

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  
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March 19, 2004

Mr. Grady Bethea, COO-LTC Clarendon Memorial Hospital  
Clarendon Memorial Hospital  
50 Hospital Street  
Manning, South Carolina 29102

Re: AC# 3-LKM-J0 – Clarendon Memorial Hospital d/b/a Lake Moultrie Nursing Home

Dear Mr. Bethea:

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, 1999 through September 30, 2000. That report was used to set the rate covering the contract period beginning October 1, 2001.

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 'Thomas L. Wagner, Jr.'.

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Joseph Hayes

**CLARENDON MEMORIAL HOSPITAL  
D/B/A LAKE MOULTRIE NURSING HOME**

**ST. STEPHENS, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2001  
AC# 3-LKM-J0**

**AGREED-UPON PROCEDURES REPORT**

**ON CONTRACT**

**FOR**

**PURCHASE OF NURSING CARE SERVICES**

**WITH**

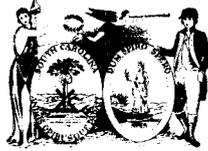
**STATE OF SOUTH CAROLINA**

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

March 4, 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 Clarendon Memorial Hospital d/b/a Lake Moultrie Nursing Home, for the contract period beginning October 1, 2001, and for the twelve month cost report period ended September 30, 2000, as set forth in the accompanying schedules. The management of Clarendon Memorial Hospital d/b/a Lake Moultrie Nursing Home 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 Clarendon Memorial Hospital d/b/a Lake Moultrie Nursing Home, 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 Department of Health and Human Services and Clarendon Memorial Hospital d/b/a Lake Moultrie Nursing Home 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  
March 4, 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.

A handwritten signature in black ink, appearing to read "Thomas L. Wagner, Jr.", written in a cursive style.

Thomas L. Wagner, Jr., CPA  
State Auditor

**CLARENDON MEMORIAL HOSPITAL D/B/A LAKE MOULTRIE NURSING HOME**

Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2001  
AC# 3-LKM-J0

	<u>10/01/01-</u> <u>12/31/02</u>
Interim Reimbursement Rate (1)	\$104.00
Adjusted Reimbursement Rate	<u>96.77</u>
Decrease in Reimbursement Rate	\$ <u><u>7.23</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 25, 2002

**CLARENDON MEMORIAL HOSPITAL D/B/A LAKE MOULTRIE NURSING HOME**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2001 Through December 31, 2002  
 AC# 3-LKM-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$47.66	\$58.68	
Dietary		9.53	11.36	
Laundry/Housekeeping/Maintenance		<u>8.07</u>	<u>9.21</u>	
Subtotal	\$ <u>5.55</u>	65.26	79.25	\$65.26
Administration & Medical Records	\$ <u>3.34</u>	<u>9.04</u>	<u>12.38</u>	<u>9.04</u>
Subtotal		74.30	\$ <u>91.63</u>	74.30
<u>Costs Not Subject to Standards:</u>				
Utilities		1.85		1.85
Special Services		.88		.88
Medical Supplies & Oxygen		3.42		3.42
Taxes and Insurance		1.89		1.89
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		\$ <u>82.34</u>		82.34
Inflation Factor (3.80%)				3.13
Cost of Capital				7.77
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.88
Cost Incentive				5.55
Effect of \$1.75 Cap on Cost/Profit Incentives				(6.68)
Nurse Aide Staffing Add-On 10/01/00				<u>1.78</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				\$ <u>96.77</u>

**CLARENDON MEMORIAL HOSPITAL D/B/A LAKE MOULTRIE NURSING HOME**

Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2000  
AC# 3-LKM-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,480,300	\$ 340 (8) 1,635 (10) 636 (10) 25,970 (15)	\$ 717 (9) 436 (15) 32,161 (16) 1,882 (16)	\$1,473,685
Dietary	346,877	1,113 (2) 2,170 (14)	51,077 (3) 390 (15) 4,002 (16)	294,691
Laundry	50,005	-	75 (15) 1,107 (16)	48,823
Housekeeping	136,177	177 (3)	6,102 (15) 4,426 (16)	125,826
Maintenance	97,794	104 (2)	18,469 (4) 3,768 (10) 93 (15) 712 (16)	74,856
Administration & Medical Records	431,750	160 (2) 15,989 (4) 493 (8) 1,497 (10)	1,151 (5) 7,800 (6) 2,559 (11) 522 (12) 2,070 (15) 4,131 (16) 151,890 (17) 17 (14) 188 (14)	279,561
Utilities	59,548	312 (2)	2,515 (14)	57,345
Special Services	27,177	32 (2)	-	27,209
Medical Supplies & Oxygen	116,379	1,439 (2) 11 (3) 103 (8) 99 (8)	1,035 (8) 7,581 (13) 3,803 (19)	105,612
Taxes and Insurance	60,979	-	2,548 (7)	58,431
Legal Fees	-	-	-	-

**CLARENDON MEMORIAL HOSPITAL D/B/A LAKE MOULTRIE NURSING HOME**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2000  
 AC# 3-LKM-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments		Adjusted Totals
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	243,650	-	2,021 (1) 1,533 (20)	240,096
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Subtotal	3,050,636	52,280	316,781	2,786,135
 Ancillary	 68,071	 49,766 (2)	 -	 117,837
Non-Allowable	891,356	2,021 (1) 1,300 (3) 2,480 (4) 1,151 (5) 7,800 (6) 2,548 (7) 717 (9) 2,559 (11) 522 (12) 7,581 (13) 550 (14) 48,421 (16) 151,890 (17) 3,803 (19) 1,533 (20)	3,337 (5) 16,804 (15)	1,106,091
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Operating Expenses	<u>\$4,010,063</u>	<u>\$336,922</u>	<u>\$336,922</u>	<u>\$4,010,063</u>
 Total Patient Days	 <u>30,920</u>	 <u>-</u>	 <u>-</u>	 <u>30,920</u>

Total Beds 88

**CLARENDON MEMORIAL HOSPITAL D/B/A LAKE MOULTRIE NURSING HOME**  
Adjustment Report  
Cost Report Period Ended September 30, 2000  
AC# 3-LKM-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 1,388	
	Nonallowable	2,021	
	Other Equity	21,757	
	Fixed Assets		\$23,145
	Cost of Capital		2,021
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Administration	160	
	Dietary	1,113	
	Medical Supplies	1,439	
	Therapy	32	
	Housekeeping	177	
	Maintenance	104	
	Utilities	312	
	Start-Up		3,337
	To account for start-up costs HIM-15-1, Section 2132		
3	Ancillary	49,766	
	Medical Supplies	11	
	Nonallowable	1,300	
	Dietary		51,077
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
4	Nonallowable	2,480	
	Administration	15,989	
	Maintenance		18,469
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
5	Nonallowable	1,151	
	Administration		1,151
	To adjust undocumented cost HIM-15-1, Section 2304		

**CLARENDON MEMORIAL HOSPITAL D/B/A LAKE MOULTRIE NURSING HOME**  
Adjustment Report  
Cost Report Period Ended September 30, 2000  
AC# 3-LKM-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable Medical Records	7,800	7,800
	To adjust medical director's expense HIM-15-1, Section 2108 State Plan, Attachment 4.19D		
7	Nonallowable Taxes, Insurance & Licenses	2,548	2,548
	To adjust property tax expense HIM-15-1, Sections 2302.1 and 2304		
8	Medical Records	493	
	Medical Supplies - Oxygen	103	
	Nursing	340	
	Medical Supplies	99	
	Medical Supplies - Nursing Supplies		1,035
	To adjust expense to the proper cost center DH&HS Expense Crosswalk		
9	Nonallowable Restorative	717	717
	To disallow expense double booked HIM-15-1, Section 2304		
10	Nursing	1,635	
	Restorative	636	
	Administration	1,497	
	Maintenance		3,768
	To adjust expense to the proper cost center DH&HS Expense Crosswalk		
11	Nonallowable Administration	2,559	2,559
	To adjust expense to nonallowable HIM-15-1, Section 2304 DH&HS Expense Crosswalk		

**CLARENDON MEMORIAL HOSPITAL D/B/A LAKE MOULTRIE NURSING HOME**  
 Adjustment Report  
 Cost Report Period Ended September 30, 2000  
 AC# 3-LKM-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
12	Nonallowable Administration	522	522
	To adjust expense to nonallowable HIM-15-1, Section 2304 DH&HS Expense Crosswalk		
13	Nonallowable Medical Supplies	7,581	7,581
	To adjust expense to the proper cost center HIM-15-1, Section 2304		
14	Dietary Nonallowable Utilities Administration Medical Records	2,170 550	2,515 17 188
	To properly offset miscellaneous income State Plan, Attachment 4.19D		
15	Nursing Restorative Dietary Maintenance Housekeeping Laundry Administration Nonallowable	25,970	436 390 93 6,102 75 2,070 16,804
	To adjust salaries to the actual HIM-15-1 Section 2304		
16	Nonallowable Nursing Restorative Dietary Laundry Housekeeping Maintenance Administration	48,421	32,161 1,882 4,002 1,107 4,426 712 4,131
	To adjust fringe benefits HIM-15-1, Section 2304		

**CLARENDON MEMORIAL HOSPITAL D/B/A LAKE MOULTRIE NURSING HOME**

Adjustment Report

Cost Report Period Ended September 30, 2000

AC# 3-LKM-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
17	Nonallowable Administration	151,890	151,890
	To adjust Home Office costs HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
18	Nonallowable Medical Supplies and Oxygen	3,803	3,803
	To adjust co-insurance for Medicare Part B services State Plan, Attachment 4.19D		
19	Nonallowable Cost of Capital	1,533	1,533
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$ <u>360,067</u>	\$ <u>360,067</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.

**CLARENDON MEMORIAL HOSPITAL D/B/A LAKE MOULTRIE NURSING HOME**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2000  
 AC# 3-LKM-J0

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.3848</u>	<u>2.3848</u>	
Deemed Asset Value (Per Bed)	37,246	37,246	
Number of Beds	<u>44</u>	<u>44</u>	
Deemed Asset Value	1,638,824	1,638,824	
Improvements Since 1981	19,734	19,734	
Accumulated Depreciation at 9/30/00	<u>(220,397)</u>	<u>(220,397)</u>	
Deemed Depreciated Value	1,438,161	1,438,161	
Market Rate of Return	<u>.058</u>	<u>.058</u>	
Total Annual Return	83,413	83,413	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	83,413	83,413	
Depreciation Expense	41,584	41,584	
Amortization Expense	-	-	
Capital Related Income Offsets	(4,949)	(4,949)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	120,048	120,048	\$240,096
Total Patient Days (Actual)	<u>15,460</u>	<u>15,460</u>	<u>30,920</u>
Cost of Capital Per Diem	\$ <u>7.77</u>	\$ <u>7.77</u>	\$ <u>7.77</u>

**CLARENDON MEMORIAL HOSPITAL D/B/A LAKE MOULTRIE NURSING HOME**

Cost of Capital Reimbursement Analysis

For the Contract Period October 1, 2001 through December 31, 2002

For the Cost Report Period Ended September 30, 2000

AC# 3-LKM-J0

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$N/A	\$N/A
Adjustment for Maximum Increase	<u>N/A</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$7.77</u>	<u>\$7.77</u>
Reimbursable Cost of Capital Per Diem	\$7.77	
Cost of Capital Per Diem	<u>7.77</u>	
Cost of Capital Per Diem Limitation	\$ <u>-</u>	

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