

State of South Carolina



Office of the State Auditor

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COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

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September 30, 2005

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

Re: AC# 3-KNC-J0 – Conway Hospital Long Term Care Services
d/b/a 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, 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

**CONWAY HOSPITAL
LONG TERM CARE SERVICES
D/B/A KINGSTON NURSING CENTER**

CONWAY, SOUTH CAROLINA

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

**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, 2001	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2001 THROUGH DECEMBER 31, 2002	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2000	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	8

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 23, 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 Conway Hospital Long Term Care Services d/b/a Kingston 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 Conway Hospital Long Term Care Services d/b/a 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.

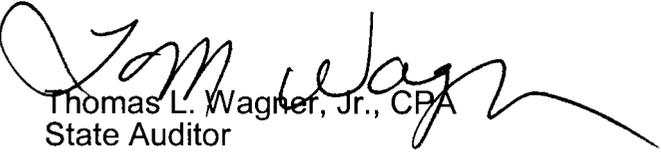
The procedures and the associated findings are as follows:

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 Conway Hospital Long Term Care Services d/b/a 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 Conway Hospital Long Term Care Services d/b/a Kingston 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 23, 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

KINGSTON NURSING CENTER
Computation of Rate Change
For the Contract Period
Beginning October 1, 2001
AC# 3-KNC-J0

	<u>10/01/01-</u> <u>12/31/02</u>
Interim Reimbursement Rate (1)	\$127.21
Adjusted Reimbursement Rate	<u>126.90</u>
Decrease in Reimbursement Rate	\$ <u><u>.31</u></u>

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

KINGSTON NURSING CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2001 Through December 31, 2002
 AC# 3-KNC-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 69.20	\$58.68	
Dietary		17.38	11.36	
Laundry/Housekeeping/Maintenance		<u>15.69</u>	<u>9.21</u>	
Subtotal	\$ <u>-</u>	102.27	79.25	\$ 79.25
Administration & Medical Records	\$ <u>-</u>	<u>21.79</u>	<u>12.38</u>	<u>12.38</u>
Subtotal		124.06	<u>\$91.63</u>	91.63
<u>Costs Not Subject to Standards:</u>				
Utilities		4.40		4.40
Special Services		1.94		1.94
Medical Supplies & Oxygen		6.79		6.79
Taxes and Insurance		1.27		1.27
Legal Fees		<u>.27</u>		<u>.27</u>
TOTAL		<u>\$138.73</u>		106.30
Inflation Factor (3.80%)				4.04
Cost of Capital				19.00
Cost of Capital Limitation				(3.73)
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Nurse Aide Staffing Add-On 10/01/00				<u>1.29</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$126.90</u>

KINGSTON NURSING CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2000
 AC# 3-KNC-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$2,050,794	\$ 88,837 (1)	\$ -	\$2,139,631
Dietary	643,532	-	106,266 (1)	537,266
Laundry	101,662	-	29,673 (1)	71,989
Housekeeping	186,234	-	1,577 (1)	184,657
Maintenance	167,832	60,584 (1)	-	228,416
Administration & Medical Records	450,054	223,617 (1)	-	673,671
Utilities	190,383	-	54,474 (1)	135,909
Special Services	50,822	9,292 (1)	-	60,114
Medical Supplies & Oxygen	260,128	-	50,135 (1)	209,993
Taxes and Insurance	41,250	-	2,012 (1)	39,238
Legal Fees	-	8,291 (1)	-	8,291
Cost of Capital	389,592	92,741 (1)	-	587,623
	<u> </u>	<u>105,290</u> (2)	<u> </u>	<u> </u>
Subtotal	4,532,283	588,652	244,137	4,876,798

KINGSTON NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2000
AC# 3-KNC-J0

<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	234,345	-	233,996 (1)	349
Nonallowable	1,117,496	-	976,063 (1)	36,143
	<u> </u>	<u> </u>	<u>105,290 (2)</u>	<u> </u>
Total Operating Expenses	<u>\$5,884,124</u>	<u>\$588,652</u>	<u>\$1,559,486</u>	<u>\$4,913,290</u>
Total Patient Days	<u>30,920</u>	<u>-</u>	<u>-</u>	<u>30,920</u>
Total Beds	<u>88</u>			

KINGSTON NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-KNC-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	General Services	\$ 88,837	
	Maintenance	60,584	
	Administration and Medical Records	223,617	
	Special Services	9,292	
	Legal	8,291	
	Cost of Capital	92,741	
	Other Equity	970,834	
	Dietary		\$ 106,266
	Laundry		29,673
	Housekeeping		1,577
	Utilities		54,474
	Medical Supplies		50,135
	Taxes and Insurance		2,012
	Ancillary		233,996
	Nonallowable		976,063
	To adjust cost centers to amounts per the as-filed Medicare cost report HIM-15-1, Section 2300		
2	Cost of Capital	105,290	
	Nonallowable		105,290
	To adjust capital return to allowable State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$1,559,486	\$1,559,486

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.

KINGSTON NURSING CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2000
 AC# 3-KNC-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>44</u>	<u>44</u>	
Deemed Asset Value	1,638,824	1,638,824	
Improvements Since 1981	382,314	174,783	
Accumulated Depreciation at 9/30/00	(1,137,270)	(499,572)	
Deemed Depreciated Value	883,868	1,314,035	
Market Rate of Return	<u>.058</u>	<u>.058</u>	
Total Annual Return	51,264	76,214	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	51,264	76,214	
Depreciation Expense	356,907	213,783	
Amortization Expense	-	-	
Capital Related Income Offsets	(110,545)	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	297,626	289,997	\$587,623
Total Patient Days (Minimum 96% Occupancy)	<u>15,460</u>	<u>15,460</u>	<u>30,920</u>
Cost of Capital Per Diem	\$ <u>19.25</u>	\$ <u>18.76</u>	\$ <u>19.00</u>

KINGSTON NURSING CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2000
 AC# 3-KNC-J0

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>\$18.76</u>
Reimbursable Cost of Capital Per Diem*	\$15.27	
Cost of Capital Per Diem	<u>19.00</u>	
Cost of Capital Per Diem Limitation	\$(<u>3.73</u>)	

* $((15,460 \times 11.78) + 289,997) / 30,920$

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