

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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October 27, 2006

Mr. Jerry Baker, Chief Financial Officer
Allendale County Memorial Hospital
Post Office Box 218
Fairfax, South Carolina 29827

Re: AC# 3-JEH-J2 - Allendale County d/b/a John Edward Harter Nursing Center

Dear Mr. Baker:

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, 2001 through September 30, 2002. That report was used to set the rate covering the contract period beginning October 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.

Yours very truly,

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/ms

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

**ALLENDALE COUNTY
D/B/A JOHN EDWARD HARTER NURSING CENTER
FAIRFAX, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2003
AC# 3-JEH-J2**

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 2003	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2003 THROUGH SEPTEMBER 30, 2004	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2002	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	8

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 8, 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 Allendale County d/b/a John Edward Harter Nursing Center, for the contract period beginning October 1, 2003, and for the twelve month cost report period ended September 30, 2002, as set forth in the accompanying schedules. The management of Allendale County d/b/a John Edward Harter 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 Allendale County d/b/a John Edward Harter 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 Allendale County d/b/a John Edward Harter 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
August 8, 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

ALLENDALE COUNTY D/B/A JOHN EDWARD HARTER NURSING CENTER

Computation of Rate Change
For the Contract Period
Beginning October 1, 2003
AC# 3-JEH-J2

	10/01/03- <u>09/30/04</u>
Interim Reimbursement Rate (1)	\$104.96
Adjusted Reimbursement Rate	<u>100.16</u>
Decrease in Reimbursement Rate	\$ <u>4.80</u>

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

ALLENDALE COUNTY D/B/A JOHN EDWARD HARTER NURSING CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2003 Through September 30, 2004
 AC# 3-JEH-J2

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$42.95	\$57.26	
Dietary		17.24	13.04	
Laundry/Housekeeping/Maintenance		<u>7.37</u>	<u>10.85</u>	
Subtotal	\$ <u>5.68</u>	67.56	81.15	\$ 67.56
Administration & Medical Records	\$ <u>5.90</u>	<u>10.33</u>	<u>16.23</u>	<u>10.33</u>
Subtotal		77.89	<u>\$97.38</u>	77.89
<u>Costs Not Subject to Standards:</u>				
Utilities		5.98		5.98
Special Services		-		-
Medical Supplies & Oxygen		3.02		3.02
Taxes and Insurance		.69		.69
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$87.58</u>		87.58
Inflation Factor (4.70%)				4.12
Cost of Capital				13.89
Cost of Capital Limitation				(7.18)
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.07
Cost Incentive				5.68
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(7.00)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$100.16</u>

ALLENDALE COUNTY D/B/A JOHN EDWARD HARTER NURSING CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2002
 AC# 3-JEH-J2

<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	\$ 634,881	\$ 27,362 (1)	\$ -	\$ 662,243
Dietary	283,985	-	18,176 (1)	265,809
Laundry	9,165	-	-	9,165
Housekeeping	84,795	-	50,017 (1)	34,778
Maintenance	110,958	-	41,293 (1)	69,665
Administration & Medical Records	178,001	-	18,735 (1)	159,266
Utilities	41,998	50,164 (1)	-	92,162
Special Services	-	-	-	-
Medical Supplies & Oxygen	46,438	97 (1)	-	46,535
Taxes and Insurance	30,797	-	20,209 (1)	10,588
Legal Fees	-	-	-	-
Cost of Capital	103,455	9,341 (1)	-	214,126
	<u> </u>	<u>101,330 (2)</u>	<u> </u>	<u> </u>
Subtotal	1,524,473	188,294	148,430	1,564,337

ALLENDALE COUNTY D/B/A JOHN EDWARD HARTER NURSING CARE

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2002
AC# 3-JEH-J2

<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	-	6 (1)	-	6
Nonallowable	110,090	-	73,567 (1)	(64,807)
	<u> </u>	<u> </u>	<u>101,330 (2)</u>	<u> </u>
Total Operating Expenses	<u>\$1,634,563</u>	<u>\$188,300</u>	<u>\$323,327</u>	<u>\$1,499,536</u>
Total Patient Days	<u>15,418</u>	<u> </u>	<u> </u>	<u>15,418</u>
 Total Beds	 <u>44</u>			

ALLENDALE COUNTY D/B/A JOHN EDWARD HARTER NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 2002
AC# 3-JEH-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	General Services	\$ 27,362	
	Utilities	50,164	
	Medical Supplies	97	
	Cost of Capital	9,341	
	Ancillary	6	
	Other Equity	135,027	
	Dietary		\$ 18,176
	Housekeeping		50,017
	Maintenance		41,293
	Administration & Medical Records		18,735
	Taxes and Insurance		20,209
	Nonallowable		73,567
	To adjust cost centers to amounts per the as-filed Medicare cost report HIM-15-1, Section 2300		
2	Cost of Capital	101,330	
	Nonallowable		101,330
	To adjust capital return State Plan, Attachment 4.19D		
		_____	_____
	TOTAL ADJUSTMENTS	\$ <u>323,327</u>	\$ <u>323,327</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.

ALLENDALE COUNTY D/B/A JOHN EDWARD HARTER NURSING CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2002
 AC# 3-JEH-J2

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.55013</u>
Deemed Asset Value (Per Bed)	39,828
Number of Beds	<u>44</u>
Deemed Asset Value	1,752,432
Improvements Since 1981	824,820
Accumulated Depreciation at 9/30/02	<u>(770,999)</u>
Deemed Depreciated Value	1,806,253
Market Rate of Return	<u>.0561</u>
Total Annual Return	101,331
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	101,331
Depreciation Expense	117,242
Amortization Expense	-
Capital Related Income Offsets	(4,447)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	214,126
Total Patient Days (Minimum 96% Occupancy)	<u>15,418</u>
Cost of Capital Per Diem	\$ <u><u>13.89</u></u>

ALLENDALE COUNTY D/B/A JOHN EDWARD HARTER NURSING CENTER

Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2002
AC# 3-JEH-J2

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 2.72
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>6.71</u>
Reimbursable Cost of Capital Per Diem	\$ 6.71
Cost of Capital Per Diem	\$ <u>13.89</u>
Cost of Capital Per Diem Limitation	\$ <u>(7.18)</u>

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