

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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March 19, 2004

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

Re: AC# 3-WND-J0 – Windsor Manor

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.' with a stylized flourish at the end.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

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

**CLARENDON MEMORIAL HOSPITAL
D/B/A WINDSOR MANOR**

SUMTER, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2001
AC# 3-WND-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 15, 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 Windsor Manor, 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 Windsor Manor 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 Windsor Manor, 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, 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 Windsor Manor 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 15, 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.", with a stylized flourish at the end.

Thomas L. Wagner, Jr., CPA
State Auditor

CLARENDON MEMORIAL HOSPITAL D/B/A WINDSOR MANOR

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

	10/01/01- <u>12/31/02</u>
Interim Reimbursement Rate (1)	\$100.84
Adjusted Reimbursement Rate	<u>94.42</u>
Decrease in Reimbursement Rate	\$ <u>6.42</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 WINDSOR MANOR
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2001 Through December 31, 2002
 AC# 3-WND-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$47.01	\$58.68	
Dietary		11.68	11.36	
Laundry/Housekeeping/Maintenance		<u>9.97</u>	<u>9.21</u>	
Subtotal	\$ <u>5.55</u>	68.66	79.25	\$68.66
Administration & Medical Records	\$ <u>3.05</u>	<u>9.33</u>	<u>12.38</u>	<u>9.33</u>
Subtotal		77.99	<u>\$91.63</u>	77.99
<u>Costs Not Subject to Standards:</u>				
Utilities		1.47		1.47
Special Services		.17		.17
Medical Supplies & Oxygen		2.15		2.15
Taxes and Insurance		.74		.74
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$82.52</u>		82.52
Inflation Factor (3.80%)				3.14
Cost of Capital				6.24
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.89
Cost Incentive				5.55
Effect of \$1.75 Cap on Cost/Profit Incentives				(6.69)
Nurse Aide Staffing Add-On 10/01/00				<u>.77</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$94.42</u>

CLARENDON MEMORIAL HOSPITAL D/B/A WINDSOR MANOR
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2000
 AC# 3-WND-J0

<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	\$1,078,774	\$ 159 (12) 3,211 (20) 179 (21)	\$ 13,632 (20) 11,477 (21)	\$1,057,214
Dietary	285,601	681 (6) 3,549 (20)	2,131 (2) 291 (8) 24,178 (9) 685 (21)	262,546
Laundry	56,060	1,441 (5) 142 (6) 1,228 (20)	181 (21)	58,690
Housekeeping	100,765	438 (6) 362 (20)	712 (21)	100,853
Maintenance	66,286	560 (16) 3,735 (17) 303 (20)	6,011 (1) 234 (21)	64,639
Administration & Medical Records	321,223	41 (6) 1,049 (12) 1,275 (12) 5,020 (20) 167 (21)	5,928 (1) 113,132 (22)	209,715
Utilities	34,072	3,224 (10)	560 (16) 3,735 (17)	33,001
Special Services	3,854	-	-	3,854

CLARENDON MEMORIAL HOSPITAL D/B/A WINDSOR MANOR
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2000
 AC# 3-WND-J0

<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>	
Medical Supplies & Oxygen	74,297	916 (6) 3,356 (11)	897 (3) 8,796 (4) 3,356 (11) 2,655 (12) 3,953 (13) 1,371 (14) 3,087 (15) 6,152 (19)	48,302
Taxes and Insurance	17,692	-	1,009 (18)	16,683
Legal Fees	-	-	-	-
Cost of Capital	139,404	1,450 (7) <u>1,166 (23)</u>	1,671 (5)	140,349
Subtotal	2,178,028	33,652	215,834	1,995,846
Ancillary	41,480	24,178 (9) 172 (12)	-	65,830
Nonallowable	355,465	11,939 (1) 897 (3) 8,796 (4) 291 (8) 3,953 (13) 1,371 (14) 3,087 (15) 1,009 (18) 6,152 (19) 12,943 (21) <u>113,132 (22)</u>	2,218 (6) 1,450 (7) 41 (20) 1,166 (23)	514,160
Total Operating Expenses	<u>\$2,574,973</u>	<u>\$221,572</u>	<u>\$220,709</u>	<u>\$2,575,836</u>
Total Patient Days	<u>22,487</u>	<u>-</u>	<u>-</u>	<u>22,487</u>

Total Beds 64

CLARENDON MEMORIAL HOSPITAL D/B/A WINDSOR MANOR
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-WND-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Maintenance Administration	\$ 11,939	\$ 6,011 5,928
	To adjust cost report balances and reclassify expenses HIM-15-1, Section 2304		
2	Revenue - Miscellaneous Dietary	2,131	2,131
	To offset miscellaneous income HIM-15-1, Section 2302.5 State Plan, Attachment 4.19D		
3	Nonallowable Medical Supplies	897	897
	To adjust special ancillary services State Plan, Attachment 4.19D		
4	Nonallowable Medical Supplies	8,796	8,796
	To adjust co-insurance for Medicare Part B services State Plan, Attachment 4.19D		
5	Accumulated Depreciation Laundry Expense Other Equity Fixed Assets Cost of Capital	2,996 1,441 16,371	19,137 1,671
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

CLARENDON MEMORIAL HOSPITAL D/B/A WINDSOR MANOR
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-WND-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Dietary	681	
	Laundry	142	
	Housekeeping	438	
	Administration	41	
	Medical Supplies	916	
	Nonallowable		2,218
	To amortize start-up cost HIM-15-1, Section 2132		
7	Cost of Capital	1,450	
	Nonallowable		1,450
	To amortize organizational cost HIM-15-1, Section 2134		
8	Nonallowable	291	
	Dietary		291
	To properly record expenses HIM-15-1, Section 2304		
9	Ancillary	24,178	
	Dietary		24,178
	To reverse providers internal supplies adjustment State Plan, Attachment 4.19D		
10	Utilities	3,224	
	Other A/P		3,224
	To properly record expenses HIM-15-1, Section 2304		
11	Medical Supplies	3,356	
	Medical Supplies and Oxygen - Nursing Supplies		3,356
	To properly record medical supplies HIM-15-1, Sections 2302.1 and 2304 State Plan, Attachment 4.19D		

CLARENDON MEMORIAL HOSPITAL D/B/A WINDSOR MANOR
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-WND-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
12	General Services - Restorative	159	
	Administrative	1,049	
	Medical Records	1,275	
	Ancillary	172	
	Medical Supplies & Oxygen		2,655
	To properly record expenses		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
13	Nonallowable	3,953	
	Medical Supplies & Oxygen		3,953
	To properly record expenses		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
14	Nonallowable	1,371	
	Medical Supplies & Oxygen		1,371
	To properly record expenses		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
15	Nonallowable	3,087	
	Medical Supplies		3,087
	To properly record expenses		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
16	Maintenance	560	
	Utilities		560
	To properly record expenses		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
17	Maintenance	3,735	
	Utilities		3,735
	To properly record expenses		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		

CLARENDON MEMORIAL HOSPITAL D/B/A WINDSOR MANOR

Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-WND-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
18	Nonallowable Taxes and Administration	1,009	1,009
	To properly record expenses HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
19	Nonallowable Medical Supplies	6,152	6,152
	To properly record expenses HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
20	General Services - Restorative	3,211	
	Dietary	3,549	
	Maintenance	303	
	Housekeeping	362	
	Laundry	1,228	
	Administration	5,020	
	General Services - Nursing Nonallowable		13,632 41
	To adjust salaries to actual HIM-15-1, Section 2304		
21	Nonallowable	12,943	
	General Services - Restorative	179	
	Administration	167	
	General Services - Nursing		11,477
	Housekeeping		712
	Laundry		181
	Dietary		685
	Maintenance		234
	To adjust fringe benefits to allowable HIM-15-1, Section 2304		
22	Nonallowable	113,132	
	Administration		113,132
	To adjust home office cost HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

CLARENDON MEMORIAL HOSPITAL D/B/A WINDSOR MANOR
 Adjustment Report
 Cost Report Period Ended September 30, 2000
 AC# 3-WND-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
23	Cost of Capital Nonallowable	1,166	1,166
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$243,070</u>	<u>\$243,070</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 WINDSOR MANOR
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2000
 AC# 3-WND-J0

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3848</u>
Deemed Asset Value (Per Bed)	37,246
Number of Beds	<u>64</u>
Deemed Asset Value	2,383,744
Improvements Since 1981	171,272
Accumulated Depreciation at 9/30/00	<u>(444,649)</u>
Deemed Depreciated Value	2,110,367
Market Rate of Return	<u>.058</u>
Total Annual Return	122,401
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	122,401
Depreciation Expense	21,454
Amortization Expense	1,450
Capital Related Income Offsets	(4,956)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	140,349
Total Patient Days (Actual)	<u>22,487</u>
Cost of Capital Per Diem	\$ <u><u>6.24</u></u>

CLARENDON MEMORIAL HOSPITAL D/B/A WINDSOR MANOR
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2000
AC# 3-WND-J0

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$3.34
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$7.33</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>

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