

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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February 21, 2007

Ms. Rhonda Sturkie, Administrator
Ridgeview of the Midlands
1645 Ridge Road
Hopkins, South Carolina 29061

Re: AC# 3-RDM-J2 – Ridgeview of the Midlands
d/b/a Ridgeview Manor Nursing Facility

Dear Ms. Sturkie:

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.", written in a cursive style.

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

RHGjr/ms

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

**RIDGEVIEW OF THE MIDLANDS
D/B/A RIDGEVIEW MANOR NURSING FACILITY**

HOPKINS, SOUTH CAROLINA

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

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 23, 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 Ridgeview of the Midlands d/b/a Ridgeview Manor Nursing Facility, 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 Ridgeview of the Midlands d/b/a Ridgeview Manor 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 performed 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 Ridgeview of the Midlands d/b/a Ridgeview Manor 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 Ridgeview of the Midlands d/b/a Ridgeview Manor 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 23, 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

RIDGEVIEW MANOR NURSING FACILITY
Computation of Rate Change
For the Contract Period
Beginning October 1, 2003
AC# 3-RDM-J2

	<u>10/01/03-</u> <u>09/30/04</u>
Interim Reimbursement Rate (1)	\$124.86
Adjusted Reimbursement Rate (2)	<u>114.59</u>
Decrease in Reimbursement Rate	\$ <u><u>10.27</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated May 8, 2003.

- (2) As provided under Article IV, Section E of the Provider's contract dated as October 1, 2001 as amended, "The Provider agrees that the rate charged to DHHS for service to an eligible Medicaid recipient under this contract will not be greater than that charged for a similar service to a private pay patient." We were unable to determine the charges for similar services to private pay patients due to a lack of records.

RIDGEVIEW MANOR NURSING FACILITY
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2003 Through September 30, 2004
 AC# 3-RDM-J2

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$58.56	\$66.54	
Dietary		10.16	13.04	
Laundry/Housekeeping/Maintenance		<u>6.37</u>	<u>10.85</u>	
Subtotal	\$ <u>6.33</u>	75.09	90.43	\$ 75.09
Administration & Medical Records	\$ <u>5.71</u>	<u>10.52</u>	<u>16.23</u>	<u>10.52</u>
Subtotal		85.61	<u>\$106.66</u>	85.61
<u>Costs Not Subject to Standards:</u>				
Utilities		2.93		2.93
Special Services		.15		.15
Medical Supplies & Oxygen		4.18		4.18
Taxes and Insurance		5.83		5.83
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$98.70</u>		98.70
Inflation Factor (4.70%)				4.64
Cost of Capital				9.50
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.45
Cost Incentive				6.33
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(8.03)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$114.59</u>

RIDGEVIEW MANOR NURSING FACILITY
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2002
 AC# 3-RDM-J2

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$641,025	\$ -	\$ 5,055 (3) 5,851 (5) 11,296 (6) 453 (6)	\$618,370
Dietary	143,212	-	2,033 (6) 33,885 (8)	107,294
Laundry	2,298	40 (8)	541 (6)	1,797
Housekeeping	57,885	-	1,278 (6) 10,349 (8)	46,258
Maintenance	23,472	-	324 (6) 3,911 (8)	19,237
Administration & Medical Records	120,716	5,788 (6)	15,369 (8)	111,135
Utilities	41,346	-	4,356 (4) 6,014 (8)	30,976
Special Services	2,096	-	494 (6)	1,602
Medical Supplies & Oxygen	44,621	-	491 (3)	44,130

RIDGEVIEW MANOR NURSING FACILITY
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2002
AC# 3-RDM-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>
Taxes and Insurance	73,410	-	11,845 (8)	61,565
Legal Fees	-	-	-	-
Cost of Capital	95,841	55,054 (7) 38,626 (9)	45,127 (1) 13,278 (2) <u>4,164 (8)</u>	126,952
Subtotal	<u>1,245,922</u>	<u>99,508</u>	<u>176,114</u>	<u>1,169,316</u>
Ancillary	17,757	-	-	17,757
Nonallowable	666,784	45,127 (1) 13,278 (2) 5,546 (3) 4,356 (4) 5,851 (5) 11,440 (6) <u>85,497 (8)</u>	809 (6) 55,054 (7) 38,626 (9)	743,390
Total Operating Expenses	<u>\$1,930,463</u>	<u>\$270,603</u>	<u>\$270,603</u>	<u>\$1,930,463</u>
Total Patient Days	<u>10,560</u>	<u>-</u>	<u>-</u>	<u>10,560</u>
Cost of Capital Patient Days	<u>10,560</u>	<u>2,803 (10)</u>	<u>-</u>	<u>13,363</u>
Total Beds	<u>30</u>			

RIDGEVIEW MANOR NURSING FACILITY
Adjustment Report
Cost Report Period Ended September 30, 2002
AC# 3-RDM-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$104,142	
	Nonallowable	45,127	
	Other Equity	295,452	
	Fixed Assets		\$399,594
	Cost of Capital		45,127
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	13,278	
	Cost of Capital		13,278
	To adjust amortization expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Nonallowable	5,546	
	Nursing		5,055
	Medical Supplies and Oxygen		491
	To disallow expense HIM-15-1, Sections 2304 and 2305 State Plan, Attachment 4.19D		
4	Nonallowable	4,356	
	Utilities		4,356
	To properly record expenses HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
5	Nonallowable	5,851	
	Nursing		5,851
	To reclassify assisted living salaries HIM-15-1, Sections 2102.3 and 2304		

RIDGEVIEW MANOR NURSING FACILITY
Adjustment Report
Cost Report Period Ended September 30, 2002
AC# 3-RDM-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable	11,440	
	Administration	5,788	
	Nonallowable - Assisted Living		809
	Nursing		11,296
	Restorative		453
	Dietary		2,033
	Laundry		541
	Housekeeping		1,278
	Maintenance		324
	Therapy		494
	To adjust fringe benefits HIM-15-1, Section 2304		
7	Cost of Capital	55,054	
	Accumulated Depreciation	66,019	
	Nonallowable		55,054
	Other Equity		66,019
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
8	Nonallowable	85,497	
	Laundry	40	
	Cost of Capital		4,164
	Taxes and Insurance		11,845
	Administration		15,369
	Maintenance		3,911
	Utilities		6,014
	Housekeeping		10,349
	Dietary		33,885
	To remove cost applicable to non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

RIDGEVIEW MANOR NURSING FACILITY
Adjustment Report
Cost Report Period Ended September 30, 2002
AC# 3-RDM-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Cost of Capital Nonallowable	38,626	38,626
	To adjust capital return State Plan, Attachment 4.19D		
10	<u>Memo Adjustment:</u> To increase cost of capital patient days by 2,803		
	TOTAL ADJUSTMENTS	\$736,216	\$736,216

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.

RIDGEVIEW MANOR NURSING FACILITY
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2002
 AC# 3-RDM-J2

	<u>Old Beds</u>	<u>New Beds</u>	
Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.55013</u>	<u>2.55013</u>	
Deemed Asset Value (Per Bed)	39,828	39,828	
Number of Beds	<u>30</u>	<u>8</u>	
Deemed Asset Value	1,194,840	318,624	
Improvements Since 1981	1,412	-	
Accumulated Depreciation at 9/30/02	<u>(148,956)</u>	<u>-</u>	
Deemed Depreciated Value	1,047,296	318,624	
Market Rate of Return	<u>.0561</u>	<u>.0561</u>	
Total Annual Return	58,753	17,875	
Return Applicable to Non-Reimbursable Cost Centers	(2,967)	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>6,686</u>	<u>-</u>	
Allowable Annual Return	62,472	17,875	
Depreciation Expense	52,563		
Amortization Expense	-	-	
Capital Related Income Offsets			
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(5,958)</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	109,077	17,875	\$126,952
Total Patient Days	<u>10,560</u>	<u>2,803</u>	<u>13,363</u>
Cost of Capital Per Diem	\$ <u>10.33</u>	\$ <u>6.38</u>	\$ <u>9.50</u>

RIDGEVIEW MANOR NURSING FACILITY
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2002
 AC# 3-RDM-J2

	<u>Old Beds</u>	<u>New Beds</u>
6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ N/A	\$ N/A
Adjustment for Maximum Increase	<u>N/A</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$10.33</u>	<u>\$6.38</u>
Reimbursable Cost of Capital Per Diem		\$9.50
Cost of Capital Per Diem		<u>9.50</u>
Cost of Capital Per Diem Limitation		<u>\$ -</u>

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