

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 22, 2010

Ms. Stacy Williams, CFO
Sandpiper Rehab & Nursing, LLC
1049 Anna Knapp Boulevard
Mt. Pleasant, South Carolina 29464

Re: AC# 3-SDP-J5 – Sandpiper Rehab & Nursing, LLC

Dear Ms. Williams:

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

**SANDPIPER REHAB & NURSING, LLC
MT. PLEASANT, SOUTH CAROLINA**

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

September 2, 2009

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 Sandpiper Rehab & Nursing, LLC, 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 Sandpiper Rehab & Nursing, LLC 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 Sandpiper Rehab & Nursing, LLC, 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 Sandpiper Rehab & Nursing, LLC 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
September 2, 2009

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

SANDPIPER REHAB & NURSING, LLC
Computation of Rate Change
For the Contract Period
Beginning October 1, 2006
AC# 3-SDP-J5

	10/01/06- <u>09/30/07</u>
Interim Reimbursement Rate (1)	\$146.42
Adjusted Reimbursement Rate	<u>142.77</u>
Decrease in Reimbursement Rate	\$ <u><u>3.65</u></u>

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

SANDPIPER REHAB & NURSING, LLC
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2006 Through September 30, 2007
 AC# 3-SDP-J5

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 69.92	\$ 79.77	
Dietary		12.37	13.46	
Laundry/Housekeeping/Maintenance		<u>16.72</u>	<u>12.03</u>	
Subtotal	\$ <u>6.25</u>	99.01	105.26	\$ 99.01
Administration & Medical Records	\$ <u>-</u>	<u>18.13</u>	<u>16.87</u>	<u>16.87</u>
Subtotal		117.14	<u>\$122.13</u>	115.88
<u>Costs Not Subject to Standards:</u>				
Utilities		3.62		3.62
Special Services		.06		.06
Medical Supplies & Oxygen		4.68		4.68
Taxes and Insurance		4.42		4.42
Legal Fees		<u>.10</u>		<u>.10</u>
TOTAL		<u>\$130.02</u>		128.76
Inflation Factor (4.60%)				5.92
Cost of Capital				6.34
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				6.25
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(4.50)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$142.77</u>

SANDPIPER REHAB & NURSING, LLC
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2005
 AC# 3-SDP-J5

<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	\$4,371,843	\$ -	\$ 16,581 (4) 41,040 (5) 1,970 (5)	\$4,312,252
Dietary	767,217	-	4,111 (5)	763,106
Laundry	252,203	-	39,933 (2) 245 (5)	212,025
Housekeeping	324,244	-	2,687 (5)	321,557
Maintenance	499,293	-	1,836 (5)	497,457
Administration & Medical Records	1,144,636	-	4,991 (5) 205 (5) 21,536 (6)	1,117,904
Utilities	223,084	-	-	223,084
Special Services	3,944	-	-	3,944
Medical Supplies & Oxygen	288,681	-	226 (5)	288,455
Taxes and Insurance	324,093	-	51,242 (3)	272,851
Legal Fees	6,112	-	-	6,112
Cost of Capital	448,339	144 (8)	29,239 (1) <u>28,306 (7)</u>	390,938
Subtotal	8,653,689	144	244,148	8,409,685

SANDPIPER REHAB & NURSING, LLC
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2005
AC# 3-SDP-J5

<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	210,353	-	-	210,353
Nonallowable	1,582,037	29,239 (1)	144 (8)	1,826,041
		39,933 (2)		
		51,242 (3)		
		16,581 (4)		
		57,311 (5)		
		21,536 (6)		
		28,306 (7)		
CNA Training and Testing	<u>750</u>	<u>-</u>	<u>-</u>	<u>750</u>
Total Operating Expenses	<u>\$10,446,829</u>	<u>\$244,292</u>	<u>\$244,292</u>	<u>\$10,446,829</u>
Total Patient Days	<u>61,670</u>	<u>-</u>	<u>-</u>	<u>61,670</u>
Total Beds	<u>176</u>			

SANDPIPER REHAB & NURSING, LLC
Adjustment Report
Cost Report Period Ended September 30, 2005
AC# 3-SDP-J5

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable	\$ 29,239	
	Fixed Assets	175,984	
	Other Equity	227,236	
	Accumulated Depreciation		\$403,220
	Cost of Capital		29,239
	To adjust fixed assets and related depreciation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
2	Nonallowable	39,933	
	Laundry		39,933
	To adjust laundry due to lack of documentation		
	HIM-15-1, Section 2304		
3	Nonallowable	51,242	
	Taxes and Insurance		51,242
	To adjust professional liability expense		
	HIM-15-1, Section 2161.2		
4	Nonallowable	16,581	
	Restorative		16,581
	To correct desk audit adjustment #27		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
5	Nonallowable	57,311	
	Nursing		41,040
	Restorative		1,970
	Dietary		4,111
	Laundry		245
	Housekeeping		2,687
	Maintenance		1,836
	Administration		4,991
	Medical Records		205
	Medical Supplies		226
	To adjust fringe benefits		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		

SANDPIPER REHAB & NURSING, LLC
Adjustment Report
Cost Report Period Ended September 30, 2005
AC# 3-SDP-J5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable Administration	21,536	21,536
	To adjust management fees due to a lack of documentation HIM-15-1, Section 2304		
7	Nonallowable Cost of Capital	28,306	28,306
	To adjust capital return State Plan, Attachment 4.19D		
8	Cost of Capital Nonallowable	144	144
	To adjust deemed asset value limitation State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$647,512	\$647,512

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.

SANDPIPER REHAB & NURSING, LLC
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2005
 AC# 3-SDP-J5

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.77878</u>	<u>2.77878</u>	<u>2.77878</u>	<u>2.77878</u>	
Deemed Asset Value (Per Bed)	43,399	43,399	43,399	43,399	
Number of Beds	<u>88</u>	<u>44</u>	<u>16</u>	<u>28</u>	
Deemed Asset Value	3,819,112	1,909,556	694,384	1,215,172	
Improvements Since 1981	383,381	132,136	38,504	67,392	
Accumulated Depreciation at 9/30/05	<u>(1,253,078)</u>	<u>(644,737)</u>	<u>(307,819)</u>	<u>(538,760)</u>	
Deemed Depreciated Value	2,949,415	1,396,955	425,069	743,804	
Market Rate of Return	<u>.0490</u>	<u>.0490</u>	<u>.0490</u>	<u>.0490</u>	
Total Annual Return	144,521	68,451	20,828	36,446	
Return Applicable to Non-Reimbursable Cost Centers	(811)	(356)	(139)	(217)	
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Allowable Annual Return	143,710	68,095	20,689	36,229	
Depreciation Expense	59,212	50,787	4,734	8,289	
Amortization Expense	-	-	-	-	
Capital Related Income Offsets	-	-	-	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(404)</u>	<u>(202)</u>	<u>(73)</u>	<u>(128)</u>	<u>Total</u>
Allowable Cost of Capital Expense	202,518	118,680	25,350	44,390	\$390,938
Total Patient Days (Minimum 96% Occupancy)	<u>30,835</u>	<u>15,418</u>	<u>5,606</u>	<u>9,811</u>	<u>61,670</u>
Cost of Capital Per Diem	\$ <u>6.57</u>	\$ <u>7.70</u>	\$ <u>4.52</u>	\$ <u>4.52</u>	\$ <u>6.34</u>

SANDPIPER REHAB & NURSING, LLC
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2005
 AC# 3-SDP-J5

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$5.68	\$ N/A	\$ N/A	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$9.67</u>	<u>\$7.70</u>	<u>\$4.52</u>	<u>\$4.52</u>
Reimbursable Cost of Capital Per Diem		\$6.34		
Cost of Capital Per Diem		<u>6.34</u>		
Cost of Capital Per Diem Limitation		\$ <u>-</u>		

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