

# 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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September 27, 2010

Mr. Frank Feltham  
456 Buncombe Street  
Edgefield, South Carolina 29842

Re: AC# 3-AMM-J5 – Anne Maria Rehab and Nursing Center

Dear Mr. Feltham:

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.

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

**ANNE MARIA REHAB AND NURSING CENTER  
NORTH AUGUSTA, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2006  
AC# 3-AMM-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 25, 2010

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 Anne Maria Rehab and Nursing Center, 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 Anne Maria Rehab and Nursing 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 Anne Maria Rehab and Nursing 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 Anne Maria Rehab and Nursing 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  
August 25, 2010

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

**ANNE MARIA REHAB AND NURSING CENTER**

Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2006  
AC# 3-AMM-J5

	10/01/06- <u>09/30/07</u>
Interim Reimbursement Rate (1)	\$126.75
Adjusted Reimbursement Rate	<u>124.64</u>
Decrease in Reimbursement Rate	\$ <u><u>2.11</u></u>

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

**ANNE MARIA REHAB AND NURSING CENTER**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2006 Through September 30, 2007  
 AC# 3-AMM-J5

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 64.50	\$ 85.33	
Dietary		11.61	13.46	
Laundry/Housekeeping/Maintenance		<u>8.80</u>	<u>12.03</u>	
Subtotal	<u>\$7.76</u>	84.91	110.82	\$ 84.91
Administration & Medical Records	<u>\$4.47</u>	<u>12.40</u>	<u>16.87</u>	<u>12.40</u>
Subtotal		97.31	<u>\$127.69</u>	97.31
<u>Costs Not Subject to Standards:</u>				
Utilities		3.24		3.24
Special Services		.22		.22
Medical Supplies & Oxygen		6.62		6.62
Taxes and Insurance		3.78		3.78
Legal Fees		<u>.13</u>		<u>.13</u>
<b>TOTAL</b>		<u>\$111.30</u>		111.30
Inflation Factor (4.60%)				5.12
Cost of Capital				6.47
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.90
Cost Incentive				7.76
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(9.91)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$124.64</u>

**ANNE MARIA REHAB AND NURSING CENTER**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2005  
 AC# 3-AMM-J5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$2,983,463	\$ -	\$ -	\$2,983,463
Dietary	590,233	-	53,381 (2)	536,852
Laundry	110,237	-	-	110,237
Housekeeping	162,850	-	-	162,850
Maintenance	134,043	-	-	134,043
Administration & Medical Records	573,383	-	-	573,383
Utilities	150,088	-	-	150,088
Special Services	10,358	-	-	10,358
Medical Supplies & Oxygen	344,458	-	38,201 (2)	306,257
Taxes and Insurance	175,040	-	-	175,040
Legal Fees	6,231	-	-	6,231
Cost of Capital	<u>301,107</u>	<u>175</u> (1)	<u>2,190</u> (3)	<u>299,092</u>
Subtotal	5,541,491	175	93,772	5,447,894

**ANNE MARIA REHAB AND NURSING CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2005  
AC# 3-AMM-J5

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
Ancillary	745,192	-	-	745,192
Nonallowable	1,434,900	91,582 (2) 2,190 (3)	175 (1)	1,528,497
CNA Training and Testing	<u>502</u>	<u>-</u>	<u>-</u>	<u>502</u>
Total Operating Expenses	<u>\$7,722,085</u>	<u>\$93,947</u>	<u>\$93,947</u>	<u>\$7,722,085</u>
Total Patient Days	<u>46,253</u>	<u>-</u>	<u>-</u>	<u>46,253</u>
			Cost of Capital Patient Days	<u>46,259</u>
Total Beds	<u>132</u>			

**ANNE MARIA REHAB AND NURSING CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2005  
AC# 3-AMM-J5

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 63,245	
	Cost of Capital	175	
	Accumulated Depreciation		\$ 53,002
	Nonallowable		175
	Other Equity		10,243
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	91,582	
	Dietary		53,381
	Medical Supplies & Oxygen		38,201
	To disallow expense due to a lack of adequate documentation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Nonallowable	2,190	
	Cost of Capital		2,190
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$157,192</u>	<u>\$157,192</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.

**ANNE MARIA REHAB AND NURSING CENTER**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2005  
 AC# 3-AMM-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>121</u>	<u>11</u>	
Deemed Asset Value	5,251,279	477,389	
Improvements Since 1981	871,641	70,762	
Accumulated Depreciation at 09/30/05	<u>(2,067,083)</u>	<u>(194,756)</u>	
Deemed Depreciated Value	4,055,837	353,395	
Market Rate of Return	<u>.0490</u>	<u>.0490</u>	
Total Annual Return	198,736	17,316	
Return Applicable to Non-Reimbursable Cost Centers	(2,020)	(176)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>291</u>	<u>-</u>	
Allowable Annual Return	197,007	17,140	
Depreciation Expense	76,400	12,043	
Amortization Expense	270	25	
Capital Related Income Offsets	(1,335)	(121)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(2,142)</u>	<u>(195)</u>	<u>Total</u>
Allowable Cost of Capital Expense	270,200	28,892	\$299,092
Total Patient Days (Minimum 96% Occupancy)	<u>42,398</u>	<u>3,861</u>	<u>46,259</u>
Cost of Capital Per Diem	\$ <u>6.37</u>	\$ <u>7.48</u>	\$ <u>6.47</u>

**ANNE MARIA REHAB AND NURSING CENTER**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2005  
 AC# 3-AMM-J5

6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$3.21	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$7.20</u>	<u>\$7.48</u>
Reimbursable Cost of Capital Per Diem		\$6.47
Cost of Capital Per Diem		<u>6.47</u>
Cost of Capital Per Diem Limitation		<u>\$ -</u>

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