

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 28, 2005

Ms. Martha Hughey, Assistant Vice President of Reimbursement
National Healthcare Corporation
City Center
100 Vine Street
Murfreesboro, Tennessee 37130

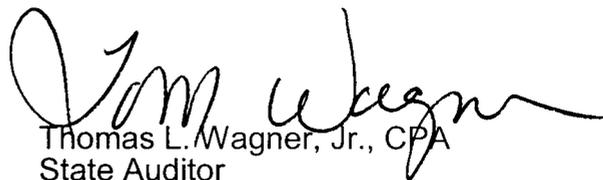
Re: AC# 3-GNV-J0 – NHC Healthcare – Greenville, LLC

Dear Ms. Hughey:

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.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

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

**NHC HEALTHCARE – GREENVILLE, LLC
GREENVILLE, SOUTH CAROLINA**

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

September 30, 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 NHC Healthcare – Greenville, LLC, 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 NHC Healthcare – Greenville, LLC 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 NHC Healthcare – Greenville, LLC, 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 NHC Healthcare – Greenville, LLC 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
September 30, 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

NHC HEALTHCARE – GREENVILLE, LLC
Computation of Rate Change
For the Contract Period
Beginning October 1, 2001
AC# 3-GNV-J0

	10/01/01- <u>12/31/02</u>
Interim Reimbursement Rate (1)	\$116.05
Adjusted Reimbursement Rate	<u>115.10</u>
Decrease in Reimbursement Rate	\$ <u><u>.95</u></u>

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

NHC HEALTHCARE – GREENVILLE, LLC
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2001 Through December 31, 2002
 AC# 3-GNV-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 57.93	\$58.02	
Dietary		11.19	10.74	
Laundry/Housekeeping/Maintenance		<u>7.70</u>	<u>9.23</u>	
Subtotal	\$ <u>1.17</u>	76.82	77.99	\$ 76.82
Administration & Medical Records	\$ <u>-</u>	<u>12.01</u>	<u>11.47</u>	<u>11.47</u>
Subtotal		88.83	<u>\$89.46</u>	88.29
<u>Costs Not Subject to Standards:</u>				
Utilities		2.71		2.71
Special Services		.12		.12
Medical Supplies & Oxygen		4.88		4.88
Taxes and Insurance		3.94		3.94
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$100.48</u>		99.94
Inflation Factor (3.80%)				3.80
Cost of Capital				8.70
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				1.17
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Nurse Aide Staffing Add-On 10/01/00				<u>1.49</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$115.10</u>

NHC HEALTHCARE – GREENVILLE, LLC
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2000
 AC# 3-GNV-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	\$3,588,506	\$ -	\$ 5,695 (3) 282 (4)	\$3,582,529
Dietary	692,162	-	40 (4)	692,122
Laundry	93,833	-	-	93,833
Housekeeping	190,623	-	-	190,623
Maintenance	191,762	-	40 (4)	191,722
Administration & Medical Records	835,404	-	92,651 (4)	742,753
Utilities	181,809	-	14,415 (4)	167,394
Special Services	7,273	-	-	7,273
Medical Supplies & Oxygen	301,588	-	-	301,588
Taxes and Insurance	255,879	13,203 (4)	25,256 (2)	243,826
Legal Fees	-	-	-	-
Cost of Capital	568,928	21,973 (6)	22,810 (1) 4,120 (4) <u>25,732 (5)</u>	538,239
Subtotal	<u>6,907,767</u>	<u>35,176</u>	<u>191,041</u>	<u>6,751,902</u>

NHC HEALTHCARE – GREENVILLE, LLC
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2000
AC# 3-GNV-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>	
Ancillary	17,047	-	-	17,047
Nonallowable	798,476	22,810 (1) 25,256 (2) 5,695 (3) 98,345 (4) <u>25,732 (5)</u>	21,973 (6)	954,341
Total Operating Expenses	<u>\$7,723,290</u>	<u>\$213,014</u>	<u>\$213,014</u>	<u>\$7,723,290</u>
Total Patient Days	<u>61,839</u>	<u>-</u>	<u>-</u>	<u>61,839</u>
Total Beds	<u>176</u>			

NHC HEALTHCARE – GREENVILLE, LLC
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-GNV-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 84,639	
	Other Equity	349,472	
	Nonallowable	22,810	
	Fixed Assets		\$434,111
	Cost of Capital		22,810
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304		
2	Nonallowable	25,256	
	Taxes and Insurance		25,256
	To properly record expenses State Plan, Attachment 4.19D		
3	Nonallowable	5,695	
	Nursing		5,695
	To remove CNA Training Salaries and Fringe Benefits State Plan, Attachment 4.19D		
4	Nonallowable	98,345	
	Taxes and Insurance	13,203	
	Administration		92,651
	Cost of Capital		4,120
	Dietary		40
	Utilities		14,415
	Maintenance		40
	Restorative		282
	To adjust Home Office Cost HIM-15-1, Section 2150		
5	Nonallowable	25,732	
	Cost of Capital		25,732
	To adjust capital State Plan, Attachment 4.19D		

NHC HEALTHCARE – GREENVILLE, LLC
 Adjustment Report
 Cost Report Period Ended September 30, 2000
 AC# 3-GNV-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Cost of Capital Nonallowable	21,973	21,973
	To adjust deemed asset value limitation State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$647,125</u>	<u>\$647,125</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.

NHC HEALTHCARE – GREENVILLE, LLC
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2000
 AC# 3-GNV-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>132</u>	<u>44</u>	
Deemed Asset Value	4,916,472	1,638,824	
Improvements	360,507	84,734	
Accumulated Depreciation at 9/30/00	<u>(1,627,776)</u>	<u>(499,968)</u>	
Deemed Depreciated Value	3,649,203	1,223,590	
Market Rate of Return	<u>.058</u>	<u>.058</u>	
Total Annual Return	211,654	70,968	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	211,654	70,968	
Depreciation Expense	213,777	70,730	
Amortization Expense	-	-	
Capital Related Income Offsets	(21,668)	(7,222)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	403,763	134,476	\$538,239
Total Patient Days (Actual)	<u>46,379</u>	<u>15,460</u>	<u>61,839</u>
Cost of Capital Per Diem	\$ <u>8.71</u>	\$ <u>8.70</u>	\$ <u>8.70</u>

NHC HEALTHCARE – GREENVILLE, LLC
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2000
 AC# 3-GNV-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>\$8.71</u>	<u>\$8.70</u>
Reimbursable Cost of Capital Per Diem		\$8.70
Cost of Capital Per Diem		<u>8.70</u>
Cost of Capital Per Diem Limitation		<u>\$ -</u>

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