

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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August 31, 2004

Ms. Carol W. Disbro, Director of Reimbursement  
Trans Healthcare, Inc.  
The Highlands  
910 Ridgebrook Road  
Sparks, Maryland 21152

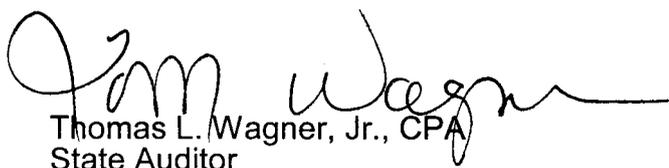
Re: AC# 3-IHC-J0 – Inman Healthcare, Inc.

Dear Ms. Disbro:

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

**INMAN HEALTHCARE, INC.**

**INMAN, SOUTH CAROLINA**

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

August 5, 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 Inman Healthcare, Inc., 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 Inman Healthcare, 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 Inman Healthcare, 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 Inman Healthcare, 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  
August 5, 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

**INMAN HEALTHCARE, INC.**  
Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2001  
AC# 3-IHC-J0

	<u>10/01/01-</u> <u>12/31/02</u>
Interim Reimbursement Rate (1)	\$91.34
Adjusted Reimbursement Rate	<u>88.11</u>
Decrease in Reimbursement Rate	\$ <u><u>3.23</u></u>

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

**INMAN HEALTHCARE, INC.**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2001 Through December 31, 2002  
 AC# 3-IHC-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$39.68	\$52.22	
Dietary		10.23	12.22	
Laundry/Housekeeping/Maintenance		<u>7.66</u>	<u>10.11</u>	
Subtotal	\$ <u>5.22</u>	57.57	74.55	\$57.57
Administration & Medical Records	\$ <u>-</u>	<u>14.62</u>	<u>13.49</u>	<u>13.49</u>
Subtotal		72.19	<u>\$88.04</u>	71.06
<u>Costs Not Subject to Standards:</u>				
Utilities		1.58		1.58
Special Services		-		-
Medical Supplies & Oxygen		2.95		2.95
Taxes and Insurance		2.19		2.19
Legal Fees		<u>.05</u>		<u>.05</u>
<b>TOTAL</b>		<u>\$78.96</u>		77.83
Inflation Factor (3.80%)				2.96
Cost of Capital				6.53
Cost of Capital Limitation				(1.86)
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				5.22
Effect of \$1.75 Cap on Cost/Profit Incentives				(3.47)
Nurse Aide Staffing Add-On 10/01/00				<u>.90</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$88.11</u>

**INMAN HEALTHCARE, INC.**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2000  
 AC# 3-IHC-J0

<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	\$ 567,809	\$ -	\$ 6,066 (2) 476 (2) 3,555 (3)	\$ 557,712
Dietary	144,822	-	954 (2) 121 (3)	143,747
Laundry	66,603	-	30,827 (5)	35,776
Housekeeping	28,184	-	-	28,184
Maintenance	43,989	-	260 (2)	43,729
Administration & Medical Records	190,056	5,696 (3) 10,746 (4)	1,042 (2) 24 (2)	205,432
Utilities	22,152	-	12 (3)	22,140
Special Services	1,237	214 (6)	48 (2) 164 (3) 1,194 (7)	45
Medical Supplies & Oxygen	41,434	-	39 (6)	41,395
Taxes and Insurance	31,079	-	330 (3)	30,749
Legal Fees	700	-	-	700

**INMAN HEALTHCARE, INC.**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2000  
 AC# 3-IHC-J0

<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	108,639	441 (4) 726 (8)	174 (1) 17,234 (3) 600 (5)	91,798
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Subtotal	1,246,704	17,823	63,120	1,201,407
Ancillary	27,004	-	-	27,004
Nonallowable	145,304	174 (1) 8,870 (2) 15,720 (3) 31,427 (5) <u>1,194 (7)</u>	11,187 (4) 175 (6) 726 (8)	190,601
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Operating Expenses	<u>\$1,419,012</u>	<u>\$75,208</u>	<u>\$75,208</u>	<u>\$1,419,012</u>
Total Patient Days	* <u>14,054</u>	<u>-</u>	<u>-</u>	<u>14,054</u>

\*Adjusted to 96% Occupancy

Total Beds 40

**INMAN HEALTHCARE, INC.**  
Adjustment Report  
Cost Report Period Ended September 30, 2000  
AC# 3-IHC-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable	\$ 174	
	Accumulated Depreciation	889	
	Other Equity	318	
	Fixed Assets		\$ 1,207
	Cost of Capital		174
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	8,870	
	Nursing		6,066
	Restorative		476
	Dietary		954
	Maintenance		260
	Administration		1,042
	Medical Records		24
	Therapy		48
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Administration	5,696	
	Nonallowable	15,720	
	Nursing		3,555
	Dietary		121
	Utilities		12
	Taxes, Licenses & Insurance		330
	Therapy		164
	Cost of Capital		17,234
	To adjust the IHS home office allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Administration	10,746	
	Cost of Capital	441	
	Nonallowable		11,187
	To adjust the central accounting office home office allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

**INMAN HEALTHCARE, INC.**  
Adjustment Report  
Cost Report Period Ended September 30, 2000  
AC# 3-IHC-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable Laundry Cost of Capital	31,427	30,827 600
	To adjust the laundry home office allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
6	Therapy Medical Supplies & Oxygen Nonallowable	214	39 175
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
7	Nonallowable Therapy	1,194	1,194
	To adjust co-insurance for Medicare Part B services State Plan, Attachment 4.19D		
8	Cost of Capital Nonallowable	726	726
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$76,415	\$76,415

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.

**INMAN HEALTHCARE, INC.**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2000  
 AC# 3-IHC-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>40</u>
Deemed Asset Value	1,489,840
Improvements Since 1981	140,320
Accumulated Depreciation at 9/30/00	<u>(211,119)</u>
Deemed Depreciated Value	1,419,041
Market Rate of Return	<u>.058</u>
Total Annual Return	82,304
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	82,304
Depreciation Expense	12,183
Amortization Expense	-
Capital Related Income Offsets	(2,689)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	91,798
Total Patient Days (Minimum 96% Occupancy)	<u>14,054</u>
Cost of Capital Per Diem	\$ <u><u>6.53</u></u>

**INMAN HEALTHCARE, INC.**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 2000  
AC# 3-IHC-J0

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 0.68
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>4.67</u>
Reimbursable Cost of Capital Per Diem	\$ 4.67
Cost of Capital Per Diem	<u>6.53</u>
Cost of Capital Per Diem Limitation	\$ <u>(1.86)</u>

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