

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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December 14, 2007

Mr. John Twitty, Controller
Health Management Resources
101 Grace Drive
Easley, South Carolina 29640

Re: AC# 3-ENC-J3 – Easley Nursing Center, Inc.

Dear Mr. Twitty:

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 the amounts owed as a result of the rate change shown at Exhibit A. You will be notified of payment 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/sag

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

EASLEY NURSING CENTER, INC.

EASLEY, SOUTH CAROLINA

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

August 14, 2007

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 Easley Nursing Center, Inc., 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 Easley 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 Easley 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, 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 Easley 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
August 14, 2007

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

EASLEY NURSING CENTER, INC.
Computation of Rate Change
For the Contract Period
Beginning October 1, 2004
AC# 3-ENC-J3

	10/01/04- <u>09/30/05</u>
Adjusted Reimbursement Rate	\$116.57
Interim Reimbursement Rate (1)	<u>115.55</u>
Increase in Reimbursement Rate	\$ <u><u>1.02</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing as of May 17, 2007.

EASLEY NURSING CENTER, INC.
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2004 Through September 30, 2005
 AC# 3-ENC-J3

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 58.50	\$ 70.99	
Dietary		9.85	12.15	
Laundry/Housekeeping/Maintenance		<u>11.17</u>	<u>10.42</u>	
Subtotal	<u>\$6.55</u>	79.52	93.56	\$ 79.52
Administration & Medical Records	<u>\$3.57</u>	<u>11.49</u>	<u>15.06</u>	<u>11.49</u>
Subtotal		91.01	<u>\$108.62</u>	91.01
<u>Costs Not Subject to Standards:</u>				
Utilities		1.97		1.97
Special Services		-		-
Medical Supplies & Oxygen		4.54		4.54
Taxes and Insurance		6.03		6.03
Legal Fees		<u>.07</u>		<u>.07</u>
TOTAL		<u>\$103.62</u>		103.62
Inflation Factor (4.70%)				4.87
Cost of Capital				6.33
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.57
Cost Incentive				6.55
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(8.37)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$116.57</u>

EASLEY NURSING CENTER, INC.
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2003
 AC# 3-ENC-J3

<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	\$2,132,231	\$ -	\$ 1,087 (6)	\$2,131,144
Dietary	358,744	23 (6)	-	358,767
Laundry	109,908	1 (6)	-	109,909
Housekeeping	199,212	81 (6)	-	199,293
Maintenance	97,495	82 (6)	-	97,577
Administration & Medical Records	407,120	1,079 (5) 10,230 (6)	-	418,429
Utilities	71,848	101 (6)	-	71,949
Special Services	105	-	-	105
Medical Supplies & Oxygen	179,956	-	14,467 (7) 69 (8)	165,420
Taxes and Insurance	172,538	46,814 (5) 404 (6)	-	219,756
Legal Fees	2,563	76 (6)	-	2,639
Cost of Capital	238,617	7,271 (4)	544 (1) 2,243 (2) 11,230 (3) <u>1,341 (6)</u>	230,530
Subtotal	3,970,337	66,162	30,981	4,005,518
Ancillary	151,362	14,467 (7)	-	165,829

EASLEY NURSING CENTER, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2003
AC# 3-ENC-J3

<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>	
Nonallowable	288,932	2,243 (2) 11,230 (3) 69 (8)	7,271 (4) 47,893 (5) 8,570 (6)	238,740
CNA Training & Testing	20,205	-	-	20,205
	_____	_____	_____	_____
Total Operating Expenses	<u>\$4,430,836</u>	<u>\$94,171</u>	<u>\$94,715</u>	<u>\$4,430,292</u>
Total Patient Days	<u>36,430</u>	<u>-</u>	<u>-</u>	<u>36,430</u>
Total Beds	<u>103</u>			

EASLEY NURSING CENTER, INC.
Adjustment Report
Cost Report Period Ended September 30, 2003
AC# 3-ENC-J3

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 7,130	
	Other Equity		\$ 3,235
	Fixed Assets		3,351
	Cost of Capital		544
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	2,243	
	Cost of Capital		2,243
	To remove reorganization costs HIM-15-1, Section 2134.10		
3	Nonallowable	11,230	
	Cost of Capital		11,230
	To properly state loan cost amortization HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Cost of Capital	7,271	
	Nonallowable		7,271
	To adjust capital return State Plan, Attachment 4.19D		
5	Administration & Medical Records	1,079	
	Taxes and Insurance	46,814	
	Nonallowable		47,893
	To adjust general insurance expense HIM-15-1, Section 2162 State Plan, Attachment 4.19D		

EASLEY NURSING CENTER, INC.
Adjustment Report
Cost Report Period Ended September 30, 2003
AC# 3-ENC-J3

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Dietary	23	
	Laundry	1	
	Housekeeping	81	
	Maintenance	82	
	Administration & Medical Records	10,230	
	Legal	76	
	Utilities	101	
	Taxes and Insurance	404	
	General Services		1,087
	Cost of Capital		1,341
	Nonallowable		8,570
	To adjust home office allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Ancillary	14,467	
	Medical Supplies & Oxygen		14,467
	To reclassify expenses to the proper cost center DH&HS Crosswalk State Plan, Attachment 4.19D		
8	Nonallowable	69	
	Medical Supplies & Oxygen		69
	To remove special (ancillary) services cost reimbursed by Medicare State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$101,301	\$101,301

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.

EASLEY NURSING CENTER, INC.
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2003
 AC# 3-ENC-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>103</u>
Deemed Asset Value	4,243,394
Improvements Since 1981	404,532
Accumulated Depreciation at 9/30/03	<u>(635,523)</u>
Deemed Depreciated Value	4,012,403
Market Rate of Return	<u>.0531</u>
Total Annual Return	213,059
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	213,059
Depreciation Expense	23,967
Amortization Expense	-
Capital Related Income Offsets	(6,496)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	230,530
Total Patient Days (Actual)	<u>36,430</u>
Cost of Capital Per Diem	<u>\$ 6.33</u>

EASLEY NURSING CENTER, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2003
AC# 3-ENC-J3

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$2.56
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$6.55</u>
Reimbursable Cost of Capital Per Diem	\$6.33
Cost of Capital Per Diem	<u>6.33</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

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