

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-MLD-J5 – National Healthcare - Mauldin

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/cwc

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

**NATIONAL HEALTHCARE – MAULDIN
MAULDIN, SOUTH CAROLINA**

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

September 9, 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 National Healthcare – Mauldin, 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 National Healthcare – Mauldin 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 National Healthcare – Mauldin, 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 National Healthcare – Mauldin 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 9, 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

NATIONAL HEALTHCARE - MAULDIN
Computation of Rate Change
For the Contract Period
Beginning October 1, 2006
AC# 3-MLD-J5

	10/01/06- <u>09/30/07</u>
Interim Reimbursement Rate (1)	\$152.80
Adjusted Reimbursement Rate	<u>152.05</u>
Decrease in Reimbursement Rate	\$ <u><u>.75</u></u>

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

NATIONAL HEALTHCARE - MAULDIN
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2006 Through September 30, 2007
 AC# 3-MLD-J5

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 73.68	\$ 79.77	
Dietary		15.55	13.46	
Laundry/Housekeeping/Maintenance		<u>11.20</u>	<u>12.03</u>	
Subtotal	\$ <u>4.83</u>	100.43	105.26	\$100.43
Administration & Medical Records	\$ <u>-</u>	<u>21.89</u>	<u>16.87</u>	<u>16.87</u>
Subtotal		122.32	<u>\$122.13</u>	117.30
<u>Costs Not Subject to Standards:</u>				
Utilities		4.41		4.41
Special Services		-		-
Medical Supplies & Oxygen		4.64		4.64
Taxes and Insurance		8.70		8.70
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$140.07</u>		135.05
Inflation Factor (4.60%)				6.21
Cost of Capital				9.04
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				4.83
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(3.08)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$152.05</u>

NATIONAL HEALTHCARE - MAULDIN
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2005
 AC# 3-MLD-J5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$3,171,665	\$ -	\$ -	\$3,171,665
Dietary	669,365	-	-	669,365
Laundry	85,361	-	-	85,361
Housekeeping	176,389	-	-	176,389
Maintenance	220,377	-	-	220,377
Administration & Medical Records	942,353	-	-	942,353
Utilities	193,877	-	4,144 (3)	189,733
Special Services	-	-	-	-
Medical Supplies & Oxygen	199,544	-	-	199,544
Taxes and Insurance	384,005	-	9,692 (2)	374,313
Legal Fees	-	-	-	-
Cost of Capital	407,235	75 (5)	21,409 (1)	389,139
	<u> </u>	<u>23,836 (5)</u>	<u>20,598 (4)</u>	<u> </u>
Subtotal	6,450,171	23,911	55,843	6,418,239

NATIONAL HEALTHCARE - MAULDIN
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2005
AC# 3-MLD-J5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Ancillary	-	-	-	-
Nonallowable	407,555	21,409 (1) 9,692 (2) 4,144 (3) 20,598 (4)	23,911 (5)	439,487
CNA Training and Testing	<u>5,687</u>	<u>-</u>	<u>-</u>	<u>5,687</u>
Total Operating Expenses	<u>\$6,863,413</u>	<u>\$79,754</u>	<u>\$79,754</u>	<u>\$6,863,413</u>
Total Patient Days	<u>43,047</u>	<u>-</u>	<u>-</u>	<u>43,047</u>
Total Beds	<u>120</u>			

NATIONAL HEALTHCARE - MAULDIN
Adjustment Report
Cost Report Period Ended September 30, 2005
AC# 3-MLD-J5

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable	\$ 21,409	
	Accumulated Depreciation	117,365	
	Other Equity	420,880	
	Fixed Assets		\$538,245
	Cost of Capital - Depreciation Expense		21,409
	To adjust fixed assets and related depreciation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
2	Nonallowable	9,692	
	Taxes and Insurance		9,692
	To adjust property tax expense		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
3	Nonallowable Beauty/Barber	4,144	
	Utilities		4,144
	To offset to proper account		
	HIM-15-1, Section 2400		
	State Plan, Attachment 4.19D		
4	Nonallowable	20,598	
	Cost of Capital		20,598
	To adjust capital return		
	State Plan, Attachment 4.19D		

NATIONAL HEALTHCARE - MAULDIN
Adjustment Report
Cost Report Period Ended September 30, 2005
AC# 3-MLD-J5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Cost of Capital - Amortization Expense	75	
	Cost of Capital - Depreciation Expense Nonallowable	23,836	23,911
	To adjust deemed asset value limitation State Plan, Attachment 4.19D		
		_____	_____
	TOTAL ADJUSTMENTS	<u>\$617,999</u>	<u>\$617,999</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.

NATIONAL HEALTHCARE - MAULDIN
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2005
 AC# 3-MLD-J5

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.7788</u>
Deemed Asset Value (Per Bed)	43,399
Number of Beds	<u>120</u>
Deemed Asset Value	5,207,880
Improvements Since 1981	305,315
Accumulated Depreciation at 9/30/05	<u>(1,621,389)</u>
Deemed Depreciated Value	3,891,806
Market Rate of Return	<u>.0490</u>
Total Annual Return	190,698
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	190,698
Depreciation Expense	209,009
Amortization Expense	1,402
Capital Related Income Offsets	(11,970)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	389,139
Total Patient Days (Actual)	<u>43,047</u>
Cost of Capital Per Diem	\$ <u><u>9.04</u></u>

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