

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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May 25, 2004

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

Re: AC# 3-SUM-J1 – Summit Place, Inc.

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

**SUMMIT PLACE, INC.  
SIMPSONVILLE, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING JANUARY 1, 2003  
AC# 3-SUM-J1**

**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 19, 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 Summit Place, Inc., for the contract period beginning January 1, 2003, and for the twelve month cost report period ended September 30, 2001, as set forth in the accompanying schedules. The management of Summit Place, Inc. 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.

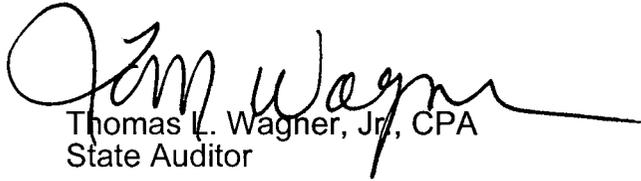
The procedures and the associated findings are as follows:

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 Summit Place, Inc., 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 Summit Place, Inc. 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 19, 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

**SUMMIT PLACE, INC.**  
Computation of Rate Change  
For the Contract Period  
Beginning January 1, 2003  
AC# 3-SUM-J1

	01/01/03- <u>09/30/03</u>
Interim Reimbursement Rate (1)	\$110.75
Adjusted Reimbursement Rate	<u>110.32</u>
Decrease in Reimbursement Rate	\$ <u><u>.43</u></u>

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

**SUMMIT PLACE, INC.**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period January 1, 2003 Through September 30, 2003  
 AC# 3-SUM-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$56.95	\$62.89	
Dietary		11.33	11.21	
Laundry/Housekeeping/Maintenance		<u>9.75</u>	<u>9.67</u>	
Subtotal	\$ <u>5.74</u>	78.03	83.77	\$ 78.03
Administration & Medical Records	\$ <u>2.62</u>	<u>10.15</u>	<u>12.77</u>	<u>10.15</u>
Subtotal		88.18	\$ <u>96.54</u>	88.18
<u>Costs Not Subject to Standards:</u>				
Utilities		1.98		1.98
Special Services		.02		.02
Medical Supplies & Oxygen		4.88		4.88
Taxes and Insurance		3.08		3.08
Legal Fees		<u>.06</u>		<u>.06</u>
<b>TOTAL</b>		\$ <u>98.20</u>		98.20
Inflation Factor (3.70%)				3.63
Cost of Capital				6.74
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.62
Cost Incentive				5.74
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(6.61)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				\$ <u>110.32</u>

**SUMMIT PLACE, INC.**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2001  
AC# 3-SUM-J1

<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	\$2,654,775	\$ -	\$ -	\$2,654,775
Dietary	528,007	-	-	528,007
Laundry	124,978	-	-	124,978
Housekeeping	210,779	-	-	210,779
Maintenance	118,538	-	-	118,538
Administration & Medical Records	473,225	-	-	473,225
Utilities	92,405	-	-	92,405
Special Services	783	-	-	783
Medical Supplies & Oxygen	227,613	-	-	227,613
Taxes and Insurance	155,959	-	9,367 (1) 2,990 (2)	143,602
Legal Fees	2,951	-	-	2,951
Cost of Capital	321,170	86 (4) <u>944 (5)</u>	<u>7,864 (3)</u>	<u>314,336</u>
Subtotal	4,911,183	1,030	20,221	4,891,992
Ancillary	143,173	-	-	143,173

**SUMMIT PLACE, INC.**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2001  
AC# 3-SUM-J1

<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>	
Nonallowable	840,730	9,367 (1)	86 (4)	852,057
	<u>                    </u>	<u>2,990 (2)</u>	<u>944 (5)</u>	<u>                    </u>
Total Operating Expenses	<u>\$5,895,086</u>	<u>\$13,387</u>	<u>\$21,251</u>	<u>\$5,887,222</u>
Total Patient Days	<u>46,614</u>	<u>-</u>	<u>-</u>	<u>46,614</u>
Total Beds	<u>132</u>			

**SUMMIT PLACE, INC.**  
Adjustment Report  
Cost Report Period Ended September 30, 2001  
AC# 3-SUM-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Taxes and Insurance	\$ 9,367	\$ 9,367
	To adjust property tax expense HIM-15-1, Section 2302.1 State Plan, Attachment 4.19D		
2	Nonallowable Taxes and Insurance	2,990	2,990
	To adjust general insurance expense HIM-15-1, Section 2302.1 State Plan, Attachment 4.19D		
3	Accumulated Depreciation Other Equity Fixed Assets Cost of Capital	61,773 35,263	89,172 7,864
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304		
4	Cost of Capital Nonallowable	86	86
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		

**SUMMIT PLACE, INC.**  
Adjustment Report  
Cost Report Period Ended September 30, 2001  
AC# 3-SUM-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Cost of Capital Nonallowable	944	944
	To adjust capital return State Plan, Attachment 4.19D		
		\$ <u>110,423</u>	\$ <u>110,423</u>
	TOTAL ADJUSTMENTS		

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.

**SUMMIT PLACE, INC.**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2001  
 AC# 3-SUM-J1

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.4607</u>	<u>2.4607</u>	
Deemed Asset Value (Per Bed)	38,431	38,431	
Number of Beds	<u>88</u>	<u>44</u>	
Deemed Asset Value	3,381,928	1,690,964	
Improvements Since 1981	468,290	12,612	
Accumulated Depreciation at 9/30/01	<u>(1,019,375)</u>	<u>(439,502)</u>	
Deemed Depreciated Value	2,830,843	1,264,074	
Market Rate of Return	<u>.0577</u>	<u>.0577</u>	
Total Annual Return	163,340	72,937	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	163,340	72,937	
Depreciation Expense	38,177	39,882	
Amortization Expense	-	-	
Capital Related Income Offsets	-	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	201,517	112,819	\$314,336
Total Patient Days (Actual)	<u>31,076</u>	<u>15,538</u>	<u>46,614</u>
Cost of Capital Per Diem	\$ <u>6.48</u>	\$ <u>7.26</u>	\$ <u>6.74</u>

**SUMMIT PLACE, INC.**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2001  
 AC# 3-SUM-J1

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$4.93	\$N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$8.92</u>	<u>\$7.26</u>
Reimbursable Cost of Capital Per Diem	\$6.74	
Cost of Capital Per Diem	<u>6.74</u>	
Cost of Capital Per Diem Limitation	\$ <u>-</u>	

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