

# 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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May 20, 2008

Ms. Carol W. Disbro, Vice President of Reimbursement  
Fundamental Administrative Services  
930 Ridgebrook Road  
Sparks, Maryland 21152

Re: AC# 3-MMM-J4 – THI of South Carolina at Moncks Corner, LLC

Dear Ms. Disbro:

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.

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

**THI OF SOUTH CAROLINA AT  
MONCKS CORNER, LLC**

**MONCKS CORNER, SOUTH CAROLINA**

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

April 2, 2008

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 THI of South Carolina at Moncks Corner, LLC, 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 THI of South Carolina at Moncks Corner, LLC 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 THI of South Carolina at Moncks Corner, LLC, 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 THI of South Carolina at Moncks Corner, LLC 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  
April 2, 2008

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

**THI OF SOUTH CAROLINA AT MONCK'S CORNER, LLC**  
Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2005  
AC# 3-MMM-J4

	10/01/05- <u>09/30/06</u>
Interim Reimbursement Rate (1)	\$132.93
Adjusted Reimbursement Rate	<u>128.14</u>
Decrease in Reimbursement Rate	\$ <u><u>4.79</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated February 13, 2008.

**THI OF SOUTH CAROLINA AT MONCK'S CORNER, LLC**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2005 Through September 30, 2006  
 AC# 3-MMM-J4

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 68.12	\$ 75.11	
Dietary		11.21	12.63	
Laundry/Housekeeping/Maintenance		<u>8.79</u>	<u>10.97</u>	
Subtotal	<u>\$6.91</u>	88.12	98.71	\$ 88.12
Administration & Medical Records	<u>\$3.11</u>	<u>13.02</u>	<u>16.13</u>	<u>13.02</u>
Subtotal		101.14	<u>\$114.84</u>	101.14
<u>Costs Not Subject to Standards:</u>				
Utilities		2.62		2.62
Special Services		1.58		1.58
Medical Supplies & Oxygen		4.72		4.72
Taxes and Insurance		2.73		2.73
Legal Fees		<u>.13</u>		<u>.13</u>
<b>TOTAL</b>		<u>\$112.92</u>		112.92
Inflation Factor (4.70%)				5.31
Cost of Capital				8.16
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.11
Cost Incentive				6.91
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(8.27)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$128.14</u>

**THI OF SOUTH CAROLINA AT MONCK'S CORNER, LLC**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2004  
AC# 3-MMM-J4

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$3,159,528	\$ -	\$ -	\$3,159,528
Dietary	519,977	-	-	519,977
Laundry	107,234	-	-	107,234
Housekeeping	174,171	-	-	174,171
Maintenance	126,167	-	-	126,167
Administration & Medical Records	692,678	-	88,858 (2)	603,820
Utilities	121,663	-	-	121,663
Special Services	73,189	-	-	73,189
Medical Supplies & Oxygen	219,052	-	-	219,052
Taxes and Insurance	126,398	-	-	126,398
Legal Fees	5,893	-	1 (2)	5,892
Cost of Capital	507,711	12,161 (1) <u>5,265 (3)</u>	<u>146,784 (2)</u>	<u>378,353</u>
Subtotal	5,833,661	17,426	235,643	5,615,444
Ancillary	114,335	-	-	114,335

**THI OF SOUTH CAROLINA AT MONCK'S CORNER, LLC**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2004  
AC# 3-MMM-J4

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Nonallowable	337,063	235,643 (2)	12,161 (1) 5,265 (3)	555,280
CNA Training and Testing	<u>600</u>	<u>-</u>	<u>-</u>	<u>600</u>
Total Operating Expenses	<u>\$6,285,659</u>	<u>\$253,069</u>	<u>\$253,069</u>	<u>\$6,285,659</u>
Total Patient Days	<u>46,380</u>	<u>-</u>	<u>-</u>	<u>46,380</u>
Total Beds	<u>132</u>			

**THI OF SOUTH CAROLINA AT MONCKS CORNER, LLC**  
Adjustment Report  
Cost Report Period Ended September 30, 2004  
AC# 3-MMM-J4

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 937	
	Accumulated Depreciation	1,534	
	Cost of Capital	12,161	
	Nonallowable		\$ 12,161
	Other Equity		2,471
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	235,643	
	Administration		88,858
	Legal		1
	Cost of Capital		146,784
	To adjust the Integrated Health Services home office costs HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Cost of Capital	5,265	
	Nonallowable		5,265
	To adjust capital return State Plan, Attachment 4.19D		
	 <u>TOTAL ADJUSTMENTS</u>	 <u>\$255,540</u>	 <u>\$255,540</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.

**THI OF SOUTH CAROLINA AT MONCK'S CORNER, LLC**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 2004  
AC# 3-MMM-J4

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.71494</u>
Deemed Asset Value (Per Bed)	42,402
Number of Beds	<u>132</u>
Deemed Asset Value	5,597,064
Improvements Since 1981	736,451
Accumulated Depreciation at 9/30/04	<u>(1,474,545)</u>
Deemed Depreciated Value	4,858,970
Market Rate of Return	<u>.0516</u>
Total Annual Return	250,723
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	250,723
Depreciation Expense	127,646
Amortization Expense	-
Capital Related Income Offsets	(16)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	378,353
Total Patient Days (Minimum 96% Occupancy)	<u>46,380</u>
Cost of Capital Per Diem	\$ <u><u>8.16</u></u>

**THI OF SOUTH CAROLINA AT MONCK'S CORNER, LLC**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 2004  
AC# 3-MMM-J4

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 7.52
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$11.51</u>
Reimbursable Cost of Capital Per Diem	\$ 8.16
Cost of Capital Per Diem	<u>8.16</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

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