

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

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July 1, 2005

Mr. David Selander, CPA  
Connelly Management, Inc.  
410 Mill Street, Suite 201  
Mt. Pleasant, South Carolina 29464

Re: AC# 3-DUN-J2 – Charleston Nursing Center d/b/a Dundee Nursing Home, Inc.

Dear Mr. Selander:

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, 2001 through September 30, 2002. That report was used to set the rate covering the contract period beginning October 1, 2003.

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/sag

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

**CHARLESTON NURSING CENTER  
D/B/A DUNDEE NURSING HOME, INC.**

**BENNETTSVILLE, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2003  
AC# 3-DUN-J2**

**AGREED-UPON PROCEDURES REPORT**

**ON CONTRACT**

**FOR**

**PURCHASE OF NURSING CARE SERVICES**

**WITH**

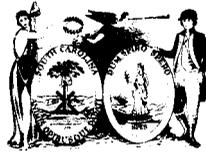
**STATE OF SOUTH CAROLINA**

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

## CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 2003	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2003 THROUGH SEPTEMBER 30, 2004	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2002	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	9

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

March 7, 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 Charleston Nursing Center d/b/a Dundee Nursing Home, Inc., for the contract period beginning October 1, 2003, and for the twelve month cost report period ended September 30, 2002, as set forth in the accompanying schedules. The management of Charleston Nursing Center d/b/a Dundee Nursing Home, 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 Charleston Nursing Center d/b/a Dundee Nursing Home, 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 Charleston Nursing Center d/b/a Dundee Nursing Home, 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  
March 7, 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.

  
Thomas L. Wagner, Jr., CPA  
State Auditor

**CHARLESTON NURSING CENTER D/B/A DUNDEE NURSING HOME, INC.**

Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2003  
AC# 3-DUN-J2

	10/01/03- <u>09/30/04</u>
Adjusted Reimbursement Rate	\$103.61
Interim Reimbursement Rate (1)	<u>103.34</u>
Increase in Reimbursement Rate	\$ <u><u>.27</u></u>

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

**CHARLESTON NURSING CENTER D/B/A DUNDEE NURSING HOME, INC.**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2003 Through September 30, 2004  
 AC# 3-DUN-J2

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$51.23	\$ 66.44	
Dietary		11.09	11.55	
Laundry/Housekeeping/Maintenance		<u>8.59</u>	<u>9.83</u>	
Subtotal	\$ <u>6.15</u>	70.91	87.82	\$ 70.91
Administration & Medical Records	\$ <u>5.12</u>	<u>8.34</u>	<u>13.46</u>	<u>8.34</u>
Subtotal		79.25	<u>\$101.28</u>	79.25
<u>Costs Not Subject to Standards:</u>				
Utilities		2.41		2.41
Special Services		.27		.27
Medical Supplies & Oxygen		4.87		4.87
Taxes and Insurance		4.09		4.09
Legal Fees		<u>.03</u>		<u>.03</u>
<b>TOTAL</b>		<u>\$90.92</u>		90.92
Inflation Factor (4.70%)				4.27
Cost of Capital				7.14
Cost of Capital Limitation				(.47)
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.18
Cost Incentive				6.15
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(7.58)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$103.61</u>

**CHARLESTON NURSING CENTER D/B/A DUNDEE NURSING HOME, INC.**

Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2002  
 AC# 3-DUN-J2

<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	\$1,976,050	\$ -	\$ 1,382 (7) 71 (7)	\$1,974,597
Dietary	427,674	-	130 (7)	427,544
Laundry	33,098	18,156 (6)	31 (7)	51,223
Housekeeping	162,528	-	101 (7)	162,427
Maintenance	123,369	-	5,950 (3) 57 (7)	117,362
Administration & Medical Records	317,214	4,296 (5)	92 (7) 16 (7)	321,402
Utilities	92,946	-	-	92,946
Special Services	10,366	-	-	10,366
Medical Supplies & Oxygen	192,343	4,207 (6)	8,941 (2)	187,609
Taxes and Insurance	157,323	251 (4)	-	157,574
Legal Fees	1,016	-	-	1,016
Cost of Capital	257,088	3,573 (1) 545 (3) <u>14,069 (8)</u>	-	275,275
Subtotal	3,751,015	45,097	16,771	3,779,341
Ancillary	91,572	-	-	91,572

**CHARLESTON NURSING CENTER D/B/A DUNDEE NURSING HOME, INC.**Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2002  
AC# 3-DUN-J2

<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>	
Nonallowable	223,384	8,941 (2) 1,880 (7)	251 (4) 4,296 (5) <u>14,069 (8)</u>	215,589
	<u>                    </u>	<u>                    </u>		<u>                    </u>
Total Operating Expenses	<u>\$4,065,971</u>	<u>\$55,918</u>	<u>\$35,387</u>	<u>\$4,086,502</u>
Total Patient Days	<u>38,544</u>	<u>-</u>	<u>-</u>	<u>38,544</u>
Total Beds	<u>110</u>			

**CHARLESTON NURSING CENTER D/B/A DUNDEE NURSING HOME, INC.**  
Adjustment Report  
Cost Report Period Ended September 30, 2002  
AC# 3-DUN-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Cost of Capital	\$ 3,573	
	Accumulated Depreciation	171,905	
	Fixed Assets		\$159,451
	Other Equity		16,027
	To adjust fixed assets and related depreciation expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	8,941	
	Medical Supplies		8,941
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
3	Fixed Assets	5,950	
	Cost of Capital	545	
	Maintenance		5,950
	Accumulated Depreciation		545
	To capitalize water heater HIM-15-1, Section 108 State Plan, Attachment 4.19D		
4	Taxes and Insurance	251	
	Nonallowable		251
	To adjust general and property insurance expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
5	Administration	4,296	
	Nonallowable		4,296
	To reclassify lease/equipment to the proper cost center per provider State Plan, Attachment 4.19D		

**CHARLESTON NURSING CENTER D/B/A DUNDEE NURSING HOME, INC.**

Adjustment Report  
Cost Report Period Ended September 30, 2002  
AC# 3-DUN-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Laundry	18,156	
	Medical Supplies	4,207	
	Other Equity		22,363
	To correct cost report income offset adjustment State Plan, Attachment 4.19D		
7	Nonallowable	1,880	
	Nursing		1,382
	Restorative		71
	Dietary		130
	Laundry		31
	Housekeeping		101
	Maintenance		57
	Administration		92
	Medical Records		16
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Cost of Capital	14,069	
	Nonallowable		14,069
	To adjust capital return State Plan, Attachment 4.19D		
		\$233,773	\$233,773
	TOTAL ADJUSTMENTS		

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.

**CHARLESTON NURSING CENTER D/B/A DUNDEE NURSING HOME, INC.**

Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 2002  
AC# 3-DUN-J2

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.55013</u>
Deemed Asset Value (Per Bed)	39,828
Number of Beds	<u>110</u>
Deemed Asset Value	4,381,080
Improvements Since 1981	618,361
Accumulated Depreciation at 9/30/02	<u>(896,983)</u>
Deemed Depreciated Value	4,102,458
Market Rate of Return	<u>.0561</u>
Total Annual Return	230,148
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	230,148
Depreciation Expense	46,904
Amortization Expense	1,680
Capital Related Income Offsets	(3,457)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	275,275
Total Patient Days (Minimum 96% Occupancy)	<u>38,544</u>
Cost of Capital Per Diem	<u><u>\$ 7.14</u></u>

**CHARLESTON NURSING CENTER D/B/A DUNDEE NURSING HOME, INC.**

Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 2002  
AC# 3-DUN-J2

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ 2.68
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>6.67</u>
Reimbursable Cost of Capital Per Diem	\$ 6.67
Cost of Capital Per Diem	<u>7.14</u>
Cost of Capital Per Diem Limitation	\$ <u>(0.47)</u>

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