

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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July 28, 2009

Ms. Martha Hughey
Assistant Vice President of Reimbursement
National Healthcare Corporation
100 East Vine Street
Murfreesboro, Tennessee 37130

Re: AC# 3-GNV-J5 – NHC Healthcare – Greenville, LLC

Dear Ms. Hughey:

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/sag

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

**NHC HEALTHCARE – GREENVILLE, LLC
GREENVILLE, SOUTH CAROLINA**

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

**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

August 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 NHC Healthcare – Greenville, LLC, 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 NHC Healthcare – Greenville, LLC 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 NHC Healthcare – Greenville, LLC, 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 NHC Healthcare – Greenville, LLC 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 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

NHC HEALTHCARE - GREENVILLE, LLC
Computation of Rate Change
For the Contract Period
Beginning October 1, 2006
AC# 3-GNV-J5

	10/01/06- <u>09/30/07</u>
Interim Reimbursement Rate (1)	\$146.08
Adjusted Reimbursement Rate	<u>145.96</u>
Decrease in Reimbursement Rate	\$ <u><u>.12</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated May 17, 2007.

NHC HEALTHCARE - GREENVILLE, LLC
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2006 Through September 30, 2007
 AC# 3-GNV-J5

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 75.57	\$ 74.20	
Dietary		14.02	13.46	
Laundry/Housekeeping/Maintenance		<u>8.87</u>	<u>12.03</u>	
Subtotal	<u>\$1.23</u>	98.46	99.69	\$ 98.46
Administration & Medical Records	<u>\$ -</u>	<u>21.47</u>	<u>16.87</u>	<u>16.87</u>
Subtotal		119.93	<u>\$116.56</u>	115.33
<u>Costs Not Subject to Standards:</u>				
Utilities		2.77		2.77
Special Services		.08		.08
Medical Supplies & Oxygen		5.40		5.40
Taxes and Insurance		8.42		8.42
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$136.60</u>		132.00
Inflation Factor (4.60%)				6.07
Cost of Capital				6.66
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				1.23
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>-</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$145.96</u>

NHC HEALTHCARE - GREENVILLE, LLC
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2005
AC# 3-GNV-J5

<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	\$4,697,040	\$ -	\$ -	\$4,697,040
Dietary	871,099	-	-	871,099
Laundry	106,102	-	-	106,102
Housekeeping	236,228	-	-	236,228
Maintenance	208,807	-	-	208,807
Administration & Medical Records	1,334,699	-	-	1,334,699
Utilities	175,642	-	3,650 (2)	171,992
Special Services	5,200	-	-	5,200
Medical Supplies & Oxygen	335,580	-	-	335,580
Taxes and Insurance	523,149	-	-	523,149
Legal Fees	-	-	-	-
Cost of Capital	417,668	12,752 (4)	4,237 (1) 9,822 (3)	416,361
Subtotal	8,911,214	12,752	17,709	8,906,257
Ancillary	-	-	-	-

NHC HEALTHCARE - GREENVILLE, LLC
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2005
AC# 3-GNV-J5

<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>	
Nonallowable	1,284,619	4,237 (1) 3,650 (2) 9,822 (3)	12,752 (4)	1,289,576
CNA Training and Testing	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
Total Operating Expenses	<u>\$10,195,833</u>	<u>\$30,461</u>	<u>\$30,461</u>	<u>\$10,195,833</u>
Total Patient Days	<u> 62,153</u>	<u> -</u>	<u> -</u>	<u> 62,153</u>
Cost of Capital Patient Days *Adjusted to 96% Occupancy	<u> 62,511</u>			
Total Beds	<u> 176</u>			

NHC HEALTHCARE - GREENVILLE, LLC
 Adjustment Report
 Cost Report Period Ended September 30, 2005
 AC# 3-GNV-J5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Other Equity	\$285,946	
	Nonallowable	4,237	
	Accumulated Depreciation	147,809	
	Fixed Assets		\$433,755
	Cost of Capital - Depreciation Expense		4,237
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable - Rev Beauty/Barber Utilities	3,650	3,650
	To offset proper account HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
3	Nonallowable Cost of Capital	9,822	9,822
	To adjust capital return State Plan, Attachment 4.19D		
4	Cost of Capital Nonallowable	12,752	12,752
	To adjust deemed asset value limitation State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$464,216</u>	<u>\$464,216</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.

NHC HEALTHCARE - GREENVILLE, LLC
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2005
 AC# 3-GNV-J5

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.7788</u>	<u>2.7788</u>	
Deemed Asset Value (Per Bed)	43,399	43,399	
Number of Beds	<u>132</u>	<u>44</u>	
Deemed Asset Value	5,728,668	1,909,556	
Improvements Since 1981	669,296	230,546	
Accumulated Depreciation at 9/30/05	<u>(2,342,347)</u>	<u>(798,942)</u>	
Deemed Depreciated Value	4,055,617	1,341,160	
Market Rate of Return	<u>.0490</u>	<u>.0490</u>	
Total Annual Return	198,725	65,717	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	198,725	65,717	
Depreciation Expense	116,865	53,299	
Amortization Expense	-	-	
Capital Related Income Offsets	(13,685)	(4,560)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	301,905	114,456	\$416,361
Total Patient Days (Minimum 96% Occupancy)	<u>47,093</u>	<u>15,418</u>	<u>62,511</u>
Cost of Capital Per Diem	\$ <u>6.41</u>	\$ <u>7.42</u>	\$ <u>6.66</u>

NHC HEALTHCARE - GREENVILLE, LLC
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2005
AC# 3-GNV-J5

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ N/A	\$ N/A
Adjustment for Maximum Increase	<u>N/A</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$6.41</u>	<u>\$7.42</u>
Reimbursable Cost of Capital Per Diem	\$6.66	
Cost of Capital Per Diem	<u>6.66</u>	
Cost of Capital Per Diem Limitation	<u>\$ -</u>	

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