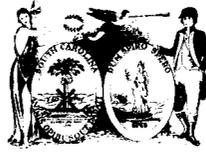


State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

(803) 253-4160  
FAX (803) 343-0723

August 23, 2005

Mr. Grady Bethea, COO-LTC Clarendon Memorial Hospital  
Clarendon Memorial Hospital  
50 Hospital Street  
Manning, South Carolina 29102

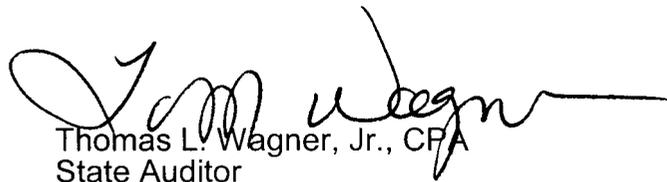
Re: AC# 3-LAK-J1 – Clarendon Memorial Hospital d/b/a Lake Marion Nursing Home

Dear Mr. Bethea:

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, 2000 through September 30, 2001. That report was used to set the rate covering the contract period beginning January 1, 2003.

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/ksg

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

**CLARENDON MEMORIAL HOSPITAL  
D/B/A LAKE MARION NURSING HOME  
SUMMERTON, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING JANUARY 1, 2003  
AC# 3-LAK-J1**

**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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# State of South Carolina



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

March 29, 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 Clarendon Memorial Hospital d/b/a Lake Marion Nursing Home, for the contract period beginning January 1, 2003, and for the twelve month cost report period ended September 30, 2001, as set forth in the accompanying schedules. The management of Clarendon Memorial Hospital d/b/a Lake Marion Nursing Home 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.

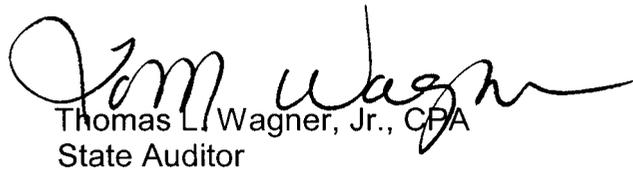
The procedures and the associated findings are as follows:

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 Clarendon Memorial Hospital d/b/a Lake Marion Nursing Home, 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 Clarendon Memorial Hospital d/b/a Lake Marion Nursing Home 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 29, 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

**LAKE MARION NURSING HOME**  
Computation of Rate Change  
For the Contract Period  
Beginning January 1, 2003  
AC# 3-LAK-J1

	01/01/03- <u>09/30/03</u>
Interim Reimbursement Rate (1)	\$107.94
Adjusted Reimbursement Rate	<u>102.68</u>
Decrease in Reimbursement Rate	\$ <u><u>5.26</u></u>

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

**LAKE MARION NURSING HOME**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period January 1, 2003 Through September 30, 2003  
 AC# 3-LAK-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$53.21	\$ 67.86	
Dietary		11.70	11.63	
Laundry/Housekeeping/Maintenance		<u>9.97</u>	<u>10.22</u>	
Subtotal	\$ <u>6.28</u>	74.88	89.71	\$ 74.88
Administration & Medical Records	\$ <u>4.29</u>	<u>8.34</u>	<u>12.63</u>	<u>8.34</u>
Subtotal		83.22	<u>\$102.34</u>	83.22
<u>Costs Not Subject to Standards:</u>				
Utilities		2.90		2.90
Special Services		-		-
Medical Supplies & Oxygen		3.11		3.11
Taxes and Insurance		1.46		1.46
Legal Fees		<u>.05</u>		<u>.05</u>
<b>TOTAL</b>		<u>\$90.74</u>		90.74
Inflation Factor (3.70%)				3.36
Cost of Capital				6.83
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.18
Cost Incentive				6.28
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(7.71)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$102.68</u>

**LAKE MARION NURSING HOME**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2001  
 AC# 3-LAK-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,653,328	\$ 746 (5)	\$ -	\$1,654,074
Dietary	363,028	732 (3)	-	363,760
Laundry	56,475	171 (3) 56 (4)	-	56,702
Housekeeping	166,127	367 (3)	-	166,494
Maintenance	130,174	431 (3) 2,358 (4)	1,426 (2) 44,933 (5)	86,604
Administration & Medical Records	377,067	258 (3) 2,117 (4)	120,268 (5)	259,174
Utilities	90,056	220 (3) 22 (5)	-	90,298
Special Services	-	-	-	-
Medical Supplies & Oxygen	98,152	3,153 (3)	4,677 (4)	96,628
Taxes and Insurance	45,319	31 (5)	-	45,350
Legal Fees	1,626	-	142 (5)	1,484
Cost of Capital	209,374	9,476 (6)	5,497 (1) 938 (7)	212,415
	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal	3,190,726	20,138	177,881	3,032,983

**LAKE MARION NURSING HOME**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2001  
AC# 3-LAK-J1

<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	53,029	-	-	53,029
Nonallowable	429,960	5,497 (1) 1,426 (2) 146 (4) 164,544 (5) <u>938 (7)</u>	5,332 (3) 9,476 (6)	587,703
Total Operating Expenses	<u>\$3,673,715</u>	<u>\$192,689</u>	<u>\$192,689</u>	<u>\$3,673,715</u>
Total Patient Days	<u>31,088</u>	<u>-</u>	<u>-</u>	<u>31,088</u>
Total Beds	<u>88</u>			

**LAKE MARION NURSING HOME**  
Adjustment Report  
Cost Report Period Ended September 30, 2001  
AC# 3-LAK-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 9,938	
	Nonallowable	5,497	
	Other Equity	17,545	
	Fixed Assets		\$27,483
	Cost of Capital		5,497
	To adjust fixed assets and related depreciation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
2	Nonallowable	1,426	
	Maintenance		1,426
	To disallow lease expense on capitalized assets		
	HIM-15-1, Section 2304		
3	Medical Supplies	3,153	
	Administration	258	
	Dietary	732	
	Housekeeping	367	
	Laundry	171	
	Maintenance	431	
	Utilities	220	
	Nonallowable		5,332
	To amortize start-up cost		
	HIM-15-1, Section 2132		
4	Maintenance	2,358	
	Medical Records	2,117	
	Laundry	56	
	Nonallowable	146	
	Medical Supplies & Oxygen		4,677
	To properly record expenses		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		

**LAKE MARION NURSING HOME**  
Adjustment Report  
Cost Report Period Ended September 30, 2001  
AC# 3-LAK-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nursing	746	
	Taxes and Insurance	31	
	Utilities	22	
	Nonallowable	164,544	
	Administration		120,268
	Legal		142
	Maintenance		44,933
	To adjust home office cost HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
6	Cost of Capital	9,476	
	Nonallowable		9,476
	To adjust deemed asset value limitation State Plan, Attachment 4.19D		
7	Nonallowable	938	
	Cost of Capital		938
	To adjust capital State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$220,172</u>	<u>\$220,172</u>

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.

**LAKE MARION NURSING HOME**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2001  
 AC# 3-LAK-J1

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.4607</u>
Deemed Asset Value (Per Bed)	38,431
Number of Beds	<u>88</u>
Deemed Asset Value	3,381,928
Improvements Since 1981	73,067
Accumulated Depreciation at 9/30/01	<u>(876,355)</u>
Deemed Depreciated Value	2,578,640
Market Rate of Return	<u>.0577</u>
Total Annual Return	148,788
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	148,788
Depreciation Expense	81,115
Amortization Expense	-
Capital Related Income Offsets	(17,488)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	212,415
Total Patient Days	<u>31,088</u>
Cost of Capital Per Diem	\$ <u><u>6.83</u></u>

**LAKE MARION NURSING HOME**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 2001  
AC# 3-LAK-J1

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ N/A
Adjustment for Maximum Increase	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$6.83</u>
Reimbursable Cost of Capital Per Diem	\$6.83
Cost of Capital Per Diem	<u>6.83</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

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