

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 23, 2006

Mr. Tony Stewart, Assistant Administrator
Ellenburg Nursing Center, Inc.
611 East Hampton Street
Anderson, South Carolina 29624

Re: AC# 3-ELB-J4 – Ellenburg Nursing Center, Inc.

Dear Mr. Stewart:

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, 2003 through September 30, 2004. That report was used to set the rate covering the contract period beginning October 1, 2005.

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.

By request of the state medicaid agency this letter also serves as an official notice of your requirement to respond with a report of planned corrective actions on the recommendations and deficiencies noted in this report within forty-five (45) days of the date of this letter. Your response should reference the audit control number and be addressed to: Division of Home Health and Nursing Facility Services, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina, 29202-8206. You are also required to simultaneously furnish a copy of your corrective action report to the State Auditor's Office.

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." with a stylized flourish at the end.

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

RHGjr/sag

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

ELLENBURG NURSING CENTER, INC.

ANDERSON, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2005
AC# 3-ELB-J4**

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 19, 2004

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 Ellenburg Nursing Center, Inc., for the contract period beginning October 1, 2005, and for the twelve month cost report period ended September 30, 2004, as set forth in the accompanying schedules. The management of Ellenburg Nursing Center, Inc. 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 Ellenburg Nursing Center, Inc., 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, Cost of Capital Reimbursement Analysis and Comments and Recommendations 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 Ellenburg Nursing Center, Inc. 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 19, 2004

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

ELLENBURG NURSING CENTER, INC.
Computation of Rate Change
For the Contract Period
Beginning October 1, 2005
AC# 3-ELB-J4

	Beginning <u>10/01/05</u>
Interim Reimbursement Rate (1)	\$127.30
Adjusted Reimbursement Rate	<u>126.35</u>
Decrease in Reimbursement Rate	\$ <u><u>.95</u></u>

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

ELLENBURG NURSING CENTER, INC.
 Computation of Adjusted Reimbursement Rate
 For the Contract Period Beginning October 1, 2005
 AC# 3-ELB-J4

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 66.87	\$ 75.11	
Dietary		13.42	12.63	
Laundry/Housekeeping/Maintenance		<u>14.05</u>	<u>10.97</u>	
Subtotal	\$ <u>4.37</u>	94.34	98.71	\$ 94.34
Administration & Medical Records	\$ <u>5.65</u>	<u>10.48</u>	<u>16.13</u>	<u>10.48</u>
Subtotal		104.82	<u>\$114.84</u>	104.82
<u>Costs Not Subject to Standards:</u>				
Utilities		2.29		2.29
Special Services		-		-
Medical Supplies & Oxygen		2.57		2.57
Taxes and Insurance		3.42		3.42
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$113.10</u>		113.10
Inflation Factor (4.70%)				5.32
Cost of Capital				6.18
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.96
Cost Incentive				4.37
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(6.58)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$126.35</u>

ELLENBURG NURSING CENTER, INC.
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2004
 AC# 3-ELB-J4

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$4,365,350	\$ -	\$ -	\$4,365,350
Dietary	876,108	-	-	876,108
Laundry	205,649	-	-	205,649
Housekeeping	322,932	-	-	322,932
Maintenance	388,341	-	-	388,341
Administration & Medical Records	700,865	-	16,788 (1)	684,077
Utilities	149,166	-	-	149,166
Special Services	-	-	-	-
Medical Supplies & Oxygen	212,382	-	44,679 (2)	167,703
Taxes and Insurance	223,165	-	-	223,165
Legal Fees	-	-	-	-
Cost of Capital	<u>401,180</u>	<u>2,208 (3)</u>	<u>-</u>	<u>403,388</u>
Subtotal	7,845,138	2,208	61,467	7,785,879

ELLENBURG NURSING CENTER, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2004
AC# 3-ELB-J4

<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>	
Ancillary	-	44,679 (2)	-	44,679
Nonallowable	<u>685,947</u>	<u>16,788</u> (1)	<u>2,208</u> (3)	<u>700,527</u>
Total Operating Expenses	<u>\$8,531,085</u>	<u>\$63,675</u>	<u>\$63,675</u>	<u>\$8,531,085</u>
Total Patient Days	<u>65,278</u>	<u>-</u>	<u>-</u>	<u>65,278</u>
 Total Beds	 <u>181</u>			

ELLENBURG NURSING CENTER, INC.
Adjustment Report
Cost Report Period Ended September 30, 2004
AC# 3-ELB-J4

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Administration	\$16,788	\$16,788
	To remove interest on officer loans HIM-15-1, Section 218.1 State Plan, Attachment 4.19D		
2	Ancillary Medical Supplies & Oxygen	44,679	44,679
	To properly classify diabetic testing supplies DH&HS Expense Checklist		
3	Cost of Capital Nonallowable	2,208	2,208
	To adjust capital return		
	TOTAL ADJUSTMENTS	\$ <u>63,675</u>	\$ <u>63,675</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.

ELLENBURG NURSING CENTER, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2004
AC# 3-ELB-J4

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.7149</u>
Deemed Asset Value (Per Bed)	42,402
Number of Beds	<u>181</u>
Deemed Asset Value	7,674,762
Improvements Since 1981	672,543
Accumulated Depreciation at 9/30/04	<u>(1,536,588)</u>
Deemed Depreciated Value	6,810,717
Market Rate of Return	<u>.0516</u>
Total Annual Return	351,433
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	351,433
Depreciation Expense	51,980
Amortization Expense	-
Capital Related Income Offsets	(25)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	403,388
Total Patient Days (Actual)	<u>65,278</u>
Cost of Capital Per Diem	<u>\$ 6.18</u>

ELLENBURG NURSING CENTER, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2004
AC# 3-ELB-J4

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$3.03
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$7.02</u>
Reimbursable Cost of Capital Per Diem	\$6.18
Cost of Capital Per Diem	<u>6.18</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

COMMENTS AND RECOMMENDATIONS

Our agreed-upon procedures identified a condition that we have determined to be subject to correction or improvement. We believe this condition should be brought to your attention.

AVAILABILITY OF BOARD MINUTES

The Provider did not make the board minutes available for our review. Article V, Section G. 2. of the contract between SCDHHS and Ellenburg Nursing Center, Inc. dated October 1, 2001, as amended states:

“At any time during normal business hours and as often as SCDHHS, the State Auditor’s Office, the Office of the Attorney General, the Comptroller General, GAO, and USDHHS and/or any of the designees of the above may deem necessary during the contract period (including any amendments and/or extensions to the contract) and for six (6) years thereafter, the Provider shall make all program and financial records and service delivery sites open to the representatives of USDHHS, the Comptroller General, GAO, the State Auditor, the State Attorney General’s Office, SCDHHS and/or any designees of the above. SCDHHS, USDHHS, the Comptroller General GAO, the State Auditor’s Office, the Office of the Attorney General and/or the designees of any of the above shall have the right to examine and make copies, excerpts or transcripts from all records, contact and conduct private interviews with Provider clients and employees and do on-site reviews of all matters relating to service delivery as specified by this contract.”

A review of the board minutes may have resulted in additional items coming to our attention for review.

We recommend the Provider make all documentation requested available for review and provide the documentation in a timely fashion.

2 copies of this document were published at an estimated printing cost of \$1.38 each, and a total printing cost of \$2.76. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.