

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-HAR-J6 – 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, 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

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

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2007
AC# 3-HAR-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 23, 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, 2007, and for the twelve month cost report period ended September 30, 2006, 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 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 23, 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

HARVEY'S NURSING HOME
Computation of Rate Change
For the Contract Period
Beginning October 1, 2007
AC# 3-HAR-J6

	10/01/07- <u>09/30/08</u>
Interim Reimbursement Rate (1)	\$141.49
Adjusted Reimbursement Rate	<u>141.19</u>
Decrease in Reimbursement Rate	\$ <u><u>.30</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, 2007 Through September 30, 2008
 AC# 3-HAR-J6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 68.05	\$ 79.97	
Dietary		16.68	16.36	
Laundry/Housekeeping/Maintenance		<u>14.00</u>	<u>13.89</u>	
Subtotal	<u>\$7.72</u>	98.73	110.22	\$ 98.73
Administration & Medical Records	<u>\$3.38</u>	<u>18.03</u>	<u>21.41</u>	<u>18.03</u>
Subtotal		116.76	<u>\$131.63</u>	116.76
<u>Costs Not Subject to Standards:</u>				
Utilities		2.62		2.62
Special Services		.07		.07
Medical Supplies & Oxygen		5.15		5.15
Taxes and Insurance		2.47		2.47
Legal Fees		<u>.11</u>		<u>.11</u>
TOTAL		<u>\$127.18</u>		127.18
Inflation Factor (4.60%)				5.85
Cost of Capital				8.73
Cost of Capital Limitation				(3.57)
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.38
Cost Incentive				7.72
Effect of \$1.75 Cap on Cost/Profit Incentives				(9.35)
Transportation Escort Add-On				<u>1.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$141.19</u>

HARVEY'S NURSING HOME
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2006
 AC# 3-HAR-J6

<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	\$1,080,325	\$ -	\$ -	\$1,080,325
Dietary	266,289	-	1,514 (2)	264,775
Laundry	58,961	-	-	58,961
Housekeeping	76,305	-	-	76,305
Maintenance	86,974	-	-	86,974
Administration & Medical Records	286,169	-	-	286,169
Utilities	41,607	-	-	41,607
Special Services	1,182	-	-	1,182
Medical Supplies & Oxygen	84,338	-	2,660 (2)	81,678
Taxes and Insurance	39,149	-	-	39,149
Legal Fees	1,802	-	-	1,802
Cost of Capital	82,502	759 (3)	2,337 (1)	138,641
	<u> </u>	<u>57,717</u> (4)	<u> </u>	<u> </u>
Subtotal	2,105,603	58,476	6,511	2,157,568

HARVEY'S NURSING HOME
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2006
AC# 3-HAR-J6

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments		Adjusted Totals
		<u>Debit</u>	<u>Credit</u>	
Ancillary	19,323	-	-	19,323
Nonallowable	196,750	2,337 (1) 4,174 (2)	759 (3) 57,717 (4)	144,785
CNA Training and Testing	<u>360</u>	<u>-</u>	<u>-</u>	<u>360</u>
Total Operating Expenses	<u>\$2,322,036</u>	<u>\$64,987</u>	<u>\$64,987</u>	<u>\$2,322,036</u>
Total Patient Days	<u>15,875</u>	<u>-</u>	<u>-</u>	<u>15,875</u>
Total Beds	<u>44</u>			

HARVEY'S NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 2006
AC# 3-HAR-J6

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable	\$ 2,337	
	Accumulated Depreciation	47,597	
	Other Equity		\$ 47,597
	Cost of Capital - Depreciation Expense		2,337
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	4,174	
	Dietary		1,514
	Medical Supplies & Oxygen		2,660
	To disallow expense due to a lack of documentation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Cost of Capital	759	
	Nonallowable		759
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
4	Cost of Capital	57,717	
	Nonallowable		57,717
	To adjust capital return State Plan, Attachment 4.19D		
		\$ <u>112,584</u>	\$ <u>112,584</u>
	TOTAL ADJUSTMENTS		

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, 2006
 AC# 3-HAR-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>38</u>	<u>6</u>	
Deemed Asset Value	1,693,698	267,426	
Improvements Since 1981	456,885	7,735	
Accumulated Depreciation at 9/30/06	<u>(338,517)</u>	<u>(74,341)</u>	
Deemed Depreciated Value	1,812,066	200,820	
Market Rate of Return	<u>.0489</u>	<u>.0489</u>	
Total Annual Return	88,610	9,820	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	88,610	9,820	
Depreciation Expense	30,216	10,006	
Amortization Expense	855	135	
Capital Related Income Offsets	(865)	(136)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	118,816	19,825	\$138,641
Total Patient Days (Actual)	<u>13,711</u>	<u>2,164</u>	<u>15,875</u>
Cost of Capital Per Diem	\$ <u>8.67</u>	\$ <u>9.16</u>	\$ <u>8.73</u>

HARVEY'S NURSING HOME
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2006
 AC# 3-HAR-J6

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>\$9.16</u>
Reimbursable Cost of Capital Per Diem	\$ 5.16	
Cost of Capital Per Diem	<u>8.73</u>	
Cost of Capital Per Diem Limitation	<u>\$(3.57)</u>	

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