

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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September 30, 2004

Ms. Sherry Finlayson
Director of Financial Analysis/Reimbursement
Conway Hospital
Post Office Box 829
Conway, South Carolina 29528-0829

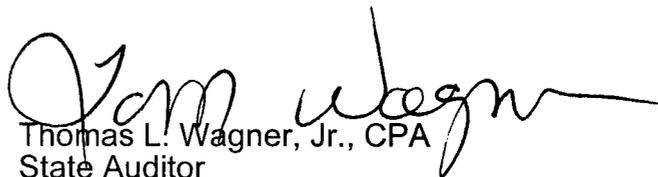
Re: AC# 3-KNC-J9 – Kingston Nursing Center

Dear Ms. Finlayson:

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, 1998 through September 30, 1999. That report was used to set the rate covering the contract period beginning October 1, 2000.

We are recommending that the Department of Health and Human Services certify an accounts payable for amounts underpaid as a result of the rate changes shown on Exhibit A. You will be notified of settlement 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/kss

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

**KINGSTON NURSING CENTER
CONWAY, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2000
AC# 3-KNC-J9**

**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 27, 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 Kingston Nursing Center, for the contract period beginning October 1, 2000, and for the twelve month cost report period ended September 30, 1999, as set forth in the accompanying schedules. The management of Kingston Nursing Center 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 Kingston Nursing Center, 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 Kingston Nursing Center dated as of October 1, 1994 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 27, 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

KINGSTON NURSING CENTER
Computation of Rate Change
For the Contract Period
Beginning October 1, 2000
AC# 3-KNC-J9

	10/01/00- <u>09/30/01</u>
Adjusted Reimbursement Rate (1)	\$115.24
Interim Reimbursement Rate	<u>111.49</u>
Increase in Reimbursement Rate	\$ <u><u>3.75</u></u>

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

KINGSTON NURSING CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2000 Through September 30, 2001
 AC# 3-KNC-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 69.18	\$53.99	
Dietary		14.98	10.56	
Laundry/Housekeeping/Maintenance		<u>15.83</u>	<u>9.12</u>	
Subtotal	\$ <u>-</u>	99.99	73.67	\$ 73.67
Administration & Medical Records	\$ <u>-</u>	<u>18.88</u>	<u>11.20</u>	<u>11.20</u>
Subtotal		118.87	<u>\$84.87</u>	84.87
<u>Costs Not Subject to Standards:</u>				
Utilities		4.62		4.62
Special Services		1.05		1.05
Medical Supplies & Oxygen		7.04		7.04
Taxes and Insurance		.99		.99
Legal Fees		<u>.25</u>		<u>.25</u>
TOTAL		<u>\$132.82</u>		98.82
Inflation Factor (3.20%)				3.16
Cost of Capital				11.18
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Nurse Aide Staffing Add-On 10/01/99				.79
Nurse Aide Staffing Add-On 10/01/00				<u>1.29</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$115.24</u>

KINGSTON NURSING CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 1999
 AC# 3-KNC-J9

<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	\$2,319,103	\$ -	\$185,848 (1)	\$2,133,255
Dietary	729,145	-	267,211 (1)	461,934
Laundry	142,746	-	82,774 (1)	59,972
Housekeeping	204,198	-	20,744 (1)	183,454
Maintenance	72,482	172,278 (1)	-	244,760
Administration & Medical Records	403,987	178,047 (1)	-	582,034
Utilities	90,203	52,296 (1)	-	142,499
Special Services	98,770	-	66,353 (1)	32,417
Medical Supplies & Oxygen	196,311	20,720 (1)	-	217,031
Taxes and Insurance	1,635	29,001 (1)	-	30,636
Legal Fees	-	7,726 (1)	-	7,726
Cost of Capital	<u>273,506</u>	<u>107,450</u> (2)	<u>36,125</u> (1)	<u>344,831</u>
Subtotal	4,532,086	567,518	659,055	4,440,549

KINGSTON NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
AC# 3-KNC-J9

<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	262,075	-	262,075 (1)	-
Nonallowable	461,046	-	168,790 (1) 107,450 (2)	184,806
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Operating Expenses	<u>\$5,255,207</u>	<u>\$567,518</u>	<u>\$1,197,370</u>	<u>\$4,625,355</u>
Total Patient Days	<u>30,835</u>	<u>-</u>	<u>-</u>	<u>30,835</u>
Total Beds	<u>88</u>			

KINGSTON NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-KNC-J9

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Maintenance	\$ 172,278	
	Administration & Medical Records	178,047	
	Utilities	52,296	
	Medical Supplies & Oxygen	20,720	
	Taxes and Insurance	29,001	
	Legal	7,726	
	Other Equity	629,852	
	General Services		\$ 185,848
	Dietary		267,211
	Laundry		82,774
	Housekeeping		20,744
	Special Services		66,353
	Cost of Capital		36,125
	Ancillary		262,075
	Nonallowable		168,790
	To adjust cost centers to amounts per the settled Medicare cost report HIM-15-1, Section 2300		
2	Cost of Capital	107,450	
	Nonallowable		107,450
	To adjust capital return to allowable State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$1,197,370</u>	<u>\$1,197,370</u>

Due to the nature of audit 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.

KINGSTON NURSING CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 1999
 AC# 3-KNC-J9

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.3156</u>	<u>2.3156</u>	
Deemed Asset Value (Per Bed)	36,165	36,165	
Number of Beds	<u>44</u>	<u>44</u>	
Deemed Asset Value	1,591,260	1,591,260	
Improvements Since 1981	316,597	144,739	
Accumulated Depreciation at 9/30/99	<u>(1,033,939)</u>	<u>(448,041)</u>	
Deemed Depreciated Value	873,918	1,287,958	
Market Rate of Return	<u>.060</u>	<u>.060</u>	
Total Annual Return	52,435	77,277	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	52,435	77,277	
Depreciation Expense	182,982	96,150	
Amortization Expense	-	-	
Capital Related Income Offsets	(64,013)	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	171,404	173,427	\$344,831
Total Patient Days (Minimum 96% Occupancy)	<u>15,418</u>	<u>15,417</u>	<u>30,835</u>
Cost of Capital Per Diem	<u>\$ 11.12</u>	<u>\$ 11.25</u>	<u>\$ 11.18</u>

KINGSTON NURSING CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 1999
 AC# 3-KNC-J9

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 7.79	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$11.78</u>	<u>\$11.25</u>
Reimbursable Cost of Capital Per Diem		\$11.18
Cost of Capital Per Diem		<u>11.18</u>
Cost of Capital Per Diem Limitation		<u>\$ -</u>

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