

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 27, 2006

Mr. Fred Todd, Vice President of Finance
Loris Community Hospital
3620 Stevens Street
Loris, South Carolina 29569

Re: AC# 3-LRS-J3 – Loris Hospital District d/b/a Loris Extended Care Center

Dear Mr. Todd:

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

**LORIS HOSPITAL DISTRICT
D/B/A LORIS EXTENDED CARE CENTER**

LORIS, SOUTH CAROLINA

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

September 11, 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 Loris Hospital District d/b/a Loris Extended Care 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 Loris Hospital District d/b/a Loris Extended Care 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 Loris Hospital District d/b/a Loris Extended Care 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 Loris Hospital District d/b/a Loris Extended Care 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
September 11, 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

LORIS EXTENDED CARE CENTER
Computation of Rate Change
For the Contract Period
Beginning October 1, 2004
AC# 3-LRS-J3

	<u>10/01/04-</u> <u>09/30/05</u>
Adjusted Reimbursement Rate	\$141.18
Interim Reimbursement Rate (1)	<u>130.54</u>
Increase in Reimbursement Rate	\$ <u><u>10.64</u></u>

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

LORIS EXTENDED CARE CENTER
Computation of Adjusted Reimbursement Rate
For the Cost Report Period October 1, 2004 Through September 30, 2005
AC# 3-LRS-J3

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 76.37	\$ 70.36	
Dietary		14.27	12.42	
Laundry/Housekeeping/Maintenance		<u>16.24</u>	<u>11.28</u>	
Subtotal	\$ <u>-</u>	106.88	94.06	\$ 94.06
Administration & Medical Records	\$ <u>-</u>	<u>19.83</u>	<u>14.65</u>	<u>14.65</u>
Subtotal		126.71	<u>\$108.71</u>	108.71
<u>Costs Not Subject to Standards:</u>				
Utilities		3.06		3.06
Special Services		-		-
Medical Supplies & Oxygen		6.40		6.40
Taxes and Insurance		1.10		1.10
Legal Fees		<u>.09</u>		<u>.09</u>
TOTAL		<u>\$137.36</u>		119.36
Inflation Factor (4.70%)				5.61
Cost of Capital				16.21
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>-</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$141.18</u>

LORIS EXTENDED CARE CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2003
 AC# 3-LRS-J3

<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>	
General Services	\$2,339,787	\$ 15,146 (1)	\$ -	\$2,354,933
Dietary	589,265	-	149,114 (1)	440,151
Laundry	48,533	2,802 (1)	-	51,335
Housekeeping	234,609	-	25,995 (1)	208,614
Maintenance	204,288	36,642 (1)	-	240,930
Administration & Medical Records	536,927	74,434 (1)	-	611,361
Utilities	122,328	-	28,050 (1)	94,278
Special Services	-	-	-	-
Medical Supplies & Oxygen	90,398	106,840 (1)	-	197,238
Taxes and Insurance	28,444	5,345 (1)	-	33,789
Legal Fees	-	2,755 (1)	-	2,755
Cost of Capital	263,140	265,392 (2)	24,113 (1) 4,561 (3)	499,858
Subtotal	4,457,719	509,356	231,833	4,735,242

LORIS EXTENDED CARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2003
AC# 3-LRS-J3

<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	-	324 (1)	-	324
Nonallowable	11,912	368,417 (1)	265,392 (2)	119,498
	<u> </u>	<u>4,561 (3)</u>	<u> </u>	<u> </u>
Total Operating Expenses	<u>\$4,469,631</u>	<u>\$882,658</u>	<u>\$497,225</u>	<u>\$4,855,064</u>
Total Patient Days	<u>30,835</u>	<u>-</u>	<u>-</u>	<u>30,835</u>
 Total Beds	 <u>88</u>			

LORIS EXTENDED CARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2003
AC# 3-LRS-J3

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	General Services	\$ 15,146	
	Laundry	2,802	
	Maintenance	36,642	
	Administration & Medical Records	74,434	
	Medical Supplies	106,840	
	Taxes and Insurance	5,345	
	Legal	2,755	
	Ancillary	324	
	Nonallowable	368,417	
	Dietary		\$149,114
	Housekeeping		25,995
	Utilities		28,050
	Cost of Capital		24,113
	Other Equity		385,433
	To adjust cost centers to amounts per the as-filed Medicare cost report HIM-15-1, Section 2300		
2	Cost of Capital	265,392	
	Nonallowable		265,392
	To adjust capital return State Plan, Attachment 4.19D		
3	Nonallowable	4,561	
	Cost of Capital		4,561
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
		\$882,658	\$882,658
	TOTAL ADJUSTMENTS	\$882,658	\$882,658

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.

LORIS EXTENDED CARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2003
AC# 3-LRS-J3

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.63785</u>
Deemed Asset Value (Per Bed)	41,198
Number of Beds	<u>88</u>
Deemed Asset Value	3,625,424
Improvements Since 1981	369,237
Accumulated Depreciation at 9/30/03	<u>(1,359,697)</u>
Deemed Depreciated Value	2,634,964
Market Rate of Return	<u>.0531</u>
Total Annual Return	139,917
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	139,917
Depreciation Expense	361,293
Amortization Expense	-
Capital Related Income Offsets	(1,352)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	499,858
Total Patient Days (Minimum 96% Occupancy)	<u>30,835</u>
Cost of Capital Per Diem	<u>\$ 16.21</u>

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