

*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-HAR-J5 – Harvey's Nursing Home

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/sag

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

**HARVEY'S NURSING HOME  
SIX MILE, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2006  
AC# 3-HAR-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 24, 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 Harvey's Nursing Home, 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 Harvey's Nursing Home 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 Harvey's Nursing Home, 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 the 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 Harvey's Nursing Home 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 24, 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.", with a stylized flourish at the end.

Richard H. Gilbert, Jr., CPA  
Deputy State Auditor

**HARVEY'S NURSING HOME**  
Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2006  
AC# 3-HAR-J5

10/01/06  
09/30/07

Interim Reimbursement Rate (1)	\$144.57
Adjusted Reimbursement Rate	<u>143.53</u>
Decrease in Reimbursement Rate	\$ <u><u>1.04</u></u>

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

**HARVEY'S NURSING HOME**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2006 Through September 30, 2007  
 AC# 3-HAR-J5

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 68.75	\$ 80.17	
Dietary		16.95	15.72	
Laundry/Housekeeping/Maintenance		<u>15.01</u>	<u>13.37</u>	
Subtotal	<u>\$7.65</u>	100.71	109.26	\$100.71
Administration & Medical Records	<u>\$ -</u>	<u>20.00</u>	<u>19.65</u>	<u>19.65</u>
Subtotal		120.71	<u>\$128.91</u>	120.36
<u>Costs Not Subject to Standards:</u>				
Utilities		2.38		2.38
Special Services		1.10		1.10
Medical Supplies & Oxygen		4.25		4.25
Taxes and Insurance		2.41		2.41
Legal Fees		<u>.09</u>		<u>.09</u>
<b>TOTAL</b>		<u>\$130.94</u>		130.59
Inflation Factor (4.60%)				6.01
Cost of Capital				8.71
Cost of Capital Limitation				(3.53)
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				7.65
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(5.90)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$143.53</u>

**HARVEY'S NURSING HOME**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2005  
 AC# 3-HAR-J5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,085,621	\$ -	\$ -	\$1,085,621
Dietary	273,875	-	6,168 (3)	267,707
Laundry	62,498	-	-	62,498
Housekeeping	67,088	-	-	67,088
Maintenance	107,484	-	-	107,484
Administration & Medical Records	315,858	-	-	315,858
Utilities	37,575	-	-	37,575
Special Services	17,292	-	-	17,292
Medical Supplies & Oxygen	76,205	-	9,110 (3)	67,095
Taxes and Insurance	38,129	-	-	38,129
Legal Fees	1,372	-	-	1,372
Cost of Capital	82,344	57,272 (2)	2,837 (1)	137,511
		<u>732 (4)</u>		
Subtotal	2,165,341	58,004	18,115	2,205,230

**HARVEY'S NURSING HOME**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2005  
AC# 3-HAR-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	20,570	-	-	20,570
Nonallowable	236,984	2,837 (1) 15,278 (3)	57,272 (2) 732 (4)	197,095
CNA Training and Testing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>\$2,422,895</u>	<u>\$76,119</u>	<u>\$76,119</u>	<u>\$2,422,895</u>
Total Patient Days	<u>15,791</u>	<u>-</u>	<u>-</u>	<u>15,791</u>
Total Beds	<u>44</u>			

**HARVEY'S NURSING HOME**  
Adjustment Report  
Cost Report Period Ended September 30, 2005  
AC# 3-HAR-J5

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable	\$ 2,837	
	Accumulated Depreciation	45,258	
	Other Equity		\$45,258
	Cost of Capital - Depreciation Expense		2,837
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Cost of Capital Nonallowable	57,272	57,272
	To adjust capital return State Plan, Attachment 4.19D		
3	Nonallowable	15,278	
	Dietary		6,168
	Medical Supplies & Oxygen		9,110
	To disallow expense due to a lack of documentation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Cost of Capital Nonallowable	732	732
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	\$ <u>121,377</u>	\$ <u>121,377</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.

**HARVEY'S NURSING HOME**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2005  
 AC# 3-HAR-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>38</u>	<u>6</u>	
Deemed Asset Value	1,649,162	260,394	
Improvements Since 1981	458,575	7,735	
Accumulated Depreciation at 9/30/05	<u>(310,215)</u>	<u>(64,370)</u>	
Deemed Depreciated Value	1,797,522	203,759	
Market Rate of Return	<u>.0490</u>	<u>.0490</u>	
Total Annual Return	88,079	9,984	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	88,079	9,984	
Depreciation Expense	28,856	9,891	
Amortization Expense	855	135	
Capital Related Income Offsets	(250)	(39)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	117,540	19,971	\$137,511
Total Patient Days (Actual)	<u>13,638</u>	<u>2,153</u>	<u>15,791</u>
Cost of Capital Per Diem	\$ <u>8.62</u>	\$ <u>9.28</u>	\$ <u>8.71</u>

**HARVEY'S NURSING HOME**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 2005  
AC# 3-HAR-J5

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ .54	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$4.53</u>	<u>\$9.28</u>
Reimbursable Cost of Capital Per Diem	\$ 5.18	
Cost of Capital Per Diem	<u>8.71</u>	
Cost of Capital Per Diem Limitation	\$( <u>3.53</u> )	

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