

*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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August 11, 2006

Ms. Cindy Foster, Controller  
Bamberg County Hospital  
Post Office Drawer 507  
Bamberg, South Carolina 29003

Re: AC# 3-BMB-J3 – Bamberg County Memorial Nursing Center

Dear Ms. Foster:

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 payable for amounts underpaid as a result of the rate changes 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/sag

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

**BAMBERG COUNTY MEMORIAL NURSING CENTER**

**BAMBERG, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2004  
AC# 3-BMB-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

July 17, 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 Bamberg County Memorial Nursing 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 Bamberg County Memorial Nursing 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 Bamberg County Memorial Nursing 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 Bamberg County Memorial Nursing 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  
July 17, 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

**BAMBERG COUNTY MEMORIAL NURSING CENTER**

Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2004  
AC# 3-BMB-J3

10/01/04-  
09/30/05

Adjusted Reimbursement Rate	\$131.14
Interim Reimbursement Rate (1)	<u>125.60</u>
Increase in Reimbursement Rate	\$ <u><u>5.54</u></u>

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

**BAMBERG COUNTY MEMORIAL NURSING CENTER**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2004 Through September 30, 2005  
 AC# 3-BMB-J3

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 65.42	\$ 65.45	
Dietary		17.57	12.42	
Laundry/Housekeeping/Maintenance		<u>14.41</u>	<u>11.28</u>	
Subtotal	\$ <u>-</u>	97.40	89.15	\$ 89.15
Administration & Medical Records	<u>\$1.75</u>	<u>12.90</u>	<u>14.65</u>	<u>12.90</u>
Subtotal		110.30	<u>\$103.80</u>	102.05
<u>Costs Not Subject to Standards:</u>				
Utilities		3.42		3.42
Special Services		-		-
Medical Supplies & Oxygen		5.06		5.06
Taxes and Insurance		1.26		1.26
Legal Fees		<u>.20</u>		<u>.20</u>
<b>TOTAL</b>		<u>\$120.24</u>		111.99
Inflation Factor (4.70%)				5.26
Cost of Capital				12.14
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				1.75
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>-</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$131.14</u>

**BAMBERG COUNTY MEMORIAL NURSING CENTER**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2003  
 AC# 3-BMB-J3

<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	\$1,949,688	\$118,067 (1)	\$ -	\$2,067,755
Dietary	681,469	-	126,295 (1)	555,174
Laundry	33,303	-	3,903 (1)	29,400
Housekeeping	199,871	-	113,656 (1)	86,215
Maintenance	248,889	91,051 (1)	-	339,940
Administration & Medical Records	366,010	41,717 (1)	-	407,727
Utilities	96,110	12,081 (1)	-	108,191
Special Services	-	-	-	-
Medical Supplies & Oxygen	136,340	23,459 (1)	-	159,799
Taxes and Insurance	67,978	-	28,059 (1)	39,919
Legal Fees	-	6,218 (1)	-	6,218
Cost of Capital	266,866	77,788 (1)	-	383,793
	<u>                    </u>	<u>39,139 (2)</u>	<u>                    </u>	<u>                    </u>
Subtotal	4,046,524	409,520	271,913	4,184,131

**BAMBERG COUNTY MEMORIAL NURSING CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2003  
AC# 3-BMB-J3

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Ancillary	313,691	-	203,937 (1)	109,754
Nonallowable	<u>(82,648)</u>	<u>160,868</u> (1)	<u>39,139</u> (2)	<u>39,081</u>
Total Operating Expenses	<u>\$4,277,567</u>	<u>\$570,388</u>	<u>\$514,989</u>	<u>\$4,332,966</u>
Total Patient Days	<u>31,605</u>	<u>-</u>	<u>-</u>	<u>31,605</u>
 Total Beds	 <u>88</u>			

**BAMBERG COUNTY MEMORIAL NURSING CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2003  
AC# 3-BMB-J3

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	General Services	\$118,067	
	Maintenance	91,051	
	Administration and Medical Records	41,717	
	Utilities	12,081	
	Medical Supplies	23,459	
	Legal	6,218	
	Cost of Capital	77,788	
	Nonallowable	160,868	
	Dietary		\$126,295
	Laundry		3,903
	Housekeeping		113,656
	Taxes and Insurance		28,059
	Ancillary		203,937
	Other Equity		55,399
	To adjust cost centers to amounts per the as-filed Medicare cost report HIM-15-1, Section 2300		
2	Cost of Capital	39,139	
	Nonallowable		39,139
	To adjust capital return to allowable State Plan, Attachment 4.19D		
		\$570,388	\$570,388
	TOTAL ADJUSTMENTS	\$570,388	\$570,388

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.

**BAMBERG COUNTY MEMORIAL NURSING CENTER**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2003  
 AC# 3-BMB-J3

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.63785</u>	<u>2.63785</u>	<u>2.63785</u>	
Deemed Asset Value (Per Bed)	41,198	41,198	41,198	
Number of Beds	<u>22</u>	<u>22</u>	<u>44</u>	
Deemed Asset Value	906,356	906,356	1,812,712	
Improvements Since 1981	237,255	26,291	-	
Accumulated Depreciation at 9/30/03	<u>(481,091)</u>	<u>(427,319)</u>	<u>(272,687)</u>	
Deemed Depreciated Value	662,520	505,328	1,540,025	
Market Rate of Return	<u>.0531</u>	<u>.0531</u>	<u>.0531</u>	
Total Annual Return	35,180	26,833	81,775	
Return Applicable to Non-Reimbursable Cost Centers	-	-	-	
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>-</u>	
Allowable Annual Return	35,180	26,833	81,775	
Depreciation Expense	48,527	63,520	131,545	
Amortization Expense	-	-	-	
Capital Related Income Offsets	(35)	(633)	(2,919)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	83,672	89,720	210,401	\$383,793
Total Patient Days (Actual)	<u>7,901</u>	<u>7,901</u>	<u>15,803</u>	<u>31,605</u>
Cost of Capital Per Diem	\$ <u>10.59</u>	\$ <u>11.36</u>	\$ <u>13.31</u>	\$ <u>12.14</u>

**BAMBERG COUNTY MEMORIAL NURSING CENTER**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2003  
 AC# 3-BMB-J3

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 7.79	\$ N/A	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$11.78</u>	<u>\$11.36</u>	<u>\$13.31</u>
 Weighted Average Reimbursable Cost of Capital Per Diem*		\$12.44	
Cost of Capital Per Diem		<u>12.14</u>	
Cost of Capital Per Diem Limitation		<u>\$ -</u>	
 *((7,901 x 11.78)+ 89,720 + 210,401)/31,605			

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