

# State of South Carolina



## Office of the State Auditor

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA  
DEPUTY STATE AUDITOR

(803) 253-4160  
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September 19, 2006

Mr. Richard Humphrey, Chief Financial Officer  
Kershaw County Hospital  
Box 7000  
Camden, South Carolina 29020-7000

Re: AC# 3-ASK-J1 – A. Sam Karesh Long Term Care Nursing Facility

Dear Mr. Humphrey:

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 payable for amounts underpaid as a result of the rate change 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.

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA  
Deputy State Auditor

RHGjr/cwc

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

**A. SAM KARESH LONG TERM CARE NURSING FACILITY**

**CAMDEN, SOUTH CAROLINA**

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

June 22, 2006

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 A. Sam Karesh Long Term Care Nursing Facility, 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 A. Sam Karesh Long Term Care Nursing Facility 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 A. Sam Karesh Long Term Care Nursing Facility, 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 A. Sam Karesh Long Term Care Nursing Facility 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  
June 22, 2006

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 "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA  
Deputy State Auditor

**A. SAM KARESH LONG TERM CARE NURSING FACILITY**

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

	01/01/03- <u>09/30/03</u>
Adjusted Reimbursement Rate	\$126.46
Interim Reimbursement Rate (1)	<u>124.73</u>
Increase in Reimbursement Rate	\$ <u>1.73</u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated March 1, 2006.

**A. SAM KARESH LONG TERM CARE NURSING FACILITY**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period January 1, 2003 Through September 30, 2003  
 AC# 3-ASK-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 71.42	\$ 67.86	
Dietary		13.86	11.63	
Laundry/Housekeeping/Maintenance		<u>11.67</u>	<u>10.22</u>	
Subtotal	\$ <u>-</u>	96.95	89.71	\$ 89.71
Administration & Medical Records	<u>\$1.02</u>	<u>11.61</u>	<u>12.63</u>	<u>11.61</u>
Subtotal		108.56	<u>\$102.34</u>	101.32
<u>Costs Not Subject to Standards:</u>				
Utilities		3.98		3.98
Special Services		-		-
Medical Supplies & Oxygen		7.20		7.20
Taxes and Insurance		.27		.27
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$120.01</u>		112.77
Inflation Factor (3.70%)				4.17
Cost of Capital				12.45
Cost of Capital Limitation				(3.95)
Profit Incentive (Maximum 3.5% of Allowable Cost)				1.02
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>-</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$126.46</u>

**A. SAM KARESH LONG TERM CARE NURSING FACILITY**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2001  
 AC# 3-ASK-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$1,982,243	\$284,208 (1)	\$ -	\$2,266,451
Dietary	511,595	-	71,664 (1)	439,931
Laundry	51,797	-	10,657 (1)	41,140
Housekeeping	174,999	-	34,095 (1)	140,904
Maintenance	174,518	13,660 (1)	-	188,178
Administration & Medical Records	651,583	-	283,139 (1)	368,444
Utilities	117,135	9,127 (1)	-	126,262
Special Services	2,730	-	2,730 (1)	-
Medical Supplies & Oxygen	164,010	64,517 (1)	-	228,527
Taxes and Insurance	27,363	-	18,717 (1)	8,646
Legal Fees	-	-	-	-
Cost of Capital	<u>271,881</u>	<u>127,907 (2)</u>	<u>4,634 (1)</u>	<u>395,154</u>
Subtotal	4,129,854	499,419	425,636	4,203,637

**A. SAM KARESH LONG TERM CARE NURSING FACILITY**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2001  
AC# 3-ASK-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
Ancillary	287	-	287 (1)	-
Nonallowable	(2,181,249)	2,225,025 (1)	127,907 (2)	(84,131)
Total Operating Expenses	<u>\$1,948,892</u>	<u>\$2,724,444</u>	<u>\$553,830</u>	<u>\$4,119,506</u>
Total Patient Days	<u>31,986</u>	<u>-</u>	<u>254 (3)</u>	<u>31,732</u>
Total Beds	<u>88</u>			

**A. SAM KARESH LONG TERM CARE NURSING FACILITY**  
Adjustment Report  
Cost Report Period Ended September 30, 2001  
AC# 3-ASK-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	General Services	\$ 284,208	
	Maintenance	13,660	
	Utilities	9,127	
	Medical Supplies	64,517	
	Nonallowable	2,225,025	
	Dietary		\$ 71,664
	Laundry		10,657
	Housekeeping		34,095
	Administration & Medical Records		283,139
	Taxes and Insurance		18,717
	Special Services		2,730
	Cost of Capital		4,634
	Ancillary		287
	Other Equity		2,170,614
	To adjust cost centers to amounts per the as-filed Medicare cost report HIM-15-1, Section 2300		
2	Cost of Capital	127,907	
	Nonallowable		127,907
	To adjust capital return to allowable State Plan, Attachment 4.19D		
3	<u>Memo Adjustment:</u>		
	To decrease patient days by 254 from 31,986 to 31,732 State Plan, Attachment 4.19D		
	<b>TOTAL ADJUSTMENTS</b>	<b><u>\$2,724,444</u></b>	<b><u>\$2,724,444</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.

**A. SAM KARESH LONG TERM CARE NURSING FACILITY**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2001  
 AC# 3-ASK-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>88</u>
Deemed Asset Value	3,381,928
Improvements Since 1981	1,058,087
Accumulated Depreciation at 9/30/01	( <u>1,829,872</u> )
Deemed Depreciated Value	2,610,143
Market Rate of Return	<u>.0577</u>
Total Annual Return	150,605
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	150,605
Depreciation Expense	268,192
Amortization Expense	-
Capital Related Income Offsets	(23,643)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	395,154
Total Patient Days (Actual)	<u>31,732</u>
Cost of Capital Per Diem	\$ <u><u>12.45</u></u>

**A. SAM KARESH LONG TERM CARE NURSING FACILITY**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 2001  
AC# 3-ASK-J1

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 4.51
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>8.50</u>
Reimbursable Cost of Capital Per Diem	\$ 8.50
Cost of Capital Per Diem	<u>12.45</u>
Cost of Capital Per Diem Limitation	\$ <u>(3.95)</u>

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