

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

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September 27, 2010

Ms. Ann Goff, CPA, CFO
1053 Center Street
West Columbia, South Carolina 29169

Re: AC# 3-EBN-J5 – Ebenezer Senior Services

Dear Ms. Goff:

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/sag

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

**EBENEZER SENIOR SERVICES
ROCK HILL, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2006
AC# 3-EBN-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	11

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

June 15, 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 Ebenezer Senior Services, 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 Ebenezer Senior Services 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 Ebenezer Senior Services, 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 Ebenezer Senior Services 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
June 15, 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

EBENEZER SENIOR SERVICES
Computation of Rate Change
For the Contract Period
Beginning October 1, 2006
AC# 3-EBN-J5

	10/01/06
	<u>09/30/07</u>
Interim Reimbursement Rate (1)	\$138.09
Adjusted Reimbursement Rate	<u>123.02</u>
Decrease in Reimbursement Rate	\$ <u>15.07</u>

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

EBENEZER SENIOR SERVICES

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 58.82	\$ 74.32	
Dietary		9.50	13.72	
Laundry/Housekeeping/Maintenance		<u>10.43</u>	<u>12.61</u>	
Subtotal	\$ <u>7.05</u>	78.75	100.65	\$ 78.75
Administration & Medical Records	\$ <u>-</u>	<u>22.14</u>	<u>16.31</u>	<u>16.31</u>
Subtotal		100.89	<u>\$116.96</u>	95.06
<u>Costs Not Subject to Standards:</u>				
Utilities		3.14		3.14
Special Services		-		-
Medical Supplies & Oxygen		3.71		3.71
Taxes and Insurance		6.48		6.48
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$114.22</u>		108.39
Inflation Factor (4.60%)				4.99
Cost of Capital				7.89
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				7.05
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(5.30)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$123.02</u>

EBENEZER SENIOR SERVICES
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2005
 AC# 3-EBN-J5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$2,245,976	\$ 1,615 (4)	\$113,126 (8) 3,874 (8) 76,213 (9) 4,232 (9) 271 (10) 8,068 (11) 1,200 (12)	\$2,040,607
Dietary	407,440	36,959 (13)	12,971 (8) 8,839 (9) 93,052 (15)	329,537
Laundry	-	-	-	-
Housekeeping	228,157	737 (14)	9,031 (8) 6,099 (9) 11,242 (15)	202,522
Maintenance	209,138	664 (14)	37,502 (7) 2,557 (8) 2,299 (9) 368 (12) 7,877 (15)	159,199
Administration & Medical Records	889,724	14,777 (8) 753 (14)	37,974 (2) 42,157 (6) 18,174 (9) 6,364 (11) 13,787 (12) 18,855 (15)	767,943
Utilities	114,102	363 (14)	593 (12) 5,072 (15)	108,800
Special Services	-	-	-	-
Medical Supplies & Oxygen	145,130	-	16,299 (10)	128,831

EBENEZER SENIOR SERVICES
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2005
AC# 3-EBN-J5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Taxes and Insurance	292,102	890 (14)	21,428 (3) 39,398 (4) 7,540 (15)	224,626
Legal Fees	-	-	-	-
Cost of Capital	328,221	1,556 (14)	30,810 (1) 9,193 (5) <u>16,130 (15)</u>	273,644
Subtotal	4,859,990	58,314	682,595	4,235,709
Ancillary	349,069	-	-	349,069
Nonallowable	906,747	30,810 (1) 37,974 (2) 21,428 (3) 37,783 (4) 9,193 (5) 42,157 (6) 37,502 (7) 126,782 (8) 115,856 (9) 16,570 (10) 14,432 (11) 15,948 (12) 159,768 (15)	4,963 (14)	1,567,987
CNA Training and Testing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>\$6,115,806</u>	<u>\$724,517</u>	<u>\$687,558</u>	<u>\$6,152,765</u>
Total Patient Days	<u>34,690</u>	<u>-</u>	<u>-</u>	<u>34,690</u>
Total Beds	<u>99</u>			

EBENEZER SENIOR SERVICES
Adjustment Report
Cost Report Period Ended September 30, 2005
AC# 3-EBN-J5

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable	\$ 30,810	
	Other Equity	710,216	
	Accumulated Depreciation		\$ 72,394
	Fixed Assets		637,822
	Cost of Capital		30,810
	To adjust fixed assets and related depreciation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
2	Nonallowable	37,974	
	Administration		37,974
	To adjust Medical Director cost		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
3	Nonallowable	21,428	
	Taxes and Insurance		21,428
	To properly record expense		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
4	Restorative	1,615	
	Nonallowable	37,783	
	Taxes and Insurance		39,398
	To adjust insurance expense		
	HIM-15-1, Section 2161.2		
	State Plan, Attachment 4.19D		
5	Nonallowable	9,193	
	Cost of Capital		9,193
	To adjust capital return		
	State Plan, Attachment 4.19D		

EBENEZER SENIOR SERVICES
Adjustment Report
Cost Report Period Ended September 30, 2005
AC# 3-EBN-J5

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable Administration	42,157	42,157
	To properly record expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Nonallowable Maintenance	37,502	37,502
	To adjust maintenance cost HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Nonallowable Administration	126,782	
	Nursing	14,777	
	Restorative		113,126
	Dietary		3,874
	Housekeeping		12,971
	Maintenance		9,031
			2,557
	To reclassify salaries HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
9	Nonallowable	115,856	
	Nursing		76,213
	Restorative		4,232
	Dietary		8,839
	Housekeeping		6,099
	Maintenance		2,299
	Administration		18,174
	To adjust fringe benefits HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

EBENEZER SENIOR SERVICES
Adjustment Report
Cost Report Period Ended September 30, 2005
AC# 3-EBN-J5

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Nonallowable	16,570	
	Nursing		271
	Medical Supplies		16,299
	To adjust to related party cost HIM-15-1, Section 1005 State Plan, Attachment 4.19D		
11	Nonallowable	14,432	
	Restorative		8,068
	Administration		6,364
	To adjust undocumented cost HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
12	Nonallowable	15,948	
	Administration		13,787
	Nursing		1,200
	Maintenance		368
	Utilities		593
	To adjust undocumented cost HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
13	Dietary	36,959	
	Revenue Employee/Guest Meals		36,959
	To reverse part of provider's dietary income offset HIM-15-1, Section 2105.2 State Plan, Attachment 4.19D		

EBENEZER SENIOR SERVICES
Adjustment Report
Cost Report Period Ended September 30, 2005
AC# 3-EBN-J5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
14	Cost of Capital	1,556	
	Taxes and Insurance	890	
	Administration	753	
	Maintenance	664	
	Utilities	363	
	Housekeeping	737	
	Nonallowable		4,963
	To reverse DH&HS adjustment to remove indirect costs HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
15	Nonallowable	159,768	
	Cost of Capital		16,130
	Taxes and Insurance		7,540
	Administration		18,855
	Maintenance		7,877
	Utilities		5,072
	Housekeeping		11,242
	Dietary		93,052
	To remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2105.2 State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$1,434,733	\$1,434,733

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.

EBENEZER SENIOR SERVICES
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2005
 AC# 3-EBN-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>44</u>	<u>55</u>	
Deemed Asset Value	1,909,556	2,386,945	
Improvements Since 1981	51,705	40,760	
Accumulated Depreciation at 9/30/05	<u>(482,523)</u>	<u>(240,524)</u>	
Deemed Depreciated Value	1,478,738	2,187,181	
Market Rate of Return	<u>.0490</u>	<u>.0490</u>	
Total Annual Return	72,458	107,172	
Return Applicable to Non-Reimbursable Cost Centers	(2,418)	(3,576)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>5,111</u>	<u>6,389</u>	
Allowable Annual Return	75,151	109,985	
Depreciation Expense	31,945	69,909	
Amortization Expense	-	3,259	
Capital Related Income Offsets	(211)	(264)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(7,169)</u>	<u>(8,961)</u>	<u>Total</u>
Allowable Cost of Capital Expense	99,716	173,928	\$273,644
Total Patient Days (Minimum 96% Occupancy)	<u>15,418</u>	<u>19,272</u>	<u>34,690</u>
Cost of Capital Per Diem	\$ <u>6.47</u>	\$ <u>9.02</u>	\$ <u>7.89</u>

EBENEZER SENIOR SERVICES
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2005
AC# 3-EBN-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>\$6.47</u>	<u>\$9.02</u>
Reimbursable Cost of Capital Per Diem		\$7.89
Cost of Capital Per Diem		<u>7.89</u>
Cost of Capital Per Diem Limitation		<u>\$ -</u>

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