

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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April 13, 2006

Mr. Tony Masters, Controller
Clarendon Memorial Hospital
10 Hospital Street
Post Office Box 550
Manning, South Carolina 29102

Re: AC# 3-LAK-J2 – Clarendon Memorial Hospital d/b/a Lake Marion Nursing Home

Dear Mr. Masters:

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 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.

A handwritten signature in black ink that reads "Tom Wagner".

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

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 OCTOBER 1, 2003
AC# 3-LAK-J2**

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

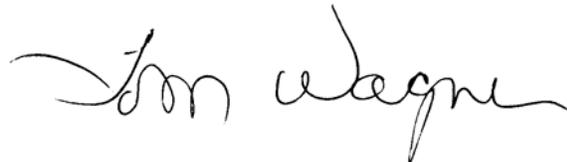
The procedures and the associated findings are as follows:

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 Summary of Costs and Total Patient Days, Adjustment Report, 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
September 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.

A handwritten signature in black ink, appearing to read "Tom Wagner". The signature is fluid and cursive, with a large initial "T" and a long, sweeping underline.

Thomas L. Wagner, Jr., CPA
State Auditor

LAKE MARION NURSING HOME
Computation of Rate Change
For the Contract Period
Beginning October 1, 2003
AC# 3-LAK-J2

	10/01/03- <u>09/30/04</u>
Interim Reimbursement Rate (1)	\$111.70
Adjusted Reimbursement Rate	<u>106.63</u>
Decrease in Reimbursement Rate	\$ <u><u>5.07</u></u>

(1) Interim reimbursement rate from the DH&HS letter dated May 3, 2005

LAKE MARION NURSING HOME
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2003 Through September 30, 2004
AC# 3-LAK-J2

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$55.12	\$ 67.92	
Dietary		11.56	11.76	
Laundry/Housekeeping/Maintenance		<u>9.75</u>	<u>10.49</u>	
Subtotal	<u>\$6.31</u>	76.43	90.17	\$ 76.43
Administration & Medical Records	<u>\$3.30</u>	<u>9.95</u>	<u>13.25</u>	<u>9.95</u>
Subtotal		86.38	<u>\$103.42</u>	86.38
<u>Costs Not Subject to Standards:</u>				
Utilities		2.66		2.66
Special Services		-		-
Medical Supplies & Oxygen		2.36		2.36
Taxes and Insurance		1.80		1.80
Legal Fees		<u>.18</u>		<u>.18</u>
TOTAL		<u>\$93.38</u>		93.38
Inflation Factor (4.70%)				4.39
Cost of Capital				7.11
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.27
Cost Incentive				6.31
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(7.83)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$106.63</u>

LAKE MARION NURSING HOME
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2002
 AC# 3-LAK-J2

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,717,654	\$ 3,607 (6)	\$ 3,775 (7) 191 (7)	\$ 1,717,295
Dietary	360,663	-	525 (7)	360,138
Laundry	60,670	-	123 (7)	60,547
Housekeeping	164,152	-	352 (7)	163,800
Maintenance	125,063	-	45,469 (6) 91 (7)	79,503
Administration & Medical Records	394,746	-	84,348 (6) 383 (7)	310,015
Utilities	83,356	-	571 (6)	82,785
Special Services	-	-	-	-
Medical Supplies & Oxygen	84,504	-	2,054 (1) 8,979 (6)	73,471
Taxes and Insurance	56,835	-	784 (6)	56,051
Legal Fees	5,760	-	-	5,760
Cost of Capital	228,545	10,254 (4)	5,497 (2) 10,810 (3) 1,116 (5)	221,376
Subtotal	3,281,948	13,861	165,068	3,130,741

LAKE MARION NURSING HOME
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2002
AC# 3-LAK-J2

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	57,552	-	-	57,552
Nonallowable	356,658	5,497 (2)	10,254 (4)	505,811
		10,810 (3)		
		1,116 (5)		
		136,544 (6)		
		<u>5,440 (7)</u>		
Total Operating Expenses	<u>\$3,696,158</u>	<u>\$173,268</u>	<u>\$175,322</u>	<u>\$3,694,104</u>
Total Patient Days	<u>31,157</u>	<u>-</u>	<u>-</u>	<u>31,157</u>
Total Beds	<u>88</u>			

LAKE MARION NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 2002
AC# 3-LAK-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Retained Earnings Medical Supplies	\$ 2,054	\$ 2,054
	To properly charge expenses to the prior period HIM-15-1, Section 2302.1		
2	Accumulated Depreciation Nonallowable Other Equity Fixed Assets Cost of Capital	15,434 5,497 12,049	27,483 5,497
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304		
3	Nonallowable Cost of Capital	10,810	10,810
	To reclassify expense to comply with capital cost policy State Plan, Attachment 4.19D		
4	Cost of Capital Nonallowable	10,254	10,254
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
5	Nonallowable Cost of Capital	1,116	1,116
	To adjust capital return State Plan, Attachment 4.19D		

LAKE MARION NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 2002
AC# 3-LAK-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable	136,544	
	Nursing	3,607	
	Maintenance		45,469
	Administration		84,348
	Medical Supplies		8,979
	Utilities		571
	Taxes and Insurance		784
	To adjust home office/hospital allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Nonallowable	5,440	
	Nursing		3,775
	Restorative		191
	Dietary		525
	Laundry		123
	Housekeeping		352
	Maintenance		91
	Administration		383
	To adjust fringe benefits and related allocation State Plan, Attachment 4.19D		
		\$202,805	\$202,805

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, 2002
 AC# 3-LAK-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>88</u>
Deemed Asset Value	3,504,864
Improvements Since 1981	86,549
Accumulated Depreciation at 9/30/02	<u>(953,188)</u>
Deemed Depreciated Value	2,638,225
Market Rate of Return	<u>.0561</u>
Total Annual Return	148,004
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	148,004
Depreciation Expense	76,835
Amortization Expense	-
Capital Related Income Offsets	(3,463)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	221,376
Total Patient Days (Actual)	<u>31,157</u>
Cost of Capital Per Diem	\$ <u><u>7.11</u></u>

LAKE MARION NURSING HOME
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2002
AC# 3-LAK-J2

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>7.11</u>
Reimbursable Cost of Capital Per Diem	\$7.11
Cost of Capital Per Diem	<u>7.11</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>

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