

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-F6 – 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, 2005 through June 30, 2006. That report was used to set the rate covering the contract periods beginning October 1, 2007.

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

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

GAFFNEY, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 2007
AC# 3-CKC-F6**

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

July 7, 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 periods beginning October 1, 2007, and for the twelve month cost report period ended June 30, 2006, 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 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 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
July 7, 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 Periods
Beginning October 1, 2007
AC# 3-CKC-F6

	Beginning <u>10/01/07</u>
Interim Reimbursement Rate (1)	\$156.14
Adjusted Reimbursement Rate	<u>149.32</u>
Decrease in Reimbursement Rate	\$ <u><u>6.82</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 Periods Beginning October 1, 2007
 AC# 3-CKC-F6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 82.01	\$ 88.99	
Dietary		16.07	13.90	
Laundry/Housekeeping/Maintenance		<u>11.94</u>	<u>13.36</u>	
Subtotal	<u>\$6.23</u>	110.02	116.25	\$110.02
Administration & Medical Records	<u>\$4.51</u>	<u>12.56</u>	<u>17.07</u>	<u>12.56</u>
Subtotal		122.58	<u>\$133.32</u>	122.58
<u>Costs Not Subject to Standards:</u>				
Utilities		6.05		6.05
Special Services		-		-
Medical Supplies & Oxygen		5.45		5.45
Taxes and Insurance		.51		.51
Legal Fees		-		-
TOTAL		<u>\$134.59</u>		134.59
Inflation Factor (4.60%)				6.19
Cost of Capital				6.77
Cost of Capital Limitation				(.82)
Profit Incentive (Maximum 3.5% of Allowable Cost)				4.51
Cost Incentive				6.23
Effect of \$1.75 Cap on Cost/Profit Incentives				(8.99)
Transportation Escort Add-On				<u>.84</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$149.32</u>

PEACHTREE CENTRE
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended June 30, 2006
 AC# 3-CKC-F6

<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>	
General Services	\$2,620,112	\$ 409 (8)	\$ 6,474 (8) 59,157 (10) 35,595 (12)	\$2,519,295
Dietary	493,979	268,622 (11)	1,159 (8) 259 (10) 267,507 (12)	493,676
Laundry	75,751	28,907 (11)	3,364 (5) 27,981 (12)	73,313
Housekeeping	188,159	125,441 (11)	9,613 (5) 121,595 (12)	182,392
Maintenance	104,789	173,805 (11)	70 (8) 937 (10) 166,461 (12)	111,126
Administration & Medical Records	390,293	315 (8) 8,100 (10) 156,248 (11) 27,347 (11)	4,130 (3) 14,516 (7) 12,836 (8) 159,269 (12) 5,713 (12)	385,839
Utilities	192,528	12,752 (11)	19,530 (12)	185,750
Special Services	-	1,556 (9)	1,556 (8)	-
Medical Supplies & Oxygen	217,840	14,516 (7) 6,107 (8)	8,712 (6) 739 (9) 4,573 (10) 56,921 (12)	167,518
Taxes and Insurance	11,780	18,118 (11)	8,272 (10) 6,048 (12)	15,578

PEACHTREE CENTRE
Summary of Costs and Total Patient Days
For the Cost Report Period Ended June 30, 2006
AC# 3-CKC-F6

<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>	
Legal Fees	-	-	-	-
Cost of Capital	219,752	1,250 (3)	2,237 (1)	207,857
		27,590 (4)	101,158 (2)	
		32,438 (11)	30,986 (12)	
	<u> </u>	<u>61,208 (13)</u>	<u> </u>	<u> </u>
Subtotal	4,514,983	964,729	1,137,368	4,342,344
Ancillary	129,735	8,712 (6)	-	138,448
		1 (8)		
Nonallowable	2,757,213	2,237 (1)	27,590 (4)	2,908,162
		101,158 (2)	817 (9)	
		2,880 (3)	843,678 (11)	
		15,263 (8)	61,208 (13)	
		65,098 (10)		
		897,606 (12)		
CNA Training & Testing	<u>16,549</u>	<u> -</u>	<u> -</u>	<u>16,549</u>
Total Operating Expenses	<u>\$7,418,480</u>	<u>\$2,057,684</u>	<u>\$2,070,661</u>	<u>\$7,405,503</u>
Total Patient Days	<u>30,690</u>	<u>30 (14)</u>	<u> -</u>	<u>30,720</u>
Total Beds	<u>85</u>			

PEACHTREE CENTRE
Adjustment Report
Cost Report Period Ended June 30, 2006
AC# 3-CKC-F6

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 783,741	
	Nonallowable	2,237	
	Fixed Assets		\$ 297,264
	Fund Balance		486,477
	Cost of Capital		2,237
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Accumulated Amortization - Loan Cost	478,733	
	Interest Payable	26,596	
	Bonds Payable	2,095,213	
	Nonallowable	101,158	
	Other Investments		386,668
	Loan Cost		535,871
	Current Portion of Long Term Debt		138,050
	Fund Balance		1,539,953
	Cost of Capital		101,158
	To adjust bond related debt, loan costs and interest HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Cost of Capital	1,250	
	Nonallowable	2,880	
	Administration		4,130
	To reclassify expense to the proper cost center State Plan, Attachment 4.19D DH&HS Expense Crosswalk		
4	Cost of Capital	27,590	
	Nonallowable		27,590
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
5	Retained Earnings	12,977	
	Laundry		3,364
	Housekeeping		9,613
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1		

PEACHTREE CENTRE
Adjustment Report
Cost Report Period Ended June 30, 2006
AC# 3-CKC-F6

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
6	Ancillary Medical Supplies	8,712	8,712
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
7	Medical Supplies Administration	14,516	14,516
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
8	Restorative Medical Records Medical Supplies Ancillary Nonallowable Nursing Dietary Maintenance Administration Special Services	409 315 6,107 1 15,263	6,474 1,159 70 12,836 1,556
	To adjust fringe benefit allocation HIM-15-1, Sections 2304 State Plan, Attachment 4.19D		
9	Special Services Medical Supplies Nonallowable	1,556	739 817
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
10	Medical Records Nonallowable Nursing Dietary Maintenance Taxes and Insurance Medical Supplies	8,100 65,098	59,157 259 937 8,272 4,573
	To adjust allocation of cost to non-reimbursable cost centers HIM-15-1, Sections 2102.3 and 2304 State Plan, Attachment 4.19D		

PEACHTREE CENTRE
Adjustment Report
Cost Report Period Ended June 30, 2006
AC# 3-CKC-F6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
11	Dietary	268,622	
	Laundry	28,907	
	Housekeeping	125,441	
	Maintenance	173,805	
	Administration	156,248	
	Medical Records	27,347	
	Utilities	12,752	
	Taxes and Insurance	18,118	
	Cost of Capital	32,438	
	Nonallowable		843,678
	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		
12	Nonallowable	897,606	
	Restorative		35,595
	Dietary		267,507
	Laundry		27,981
	Housekeeping		121,595
	Maintenance		166,461
	Administration		159,269
	Medical Records		5,713
	Utilities		19,530
	Taxes and Insurance		6,048
	Medical Supplies		56,921
	Cost of Capital		30,986
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
13	Cost of Capital	61,208	
	Nonallowable		61,208
	To adjust capital return State Plan, Attachment 4.19D		

PEACHTREE CENTRE
Adjustment Report
Cost Report Period Ended June 30, 2006
AC# 3-CKC-F6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
14	<u>Memo Adjustment:</u> To increase total patient days by 30 to 30,720		
		\$5,454,944	\$5,454,944
	TOTAL ADJUSTMENTS	\$5,454,944	\$5,454,944

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, 2006
 AC# 3-CKC-F6

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.85382</u>	<u>2.85382</u>	
Deemed Asset Value (Per Bed)	44,571	44,571	
Number of Beds	<u>44</u>	<u>41</u>	
Deemed Asset Value	1,961,124	1,827,411	
Improvements Since 1981	921,707	224,628	
Accumulated Depreciation at 6/30/06	<u>(1,130,656)</u>	<u>(1,046,759)</u>	
Deemed Depreciated Value	1,752,175	1,005,280	
Market Rate of Return	<u>.0489</u>	<u>.0489</u>	
Total Annual Return	85,681	49,158	
Return Applicable to Non-Reimbursable Cost Centers	(11,806)	(11,294)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>123</u>	<u>8,033</u>	
Allowable Annual Return	73,998	45,897	
Depreciation Expense	49,127	70,967	
Amortization Expense	-	3,792	
Capital Related Income Offsets	(209)	(4,729)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(6,864)</u>	<u>(24,122)</u>	<u>Total</u>
Allowable Cost of Capital Expense	116,052	91,805	\$207,857
Total Patient Days (Actual)	<u>15,916</u>	<u>14,804</u>	<u>30,720</u>
Cost of Capital Per Diem	\$ <u>7.29</u>	\$ <u>6.20</u>	\$ <u>6.77</u>

PEACHTREE CENTRE
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended June 30, 2006
AC# 3-CKC-F6

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>\$6.20</u>
Reimbursable Cost of Capital Per Diem		\$5.95
Cost of Capital Per Diem		<u>6.77</u>
Cost of Capital Per Diem Limitation		<u>\$(.82)</u>

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