

# 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  
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May 11, 2006

Mr. Nat Benson  
83 Vincent Drive, Suite E  
Mount Pleasant, South Carolina 29464

Re: AC# 3-SDP-J2 – Bencare, Inc. d/b/a Sandpiper Convalescent Center, Inc.

Dear Mr. Benson:

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  
Mr. Bruce White  
Mr. Terry Schmoyer

**BENCARE INC. D/B/A  
SANDPIPER CONVALESCENT CENTER, INC.  
MOUNT PLEASANT, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2003  
AC# 3-SDP-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

October 10, 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 Bencare, Inc. d/b/a Sandpiper Convalescent Center, Inc., 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 Bencare, Inc. d/b/a Sandpiper Convalescent Center, Inc. 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.

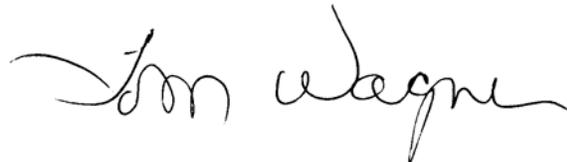
The procedures and the associated findings are as follows:

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 Bencare, Inc. d/b/a Sandpiper Convalescent Center, Inc., 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 Bencare, Inc. d/b/a Sandpiper Convalescent Center, Inc. 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  
October 10, 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

**SANDPIPER CONVALESCENT CENTER, INC.**

Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2003  
AC# 3-SDP-J2

10/01/03-  
05/04/04

|                                |                       |
|--------------------------------|-----------------------|
| Interim Reimbursement Rate (1) | \$114.70              |
| Adjusted Reimbursement Rate    | <u>113.37</u>         |
| Decrease in Reimbursement Rate | \$ <u><u>1.33</u></u> |

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

**SANDPIPER CONVALESCENT CENTER, INC.**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2003 Through May 4, 2004  
 AC# 3-SDP-J2

|                                                   | <u>Incentives</u> | <u>Allowable<br/>Cost</u> | <u>Cost<br/>Standard</u> | <u>Computed<br/>Rate</u> |
|---------------------------------------------------|-------------------|---------------------------|--------------------------|--------------------------|
| <u>Costs Subject to Standards:</u>                |                   |                           |                          |                          |
| General Services                                  |                   | \$53.81                   | \$ 66.44                 |                          |
| Dietary                                           |                   | 10.78                     | 11.55                    |                          |
| Laundry/Housekeeping/Maintenance                  |                   | <u>12.90</u>              | <u>9.83</u>              |                          |
| Subtotal                                          | <u>\$6.15</u>     | 77.49                     | 87.82                    | \$ 77.49                 |
| Administration & Medical Records                  | <u>\$2.83</u>     | <u>10.63</u>              | <u>13.46</u>             | <u>10.63</u>             |
| Subtotal                                          |                   | 88.12                     | <u>\$101.28</u>          | 88.12                    |
| <u>Costs Not Subject to Standards:</u>            |                   |                           |                          |                          |
| Utilities                                         |                   | 3.10                      |                          | 3.10                     |
| Special Services                                  |                   | -                         |                          | -                        |
| Medical Supplies & Oxygen                         |                   | 3.47                      |                          | 3.47                     |
| Taxes and Insurance                               |                   | 5.64                      |                          | 5.64                     |
| Legal Fees                                        |                   | <u>.01</u>                |                          | <u>.01</u>               |
| <b>TOTAL</b>                                      |                   | <u>\$100.34</u>           |                          | 100.34                   |
| Inflation Factor (4.70%)                          |                   |                           |                          | 4.72                     |
| Cost of Capital                                   |                   |                           |                          | 6.56                     |
| Cost of Capital Limitation                        |                   |                           |                          | -                        |
| Profit Incentive (Maximum 3.5% of Allowable Cost) |                   |                           |                          | 2.83                     |
| Cost Incentive                                    |                   |                           |                          | 6.15                     |
| Effect of \$1.75 Cap on Cost/Profit Incentives    |                   |                           |                          | <u>(7.23)</u>            |
| <b>ADJUSTED REIMBURSEMENT RATE</b>                |                   |                           |                          | <u>\$113.37</u>          |

**SANDPIPER CONVALESCENT CENTER, INC.**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2002  
 For the Contract Period October 1, 2003 Through May 4, 2004  
 AC# 3-SDP-J2

| <u>Expenses</u>                     | Totals (From<br>Schedule SC 13) as<br><u>Adjusted by DH&amp;HS</u> | Adjustments  |                                                      | <u>Adjusted<br/>Totals</u> |
|-------------------------------------|--------------------------------------------------------------------|--------------|------------------------------------------------------|----------------------------|
|                                     |                                                                    | <u>Debit</u> | <u>Credit</u>                                        |                            |
| General Services                    | \$3,379,424                                                        | \$ 517 (4)   | \$ 10,649 (3)<br>8,897 (4)<br>4,989 (8)<br>5,396 (8) | \$3,350,010                |
| Dietary                             | 676,533                                                            | -            | 730 (4)<br>5,007 (7)                                 | 670,796                    |
| Laundry                             | 243,981                                                            | -            | 101 (4)<br>325 (8)                                   | 243,555                    |
| Housekeeping                        | 346,165                                                            | -            | 630 (4)                                              | 345,535                    |
| Maintenance                         | 215,469                                                            | 4,415 (5)    | 126 (4)<br>6,050 (8)                                 | 213,708                    |
| Administration &<br>Medical Records | 692,760                                                            | -            | 666 (4)<br>61 (4)<br>17,224 (5)<br>13,218 (8)        | 661,591                    |
| Utilities                           | 193,064                                                            | -            | -                                                    | 193,064                    |
| Special Services                    | -                                                                  | -            | -                                                    | -                          |
| Medical Supplies &<br>Oxygen        | 228,581                                                            | 692 (7)      | 11,690 (7)<br>1,809 (8)                              | 215,774                    |
| Taxes and Insurance                 | 351,410                                                            | -            | 150 (8)                                              | 351,260                    |
| Legal Fees                          | 916                                                                | -            | -                                                    | 916                        |

**SANDPIPER CONVALESCENT CENTER, INC.**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2002  
 For the Contract Period October 1, 2003 Through May 4, 2004  
 AC# 3-SDP-J2

| <u>Expenses</u>             | Totals (From<br>Schedule SC 13) as<br><u>Adjusted by DH&amp;HS</u> | Adjustments                                                                                                      |                                                         | <u>Adjusted<br/>Totals</u> |
|-----------------------------|--------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|----------------------------|
|                             |                                                                    | <u>Debit</u>                                                                                                     | <u>Credit</u>                                           |                            |
| Cost of Capital             | 403,113                                                            | 23,799 (1)<br>5,817 (5)<br>6,442 (5)                                                                             | 3,134 (2)<br>5,817 (6)<br>938 (9)<br><u>20,777 (10)</u> | 408,505                    |
|                             | _____                                                              | _____                                                                                                            | _____                                                   | _____                      |
| Subtotal                    | 6,731,416                                                          | 41,682                                                                                                           | 118,384                                                 | 6,654,714                  |
| <br>Ancillary               | <br>126,327                                                        | <br>16,005 (7)                                                                                                   | <br>-                                                   | <br>142,332                |
| <br>Nonallowable            | <br>1,163,287                                                      | <br>3,134 (2)<br>10,649 (3)<br>10,694 (4)<br>550 (5)<br>5,817 (6)<br>31,937 (8)<br>938 (9)<br><u>20,777 (10)</u> | <br>23,799 (1)                                          | <br>1,223,984              |
|                             | _____                                                              | _____                                                                                                            | _____                                                   | _____                      |
| Total Operating<br>Expenses | <u>\$8,021,030</u>                                                 | <u>\$142,183</u>                                                                                                 | <u>\$142,183</u>                                        | <u>\$8,021,030</u>         |
| <br>Total Patient Days      | <br><u>62,227</u>                                                  | <br><u>27 (11)</u>                                                                                               | <br><u>-</u>                                            | <br><u>62,254</u>          |
| <br>Total Beds              | <br><u>176</u>                                                     |                                                                                                                  |                                                         |                            |

**SANDPIPER CONVALESCENT CENTER, INC.**  
Adjustment Report  
Cost Report Period Ended September 30, 2002  
AC# 3-SDP-J2

| <u>ADJUSTMENT</u><br><u>NUMBER</u> | <u>ACCOUNT TITLE</u>                                                                                       | <u>DEBIT</u> | <u>CREDIT</u> |
|------------------------------------|------------------------------------------------------------------------------------------------------------|--------------|---------------|
| 1                                  | Fixed Assets                                                                                               | \$226,772    |               |
|                                    | Other Equity                                                                                               | 103,360      |               |
|                                    | Cost of Capital                                                                                            | 23,799       |               |
|                                    | Accumulated Depreciation                                                                                   |              | \$330,132     |
|                                    | Nonallowable                                                                                               |              | 23,799        |
|                                    | To adjust fixed assets and related depreciation<br>HIM-15-1, Section 2304<br>State Plan, Attachment 4.19D  |              |               |
| 2                                  | Nonallowable                                                                                               | 3,134        |               |
|                                    | Cost of Capital                                                                                            |              | 3,134         |
|                                    | To adjust the loss on disposal<br>HIM-15-1, Section 132A.3.                                                |              |               |
| 3                                  | Nonallowable                                                                                               | 10,649       |               |
|                                    | Nursing                                                                                                    |              | 10,649        |
|                                    | To adjust allowable beauty and barber expense<br>HIM-15-1, Section 2102.3<br>State Plan, Attachment 4.19D  |              |               |
| 4                                  | Restorative                                                                                                | 517          |               |
|                                    | Nonallowable                                                                                               | 10,694       |               |
|                                    | Nursing                                                                                                    |              | 8,897         |
|                                    | Dietary                                                                                                    |              | 730           |
|                                    | Laundry                                                                                                    |              | 101           |
|                                    | Housekeeping                                                                                               |              | 630           |
|                                    | Maintenance                                                                                                |              | 126           |
|                                    | Administration                                                                                             |              | 666           |
|                                    | Medical Records                                                                                            |              | 61            |
|                                    | To adjust fringe benefits and related allocation<br>HIM-15-1, Section 2304<br>State Plan, Attachment 4.19D |              |               |

**SANDPIPER CONVALESCENT CENTER, INC.**  
Adjustment Report  
Cost Report Period Ended September 30, 2002  
AC# 3-SDP-J2

| <u>ADJUSTMENT</u><br><u>NUMBER</u> | <u>ACCOUNT TITLE</u>                                                                                        | <u>DEBIT</u> | <u>CREDIT</u> |
|------------------------------------|-------------------------------------------------------------------------------------------------------------|--------------|---------------|
| 5                                  | Fixed Assets                                                                                                | 32,210       |               |
|                                    | Maintenance                                                                                                 | 4,415        |               |
|                                    | Cost of Capital - Interest                                                                                  | 5,817        |               |
|                                    | Cost of Capital - Depreciation                                                                              | 6,442        |               |
|                                    | Nonallowable                                                                                                | 550          |               |
|                                    | Accumulated Depreciation                                                                                    |              | 6,979         |
|                                    | Other Equity                                                                                                |              | 25,231        |
|                                    | Administration                                                                                              |              | 17,224        |
|                                    | To properly capitalize copiers and<br>remove a duplicate copier expense<br>HIM-15-1, Sections 110B and 2304 |              |               |
| 6                                  | Nonallowable                                                                                                | 5,817        |               |
|                                    | Cost of Capital - Interest                                                                                  |              | 5,817         |
|                                    | To remove capital related interest<br>State Plan, Attachment 4.19D                                          |              |               |
| 7                                  | Medical Supplies & Oxygen - Oxygen                                                                          | 692          |               |
|                                    | Ancillary                                                                                                   | 16,005       |               |
|                                    | Dietary                                                                                                     |              | 5,007         |
|                                    | Medical Supplies & Oxygen<br>- Nursing Supplies                                                             |              | 11,690        |
|                                    | To properly classify expenses<br>DH&HS Crosswalk                                                            |              |               |
| 8                                  | Nonallowable                                                                                                | 31,937       |               |
|                                    | Nursing                                                                                                     |              | 4,989         |
|                                    | Restorative                                                                                                 |              | 5,396         |
|                                    | Laundry                                                                                                     |              | 325           |
|                                    | Maintenance                                                                                                 |              | 6,050         |
|                                    | Administration                                                                                              |              | 13,218        |
|                                    | Taxes and Insurance                                                                                         |              | 150           |
|                                    | Medical Supplies & Oxygen                                                                                   |              | 1,809         |
|                                    | To remove undocumented expense and<br>duplicate copier expense<br>HIM-15-1, Section 2304                    |              |               |

**SANDPIPER CONVALESCENT CENTER, INC.**  
Adjustment Report  
Cost Report Period Ended September 30, 2002  
AC# 3-SDP-J2

| <u>ADJUSTMENT<br/>NUMBER</u> | <u>ACCOUNT TITLE</u>                                                                                  | <u>DEBIT</u>            | <u>CREDIT</u>           |
|------------------------------|-------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| 9                            | Nonallowable<br>Cost of Capital                                                                       | 938                     | 938                     |
|                              | To adjust depreciation expense to<br>comply with capital cost policy<br>State Plan, Attachment 4.19D  |                         |                         |
| 10                           | Nonallowable<br>Cost of Capital                                                                       | 20,777                  | 20,777                  |
|                              | To adjust capital return<br>State Plan, Attachment 4.19D                                              |                         |                         |
| 11                           | <u>Memo Adjustment</u><br>To increase total patient days by 27<br>to 62,254<br>HIM-15-1, Section 2304 |                         |                         |
|                              | <b>TOTAL ADJUSTMENTS</b>                                                                              | <b><u>\$504,525</u></b> | <b><u>\$504,525</u></b> |

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.

**SANDPIPER CONVALESCENT CENTER, INC.**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2002  
 AC# 3-SDP-J2

|                                                            |                    |                  |                  |                  |
|------------------------------------------------------------|--------------------|------------------|------------------|------------------|
| Original Asset Cost (Per Bed)                              | \$ 15,618          | \$ 15,618        | \$ 15,618        | \$ 15,618        |
| Inflation Adjustment                                       | <u>2.55013</u>     | <u>2.55013</u>   | <u>2.55013</u>   | <u>2.55013</u>   |
| Deemed Asset Value (Per Bed)                               | 39,828             | 39,828           | 39,828           | 39,828           |
| Number of Beds                                             | <u>88</u>          | <u>44</u>        | <u>16</u>        | <u>28</u>        |
| Deemed Asset Value                                         | 3,504,864          | 1,752,432        | 637,248          | 1,115,184        |
| Improvements Since 1981                                    | 309,842            | 59,295           | 5,661            | -                |
| Accumulated Depreciation at 9/30/02                        | <u>(1,217,854)</u> | <u>(638,706)</u> | <u>(278,540)</u> | <u>(487,444)</u> |
| Deemed Depreciated Value                                   | 2,596,852          | 1,173,021        | 364,369          | 627,740          |
| Market Rate of Return                                      | <u>.0561</u>       | <u>.0561</u>     | <u>.0561</u>     | <u>.0561</u>     |
| Total Annual Return                                        | 145,683            | 65,806           | 20,441           | 35,216           |
| Return Applicable to<br>Non-Reimbursable Cost Centers      | (196)              | (89)             | (27)             | (47)             |
| Allocation of Interest to<br>Non-Reimbursable Cost Centers | <u>119</u>         | <u>73</u>        | <u>32</u>        | <u>56</u>        |
| Allowable Annual Return                                    | 145,606            | 65,790           | 20,446           | 35,225           |
| Depreciation Expense                                       | 47,086             | 47,709           | 17,254           | 30,195           |
| Amortization Expense                                       | 227                | 27               | 10               | 17               |

**SANDPIPER CONVALESCENT CENTER, INC.**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 2002  
AC# 3-SDP-J2

|                                                                                |                |                |                |                |                |
|--------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Capital Related Income Offsets                                                 | (352)          | (159)          | (49)           | (85)           |                |
| Allocation of Capital Expenses<br>to Non-Reimbursable Cost Centers             | <u>(221)</u>   | <u>(111)</u>   | <u>(40)</u>    | <u>(70)</u>    | <u>Total</u>   |
| Allowable Cost of Capital Expense                                              | 192,346        | 113,256        | 37,621         | 65,282         | \$408,505      |
| Total Patient Days (Actual)                                                    | <u>31,127</u>  | <u>15,564</u>  | <u>5,659</u>   | <u>9,904</u>   | <u>62,254</u>  |
| Cost of Capital Per Diem                                                       | \$ <u>6.18</u> | \$ <u>7.28</u> | \$ <u>6.65</u> | \$ <u>6.59</u> | \$ <u>6.56</u> |
| 6/30/89 Cost of Capital and Return on<br>Equity Capital Per Diem Reimbursement | \$5.68         | \$ N/A         | \$ N/A         | \$ N/A         |                |
| Adjustment for Maximum Increase                                                | <u>3.99</u>    | <u>N/A</u>     | <u>N/A</u>     | <u>N/A</u>     |                |
| Maximum Cost of Capital Per Diem                                               | \$ <u>9.67</u> | \$ <u>7.28</u> | \$ <u>6.65</u> | \$ <u>6.59</u> |                |
| Reimbursable Cost of Capital Per Diem                                          | \$ 6.56        |                |                |                |                |
| Cost of Capital Per Diem                                                       | <u>6.56</u>    |                |                |                |                |
| Cost of Capital Per Diem Limitation                                            | \$ <u>-</u>    |                |                |                |                |

2 copies of this document were published at an estimated printing cost of \$1.41 each, and a total printing cost of \$2.82. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.