GRAND STRAND HEALTHCARE, INC.

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

AGREED-UPON PROCEDURES REPORT

ON CONTRACT

FOR

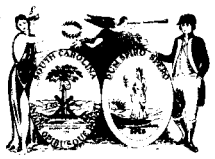
PURCHASE OF NURSING CARE SERVICES

WITH

STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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
FAX (803) 343-0723

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

February 8, 2005

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

RE: AC# 3-GRA-J1 – Grand Strand Healthcare, Inc.

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 Grand Strand Healthcare, Inc., for the contract period beginning January 1, 2003 and for the twelve month cost report period ended September 30, 2001. The management of Grand Strand Healthcare, Inc. is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This engagement to apply agreed-upon procedures 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 considered the results of agreed-upon procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Grand Strand Healthcare, Inc., for the cost report period ended September 30, 2002, to determine if the results, when applied to the cost report period ended September 30, 2001, would have a material effect on the interim Medicaid rates. We found no material effect on the applicable rates as a result of these procedures.

2. We applied limited analytical procedures to the statistical data and reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Grand Strand Healthcare, Inc., to identify significant changes in costs or statistics, if any, that would warrant the application of additional procedures. We found no significant changes as a result of these procedures.

3. We considered the results of our procedures and determined that there was no material effect on the provider's interim Medicaid reimbursement rate as listed below:

CONTRACT PERIOD	INTERIM MEDICAID RATE
January 1, 2003 – September 30, 2003	$108.86

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

TLWjr/cwc

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