

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 2, 2008

Ms. Anne Winn, Administrator
Ellen Sagar Nursing Home
1817 Jonesville Highway
Union, South Carolina 29379

Re: AC# 3-ELS-J5 – Union Hospital District d/b/a Ellen Sagar Nursing Home

Dear Ms. Winn:

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, 2004 through September 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 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

**UNION HOSPITAL DISTRICT
D/B/A ELLEN SAGAR NURSING HOME**

UNION, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2006
AC# 3-ELS-J5**

**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 SEPTEMBER 30, 2005	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	10

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

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 22, 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 Union Hospital District d/b/a Ellen Sagar Nursing Home, for the contract period beginning October 1, 2006, and for the twelve month cost report period ended September 30, 2005, as set forth in the accompanying schedules. The management of Union Hospital District d/b/a Ellen Sagar Nursing Home 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 Union Hospital District d/b/a Ellen Sagar Nursing Home, 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 Union Hospital District d/b/a Ellen Sagar Nursing Home 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
August 22, 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

ELLEN SAGAR NURSING HOME
Computation of Rate Change
For the Contract Period
Beginning October 1, 2006
AC# 3-ELS-J5

	<u>10/01/06-</u> <u>09/30/07</u>
Interim Reimbursement Rate (1)	\$127.79
Adjusted Reimbursement Rate	<u>121.33</u>
Decrease in Reimbursement Rate	\$ <u>6.46</u>

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

ELLEN SAGAR NURSING HOME
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2006 Through September 30, 2007
 AC# 3-ELS-J5

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 61.08	\$ 79.77	
Dietary		11.81	13.46	
Laundry/Housekeeping/Maintenance		<u>11.10</u>	<u>12.03</u>	
Subtotal	<u>\$7.37</u>	83.99	105.26	\$ 83.99
Administration & Medical Records	<u>\$3.52</u>	<u>13.35</u>	<u>16.87</u>	<u>13.35</u>
Subtotal		97.34	<u>\$122.13</u>	97.34
<u>Costs Not Subject to Standards:</u>				
Utilities		2.77		2.77
Special Services		.14		.14
Medical Supplies & Oxygen		5.44		5.44
Taxes and Insurance		2.63		2.63
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$108.32</u>		108.32
Inflation Factor (4.60%)				4.98
Cost of Capital				7.27
Cost of Capital Limitation				(.99)
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.52
Cost Incentive				7.37
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(9.14)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$121.33</u>

ELLEN SAGAR NURSING HOME
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2005
 AC# 3-ELS-J5

<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	\$2,514,286	\$ -	\$ 5,184 (2) 8,848 (5) 830 (5) 13,653 (6) 944 (6)	\$2,484,827
Dietary	487,319	-	6,663 (9)	480,656
Laundry	85,603	-	6,189 (7)	79,414
Housekeeping	220,455	2 (6)	-	220,457
Maintenance	152,546	-	138 (5) 218 (6) 509 (7)	151,681
Administration & Medical Records	630,647	-	10,668 (4) 1,822 (5) 1,665 (6) 2,956 (6) 5,974 (7) 64,231 (8)	543,331
Utilities	112,799	-	-	112,799
Special Services	5,517	-	-	5,517
Medical Supplies & Oxygen	226,798	-	5,310 (9)	221,488
Taxes and Insurance	218,587	-	111,710 (3)	106,877
Legal Fees	-	-	-	-

ELLEN SAGAR NURSING HOME
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2005
AC# 3-ELS-J5

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments Debit	Credit	Adjusted Totals
Cost of Capital	259,444	2,380 (1) 389 (2) 1,463 (10) <u>40,747 (11)</u>	8,658 (7)	295,765
Subtotal	4,914,001	44,981	256,170	4,702,812
Ancillary	146,224	-	-	146,224
Nonallowable	(189,957)	111,710 (3) 10,668 (4) 11,638 (5) 19,434 (6) 21,330 (7) 64,231 (8) 11,973 (9)	2,380 (1) 1,463 (10) 40,747 (11)	16,437
CNA Training and Testing	<u>5,918</u>	<u>-</u>	<u>-</u>	<u>5,918</u>
Total Operating Expenses	<u>\$4,876,186</u>	<u>\$295,965</u>	<u>\$300,760</u>	<u>\$4,871,391</u>
Total Patient Days	<u>40,684</u>	<u>-</u>	<u>-</u>	<u>40,684</u>
Total Beds	<u>113</u>			

ELLEN SAGAR NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 2005
AC# 3-ELS-J5

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 36,959	
	Other Equity	7,910	
	Cost of Capital	2,380	
	Accumulated Depreciation		\$ 44,869
	Nonallowable		2,380
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Fixed Assets	5,184	
	Cost of Capital	389	
	Accumulated Depreciation		389
	Nursing		5,184
	To capitalize asset and record related depreciation HIM-15-1, Section 108.1		
3	Nonallowable	111,710	
	Taxes and Insurance		111,710
	To adjust insurance expense HIM-15-1, Section 2304		
4	Nonallowable	10,668	
	Medical Records		10,668
	To remove expense not related to patient care HIM-15-1, Sections 2102.3 and 2304		
5	Nonallowable	11,638	
	Nursing		8,848
	Restorative		830
	Maintenance		138
	Administration		1,822
	To disallow expense due to lack of adequate documentation HIM-15-1, Section 2304		

ELLEN SAGAR NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 2005
AC# 3-ELS-J5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Housekeeping	2	
	Nonallowable	19,434	
	Nursing		13,653
	Restorative		944
	Maintenance		218
	Administration		1,665
	Medical Records		2,956
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Nonallowable	21,330	
	Laundry		6,189
	Maintenance		509
	Administration		5,974
	Cost of Capital		8,658
	To adjust related party laundry allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Nonallowable	64,231	
	Administration		64,231
	To adjust related party management fee allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
9	Nonallowable	11,973	
	Dietary		6,663
	Medical Supplies		5,310
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
10	Cost of Capital	1,463	
	Nonallowable		1,463
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		

ELLEN SAGAR NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 2005
AC# 3-ELS-J5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
11	Cost of Capital Nonallowable	40,747	40,747
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$346,018	\$346,018

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.

ELLEN SAGAR NURSING HOME
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2005
AC# 3-ELS-J5

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.77878</u>	<u>2.77878</u>	<u>2.77878</u>	<u>2.77878</u>	
Deemed Asset Value (Per Bed)	43,399	43,399	43,399	43,399	
Number of Beds	<u>51</u>	<u>44</u>	<u>13</u>	<u>5</u>	
Deemed Asset Value	2,213,349	1,909,556	564,187	216,995	
Improvements Since 1981	905,725	138,059	14,511	3,595	
Accumulated Depreciation at 9/30/05	<u>(1,261,370)</u>	<u>(528,339)</u>	<u>(127,356)</u>	<u>(89,978)</u>	
Deemed Depreciated Value	1,857,704	1,519,276	451,342	130,612	
Market Rate of Return	<u>.0490</u>	<u>.0490</u>	<u>.0490</u>	<u>.0490</u>	
Total Annual Return	91,027	74,445	22,116	6,400	
Return Applicable to Non-Reimbursable Cost Centers	-	-	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Allowable Annual Return	91,027	74,445	22,116	6,400	
Depreciation Expense	50,281	47,788	17,071	6,403	
Amortization Expense	-	-	-	-	
Capital Related Income Offsets	(8,921)	(7,696)	(2,274)	(875)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	132,387	114,537	36,913	11,928	\$295,765
Total Patient Days (Actual)	<u>18,362</u>	<u>15,842</u>	<u>4,680</u>	<u>1,800</u>	<u>40,684</u>
Cost of Capital Per Diem	\$ <u><u>7.21</u></u>	\$ <u><u>7.23</u></u>	\$ <u><u>7.89</u></u>	\$ <u><u>6.63</u></u>	\$ <u><u>7.27</u></u>

ELLEN SAGAR NURSING HOME
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2005
 AC# 3-ELS-J5

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$1.02	\$ N/A	\$ N/A	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$5.01</u>	<u>\$7.23</u>	<u>\$7.89</u>	<u>\$6.63</u>
Reimbursable Cost of Capital Per Diem			\$6.28	
Cost of Capital Per Diem			<u>7.27</u>	
Cost of Capital Per Diem Limitation			<u>\$(.99)</u>	

2 copies of this document were published at an estimated printing cost of \$1.40 each, and a total printing cost of \$2.80. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.