

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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February 11, 2009

Ms. Sarah L. Frierson, Administrator
Dr. Ronald E. McNair Nursing and Rehabilitation Center
56 Genesis Drive
Lake City, South Carolina 29560

Re: AC# 3-RMM-J6 – Dr. Ronald E. McNair Nursing and Rehabilitation Center

Dear Ms. Frierson:

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 November 1, 2005 through September 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

**DR. RONALD E. MCNAIR
NURSING AND REHABILITATION CENTER
LAKE CITY, SOUTH CAROLINA**

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 2007
AC# 3-RMM-J6**

**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

November 5, 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 Dr. Ronald E. McNair Nursing and Rehabilitation Center, for the contract periods beginning October 1, 2007, and for the eleven month cost report period ended September 30, 2006, as set forth in the accompanying schedules. The management of Dr. Ronald E. McNair Nursing and Rehabilitation Center 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 Dr. Ronald E. McNair Nursing and Rehabilitation Center, 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 Dr. Ronald E. McNair Nursing and Rehabilitation Center 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
November 5, 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

DR. RONALD E. MCNAIR NURSING AND REHABILITATION CENTER

Computation of Rate Change
For the Contract Periods
Beginning October 1, 2007
AC# 3-RMM-J6

	<u>Beginning 10/01/07</u>
Interim Reimbursement Rate (1)	\$136.32
Adjusted Reimbursement Rate	<u>127.39</u>
Decrease in Reimbursement Rate	\$ <u><u>8.93</u></u>

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

DR. RONALD E. MCNAIR NURSING AND REHABILITATION CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Periods Beginning October 1, 2007
 AC# 3-RMM-J6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 58.24	\$ 83.18	
Dietary		13.90	13.90	
Laundry/Housekeeping/Maintenance		<u>12.25</u>	<u>13.36</u>	
Subtotal	\$ <u>7.73</u>	84.39	110.44	\$ 84.39
Administration & Medical Records	\$ <u>-</u>	<u>20.72</u>	<u>17.07</u>	<u>17.07</u>
Subtotal		105.11	<u>\$127.51</u>	101.46
<u>Costs Not Subject to Standards:</u>				
Utilities		3.65		3.65
Special Services		.32		.32
Medical Supplies & Oxygen		2.29		2.29
Taxes and Insurance		5.61		5.61
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$116.98</u>		113.33
Inflation Factor (4.60%)				5.21
Cost of Capital				6.41
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				7.73
Effect of \$1.75 Cap on Cost/Profit Incentives				(5.98)
Transportation Escort Add-On				<u>.69</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$127.39</u>

DR. RONALD E. MCNAIR NURSING AND REHABILITATION CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2006
 AC# 3-RMM-J6

<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>	
General Services	\$1,774,776	\$ -	\$13,627 (1) 25,597 (2) 48,965 (6) 2,333 (6) 12,380 (7) 27,650 (8) 937 (8)	\$1,643,287
Dietary	370,197	28,623 (6)	3,751 (3) 2,852 (8)	392,217
Laundry	81,900	-	1,227 (8)	80,673
Housekeeping	115,390	-	1,422 (8)	113,968
Maintenance	186,172	-	33,579 (6) 1,604 (8)	150,989
Administration & Medical Records	538,774	13,627 (1) 4,709 (2) 13,585 (6) 2,393 (6) 12,380 (7)	483 (8) 490 (8)	584,495
Utilities	105,758	-	2,712 (4)	103,046
Special Services	8,858	3,751 (3)	3,603 (9)	9,006
Medical Supplies & Oxygen	159,135	3,998 (2) 6,697 (6)	7,160 (5) 309 (8) 97,758 (9)	64,603

DR. RONALD E. MCNAIR NURSING AND REHABILITATION CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2006
AC# 3-RMM-J6

<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>
Taxes and Insurance	158,359	-	-	158,359
Legal Fees	-	-	-	-
Cost of Capital	177,286	1,959 (6)	281 (10)	180,822
	<u> </u>	<u>1,858</u> (11)	<u> </u>	<u> </u>
Subtotal	3,676,605	93,580	288,720	3,481,465
Ancillary	73,013	-	-	73,013
Nonallowable	304,717	16,890 (2)	1,858 (11)	468,237
		2,712 (4)		
		7,160 (5)		
		36,974 (8)		
		101,361 (9)		
		281 (10)		
CNA Training and Testing	<u>627</u>	<u>-</u>	<u>-</u>	<u>627</u>
Total Operating Expenses	<u>\$4,054,962</u>	<u>\$258,958</u>	<u>\$290,578</u>	<u>\$4,023,342</u>
Total Patient Days	<u>28,216</u>	<u>-</u>	<u>-</u>	<u>28,216</u>
Total Beds	<u>88</u>			

DR. RONALD E. MCNAIR NURSING AND REHABILITATION CENTER

Adjustment Report
Cost Report Period Ended September 30, 2006
AC# 3-RMM-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Administration Nursing	\$13,627	\$13,627
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
2	Administration Medical Supplies Nonallowable Nursing	4,709 3,998 16,890	25,597
	To reclassify expense to the proper cost center and disallow duplicate posting of expense HIM-15-1, Section 2304 DH&HS Expense Crosswalk		
3	Special Services Dietary	3,751	3,751
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
4	Nonallowable Utilities	2,712	2,712
	To disallow duplicate posting of expense HIM-15-1, Section 2304 DH&HS Expense Crosswalk		
5	Nonallowable Medical Supplies	7,160	7,160
	To disallow duplicate posting of expense HIM-15-1, Section 2304		

DR. RONALD E. MCNAIR NURSING AND REHABILITATION CENTER
Adjustment Report
Cost Report Period Ended September 30, 2006
AC# 3-RMM-J6

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Fixed Assets	33,579	
	Dietary	28,623	
	Administration	13,585	
	Medical Records	2,393	
	Medical Supplies	6,697	
	Cost of Capital	1,959	
	Accumulated Depreciation		1,959
	Nursing		48,965
	Restorative		2,333
	Maintenance		33,579
	To capitalize fixed assets and record related depreciation expense and reclassify expense to the proper cost center		
	HIM-15-1, Section 108.1		
	DH&HS Expense Crosswalk		
7	Administration	12,380	
	Nursing		12,380
	To reclassify expense to the proper cost center		
	HIM-15-1, Section 2304		
	DH&HS Expense Crosswalk		
8	Nonallowable	36,974	
	Nursing		27,650
	Restorative		937
	Dietary		2,852
	Laundry		1,227
	Housekeeping		1,422
	Maintenance		1,604
	Administration		483
	Medical Records		490
	Medical Supplies		309
	To adjust fringe benefits and related allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		

DR. RONALD E. MCNAIR NURSING AND REHABILITATION CENTER
Adjustment Report
Cost Report Period Ended September 30, 2006
AC# 3-RMM-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Nonallowable Medical Supplies Special Services	101,361	97,758 3,603
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
10	Nonallowable Cost of Capital	281	281
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
11	Cost of Capital Nonallowable	1,858	1,858
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$292,537	\$292,537

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.

DR. RONALD E. MCNAIR NURSING AND REHABILITATION CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2006
 AC# 3-RMM-J6

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>44</u>	
Deemed Asset Value	1,961,124	1,961,124	
Improvements Since 1981	58,093	60,996	
Accumulated Depreciation at 9/30/06	<u>(532,697)</u>	<u>(559,330)</u>	
Deemed Depreciated Value	1,486,520	1,462,790	
Market Rate of Return	<u>.0489</u>	<u>.0489</u>	
Total Annual Return	72,691	71,530	
Number of Days in Period	<u>334/365</u>	<u>334/365</u>	
Adjusted Annual Return	66,517	65,455	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	66,517	65,455	
Depreciation Expense	23,830	25,020	
Amortization Expense	-	-	
Capital Related Income Offsets	-	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	90,347	90,475	\$180,822
Total Patient Days (Minimum 96% Occupancy)	<u>14,108</u>	<u>14,108</u>	<u>28,216</u>
Cost of Capital Per Diem	\$ <u>6.40</u>	\$ <u>6.41</u>	\$ <u>6.41</u>

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