

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

October 28, 2008

Ms. Carol W. Disbro, Vice President of Reimbursement
Fundamental Administrative Services
930 Ridgebrook Road
Sparks, Maryland 21152

Re: AC# 3-MCP-J4 – THI of South Carolina at Camp Care, LLC d/b/a Camp Care

Dear Ms. Disbro:

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.

By request of the state medicaid agency this letter also serves as an official notice of your requirement to respond with a report of planned corrective actions on the recommendations and deficiencies noted in this report within forty-five (45) days of the date of this letter. Your response should reference the audit control number and be addressed to: Division of Home Health and Nursing Facility Services, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina, 29202-8206. You are also required to simultaneously furnish a copy of your corrective action report to the State Auditor's Office.

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 over a faint, larger version of the same signature.

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

RHGjr/ms

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

**THI OF SOUTH CAROLINA AT CAMP CARE, LLC
D/B/A CAMP CARE**

INMAN, SOUTH CAROLINA

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

September 17, 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 THI of South Carolina at Camp Care, LLC d/b/a Camp Care, 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 THI of South Carolina at Camp Care, LLC d/b/a Camp Care 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 THI of South Carolina at Camp Care, LLC d/b/a Camp Care, 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, Cost of Capital Reimbursement Analysis, and the Comments and Recommendations 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 THI of South Carolina at Camp Care, LLC d/b/a Camp Care 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
September 17, 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

CAMP CARE
Computation of Rate Change
For the Contract Period
Beginning October 1, 2005
AC# 3-MCP-J4

	10/01/05- <u>09/30/06</u>
Interim Reimbursement Rate (1)	\$126.31
Adjusted Reimbursement Rate	<u>123.79</u>
Decrease in Reimbursement Rate	\$ <u><u>2.52</u></u>

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

CAMP CARE
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2005 Through September 30, 2006
 AC# 3-MCP-J4

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 63.93	\$ 64.22	
Dietary		12.21	13.22	
Laundry/Housekeeping/Maintenance		<u>10.79</u>	<u>11.64</u>	
Subtotal	<u>\$2.15</u>	86.93	89.08	\$ 86.93
Administration & Medical Records	<u>\$3.21</u>	<u>13.10</u>	<u>16.31</u>	<u>13.10</u>
Subtotal		100.03	<u>\$105.39</u>	100.03
<u>Costs Not Subject to Standards:</u>				
Utilities		2.37		2.37
Special Services		.01		.01
Medical Supplies & Oxygen		4.13		4.13
Taxes and Insurance		2.56		2.56
Legal Fees		<u>.12</u>		<u>.12</u>
TOTAL		<u>\$109.22</u>		109.22
Inflation Factor (4.70%)				5.13
Cost of Capital				7.69
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.21
Cost Incentive				2.15
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(3.61)</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$123.79</u>

CAMP CARE
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2004
 AC# 3-MCP-J4

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$2,039,731	\$ -	\$ -	\$2,039,731
Dietary	389,690	-	-	389,690
Laundry	93,624	-	-	93,624
Housekeeping	159,745	-	-	159,745
Maintenance	90,944	1 (2)	-	90,945
Administration & Medical Records	473,726	-	55,867 (2)	417,859
Utilities	75,621	-	-	75,621
Special Services	221	-	-	221
Medical Supplies & Oxygen	131,811	-	-	131,811
Taxes and Insurance	81,666	-	-	81,666
Legal Fees	3,880	-	-	3,880
Cost of Capital	267,036	715 (1)	81,218 (2)	245,222
	<u> </u>	<u>58,689</u> (3)	<u> </u>	<u> </u>
Subtotal	3,807,695	59,405	137,085	3,730,015

CAMP CARE
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2004
AC# 3-MCP-J4

<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	45,174	-	-	45,174
Nonallowable	153,801	137,084 (2)	715 (1) 58,689 (3)	231,481
CNA Training and Testing	<u>983</u>	<u>-</u>	<u>-</u>	<u>983</u>
Total Operating Expenses	<u>\$4,007,653</u>	<u>\$196,489</u>	<u>\$196,489</u>	<u>\$4,007,653</u>
Total Patient Days	<u>31,904</u>	<u>-</u>	<u>-</u>	<u>31,904</u>
Total Beds	<u>88</u>			

CAMP CARE
Adjustment Report
Cost Report Period Ended September 30, 2004
AC# 3-MCP-J4

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 59,691	
	Cost of Capital	715	
	Accumulated Depreciation		\$ 58,189
	Nonallowable		715
	Other Equity		1,502
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Maintenance	1	
	Nonallowable	137,084	
	Administration		55,867
	Cost of Capital		81,218
	To adjust Integrated Health Services home office costs HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Cost of Capital	58,689	
	Nonallowable		58,689
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$256,180</u>	<u>\$256,180</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.

CAMP CARE
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2004
AC# 3-MCP-J4

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2,71494</u>
Deemed Asset Value (Per Bed)	42,402
Number of Beds	<u>88</u>
Deemed Asset Value	3,731,376
Improvements Since 1981	579,097
Accumulated Depreciation at 9/30/04	<u>(1,160,490)</u>
Deemed Depreciated Value	3,149,983
Market Rate of Return	<u>.0516</u>
Total Annual Return	162,539
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	162,539
Depreciation Expense	82,683
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	245,222
Total Patient Days (Actual)	<u>31,904</u>
Cost of Capital Per Diem	\$ <u><u>7.69</u></u>

CAMP CARE
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2004
AC# 3-MCP-J4

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$4.38
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$8.37</u>
Reimbursable Cost of Capital Per Diem	\$7.69
Cost of Capital Per Diem	<u>7.69</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

COMMENTS AND RECOMMENDATIONS

Our agreed-upon procedures identified a condition that we determined to be subject to correction or improvement. We believe that this condition should be brought to your attention.

VENDING MACHINE REVENUE

Income from the vending machine was not deposited in the facility operation account. Funds generated from vending were donated to the activity fund for residents.

A system of good internal accounting controls requires that all cash received be deposited intact.

By failing to deposit these receipts, the Provider is unable to readily document income derived from the vending machines, and has understated income and overstated reimbursable expenses.

We recommend the Provider establish and implement the necessary controls to ensure that all cash received is deposited timely and intact.

2 copies of this document were published at an estimated printing cost of \$1.43 each, and a total printing cost of \$2.87. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.