

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 14, 2005

Mr. Jerry Baker, Controller  
Chester County Hospital and Nursing Center  
1 Medical Park Drive  
Box 56  
Chester, South Carolina 29706

Re: AC# 3-CHE-J0 – Chester County Hospital and Nursing Center

Dear Mr. Baker:

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 payable for amounts underpaid as a result of the rate change 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.

A handwritten signature in black ink that reads 'Thomas L. Wagner, Jr.' with a stylized flourish at the end.

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/cwc

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

**CHESTER COUNTY HOSPITAL AND NURSING CENTER**

**CHESTER, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2001  
AC# 3-CHE-J0**

**AGREED-UPON PROCEDURES REPORT**

**ON CONTRACT**

**FOR**

**PURCHASE OF NURSING CARE SERVICES**

**WITH**

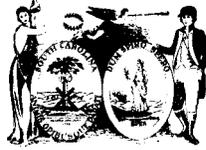
**STATE OF SOUTH CAROLINA**

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 11, 2005

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 Chester County Hospital and Nursing Center, 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 Chester County Hospital and 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 Chester County Hospital and 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 Chester County Hospital and Nursing Center 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 11, 2005

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.

A handwritten signature in black ink, appearing to read "Thomas L. Wagner, Jr.", with a stylized flourish at the end.

Thomas L. Wagner, Jr., CPA  
State Auditor

**CHESTER COUNTY HOSPITAL AND NURSING CENTER**

Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2001  
AC# 3-CHE-J0

	<u>10/01/01-</u> <u>12/31/02</u>
Adjusted Reimbursement Rate	\$112.50
Interim Reimbursement Rate (1)	<u>110.80</u>
Increase in Reimbursement Rate	\$ <u>1.70</u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 6, 2004

**CHESTER COUNTY HOSPITAL AND NURSING CENTER**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2001 Through December 31, 2002  
 AC# 3-CHE-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 58.92	\$58.02	
Dietary		16.31	10.74	
Laundry/Housekeeping/Maintenance		<u>11.07</u>	<u>9.23</u>	
Subtotal	\$ <u>-</u>	86.30	77.99	\$ 77.99
Administration & Medical Records	<u>\$1.21</u>	<u>10.26</u>	<u>11.47</u>	<u>10.26</u>
Subtotal		96.56	<u>\$89.46</u>	88.25
<u>Costs Not Subject to Standards:</u>				
Utilities		3.03		3.03
Special Services		-		-
Medical Supplies & Oxygen		4.32		4.32
Taxes and Insurance		.81		.81
Legal Fees		<u>.46</u>		<u>.46</u>
<b>TOTAL</b>		<u>\$105.18</u>		96.87
Inflation Factor (3.80%)				3.68
Cost of Capital				9.03
Cost of Capital Limitation				(.64)
Profit Incentive (Maximum 3.5% of Allowable Cost)				1.21
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Nurse Aide Staffing Add-On 10/01/00				<u>2.35</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$112.50</u>

**CHESTER COUNTY HOSPITAL AND NURSING CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2000  
AC# 3-CHE-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	\$2,010,185	\$130,599 (1)	\$ -	\$2,140,784
Dietary	594,204	-	1,397 (1)	592,807
Laundry	84,955	-	4,133 (1)	80,822
Housekeeping	152,754	-	28,477 (1)	124,277
Maintenance	254,611	-	57,301 (1)	197,310
Administration & Medical Records	499,062	-	126,146 (1)	372,916
Utilities	71,764	38,438 (1)	-	110,202
Special Services	49	-	27 (1)	22
Medical Supplies & Oxygen	203,631	-	46,553 (1)	157,078
Taxes and Insurance	19,406	9,910 (1)	-	29,316
Legal Fees	-	16,584 (1)	-	16,584
Cost of Capital	253,940	4,377 (1)	-	328,146
	<u>                    </u>	<u>69,829</u> (2)	<u>                    </u>	<u>                    </u>
Subtotal	4,144,561	269,737	264,034	4,150,264

**CHESTER COUNTY HOSPITAL AND NURSING CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2000  
AC# 3-CHE-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>	
Ancillary	-	-	-	-
Nonallowable	<u>331,188</u>	<u>345,967</u> (1)	<u>69,829</u> (2)	<u>607,326</u>
Total Operating Expenses	<u>\$4,475,749</u>	<u>\$615,704</u>	<u>\$333,863</u>	<u>\$4,757,590</u>
Total Patient Days	<u>35,918</u>	<u>418</u> (3)	<u>-</u>	<u>36,336</u>
Total Beds	<u>100</u>			

**CHESTER COUNTY HOSPITAL AND NURSING CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2000  
AC# 3-CHE-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Utilities	\$ 38,438	
	Taxes and Insurance	9,910	
	Legal	16,584	
	Cost of Capital	4,377	
	Nonallowable	345,967	
	General Services	130,599	
	Other Equity		\$281,841
	Dietary		1,397
	Laundry		4,133
	Housekeeping		28,477
	Maintenance		57,301
	Administration and Medical Records		126,146
	Medical Supplies		46,553
	Special Services		27
	To adjust cost centers to amounts per the audited Medicare cost report HIM-15-1, Section 2300		
2	Cost of Capital	69,829	
	Nonallowable		69,829
	To adjust capital return to allowable State Plan, Attachment 4.19D		
3	<u>Memo Adjustment:</u>		
	To increase patient days by 418 from 35,918 to 36,336 HIM-15-1, Section 2300		
	TOTAL ADJUSTMENTS	\$615,704	\$615,704

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.

**CHESTER COUNTY HOSPITAL AND NURSING CENTER**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2000  
 AC# 3-CHE-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>62</u>	<u>38</u>	
Deemed Asset Value	2,309,252	1,415,348	
Improvements Since 1981	396,496	19,602	
Accumulated Depreciation at 9/30/00	(1,171,812)	(938,665)	
Deemed Depreciated Value	1,533,936	496,285	
Market Rate of Return	<u>.058</u>	<u>.058</u>	
Total Annual Return	88,968	28,785	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	88,968	28,785	
Depreciation Expense	184,614	65,978	
Amortization Expense	-	-	
Capital Related Income Offsets	(24,923)	(15,276)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	248,659	79,487	\$328,146
Total Patient Days (Minimum 96% Occupancy)	<u>22,528</u>	<u>13,808</u>	<u>36,336</u>
Cost of Capital Per Diem	\$ <u>11.04</u>	\$ <u>5.76</u>	\$ <u>9.03</u>

**CHESTER COUNTY HOSPITAL AND NURSING CENTER**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2000  
 AC# 3-CHE-J0

6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$ 6.02	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$10.01</u>	<u>\$5.76</u>
Weighted Average Reimbursable Cost of Capital Per Diem*	\$8.39	
Weighted Average Cost of Capital Per Diem	<u>9.03</u>	
Cost of Capital Per Diem Limitation	<u>\$(.64)</u>	

\*  $-\frac{[(10.01 \times 22,528) + 79,487]}{36,336}$

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