

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

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November 19, 2008

Mr. Dan Estes, Vice President of Reimbursement Services
Covenant Dove, LLC
475 Jack Kramer Drive
Memphis, Tennessee 38117

Re: AC# 3-EHC-J4 – Trinity Mission Health & Rehab of Edgefield, LP

Dear Mr. Estes:

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/ms

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

**TRINITY MISSION HEALTH & REHAB
OF EDGEFIELD, LP**

EDGEFIELD, SOUTH CAROLINA

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

October 1, 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 Trinity Mission Health & Rehab of Edgefield, LP, 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 Trinity Mission Health & Rehab of Edgefield, LP 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 Trinity Mission Health & Rehab of Edgefield, LP, 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 Trinity Mission Health & Rehab of Edgefield, LP dated as of October 1, 2004, 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
October 1, 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

TRINITY MISSION HEALTH & REHAB OF EDGEFIELD, LP
Computation of Rate Change
For the Contract Period
Beginning October 1, 2005
AC# 3-EHC-J4

	10/01/05- <u>09/30/06</u>
Interim Reimbursement Rate (1)	\$110.52
Adjusted Reimbursement Rate	<u>108.67</u>
Decrease in Reimbursement Rate	\$ <u><u>1.85</u></u>

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

TRINITY MISSION HEALTH & REHAB OF EDGEFIELD, LP
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2005 Through September 30, 2006
 AC# 3-EHC-J4

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$52.45	\$ 64.63	
Dietary		12.10	12.63	
Laundry/Housekeeping/Maintenance		<u>10.78</u>	<u>10.97</u>	
Subtotal	<u>\$6.18</u>	75.33	88.23	\$ 75.33
Administration & Medical Records	<u>\$3.95</u>	<u>12.18</u>	<u>16.13</u>	<u>12.18</u>
Subtotal		87.51	<u>\$104.36</u>	87.51
<u>Costs Not Subject to Standards:</u>				
Utilities		2.16		2.16
Special Services		-		-
Medical Supplies & Oxygen		2.47		2.47
Taxes and Insurance		1.99		1.99
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$94.13</u>		94.13
Inflation Factor (4.70%)				4.42
Cost of Capital				8.37
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.29
Cost Incentive				6.18
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(7.72)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$108.67</u>

TRINITY MISSION HEALTH & REHAB OF EDGEFIELD, LP
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2005
 AC# 3-EHC-J4

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$2,239,705	\$ -	\$ 26,946 (2) 1,471 (2)	\$2,211,288
Dietary	513,367	-	3,342 (2)	510,025
Laundry	53,139	-	388 (2)	52,751
Housekeeping	227,481	-	3,590 (2)	223,891
Maintenance	178,853	-	785 (2)	178,068
Administration & Medical Records	507,530	5,358 (2) 494 (2)	-	513,382
Utilities	91,178	-	-	91,178
Special Services	7,343	-	7,194 (2)	149
Medical Supplies & Oxygen	104,213	-	235 (2)	103,978
Taxes and Insurance	83,786	-	-	83,786
Legal Fees	10	-	-	10
Cost of Capital	390,851	2,811 (3) <u>6,572 (4)</u>	47,252 (1)	352,982
Subtotal	4,397,456	15,235	91,203	4,321,488

TRINITY MISSION HEALTH & REHAB OF EDGEFIELD, LP
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2005
 AC# 3-EHC-J4

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Ancillary	179,374	-	-	179,374
Nonallowable	776,445	47,252 (1) 38,099 (2)	2,811 (3) 6,572 (4)	852,413
CNA Training & Testing	<u>11,032</u>	<u>-</u>	<u>-</u>	<u>11,032</u>
Total Operating Expenses	<u>\$5,364,307</u>	<u>\$100,586</u>	<u>\$100,586</u>	<u>\$5,364,307</u>
Total Patient Days	* <u>42,163</u>	<u>-</u>	<u>-</u>	<u>42,163</u>

*Adjusted to 96% Occupancy

Total Beds 120

TRINITY MISSION HEALTH & REHAB OF EDGEFIELD, LP
Adjustment Report
Cost Report Period Ended September 30, 2004
AC# 3-EHC-J4

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 53,910	
	Nonallowable	47,252	
	Other Equity		\$ 53,910
	Cost of Capital		47,252
	To adjust fixed assets variances including changes in useful life HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	38,099	
	Administration	5,358	
	Medical Records	494	
	Nursing		26,946
	Restorative		1,471
	Dietary		3,342
	Laundry		388
	Housekeeping		3,590
	Maintenance		785
	Medical Supplies		235
	Special Services		7,194
	To adjust fringe benefits and related allocations HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Cost of Capital	2,811	
	Nonallowable		2,811
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
4	Cost of Capital	6,572	
	Nonallowable		6,572
	To adjust capital return State Plan, Attachment 4.19D		
	<u>TOTAL ADJUSTMENTS</u>	<u>\$154,496</u>	<u>\$154,496</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.

TRINITY MISSION HEALTH & REHAB OF EDGEFIELD, LP
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2004
 AC# 3-EHC-J4

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.71494</u>	<u>2.71494</u>	
Deemed Asset Value (Per Bed)	42,402	42,402	
Number of Beds	<u>88</u>	<u>32</u>	
Deemed Asset Value	3,731,376	1,356,864	
Improvements Since 1981	539,624	-	
Accumulated Depreciation at 9/30/04	<u>(1,394,197)</u>	<u>(94,719)</u>	
Deemed Depreciated Value	2,876,803	1,262,145	
Market Rate of Return	<u>.0516</u>	<u>.0516</u>	
Total Annual Return	148,443	65,127	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	148,443	65,127	
Depreciation Expense	58,427	75,776	
Home Office Depreciation Expense	4,244	1,543	
Amortization Expense	1,788	650	
Capital Related Income Offsets	(2,212)	(804)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	210,690	142,292	\$352,982
Total Patient Days (Minimum 96% Occupancy)	<u>30,920</u>	<u>11,243</u>	<u>42,163</u>
Cost of Capital Per Diem	\$ <u><u>6.81</u></u>	\$ <u><u>12.66</u></u>	\$ <u><u>8.37</u></u>

TRINITY MISSION HEALTH & REHAB OF EDGEFIELD, LP
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2004
 AC# 3-EHC-J4

6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$ 6.37	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$10.36</u>	<u>\$12.66</u>
Reimbursable Cost of Capital Per Diem	\$8.37	
Cost of Capital Per Diem	<u>8.37</u>	
Cost of Capital Per Diem Limitation	<u>\$ -</u>	

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