

State of South Carolina



Office of the State Auditor

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THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

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August 23, 2005

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

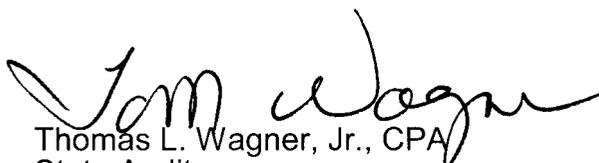
Re: AC# 3-LKM-J1 – Clarendon Memorial Hospital d/b/a Lake Moultrie Nursing Home

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 MOULTRIE NURSING HOME
ST. STEPHENS, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING JANUARY 1, 2003
AC# 3-LKM-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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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

April 14, 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 Moultrie 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 Moultrie 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 Moultrie 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 Moultrie 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
April 14, 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 MOULTRIE NURSING HOME
Computation of Rate Change
For the Contract Period
Beginning January 1, 2003
AC# 3-LKM-J1

	01/01/03- <u>09/30/03</u>
Interim Reimbursement Rate (1)	\$105.67
Adjusted Reimbursement Rate	<u>99.16</u>
Decrease in Reimbursement Rate	\$ <u><u>6.51</u></u>

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

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$50.56	\$ 67.86	
Dietary		10.61	11.63	
Laundry/Housekeeping/Maintenance		<u>8.68</u>	<u>10.22</u>	
Subtotal	<u>\$6.28</u>	69.85	89.71	\$69.85
Administration & Medical Records	<u>\$3.16</u>	<u>9.47</u>	<u>12.63</u>	<u>9.47</u>
Subtotal		79.32	<u>\$102.34</u>	79.32
<u>Costs Not Subject to Standards:</u>				
Utilities		2.05		2.05
Special Services		.15		.15
Medical Supplies & Oxygen		3.38		3.38
Taxes and Insurance		2.06		2.06
Legal Fees		<u>.01</u>		<u>.01</u>
TOTAL		<u>\$86.97</u>		86.97
Inflation Factor (3.70%)				3.22
Cost of Capital				7.22
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.04
Cost Incentive				6.28
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(7.57)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$99.16</u>

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

<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>	
General Services	\$1,557,837	\$ 473 (5) 560 (9)	\$ -	\$1,558,870
Dietary	332,869	1,113 (2) 2,493 (7)	3,684 (3) 5,666 (4)	327,125
Laundry	63,776	-	-	63,776
Housekeeping	131,450	177 (2)	-	131,627
Maintenance	116,369	104 (2)	44,197 (9)	72,276
Administration & Medical Records	400,189	160 (2) 4,916 (4) 1,848 (5) 3,510 (7)	118,732 (9)	291,891
Utilities	69,033	312 (2) 16 (9)	6,003 (7)	63,358
Special Services	32,067	32 (2) 21,149 (8)	48,699 (8)	4,549
Medical Supplies & Oxygen	108,306	1,439 (2) 3,684 (3) 750 (4) 9,315 (6)	3,055 (5) 9,315 (6) 2,576 (8) 4,434 (8)	104,114
Taxes and Insurance	63,400	23 (9)	-	63,423
Legal Fees	367	-	141 (9)	226

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

<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>	
Cost of Capital	233,134	-	10,134 (1) 401 (10)	222,599
Subtotal	3,108,797	52,074	257,037	2,903,834
Ancillary	31,336	-	-	31,336
Nonallowable	380,392	10,134 (1) 734 (5) 34,560 (8) 162,471 (9) 401 (10)	3,337 (2)	585,355
Total Operating Expenses	<u>\$3,520,525</u>	<u>\$260,374</u>	<u>\$260,374</u>	<u>\$3,520,525</u>
Total Patient Days	<u>30,835</u>	<u>-</u>	<u>-</u>	<u>30,835</u>
Total Beds	<u>88</u>			

LAKE MOULTRIE NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 2001
AC# 3-LKM-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$14,861	
	Nonallowable	10,134	
	Other Equity	2,011	
	Fixed Assets		\$16,872
	Cost of Capital		10,134
	To adjust fixed assets and related depreciation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Administration	160	
	Dietary	1,113	
	Medical Supplies & Oxygen	1,439	
	Therapy	32	
	Housekeeping	177	
	Maintenance	104	
	Utilities	312	
	Nonallowable		3,337
	To account for start-up costs HIM-15-1, Section 2132		
3	Medical Supplies & Oxygen	3,684	
	Dietary		3,684
	To reclassify expense to the proper cost center HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Administration	4,916	
	Medical Supplies & Oxygen	750	
	Dietary		5,666
	To reclassify expense to the proper cost center HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

LAKE MOULTRIE NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 2001
AC# 3-LKM-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable	734	
	Nursing	473	
	Medical Records	1,848	
	Medical Supplies & Oxygen		3,055
	To reclassify expense to the proper cost center		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
6	Medical Supplies & Oxygen - Medical Supplies	9,315	
	Medical Supplies & Oxygen -		
	Nursing Supplies		9,315
	To reverse provider adjustment to reclassify expense from Medical Supplies to Nursing Supplies		
	State Plan, Attachment 4.19D		
7	Dietary	2,493	
	Administration	3,510	
	Utilities		6,003
	To correctly offset miscellaneous income		
	State Plan, Attachment 4.19D		
8	Nonallowable	34,560	
	Speech Therapy	21,149	
	Medical Supplies & Oxygen - Medical		
	Supplies		2,576
	Occupational Therapy		48,699
	Medical Supplies & Oxygen - PEN Therapy		4,434
	To post Special Ancillary Services cost adjustment		
	State Plan, Attachment 4.19D		
9	Nursing	560	
	Taxes and Insurance	23	
	Utilities	16	
	Nonallowable	162,471	
	Administration		118,732
	Legal		141
	Maintenance		44,197
	To adjust home office costs		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		

LAKE MOULTRIE NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 2001
AC# 3-LKM-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Nonallowable Cost of Capital	401	401
	To adjust capital return to allowable State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$277,246</u>	<u>\$277,246</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 MOULTRIE NURSING HOME
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2001
 AC# 3-LKM-J1

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.4607</u>	<u>2.4607</u>	
Deemed Asset Value (Per Bed)	38,431	38,431	
Number of Beds	<u>44</u>	<u>44</u>	
Deemed Asset Value	1,690,964	1,690,964	
Improvements Since 1981	19,734	19,734	
Accumulated Depreciation at 9/30/01	<u>(259,854)</u>	<u>(259,854)</u>	
Deemed Depreciated Value	1,450,844	1,450,844	
Market Rate of Return	<u>.0577</u>	<u>.0577</u>	
Total Annual Return	83,714	83,714	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	83,714	83,714	
Depreciation Expense	39,457	39,456	
Amortization Expense	-	-	
Capital Related Income Offsets	(11,871)	(11,871)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	111,300	111,299	\$222,599
Total Patient Days	<u>15,418</u>	<u>15,417</u>	<u>30,835</u>
Cost of Capital Per Diem	\$ <u><u>7.22</u></u>	\$ <u><u>7.22</u></u>	\$ <u><u>7.22</u></u>

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

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ N/A	\$ N/A
Adjustment for Maximum Increase	<u>N/A</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$7.22</u>	<u>\$7.22</u>
Reimbursable Cost of Capital Per Diem	\$7.22	
Cost of Capital Per Diem	<u>7.22</u>	
Cost of Capital Per Diem Limitation	\$ <u>-</u>	

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