

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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May 22, 2006

Ms. Sybil B. Neaves, Director of Reimbursement
UHS – Pruitt Corporation
Post Office Box 1210
Toccoa, Georgia 30577

Re: AC# 3-SMW-J2 – Southern Medical of Walterboro, Inc.
d/b/a Oakwood Health Care Center

Dear Ms. Neaves:

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

**SOUTHERN MEDICAL OF WALTERBORO, INC.
D/B/A OAKWOOD HEALTH CARE CENTER**

WALTERBORO, SOUTH CAROLINA

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

August 31, 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 Oakwood Health Care Center, 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 Oakwood Health 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.

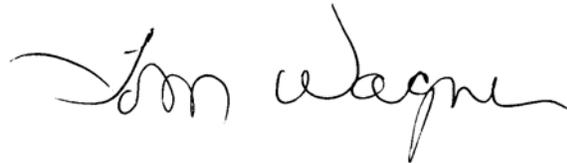
The procedures and the associated findings are as follows:

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 Oakwood Health 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 Summary of Costs and Total Patient Days and Adjustment Report 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 Oakwood Health 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 31, 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

OAKWOOD HEALTH CARE CENTER
Computation of Rate Change
For the Contract Period
Beginning October 1, 2003
AC# 3-SMW-J2

	<u>10/01/03-</u> <u>09/30/04</u>
Interim Reimbursement Rate (1)	\$103.76
Adjusted Reimbursement Rate	<u>102.76</u>
Decrease in Reimbursement Rate	\$ <u><u>1.00</u></u>

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

OAKWOOD HEALTH CARE CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2003 Through September 30, 2004
 AC# 3-SMW-J2

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$47.81	\$ 66.44	
Dietary		9.00	11.55	
Laundry/Housekeeping/Maintenance		<u>8.87</u>	<u>9.83</u>	
Subtotal	<u>\$6.15</u>	65.68	87.82	\$ 65.68
Administration & Medical Records	<u>\$4.10</u>	<u>9.36</u>	<u>13.46</u>	<u>9.36</u>
Subtotal		75.04	<u>\$101.28</u>	75.04
<u>Costs Not Subject to Standards:</u>				
Utilities		1.68		1.68
Special Services		.03		.03
Medical Supplies & Oxygen		3.35		3.35
Taxes and Insurance		9.86		9.86
Legal Fees		<u>.15</u>		<u>.15</u>
TOTAL		<u>\$90.11</u>		90.11
Inflation Factor (4.70%)				4.24
Cost of Capital				6.66
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				2.94
Cost Incentive				6.15
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(7.34)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$102.76</u>

OAKWOOD HEALTH CARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2002
AC# 3-SMW-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	\$2,209,987	\$ 2,452 (2)	\$ 966 (2)	\$2,211,473
Dietary	427,822	-	11,413 (2)	416,409
Laundry	104,873	-	4,404 (2)	100,469
Housekeeping	163,379	-	8,192 (2)	155,187
Maintenance	151,212	3,572 (2)	-	154,784
Administration & Medical Records	432,128	533 (2) 169 (2)	-	432,830
Utilities	77,584	-	-	77,584
Special Services	4,712	-	3,407 (3)	1,305
Medical Supplies & Oxygen	150,203	4,697 (3)	-	154,900
Taxes and Insurance	483,266	-	27,010 (1)	456,256
Legal Fees	7,007	-	-	7,007
Cost of Capital	<u>307,853</u>	<u>-</u>	<u>-</u>	<u>307,853</u>
Subtotal	4,520,026	11,423	55,392	4,476,057
Ancillary	155,076	15,342 (3)	-	170,418

OAKWOOD HEALTH CARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2002
AC# 3-SMW-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>	
Nonallowable	637,812	27,010 (1)	16,632 (3)	666,439
	<u> </u>	<u>18,249 (2)</u>	<u> </u>	<u> </u>
Total Operating Expenses	<u>\$5,312,914</u>	<u>\$72,024</u>	<u>\$72,024</u>	<u>\$5,312,914</u>
Total Patient Days	<u>46,253</u>	<u>-</u>	<u>-</u>	<u>46,253</u>
 Total Beds	 <u>132</u>			

OAKWOOD HEALTH CARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2002
AC# 3-SMW-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Taxes, Licenses & Insurance	\$27,010	\$27,010
	To adjust liability insurance HIM-15-1, Section 2304		
2	Restorative	2,452	
	Maintenance	3,572	
	Administration	533	
	Medical Records	169	
	Nonallowable	18,249	
	Nursing		966
	Dietary		11,413
	Laundry		4,404
	Housekeeping		8,192
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Medical Supplies	4,697	
	Ancillary	15,342	
	Therapy		3,407
	Nonallowable		16,632
	To remove special (ancillary) services reimbursed by Medicare and properly classify Medical Supplies and legend drugs State Plan, Attachment 4.19D DH&HS Crosswalk		
		\$72,024	\$72,024
	TOTAL ADJUSTMENTS		

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.

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