

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
FAX (803) 343-0723

December 14, 2007

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

Re: AC# 3-PDL-J3 – Piedmont Nursing & Rehabilitation 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/ms

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

**PIEDMONT NURSING
&
REHABILITATION CENTER, INC.**

GREER, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2004
AC# 3-PDL-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 23, 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 Piedmont Nursing & Rehabilitation 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 Piedmont Nursing & Rehabilitation 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.

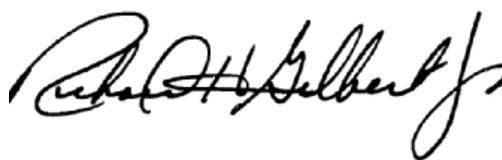
The procedures and the associated findings are as follows:

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 Piedmont Nursing & Rehabilitation 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 Piedmont Nursing & Rehabilitation 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 23, 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

PIEDMONT NURSING & REHABILITATION CENTER, INC.

Computation of Rate Change
For the Contract Period
Beginning October 1, 2004
AC# 3-PDL-J3

	<u>10/01/04-</u> <u>09/30/05</u>
Adjusted Reimbursement Rate	\$124.95
Interim Reimbursement Rate (1)	<u>124.45</u>
Increase in Reimbursement Rate	\$ <u><u>.50</u></u>

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

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 63.47	\$ 66.04	
Dietary		11.69	12.15	
Laundry/Housekeeping/Maintenance		<u>12.07</u>	<u>10.42</u>	
Subtotal	<u>\$1.38</u>	87.23	88.61	\$ 87.23
Administration & Medical Records	<u>\$4.90</u>	<u>10.16</u>	<u>15.06</u>	<u>10.16</u>
Subtotal		97.39	<u>\$103.67</u>	97.39
<u>Costs Not Subject to Standards:</u>				
Utilities		2.56		2.56
Special Services		-		-
Medical Supplies & Oxygen		4.39		4.39
Taxes and Insurance		6.56		6.56
Legal Fees		<u>.96</u>		<u>.96</u>
TOTAL		<u>\$111.86</u>		111.86
Inflation Factor (4.70%)				5.26
Cost of Capital				6.08
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				3.92
Cost Incentive				1.38
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(3.55)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$124.95</u>

PIEDMONT NURSING & REHABILITATION CENTER, INC.
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2003
 AC# 3-PDL-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	\$2,972,757	\$ -	\$ 1,401 (7)	\$2,971,356
Dietary	547,416	-	11 (7)	547,405
Laundry	150,075	-	-	150,075
Housekeeping	265,793	-	38 (7)	265,755
Maintenance	149,362	-	39 (7)	149,323
Administration & Medical Records	484,148	1,387 (6)	9,769 (7)	475,766
Utilities	119,890	-	49 (7)	119,841
Special Services	-	-	-	-
Medical Supplies & Oxygen	215,251	591 (9)	10,280 (8)	205,562
Taxes and Insurance	251,295	55,958 (6)	194 (7)	307,059
Legal Fees	50,045	-	4,908 (5) 36 (7)	45,101
Cost of Capital	293,396	126 (4)	772 (1) 23 (2) 5,713 (3) 2,215 (7)	284,799
Subtotal	5,499,428	58,062	35,448	5,522,042

PIEDMONT NURSING & REHABILITATION CENTER, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2003
AC# 3-PDL-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	154,168	10,280 (8)	-	164,448
Nonallowable	806,005	23 (2)	126 (4)	772,339
		5,713 (3)	57,345 (6)	
		4,908 (5)	591 (9)	
		13,752 (7)		
CNA Training and Testing	<u>30,416</u>	<u>-</u>	<u>-</u>	<u>30,416</u>
Total Operating Expenses	<u>\$6,490,017</u>	<u>\$ 92,738</u>	<u>\$ 93,510</u>	<u>\$6,489,245</u>
Total Patient Days	<u>46,816</u>	<u>-</u>	<u>-</u>	<u>46,816</u>
Total Beds	<u>132</u>			

PIEDMONT NURSING & REHABILITATION CENTER, INC.
Adjustment Report
Cost Report Period Ended September 30, 2003
AC# 3-PDL-J3

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$10,011	
	Fixed Assets		\$ 8,720
	Cost of Capital		772
	Other Equity		519
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	23	
	Cost of Capital		23
	To remove reorganization costs HIM-15-1, Section 2134.10		
3	Nonallowable	5,713	
	Cost of Capital		5,713
	To properly state loan cost amortization State Plan, Attachment 4.19D		
4	Cost of Capital	126	
	Nonallowable		126
	To adjust capital return State Plan, Attachment 4.19D		
5	Nonallowable	4,908	
	Legal		4,908
	To adjust legal expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
6	Administration & Medical Records	1,387	
	Taxes and Insurance	55,958	
	Nonallowable		57,345
	To adjust general insurance expense HIM-15-1, Section 2162 State Plan, Attachment 4.19D		

PIEDMONT NURSING & REHABILITATION CENTER, INC.
Adjustment Report
Cost Report Period Ended September 30, 2003
AC# 3-PDL-J3

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
7	Nonallowable	13,752	
	General Services		1,401
	Dietary		11
	Housekeeping		38
	Maintenance		39
	Administration & Medical Records		9,769
	Legal		36
	Utilities		49
	Taxes and Insurance		194
	Cost of Capital		2,215
	To adjust home office allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Ancillary	10,280	
	Medical Supplies & Oxygen		10,280
	To reclassify expenses to the proper cost center DH&HS Crosswalk State Plan, Attachment 4.19D		
9	Medial Supplies & Oxygen	591	
	Nonallowable		591
	To remove special (ancillary) services cost reimbursed by Medicare State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$ <u>102,749</u>	\$ <u>102,749</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.

PIEDMONT NURSING & REHABILITATION CENTER, INC.
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2003
 AC# 3-PDL-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>132</u>
Deemed Asset Value	5,438,136
Improvements Since 1981	567,390
Accumulated Depreciation at 9/30/03	<u>(1,830,129)</u>
Deemed Depreciated Value	4,175,397
Market Rate of Return	<u>.0531</u>
Total Annual Return	221,714
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	221,714
Depreciation Expense	63,087
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	284,801
Total Patient Days (Actual)	<u>46,816</u>
Cost of Capital Per Diem	<u>\$ 6.08</u>

PIEDMONT NURSING & REHABILITATION CENTER, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2003
AC# 3-PDL-J3

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 7.17
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u><u>\$11.16</u></u>
Reimbursable Cost of Capital Per Diem	\$ 6.08
Cost of Capital Per Diem	<u>6.08</u>
Cost of Capital Per Diem Limitation	<u><u>\$ -</u></u>

2 copies of this document were published at an estimated printing cost of \$1.38 each, and a total printing cost of \$2.76. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.