Accumulated Depreciation Cost of Capital	416,764	20,528 395,792 444
	To adjust fixed assets and related depreciation State Plan, Attachment 4.19D		

CLARKE NURSING CENTER
Adjustment Report
For the Cost Report Period Ended June 30, 2001
AC# 3-FLR-F1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable Cost of Capital	5,959	5,959
	To adjust capital return State Plan, Attachment 4.19D		
	(This adjustment applies to the rate period 7/1/01 - 9/30/01 only)		
7	Nonallowable Cost of Capital	5,760	5,760
	To adjust capital return State Plan, Attachment 4.19D		
	(This adjustment applies to the rate period Beginning 10/1/01)		
	TOTAL ADJUSTMENTS	\$ <u>451,895</u>	\$ <u>451,895</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.

CLARKE NURSING CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2001
 For the Contract Period Beginning January 1, 2003
 AC# 3-FLR-F1

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3156</u>
Deemed Asset Value (Per Bed)	36,165
Number of Beds	<u>88</u>
Deemed Asset Value	3,182,520
Improvements Since 1981	430,056
Accumulated Depreciation at 6/30/01	<u>(752,657)</u>
Deemed Depreciated Value	2,859,919
Market Rate of Return	<u>.060</u>
Total Annual Return	171,595
Number of Days in Period	<u>181/365</u>
Adjusted Annual Return	85,092
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	85,092
Depreciation Expense	10,257
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	95,349
Total Patient Days (Minimum 96% Occupancy)	<u>15,291</u>
Cost of Capital Per Diem	<u>\$ 6.24</u>

CLARKE NURSING CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended June 30, 2001
For the Contract Period July 1, 2001 through September 30, 2001
AC# 3-FLR-F1

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$2.66
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$6.65</u>
Reimbursable Cost of Capital Per Diem	\$6.24
Cost of Capital Per Diem	<u>6.24</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

CLARKE NURSING CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended June 30, 2001
 For the Contract Period Beginning October 1, 2001
 AC# 3-FLR-F1

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3848</u>
Deemed Asset Value (Per Bed)	37,246
Number of Beds	<u>88</u>
Deemed Asset Value	3,277,648
Improvements Since 1981	430,056
Accumulated Depreciation at 6/30/01	<u>(752,657)</u>
Deemed Depreciated Value	2,955,047
Market Rate of Return	<u>.058</u>
Total Annual Return	171,393
Number of Days in Period	<u>181/365</u>
Adjusted Annual Return	84,992
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	84,992
Depreciation Expense	10,257
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	95,249
Total Patient Days (Minimum 96% Occupancy)	<u>15,291</u>
Cost of Capital Per Diem	\$ <u><u>6.23</u></u>

CLARKE NURSING CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended June 30, 2001
For the Contract Period Beginning October 1, 2001
AC# 3-FLR-F1

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$2.66
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$6.65</u>
Reimbursable Cost of Capital Per Diem	\$6.23
Cost of Capital Per Diem	<u>6.23</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

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