

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

September 28, 2005

Mr. Fred Todd, Vice President of Finance
Loris Community Hospital
3620 Stevens Street
Loris, South Carolina 29569

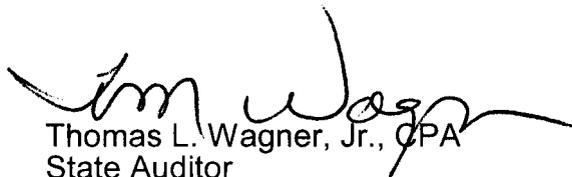
Re: AC# 3-LRS-J0 – Loris Hospital District d/b/a Loris Extended Care Center

Dear Mr. Todd:

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 payable for amounts underpaid as a result of the rate changes shown on Exhibit A. You will be notified of settlement 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

**LORIS HOSPITAL DISTRICT
D/B/A LORIS EXTENDED CARE CENTER
LORIS, SOUTH CAROLINA**

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

**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

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 Loris Hospital District d/b/a Loris Extended Care 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 Loris Hospital District d/b/a Loris Extended Care 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 Loris Hospital District d/b/a Loris Extended Care 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 Loris Hospital District d/b/a Loris Extended Care 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

LORIS EXTENDED CARE CENTER
Computation of Rate Change
For the Contract Period
Beginning October 1, 2001
AC# 3-LRS-J0

	10/01/01- <u>12/31/02</u>
Adjusted Reimbursement Rate	\$126.33
Interim Reimbursement Rate (1)	<u>117.19</u>
Increase in Reimbursement Rate	\$ <u><u>9.14</u></u>

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

LORIS EXTENDED CARE CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2001 Through December 31, 2002
 AC# 3-LRS-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 78.20	\$58.68	
Dietary		13.52	11.36	
Laundry/Housekeeping/Maintenance		<u>19.91</u>	<u>9.21</u>	
Subtotal	\$ <u>-</u>	111.63	79.25	\$ 79.25
Administration & Medical Records	\$ <u>-</u>	<u>17.37</u>	<u>12.38</u>	<u>12.38</u>
Subtotal		129.00	<u>\$91.63</u>	91.63
<u>Costs Not Subject to Standards:</u>				
Utilities		5.86		5.86
Special Services		-		-
Medical Supplies & Oxygen		5.57		5.57
Taxes and Insurance		.72		.72
Legal Fees		<u>.29</u>		<u>.29</u>
TOTAL		<u>\$141.44</u>		104.07
Inflation Factor (3.80%)				3.95
Cost of Capital				17.78
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Nurse Aide Staffing Add-On 10/1/2000				<u>.53</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$126.33</u>

LORIS EXTENDED CARE CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2000
 AC# 3-LRS-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$2,688,225	\$ -	\$215,035 (1)	\$2,473,190
Dietary	595,426	-	167,934 (1)	427,492
Laundry	71,184	-	24,736 (1)	46,448
Housekeeping	317,242	-	87,949 (1)	229,293
Maintenance	360,243	-	6,309 (1)	353,934
Administration & Medical Records	470,120	79,175 (1)	-	549,295
Utilities	189,746	-	4,504 (1)	185,242
Special Services	-	-	-	-
Medical Supplies & Oxygen	91,160	84,993 (1)	-	176,153
Taxes and Insurance	18,414	4,429 (1)	-	22,843
Legal Fees	-	9,253 (1)	-	9,253
Cost of Capital	370,859	167,249 (1) 23,626 (2) 455 (3)	-	562,189
Subtotal	5,172,619	369,180	506,467	5,035,332
Ancillary	102,401	-	101,105 (1)	1,296

LORIS EXTENDED CARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2000
AC# 3-LRS-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>	
Nonallowable	(898,312)	998,028 (1)	23,626 (2) 455 (3)	75,635
Total Operating Expenses	<u>\$4,376,708</u>	<u>\$1,367,208</u>	<u>\$631,653</u>	<u>\$5,112,263</u>
Total Patient Days	<u>31,625</u>	<u>-</u>	<u>-</u>	<u>31,625</u>
Total Beds	<u>88</u>			

LORIS EXTENDED CARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-LRS-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Administration and Medical Records	\$ 79,175	
	Medical Supplies	84,993	
	Legal	9,253	
	Cost of Capital	167,249	
	Nonallowable	998,028	
	Taxes and Insurance	4,429	
	General Services		\$ 215,035
	Dietary		167,934
	Laundry		24,736
	Housekeeping		87,949
	Maintenance		6,309
	Utilities		4,504
	Ancillary		101,105
	Other Equity		735,555
	To adjust cost centers to amounts per the as-filed Medicare cost report HIM-15-1, Section 2300		
2	Cost of Capital	23,626	
	Nonallowable		23,626
	To adjust capital return to allowable State Plan, Attachment 4.19D		
3	Cost of Capital	455	
	Nonallowable		455
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$1,367,208	\$1,367,208

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.

LORIS EXTENDED CARE CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2000
 AC# 3-LRS-J0

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3848</u>
Deemed Asset Value (Per Bed)	37,246
Number of Beds	<u>88</u>
Deemed Asset Value	3,277,648
Improvements Since 1981	197,738
Accumulated Depreciation at 9/30/00	<u>(936,449)</u>
Deemed Depreciated Value	2,538,937
Market Rate of Return	<u>.058</u>
Total Annual Return	147,258
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	147,258
Depreciation Expense	419,196
Amortization Expense	-
Capital Related Income Offsets	(4,265)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	562,189
Total Patient Days (Actual)	<u>31,625</u>
Cost of Capital Per Diem	\$ <u><u>17.78</u></u>

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