

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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September 21, 2004

Mr. C. Randy Tucker, Administrator  
Peachtree Centre  
1434 N. Limestone Street  
Gaffney, South Carolina 29340

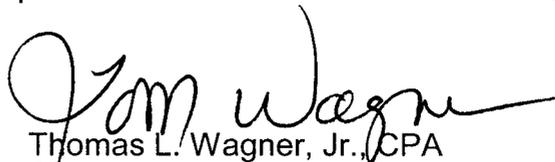
Re: AC# 3-CKC-F0 – Cherokee County Long Term Care Facility d/b/a Peachtree Centre

Dear Mr. Tucker:

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 July 1, 1999 through June 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.

  
Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Ms. Kathleen C. Snider

**CHEROKEE COUNTY LONG TERM CARE FACILITY  
D/B/A PEACHTREE CENTRE**

**GAFFNEY, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2001  
AC# 3-CKC-F0**

**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 28, 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 compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Cherokee County Long Term Care Facility d/b/a Peachtree Centre, for the contract period beginning October 1, 2001, and for the twelve month cost report period ended June 30, 2000, as set forth in the accompanying schedules. The management of Cherokee County Long Term Care Facility d/b/a Peachtree Centre 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 Cherokee County Long Term Care Facility d/b/a Peachtree Centre, 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 Cherokee County Long Term Care Facility d/b/a Peachtree Centre 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  
July 28, 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

**PEACHTREE CENTRE**  
Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2001  
AC# 3-CKC-F0

	<u>10/01/01-</u> <u>12/31/02</u>
Interim Reimbursement Rate (1)	\$112.74
Adjusted Reimbursement Rate	<u>110.31</u>
Decrease in Reimbursement Rate	\$ <u><u>2.43</u></u>

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

**PEACHTREE CENTRE**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2001 Through December 31, 2002  
 AC# 3-CKC-F0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$55.91	\$62.78	
Dietary		12.58	11.36	
Laundry/Housekeeping/Maintenance		<u>9.24</u>	<u>9.21</u>	
Subtotal	\$ <u>5.62</u>	77.73	83.35	\$ 77.73
Administration & Medical Records	\$ <u>1.03</u>	<u>11.35</u>	<u>12.38</u>	<u>11.35</u>
Subtotal		89.08	\$ <u>95.73</u>	89.08
<u>Costs Not Subject to Standards:</u>				
Utilities		3.37		3.37
Special Services		.49		.49
Medical Supplies & Oxygen		4.31		4.31
Taxes and Insurance		.40		.40
Legal Fees		<u>.02</u>		<u>.02</u>
<b>TOTAL</b>		\$ <u>97.67</u>		97.67
Inflation Factor (3.80%)				3.71
Cost of Capital				6.88
Cost of Capital Limitation				(.59)
Profit Incentive (Max. 3.5% of Allowable Cost)				1.03
Cost Incentive				5.62
Effect of \$1.75 Cap on Cost/Profit Incentives				(4.90)
Nurse Aide Staffing Add-On 10/1/00				<u>.89</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				\$ <u>110.31</u>

**PEACHTREE CENTRE**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended June 30, 2000  
 AC# 3-CKC-F0

<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	\$1,788,535	\$ 50,677 (9)	\$ 5,411 (1) 43 (4) 39,678 (7) 6,898 (9) 56,764 (11)	\$1,730,418
Dietary	373,097	29,243 (9) 296,491 (10)	309,439 (11)	389,392
Laundry	59,945	24,784 (10)	24,784 (11)	59,945
Housekeeping	130,535	92,375 (10)	91,393 (11)	131,517
Maintenance	146,332	151,473 (10)	32,730 (1) 4,292 (4) 3,540 (5) 162,695 (11)	94,548
Administration & Medical Records	305,305	39,678 (7) 144,734 (10)	105 (4) 9,176 (6) 128,522 (11) 747 (11)	351,167
Utilities	101,679	9,586 (9) 8,721 (10)	15,734 (11)	104,252
Special Services	15,311	-	-	15,311
Medical Supplies & Oxygen	142,333	-	8,990 (8)	133,343
Taxes and Insurance	8,255	11,917 (9) 688 (10)	8,632 (11)	12,228
Legal Fees	528	282 (10)	258 (11)	552

**PEACHTREE CENTRE**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended June 30, 2000  
 AC# 3-CKC-F0

<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>	
Cost of Capital	219,450	26,088 (1)	29,664 (2)	213,094
		22,464 (10)	1,078 (3)	
	_____	<u>23,660 (12)</u>	<u>47,826 (11)</u>	_____
Subtotal	3,291,305	932,861	988,399	3,235,767
Ancillary	61,282	-	-	61,282
Nonallowable	1,740,493	29,664 (2)	26,088 (1)	1,787,133
		1,078 (3)	65,282 (9)	
		4,440 (4)	742,012 (10)	
		3,540 (5)	23,660 (12)	
		9,176 (6)		
		8,990 (8)		
	_____	<u>846,794 (11)</u>	_____	_____
Total Operating Expenses	<u>\$5,093,080</u>	<u>\$1,836,543</u>	<u>\$1,845,441</u>	<u>\$5,084,182</u>
Total Patient Days	<u>30,952</u>	<u>-</u>	<u>-</u>	<u>30,952</u>
Total Beds	<u>85</u>			

**PEACHTREE CENTRE**  
Adjustment Report  
Cost Report Period Ended June 30, 2000  
AC# 3-CKC-F0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 513,023	
	Cost of Capital	26,088	
	Accumulated Depreciation		\$ 224,735
	Fund Balance		250,147
	Restorative		5,411
	Maintenance		32,730
	Nonallowable		26,088
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Other Investments	26,085	
	Accumulated Amortization - Loan Cost	27,239	
	Fund Balance	159,871	
	Nonallowable	29,664	
	Loan Cost		\$ 72,657
	Current Portion of Long Term Debt		93,738
	Bonds Payable		35,825
	Interest Payable		10,975
	Cost of Capital		29,664
	To adjust bond related debt, loan costs, interest expense, interest income and amortization expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Nonallowable	1,078	
	Cost of Capital		1,078
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
4	Nonallowable	4,440	
	Restorative		43
	Maintenance		4,292
	Administration		105
	To disallow expense due to lack of adequate documentation and reclassify expense to the proper cost center HIM-15-1, Sections 2102.3 and 2304 DH&HS Expense Crosswalk		

**PEACHTREE CENTRE**  
Adjustment Report  
Cost Report Period Ended June 30, 2000  
AC# 3-CKC-F0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable Maintenance	3,540	3,540
	To reclassify expense to the proper cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
6	Nonallowable Administration	9,176	9,176
	To adjust allocation of dues expense HIM-15-1, Section 2304		
7	Medical Records Nursing	39,678	39,678
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
8	Nonallowable Medical Supplies	8,990	8,990
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
9	Restorative	50,677	
	Dietary	29,243	
	Utilities	9,586	
	Taxes and Insurance	11,917	
	Other Income		29,243
	Nursing		6,898
	Nonallowable		65,282
	To adjust allocation of cost to non-reimbursable cost centers and income offset HIM-15-1, Sections 2102.3 and 2304 State Plan, Attachment 4.19D		

**PEACHTREE CENTRE**  
Adjustment Report  
Cost Report Period Ended June 30, 2000  
AC# 3-CKC-F0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Dietary	296,491	
	Laundry	24,784	
	Housekeeping	92,375	
	Maintenance	151,473	
	Administration	144,734	
	Legal	282	
	Utilities	8,721	
	Taxes and Insurance	688	
	Cost of Capital	22,464	
	Nonallowable		742,012
	To reverse DH&HS adjustment to remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
11	Nonallowable	846,794	
	Restorative		56,764
	Dietary		309,439
	Laundry		24,784
	Housekeeping		91,393
	Maintenance		162,695
	Administration		128,522
	Medical Records		747
	Legal		258
	Utilities		15,734
	Taxes and Insurance		8,632
	Cost of Capital		47,826
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

**PEACHTREE CENTRE**  
Adjustment Report  
Cost Report Period Ended June 30, 2000  
AC# 3-CKC-F0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
12	Cost of Capital Nonallowable	23,660	23,660
	To adjust capital return State Plan, Attachment 4.19D		
		\$2,562,761	\$2,562,761

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.

**PEACHTREE CENTRE**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended June 30, 2000  
 AC# 3-CKC-F0

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>41</u>	
Deemed Asset Value	1,638,824	1,527,086	
Improvements Since 1981	735,496	138,163	
Accumulated Depreciation at 6/30/00	<u>(849,643)</u>	<u>(598,481)</u>	
Deemed Depreciated Value	1,524,677	1,066,768	
Market Rate of Return	<u>.058</u>	<u>.058</u>	
Total Annual Return	88,431	61,873	
Return Applicable to Non-Reimbursable Cost Centers	(13,677)	(13,480)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>939</u>	<u>25,175</u>	
Allowable Annual Return	75,693	73,568	
Depreciation Expense	43,111	78,153	
Amortization Expense	-	3,785	
Capital Related Income Offsets	(1,734)	(11,656)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(7,339)</u>	<u>(40,487)</u>	<u>Total</u>
Allowable Cost of Capital Expense	109,731	103,363	\$213,094
Total Patient Days (Actual)	<u>16,005</u>	<u>14,947</u>	<u>30,952</u>
Cost of Capital Per Diem	\$ <u>6.86</u>	\$ <u>6.92</u>	\$ <u>6.88</u>

**PEACHTREE CENTRE**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended June 30, 2000  
 AC# 3-CKC-F0

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$1.72	\$N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$5.71</u>	<u>\$6.92</u>
Reimbursable Cost of Capital Per Diem	\$6.29	
Cost of Capital Per Diem	<u>6.88</u>	
Cost of Capital Per Diem Limitation	\$( <u>.59</u> )	

2 copies of this document were published at an estimated printing cost of \$1.43 each, and a total printing cost of \$2.86. The FY 2004-05 Appropriation Act requires that this information on printing costs be added to the document.