

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

April 13, 2006

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

Re: AC# 3-LKM-J2 – Clarendon Memorial Hospital d/b/a Lake Moultrie 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/cwc

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 OCTOBER 1, 2003
AC# 3-LKM-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 Moultrie 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 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.

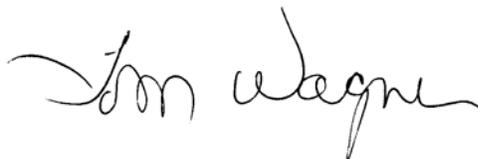
The procedures and the associated findings are as follows:

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 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 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
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 "W".

Thomas L. Wagner, Jr., CPA
State Auditor

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

	<u>10/01/03-</u> <u>09/30/04</u>
Interim Reimbursement Rate (1)	\$110.46
Adjusted Reimbursement Rate	<u>103.92</u>
Decrease in Reimbursement Rate	\$ <u><u>6.54</u></u>

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

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$52.30	\$ 67.92	
Dietary		10.97	11.76	
Laundry/Housekeeping/Maintenance		<u>8.85</u>	<u>10.49</u>	
Subtotal	<u>\$6.31</u>	72.12	90.17	\$ 72.12
Administration & Medical Records	<u>\$1.80</u>	<u>11.45</u>	<u>13.25</u>	<u>11.45</u>
Subtotal		83.57	<u>\$103.42</u>	83.57
<u>Costs Not Subject to Standards:</u>				
Utilities		2.22		2.22
Special Services		.02		.02
Medical Supplies & Oxygen		2.17		2.17
Taxes and Insurance		1.84		1.84
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$89.82</u>		89.82
Inflation Factor (4.70%)				4.22
Cost of Capital				8.13
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				1.80
Cost Incentive				6.31
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(6.36)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$103.92</u>

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

<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	\$1,570,657	\$2,609 (7)	\$ 578 (1) 7,615 (2) 29,934 (8) 1,353 (8)	\$1,533,786
Dietary	325,305	-	3,588 (8)	321,717
Laundry	61,906	-	1,163 (8)	60,743
Housekeeping	131,742	-	2,524 (8)	129,218
Maintenance	138,634	-	5,662 (2) 17,890 (3) 44,727 (7) 678 (8)	69,677
Administration & Medical Records	402,357	17,890 (3)	3,585 (2) 77,545 (7) 3,321 (8)	335,796
Utilities	65,793	-	571 (7)	65,222
Special Services	3,499	-	2,858 (4)	641
Medical Supplies & Oxygen	72,591	-	8,832 (7)	63,759
Taxes and Insurance	54,632	-	784 (7)	53,848
Legal Fees	-	-	-	-

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

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments		Adjusted Totals
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	242,884	-	4,173 (5) 180 (6)	238,531
Subtotal	3,070,000	20,499	217,561	2,872,938
Ancillary	51,586	-	-	51,586
Nonallowable	451,081	578 (1) 16,862 (2) 2,858 (4) 4,173 (5) 180 (6) 129,850 (7) 42,561 (8)	-	648,143
Total Operating Expenses	<u>\$3,572,667</u>	<u>\$217,561</u>	<u>\$217,561</u>	<u>\$3,572,667</u>
Total Patient Days	<u>29,329</u>	<u>-</u>	<u>-</u>	<u>29,329</u>
Total Beds	<u>88</u>			

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

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Nursing	\$ 578	\$ 578
	To reclassify expense to the proper cost center State Plan, Attachment 4.19D		
2	Nonallowable Nursing Maintenance Administration	16,862	7,615 5,662 3,585
	To disallow lease payments on capitalized assets HIM-15-1, Section 2304		
3	Administration Maintenance	17,890	17,890
	To reclassify expense to the proper cost center State Plan, Attachment 4.19D		
4	Nonallowable Special Services	2,858	2,858
	To adjust special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
5	Accumulated Depreciation Nonallowable Other Equity Fixed Assets Cost of Capital	10,590 4,173 6,281	16,871 4,173
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304		

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

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable Cost of Capital	180	180
	To adjust capital return State Plan, Attachment 4.19D		
7	Nonallowable Nursing	129,850	
	Maintenance	2,609	44,727
	Administration		77,545
	Medical Supplies		8,832
	Utilities		571
	Taxes and Insurance		784
	To adjust home office/hospital cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Nonallowable	42,561	
	Nursing		29,934
	Restorative		1,353
	Dietary		3,588
	Laundry		1,163
	Housekeeping		2,524
	Maintenance		678
	Administration		3,321
	To adjust fringe benefits and related allocation State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$234,432	\$234,432

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, 2002
 AC# 3-LKM-J2

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.55013</u>	<u>2.55013</u>	
Deemed Asset Value (Per Bed)	39,828	39,828	
Number of Beds	<u>44</u>	<u>44</u>	
Deemed Asset Value	1,752,432	1,752,432	
Improvements Since 1981	19,734	19,734	
Accumulated Depreciation at 9/30/02	<u>(299,310)</u>	<u>(299,310)</u>	
Deemed Depreciated Value	1,472,856	1,472,856	
Market Rate of Return	<u>.0561</u>	<u>.0561</u>	
Total Annual Return	82,627	82,627	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	82,627	82,627	
Depreciation Expense	39,457	39,457	
Amortization Expense	-	-	
Capital Related Income Offsets	(2,819)	(2,818)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	119,265	119,266	\$238,531
Total Patient Days (Actual)	<u>14,664</u>	<u>14,664</u>	<u>29,328</u>
Cost of Capital Per Diem	\$ <u>8.13</u>	\$ <u>8.13</u>	\$ <u>8.13</u>

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

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>\$8.13</u>	<u>\$8.13</u>
Reimbursable Cost of Capital Per Diem	\$8.13	
Cost of Capital Per Diem	<u>8.13</u>	
Cost of Capital Per Diem Limitation	<u>\$ -</u>	

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