

State of South Carolina



Office of the State Auditor

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COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

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August 23, 2005

Mr. Grady Bethea, COO-LTC Clarendon Memorial Hospital
Clarendon Memorial Hospital
50 Hospital Street
Manning, South Carolina 29102

Re: AC# 3-WND-J1 – Clarendon Memorial Hospital d/b/a Windsor Manor

Dear Mr. Bethea:

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, 2000 through September 30, 2001. That report was used to set the rate covering the contract period beginning January 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.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Ms. Kathleen C. Snider

**CLARENDON MEMORIAL HOSPITAL
D/B/A WINDSOR MANOR**

SUMMERTON, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING JANUARY 1, 2003
AC# 3-WND-J1**

AGREED-UPON PROCEDURES REPORT

ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

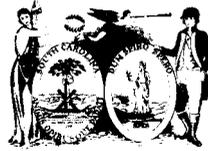
STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

April 7, 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 Windsor Manor, for the contract period beginning January 1, 2003, and for the twelve month cost report period ended September 30, 2001, as set forth in the accompanying schedules. The management of Clarendon Memorial Hospital d/b/a Windsor Manor 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 Windsor Manor, 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 Clarendon Memorial Hospital d/b/a Windsor Manor 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
April 7, 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

WINDSOR MANOR
Computation of Rate Change
For the Contract Period
Beginning January 1, 2003
AC# 3-WND-J1

	01/01/03- <u>09/30/03</u>
Interim Reimbursement Rate (1)	\$110.20
Adjusted Reimbursement Rate	<u>104.42</u>
Decrease in Reimbursement Rate	\$ <u><u>5.78</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated May 8, 2003

WINDSOR MANOR
 Computation of Adjusted Reimbursement Rate
 For the Contract Period January 1, 2003 Through September 30, 2003
 AC# 3-WND-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$53.50	\$63.44	
Dietary		12.72	11.63	
Laundry/Housekeeping/Maintenance		<u>11.29</u>	<u>10.22</u>	
Subtotal	\$ <u>5.97</u>	77.51	85.29	\$ 77.51
Administration & Medical Records	\$ <u>2.63</u>	<u>10.00</u>	<u>12.63</u>	<u>10.00</u>
Subtotal		87.51	\$ <u>97.92</u>	87.51
<u>Costs Not Subject to Standards:</u>				
Utilities		1.74		1.74
Special Services		.02		.02
Medical Supplies & Oxygen		2.88		2.88
Taxes and Insurance		.76		.76
Legal Fees		<u>.03</u>		<u>.03</u>
TOTAL		\$ <u>92.94</u>		92.94
Inflation Factor (3.70%)				3.44
Cost of Capital				6.29
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.63
Cost Incentive				5.97
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(6.85)</u>
ADJUSTED REIMBURSEMENT RATE				\$ <u>104.42</u>

WINDSOR MANOR
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2001
 AC# 3-WND-J1

<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>
General Services	\$1,213,385	\$ 590 (9)	\$ 176 (6) 5,190 (8) 287 (8)	\$1,208,322
Dietary	291,051	681 (2)	3,559 (4) 841 (8)	287,332
Laundry	68,011	142 (2)	254 (8)	67,899
Housekeeping	113,596	438 (2)	472 (8)	113,562
Maintenance	106,326	-	179 (8) 32,527 (9)	73,620
Administration & Medical Records	312,523	41 (2) 1,528 (5) 435 (5)	1,211 (7) 600 (8) 86,933 (9)	225,783
Utilities	39,208	18 (9)	-	39,226
Special Services	342	-	-	342
Medical Supplies & Oxygen	87,792	916 (2)	1,963 (5) 20,779 (6) 933 (10)	65,033
Taxes and Insurance	17,075	24 (9)	-	17,099
Legal Fees	784	-	102 (9)	682
Cost of Capital	143,849	1,450 (3)	2,823 (1) 526 (11)	141,950
Subtotal	2,393,942	6,263	159,355	2,240,850

WINDSOR MANOR
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2001
 AC# 3-WND-J1

<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>	
Ancillary	51,701	-	-	51,701
Nonallowable	165,529	2,823 (1) 3,559 (4) 20,955 (6) 1,211 (7) 7,823 (8) 118,930 (9) 933 (10) 526 (11)	2,218 (2) 1,450 (3)	318,621
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Operating Expenses	<u>\$2,611,172</u>	<u>\$163,023</u>	<u>\$163,023</u>	<u>\$2,611,172</u>
Total Patient Days	<u>22,584</u>	<u>-</u>	<u>-</u>	<u>22,584</u>
Total Beds	<u>64</u>			

WINDSOR MANOR
Adjustment Report
Cost Report Period Ended September 30, 2001
AC# 3-WND-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 3,852	
	Nonallowable	2,823	
	Other Equity	10,262	
	Fixed Assets		\$14,114
	Cost of Capital		2,823
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Dietary	681	
	Laundry	142	
	Housekeeping	438	
	Administration	41	
	Medical Supplies	916	
	Nonallowable		2,218
	To amortize Start-up cost HIM-15-1, Section 2132		
3	Cost of Capital	1,450	
	Nonallowable		1,450
	To amortize organizational cost HIM-15-1, Section 2134		
4	Nonallowable	3,559	
	Dietary		3,559
	To properly record expenses HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
5	Medical Records	1,528	
	Administration	435	
	Medical Supplies & Oxygen - NS		1,963
	To properly record expenses HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

WINDSOR MANOR
Adjustment Report
Cost Report Period Ended September 30, 2001
AC# 3-WND-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable	20,955	
	Nursing		176
	Medical Supplies & Oxygen		20,779
	To properly record expenses HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Nonallowable	1,211	
	Administration		1,211
	To properly record expenses HIM-15-1, Sections 2304 State Plan, Attachment 4.19D		
8	Nonallowable	7,823	
	Nursing		5,190
	Restorative		287
	Dietary		841
	Laundry		254
	Housekeeping		472
	Maintenance		179
	Administration		600
	To adjust fringe benefits HIM-15-1, Section 2304		
9	Nursing	590	
	Taxes and Insurance	24	
	Utilities	18	
	Nonallowable	118,930	
	Administration		86,933
	Legal		102
	Maintenance		32,527
	To adjust home office cost HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
10	Nonallowable	933	
	Medical Supplies		933
	To adjust special ancillary services cost State Plan, Attachment 4.19D		

WINDSOR MANOR
Adjustment Report
Cost Report Period Ended September 30, 2001
AC# 3-WND-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
11	Nonallowable Cost of Capital	526	526
	To adjust capital return State Plan, Attachment 4.19D		
		_____	_____
	TOTAL ADJUSTMENTS	\$ <u>177,137</u>	\$ <u>177,137</u>

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.

WINDSOR MANOR
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2001
 AC# 3-WND-J1

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.4607</u>
Deemed Asset Value (Per Bed)	38,431
Number of Beds	<u>64</u>
Deemed Asset Value	2,459,584
Improvements Since 1981	171,272
Accumulated Depreciation at 9/30/01	<u>(464,560)</u>
Deemed Depreciated Value	2,166,296
Market Rate of Return	<u>.0577</u>
Total Annual Return	124,995
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	124,995
Depreciation Expense	19,912
Amortization Expense	1,450
Capital Related Income Offsets	(4,407)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	141,950
Total Patient Days	<u>22,584</u>
Cost of Capital Per Diem	\$ <u><u>6.29</u></u>

WINDSOR MANOR
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2001
AC# 3-WND-J1

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 3.34
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>7.33</u>
Reimbursable Cost of Capital Per Diem	\$ 6.29
Cost of Capital Per Diem	<u>6.29</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>

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