

# 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

July 28, 2009

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

Re: AC# 3-GNW-J5 – NHC Healthcare - Greenwood

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 - GREENWOOD  
GREENWOOD, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2006  
AC# 3-GNW-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	8

# *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

September 16, 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 - Greenwood, 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 - Greenwood 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 NHC Healthcare - Greenwood, 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 - Greenwood 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  
September 16, 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 - GREENWOOD**  
Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2006  
AC# 3-GNW-J5

	10/01/06- <u>09/30/07</u>
Interim Reimbursement Rate (1)	\$144.10
Adjusted Reimbursement Rate	<u>138.51</u>
Decrease in Reimbursement Rate	\$ <u><u>5.59</u></u>

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

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 64.94	\$ 79.77	
Dietary		13.06	13.46	
Laundry/Housekeeping/Maintenance		<u>11.28</u>	<u>12.03</u>	
Subtotal	<u>\$7.37</u>	89.28	105.26	\$ 89.28
Administration & Medical Records	<u>\$ -</u>	<u>18.85</u>	<u>16.87</u>	<u>16.87</u>
Subtotal		108.13	<u>\$122.13</u>	106.15
<u>Costs Not Subject to Standards:</u>				
Utilities		2.35		2.35
Special Services		-		-
Medical Supplies & Oxygen		6.48		6.48
Taxes and Insurance		8.16		8.16
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$125.12</u>		123.14
Inflation Factor (4.60%)				5.66
Cost of Capital				10.63
Cost of Capital Limitation				(2.67)
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				7.37
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(5.62)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$138.51</u>

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

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$3,458,965	\$ -	\$ -	\$3,458,965
Dietary	695,805	-	-	695,805
Laundry	116,219	-	-	116,219
Housekeeping	266,740	-	-	266,740
Maintenance	217,673	-	-	217,673
Administration & Medical Records	1,004,195	-	-	1,004,195
Utilities	125,309	-	-	125,309
Special Services	-	-	-	-
Medical Supplies & Oxygen	345,328	-	-	345,328
Taxes and Insurance	434,532	-	-	434,532
Legal Fees	-	-	-	-
Cost of Capital	721,731	-	107,700 (1)	565,912
			<u>48,119</u> (2)	
Subtotal	7,386,497	-	155,819	7,230,678

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

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	-	-	-	-
Nonallowable	414,457	107,700 (1) 48,119 (2)	-	570,276
CNA Training and Testing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>\$7,800,954</u>	<u>\$155,819</u>	<u>\$155,819</u>	<u>\$7,800,954</u>
Total Patient Days	* <u>53,261</u>	<u>-</u>	<u>-</u>	<u>53,261</u>

\*Adjusted to 96% Occupancy

Total Beds 152

**NHC HEALTHCARE - GREENWOOD**  
Adjustment Report  
Cost Report Period Ended September 30, 2005  
AC# 3-GNW-J5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$411,128	
	Nonallowable	107,700	
	Other Equity		\$369,002
	Fixed Assets		42,126
	Cost of Capital		107,700
	To adjust fixed assets and related depreciation expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	48,119	
	Cost of Capital		48,119
	To adjust capital return State Plan, Attachment 4.19D		
		_____	_____
	TOTAL ADJUSTMENTS	<u>\$566,947</u>	<u>\$566,947</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 - GREENWOOD**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2005  
 AC# 3-GNW-J5

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.77878</u>	<u>2.77878</u>	
Deemed Asset Value (Per Bed)	43,399	43,399	
Number of Beds	<u>108</u>	<u>44</u>	
Deemed Asset Value	4,687,092	1,909,556	
Improvements Since 1981	3,914,615	240,534	
Accumulated Depreciation at 9/30/05	<u>(2,950,792)</u>	<u>(1,638,782)</u>	
Deemed Depreciated Value	5,650,915	511,308	
Market Rate of Return	<u>.0490</u>	<u>.0490</u>	
Total Annual Return	276,895	25,054	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	276,895	25,054	
Depreciation Expense	175,929	98,567	
Amortization Expense	1,278	521	
Capital Related Income Offsets	(8,762)	(3,570)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	445,340	120,572	\$565,912
Total Patient Days (Minimum 96% Occupancy)	<u>37,843</u>	<u>15,418</u>	<u>53,261</u>
Cost of Capital Per Diem	\$ <u>11.77</u>	\$ <u>7.82</u>	\$ <u>10.63</u>

**NHC HEALTHCARE - GREENWOOD**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2005  
 AC# 3-GNW-J5

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$4.03	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$8.02</u>	<u>\$7.82</u>
Reimbursable Cost of Capital Per Diem		\$ 7.96
Cost of Capital Per Diem		<u>10.63</u>
Cost of Capital Per Diem Limitation		<u>\$(2.67)</u>

2 copies of this document were published at an estimated printing cost of \$1.35 each, and a total printing cost of \$2.70. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.