

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 30, 2010

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

Re: AC# 3-AMM-J6 – 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, 2005 through September 30, 2006. That report was used to set the rate covering the contract period 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.

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, 2007
AC# 3-AMM-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

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, 2007, and for the twelve month cost report period ended September 30, 2006, 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, 2007
AC# 3-AMM-J6

	<u>10/01/07-</u> <u>09/30/08</u>
Interim Reimbursement Rate (1)	\$128.11
Adjusted Reimbursement Rate	<u>126.28</u>
Decrease in Reimbursement Rate	\$ <u><u>1.83</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, 2007 Through September 30, 2008
 AC# 3-AMM-J6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 62.46	\$ 88.72	
Dietary		12.29	13.85	
Laundry/Housekeeping/Maintenance		<u>9.67</u>	<u>12.55</u>	
Subtotal	<u>\$8.06</u>	84.42	115.12	\$ 84.42
Administration & Medical Records	<u>\$4.77</u>	<u>13.45</u>	<u>18.22</u>	<u>13.45</u>
Subtotal		97.87	<u>\$133.34</u>	97.87
<u>Costs Not Subject to Standards:</u>				
Utilities		3.40		3.40
Special Services		.29		.29
Medical Supplies & Oxygen		6.53		6.53
Taxes and Insurance		3.89		3.89
Legal Fees		<u>.41</u>		<u>.41</u>
TOTAL		<u>\$112.39</u>		112.39
Inflation Factor (4.60%)				5.17
Cost of Capital				6.57
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.93
Cost Incentive				8.06
Effect of \$1.75 Cap on Cost/Profit Incentives				(10.24)
Transportation Escort Add-On				<u>.40</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$126.28</u>

ANNE MARIA REHAB AND NURSING CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2006
 AC# 3-AMM-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>
General Services	\$2,889,153	\$ -	\$ -	\$2,889,153
Dietary	609,950	-	41,431 (4)	568,519
Laundry	112,353	-	-	112,353
Housekeeping	167,034	-	-	167,034
Maintenance	168,039	-	-	168,039
Administration & Medical Records	621,988	-	-	621,988
Utilities	157,323	-	-	157,323
Special Services	13,511	-	-	13,511
Medical Supplies & Oxygen	338,988	29,439 (3)	29,439 (3) 24,850 (4) 11,889 (5)	302,249
Taxes and Insurance	179,944	-	-	179,944
Legal Fees	18,960	-	-	18,960
Cost of Capital	<u>306,097</u>	<u>430</u> (1)	<u>2,523</u> (2)	<u>304,004</u>
Subtotal	5,583,340	29,869	110,132	5,503,077

ANNE MARIA REHAB AND NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2006
AC# 3-AMM-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>
Ancillary	707,292	-	-	707,292
Nonallowable	1,186,163	2,523 (2) 66,281 (4) 11,889 (5)	430 (1)	1,266,426
CNA Training and Testing	<u>250</u>	<u>-</u>	<u>-</u>	<u>250</u>
Total Operating Expenses	<u>\$7,477,045</u>	<u>\$110,562</u>	<u>\$110,562</u>	<u>\$7,477,045</u>
Total Patient Days	<u>46,253</u>	<u>-</u>	<u>-</u>	<u>46,253</u>
Total Beds	<u>132</u>			

ANNE MARIA REHAB AND NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 2006
AC# 3-AMM-J6

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$63,244	
	Cost of Capital	430	
	Accumulated Depreciation		\$57,252
	Nonallowable		430
	Other Equity		5,992
	To adjust fixed assets and related depreciation expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	2,523	
	Cost of Capital		2,523
	To adjust capital return State Plan, Attachment 4.19D		
3	Medical Supplies - Billable	29,439	
	Medical Supplies - Nonbillable		29,439
	To reclass supplies from non-billable to billable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Nonallowable	66,281	
	Dietary		41,431
	Medical Supplies & Oxygen		24,850
	To disallow expense due to a lack of documentation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

ANNE MARIA REHAB AND NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 2006
AC# 3-AMM-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable Medical Supplies & Oxygen	11,889	11,889
	To adjust special (ancillary) services State Plan, Attachment 4.19D		
		_____	_____
	TOTAL ADJUSTMENTS	\$ <u>173,806</u>	\$ <u>173,806</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, 2006
 AC# 3-AMM-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>121</u>	<u>11</u>	
Deemed Asset Value	5,393,091	490,281	
Improvements Since 1981	933,237	76,406	
Accumulated Depreciation at 09/30/06	<u>(2,130,671)</u>	<u>(203,685)</u>	
Deemed Depreciated Value	4,195,657	363,002	
Market Rate of Return	<u>.0489</u>	<u>.0489</u>	
Total Annual Return	205,168	17,751	
Return Applicable to Non-Reimbursable Cost Centers	(2,891)	(250)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>226</u>	<u>174</u>	
Allowable Annual Return	202,503	17,675	
Depreciation Expense	76,597	12,038	
Amortization Expense	270	25	
Capital Related Income Offsets	(3,215)	(292)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(1,464)</u>	<u>(133)</u>	<u>Total</u>
Allowable Cost of Capital Expense	274,691	29,313	\$304,004
Total Patient Days (Minimum 96% Occupancy)	<u>42,399</u>	<u>3,854</u>	<u>46,253</u>
Cost of Capital Per Diem	\$ <u>6.48</u>	\$ <u>7.61</u>	\$ <u>6.57</u>

ANNE MARIA REHAB AND NURSING CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2006
 AC# 3-AMM-J6

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>\$7.61</u>
Reimbursable Cost of Capital Per Diem		\$6.57
Cost of Capital Per Diem		<u>6.57</u>
Cost of Capital Per Diem Limitation		<u>\$ -</u>

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