

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-J3 – 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, 2002 through September 30, 2003. That report was used to set the rate covering the contract period beginning October 1, 2004.

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/ms

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, 2004
AC# 3-SMW-J3**

**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 30, 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 Southern Medical of Walterboro, Inc. d/b/a Oakwood Health Care Center, for the contract period beginning October 1, 2004, and for the twelve month cost report period ended September 30, 2003, as set forth in the accompanying schedules. The management of Southern Medical of Walterboro, Inc. d/b/a 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.

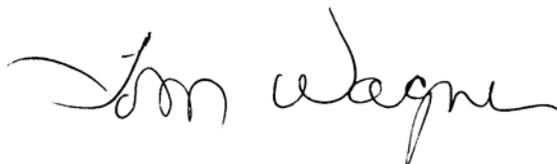
The procedures and the associated findings are as follows:

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 Southern Medical of Walterboro, Inc. d/b/a 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, 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 Southern Medical of Walterboro, Inc. d/b/a 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 30, 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 that reads "Tom Wagner". The signature is written in a cursive style with a large, sweeping initial "T" and a long, horizontal flourish at the end.

Thomas L. Wagner, Jr., CPA
State Auditor

OAKWOOD HEALTH CARE CENTER
Computation of Rate Change
For the Contract Period
Beginning October 1, 2004
AC# 3-SMW-J3

	10/01/04- <u>09/30/05</u>
Interim Reimbursement Rate (1)	\$109.63
Adjusted Reimbursement Rate	<u>106.53</u>
Decrease in Reimbursement Rate	\$ <u><u>3.10</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, 2004 Through September 30, 2005
 AC# 3-SMW-J3

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$51.94	\$ 75.95	
Dietary		9.64	12.15	
Laundry/Housekeeping/Maintenance		<u>9.18</u>	<u>10.42</u>	
Subtotal	\$ <u>6.90</u>	70.76	98.52	\$ 70.76
Administration & Medical Records	\$ <u>4.12</u>	<u>10.94</u>	<u>15.06</u>	<u>10.94</u>
Subtotal		81.70	<u>\$113.58</u>	81.70
<u>Costs Not Subject to Standards:</u>				
Utilities		1.97		1.97
Special Services		.02		.02
Medical Supplies & Oxygen		3.27		3.27
Taxes and Insurance		6.77		6.77
Legal Fees		<u>.15</u>		<u>.15</u>
TOTAL		<u>\$93.88</u>		93.88
Inflation Factor (4.70%)				4.41
Cost of Capital				6.49
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.29
Cost Incentive				6.90
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(8.44)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$106.53</u>

OAKWOOD HEALTH CARE CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2003
 AC# 3-SMW-J3

<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	\$2,394,796	\$ 5,091 (1) 1,814 (5) 658 (5)	\$ -	\$2,402,359
Dietary	451,954	1,274 (1)	7,317 (5)	445,911
Laundry	113,992	-	3,647 (5)	110,345
Housekeeping	162,659	-	8,183 (5)	154,476
Maintenance	160,714	2,380 (5)	3,434 (1)	159,660
Administration & Medical Records	591,325	4,153 (5)	88,425 (1) 820 (5)	506,233
Utilities	91,490	-	553 (1)	90,937
Special Services	3,287	391 (1)	2,702 (4)	976
Medical Supplies & Oxygen	182,717	-	31,299 (4)	151,418
Taxes and Insurance	319,994	-	1,568 (1) 5,404 (3)	313,022
Legal Fees	4,351	2,501 (1)	-	6,852
Cost of Capital	301,970	90 (2)	1,957 (1) 19 (6)	300,084
	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal	4,779,249	18,352	155,328	4,642,273

OAKWOOD HEALTH CARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2003
AC# 3-SMW-J3

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
Ancillary	268,628	34,950 (4)	-	303,578
Nonallowable	712,314	86,680 (1) 5,404 (3) 10,962 (5) <u>19 (6)</u>	90 (2) 949 (4)	814,340
Total Operating Expenses	<u>\$5,760,191</u>	<u>\$156,367</u>	<u>\$156,367</u>	<u>\$5,760,191</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, 2003
AC# 3-SMW-J3

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nursing	\$ 5,091	
	Dietary	1,274	
	Legal	2,501	
	Therapy	391	
	Nonallowable	86,680	
	Maintenance		\$ 3,434
	Administration		88,425
	Utilities		553
	Taxes, Licenses & Insurance		1,568
	Cost of Capital		1,957
	To adjust home office costs		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
2	Accumulated Depreciation	1,346	
	Cost of Capital	90	
	Other Equity	72	
	Fixed Assets		1,418
	Nonallowable		90
	To adjust fixed assets and related depreciation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
3	Nonallowable	5,404	
	Taxes, Licenses & Insurance		5,404
	To adjust liability insurance		
	HIM-15-1, Section 2304		
4	Ancillary	34,950	
	Medical Supplies & Oxygen		31,299
	Therapy		2,702
	Nonallowable		949
	To remove special ancillary services		
	reimbursed by Medicare and properly		
	classify expenses		
	State Plan, Attachment 4.19D		
	DH&HS Crosswalk		

OAKWOOD HEALTH CARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2003
AC# 3-SMW-J3

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nursing	1,814	
	Restorative	658	
	Maintenance	2,380	
	Administration	4,153	
	Nonallowable	10,962	
	Dietary		7,317
	Laundry		3,647
	Housekeeping		8,183
	Medical Records		820
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
6	Nonallowable	19	
	Cost of Capital		19
	To adjust capital return State Plan, Attachment 4.19D		
		\$157,785	\$157,785

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.

OAKWOOD HEALTH CARE CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2003
 AC# 3-SMW-J3

Original Asset Cost (Per Bed)	\$	15,618
Inflation Adjustment		<u>2.63785</u>
Deemed Asset Value (Per Bed)		41,198
Number of Beds		<u>132</u>
Deemed Asset Value		5,438,136
Improvements Since 1981		510,985
Accumulated Depreciation at 9/30/03		<u>(1,699,556)</u>
Deemed Depreciated Value		4,249,565
Market Rate of Return		<u>.0531</u>
Total Annual Return		225,652
Return Applicable to Non-Reimbursable Cost Centers		(736)
Allocation of Interest to Non-Reimbursable Cost Centers		<u>84</u>
Allowable Annual Return		225,000
Depreciation Expense		75,784
Amortization Expense		-
Capital Related Income Offsets		(358)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers		<u>(342)</u>
Allowable Cost of Capital Expense		300,084
Total Patient Days (Minimum 96% Occupancy)		<u>46,253</u>
Cost of Capital Per Diem	\$	<u><u>6.49</u></u>

OAKWOOD HEALTH CARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2003
AC# 3-SMW-J3

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$4.83
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$8.82</u>
Reimbursable Cost of Capital Per Diem	\$6.49
Cost of Capital Per Diem	<u>6.49</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

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