

# 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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November 19, 2008

Mrs. Cindy Matthews, Administrator  
Peachtree Centre  
1434 North Limestone Street  
Gaffney, South Carolina 29340

Re: AC# 3-CKC-F5 – Cherokee County Long Term Care Facility d/b/a Peachtree Centre

Dear Mrs. Matthews:

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 July 1, 2004 through June 30, 2005. That report was used to set the rate covering the contract period beginning October 1, 2006.

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 on 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 cursive script, appearing to read "Richard H. Gilbert, Jr.", written in black ink.

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

RHGjr/sag

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

**CHEROKEE COUNTY LONG TERM CARE FACILITY  
D/B/A PEACHTREE CENTRE**

**GAFFNEY, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2006  
AC# 3-CKC-F5**

**AGREED-UPON PROCEDURES REPORT**

**ON CONTRACT**

**FOR**

**PURCHASE OF NURSING CARE SERVICES**

**WITH**

**STATE OF SOUTH CAROLINA**

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

## CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 2006	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2006 THROUGH SEPTEMBER 30, 2007	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED JUNE 30, 2005	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	11

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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

May 30, 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 Cherokee County Long Term Care Facility d/b/a Peachtree Centre, for the contract period beginning October 1, 2006, and for the twelve month cost report period ended June 30, 2005, as set forth in the accompanying schedules. The management of Cherokee County Long Term Care Facility d/b/a Peachtree Centre 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.

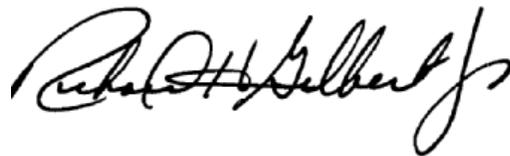
The procedures and the associated findings are as follows:

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 Cherokee County Long Term Care Facility d/b/a Peachtree Centre, 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 Cherokee County Long Term Care Facility d/b/a Peachtree Centre dated as of October 1, 2006, 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  
May 30, 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

**PEACHTREE CENTRE**  
Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2006  
AC# 3-CKC-F5

	10/01/06- <u>09/30/07</u>
Adjusted Reimbursement Rate	\$150.16
Interim Reimbursement Rate (1)	<u>149.87</u>
Increase in Reimbursement Rate	\$ <u><u>.29</u></u>

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

**PEACHTREE CENTRE**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2006 Through September 30, 2007  
 AC# 3-CKC-F5

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 84.59	\$ 85.47	
Dietary		16.46	13.72	
Laundry/Housekeeping/Maintenance		<u>11.62</u>	<u>12.61</u>	
Subtotal	\$ <u>-</u>	112.67	111.80	\$111.80
Administration & Medical Records	<u>\$2.96</u>	<u>13.35</u>	<u>16.31</u>	<u>13.35</u>
Subtotal		126.02	<u>\$128.11</u>	125.15
<u>Costs Not Subject to Standards:</u>				
Utilities		4.94		4.94
Special Services		-		-
Medical Supplies & Oxygen		5.53		5.53
Taxes and Insurance		.44		.44
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$136.93</u>		136.06
Inflation Factor (4.60%)				6.26
Cost of Capital				6.91
Cost of Capital Limitation				(.82)
Profit Incentive (Maximum 3.5% of Allowable Cost)				2.96
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(1.21)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$150.16</u>

**PEACHTREE CENTRE**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended June 30, 2005  
 AC# 3-CKC-F5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$2,607,598	\$ 1,973 (4) 7,198 (5) 60,628 (10)	\$ 3,641 (5) 25,911 (9) 31,630 (11)	\$2,616,215
Dietary	528,956	4,714 (4) 713 (5) 12,739 (9) 286,696 (10)	324,638 (11)	509,180
Laundry	89,485	254 (4) 26,831 (10)	26,889 (11)	89,681
Housekeeping	167,302	81 (4) 116,260 (10)	116,294 (11)	167,349
Maintenance	94,170	1,514 (5) 163,316 (10)	762 (9) 155,945 (11)	102,293
Administration & Medical Records	400,090	294 (5) 152,874 (10) 30,403 (10)	7,303 (5) 20,559 (6) 362 (9) 140,993 (11) 1,600 (11)	412,844
Utilities	152,442	17,616 (10)	17,138 (11)	152,920
Special Services	-	1,090 (7)	1,090 (5)	-
Medical Supplies & Oxygen	137,586	8,576 (5) 20,559 (6) 74,558 (10)	11,548 (4) 2,184 (7) 1,965 (9) 54,436 (11)	171,146
Taxes and Insurance	10,268	16,258 (10)	7,091 (9) 5,718 (11)	13,717

**PEACHTREE CENTRE**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended June 30, 2005  
AC# 3-CKC-F5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Legal Fees	-	-	-	-
Cost of Capital	230,890	35,971 (3) 43,907 (10) 48,629 (12)	27,686 (1) 80,787 (2) 4,664 (8) <u>32,515 (11)</u>	213,745
Subtotal	<u>4,418,787</u>	<u>1,133,652</u>	<u>1,103,349</u>	<u>4,449,090</u>
Ancillary	173,635	4,526 (4) 1,035 (7)	1 (5)	179,195
Nonallowable	1,430,617	27,686 (1) 80,787 (2) 59 (7) 36,216 (9) 907,796 (11)	35,971 (3) 8,300 (5) 989,347 (10) 48,629 (12)	1,400,914
CNA Training & Testing	<u>11,338</u>	<u>-</u>	<u>-</u>	<u>11,338</u>
Total Operating Expenses	<u>\$6,034,377</u>	<u>\$2,191,757</u>	<u>\$2,185,597</u>	<u>\$6,040,537</u>
Total Patient Days	<u>30,891</u>	<u>38 (13)</u>	<u>-</u>	<u>30,929</u>
Total Beds	<u>85</u>			

**PEACHTREE CENTRE**  
Adjustment Report  
Cost Report Period Ended June 30, 2005  
AC# 3-CKC-F5

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$5,216,435	
	Nonallowable	27,686	
	Fixed Assets		\$ 279,776
	Fund Balance		4,936,659
	Cost of Capital		27,686
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Accumulated Amortization - Loan Cost	439,638	
	Interest Payable	30,287	
	Bonds Payable	2,351,591	
	Nonallowable	80,787	
	Other Investments		387,181
	Loan Cost		535,871
	Current Portion of Long Term Debt		129,529
	Fund Balance		1,768,935
	Cost of Capital		80,787
	To adjust bond related debt, loan costs and interest HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Cost of Capital	35,971	
	Nonallowable		35,971
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
4	Nursing	1,973	
	Dietary	4,714	
	Laundry	254	
	Housekeeping	81	
	Ancillary	4,526	
	Medical Supplies		11,548
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		

**PEACHTREE CENTRE**  
Adjustment Report  
Cost Report Period Ended June 30, 2005  
AC# 3-CKC-F5

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nursing	7,198	
	Dietary	713	
	Maintenance	1,514	
	Medical Records	294	
	Medical Supplies	8,576	
	Other Assets	2,040	
	Restorative		3,641
	Administration		7,303
	Special Services		1,090
	Ancillary		1
	Nonallowable		8,300
	To adjust fringe benefit allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
6	Medical Supplies	20,559	
	Administration		20,559
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
7	Special Services	1,090	
	Ancillary	1,035	
	Nonallowable	59	
	Medical Supplies		2,184
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
8	Interest Receivable	796	
	Retained Earnings	3,868	
	Cost of Capital		4,664
	To properly state interest income HIM-15-1, Sections 202.2 and 2302.1 State Plan, Attachment 4.19D		

**PEACHTREE CENTRE**  
Adjustment Report  
Cost Report Period Ended June 30, 2005  
AC# 3-CKC-F5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Dietary	12,739	
	Nonallowable	36,216	
	Other Income		12,864
	Nursing		25,911
	Maintenance		762
	Medical Records		362
	Taxes and Insurance		7,091
	Medical Supplies		1,965
	To adjust allocation of cost to non-reimbursable cost centers and income offset HIM-15-1, Sections 2102.3 and 2304 State Plan, Attachment 4.19D		
10	Restorative	60,628	
	Dietary	286,696	
	Laundry	26,831	
	Housekeeping	116,260	
	Maintenance	163,316	
	Administration	152,874	
	Medical Records	30,403	
	Utilities	17,616	
	Taxes and Insurance	16,258	
	Medical Supplies	74,558	
	Cost of Capital	43,907	
	Nonallowable		989,347
	To reverse DH&HS adjustment to remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
11	Nonallowable	907,796	
	Restorative		31,630
	Dietary		324,638
	Laundry		26,889
	Housekeeping		116,294
	Maintenance		155,945
	Administration		140,993
	Medical Records		1,600
	Utilities		17,138
	Taxes and Insurance		5,718
	Medical Supplies		54,436
	Cost of Capital		32,515
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

**PEACHTREE CENTRE**  
 Adjustment Report  
 Cost Report Period Ended June 30, 2005  
 AC# 3-CKC-F5

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
12	Cost of Capital Nonallowable	48,629	48,629
	To adjust capital return State Plan, Attachment 4.19D		
13	<u>Memo Adjustment:</u> To increase total patient days by 38 to 30,929		
	TOTAL ADJUSTMENTS	<u>\$10,236,412</u>	<u>\$10,236,412</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.

**PEACHTREE CENTRE**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended June 30, 2005  
 AC# 3-CKC-F5

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.77878</u>	<u>2.77878</u>	
Deemed Asset Value (Per Bed)	43,399	43,399	
Number of Beds	<u>44</u>	<u>41</u>	
Deemed Asset Value	1,909,556	1,779,359	
Improvements Since 1981	907,774	216,759	
Accumulated Depreciation at 6/30/05	<u>(1,081,529)</u>	<u>(975,792)</u>	
Deemed Depreciated Value	1,735,801	1,020,326	
Market Rate of Return	<u>.049</u>	<u>.049</u>	
Total Annual Return	85,054	49,996	
Return Applicable to Non-Reimbursable Cost Centers	(11,923)	(11,078)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>172</u>	<u>8,734</u>	
Allowable Annual Return	73,303	47,652	
Depreciation Expense	51,872	73,464	
Amortization Expense	-	3,792	
Capital Related Income Offsets	(830)	(2,993)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(7,327)</u>	<u>(25,188)</u>	<u>Total</u>
Allowable Cost of Capital Expense	117,018	96,727	\$213,745
Total Patient Days (Actual)	<u>16,029</u>	<u>14,900</u>	<u>30,929</u>
Cost of Capital Per Diem	\$ <u>7.30</u>	\$ <u>6.49</u>	\$ <u>6.91</u>

**PEACHTREE CENTRE**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended June 30, 2005  
AC# 3-CKC-F5

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$1.72	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$5.71</u>	<u>\$6.49</u>
Reimbursable Cost of Capital Per Diem		\$6.09
Cost of Capital Per Diem		<u>6.91</u>
Cost of Capital Per Diem Limitation		<u>\$(.82)</u>

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