

# 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  
FAX (803) 343-0723

September 22, 2010

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

Re: AC# 3-SDP-J6 – 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, 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

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

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2007  
AC# 3-SDP-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 21, 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, 2007, and for the twelve month cost report period ended September 30, 2006, 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  
August 21, 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, 2007  
AC# 3-SDP-J6

	10/01/07- <u>09/30/08</u>
Interim Reimbursement Rate (1)	\$156.29
Adjusted Reimbursement Rate	<u>152.67</u>
Decrease in Reimbursement Rate	\$ <u><u>3.62</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, 2007 Through September 30, 2008  
 AC# 3-SDP-J6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 80.00	\$ 82.94	
Dietary		13.28	13.85	
Laundry/Housekeeping/Maintenance		<u>13.63</u>	<u>12.55</u>	
Subtotal	\$ <u>2.43</u>	106.91	109.34	\$106.91
Administration & Medical Records	\$ <u>-</u>	<u>20.57</u>	<u>18.22</u>	<u>18.22</u>
Subtotal		127.48	<u>\$127.56</u>	125.13
<u>Costs Not Subject to Standards:</u>				
Utilities		3.52		3.52
Special Services		-		-
Medical Supplies & Oxygen		5.71		5.71
Taxes and Insurance		3.35		3.35
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$140.06</u>		137.71
Inflation Factor (4.60%)				6.33
Cost of Capital				6.46
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				2.43
Effect of \$1.75 Cap on Cost/Profit Incentives				(.68)
Transportation Escort Add-On				<u>.42</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$152.67</u>

**SANDPIPER REHAB & NURSING, LLC**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2006  
 AC# 3-SDP-J6

<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	\$5,012,618	\$ -	\$75,090 (9) 4,031 (9)	\$4,933,497
Dietary	825,829	-	6,851 (9)	818,978
Laundry	225,522	-	33,104 (3) 1,447 (9)	190,971
Housekeeping	380,092	-	5,036 (9)	375,056
Maintenance	276,408	-	1,792 (9)	274,616
Administration & Medical Records	1,278,387	-	9,397 (9) 630 (9)	1,268,360
Utilities	218,655	-	1,814 (4)	216,841
Special Services	252	-	-	252
Medical Supplies & Oxygen	394,959	-	11,941 (6) 22,824 (7) 7,490 (8) 289 (9)	352,415
Taxes and Insurance	260,751	-	53,935 (5)	206,816
Legal Fees	-	-	-	-
Cost of Capital	470,365	709 (11)	40,904 (1) 5,000 (2) <u>26,525 (10)</u>	398,645
Subtotal	9,343,838	709	308,100	9,036,447

**SANDPIPER REHAB & NURSING, LLC**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2006  
AC# 3-SDP-J6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
Ancillary	322,256	-	-	322,256
Nonallowable	1,638,777	40,904 (1)	709 (11)	1,946,168
		5,000 (2)		
		33,104 (3)		
		1,814 (4)		
		53,935 (5)		
		11,941 (6)		
		22,824 (7)		
		7,490 (8)		
		104,563 (9)		
		26,525 (10)		
CNA Training and Testing	<u>825</u>	<u>-</u>	<u>-</u>	<u>825</u>
Total Operating Expenses	<u>\$11,305,696</u>	<u>\$308,809</u>	<u>\$308,809</u>	<u>\$11,305,696</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, 2006  
AC# 3-SDP-J6

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable	\$ 40,904	
	Fixed Assets	175,985	
	Other Equity	185,548	
	Accumulated Depreciation		\$361,533
	Cost of Capital		40,904
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	5,000	
	Cost of Capital		5,000
	To adjust loss on disposal HIM-15-1, Section 132 A.3.		
3	Nonallowable	33,104	
	Laundry		33,104
	To remove expense not adequately documented HIM-15-1, Section 2304		
4	Nonallowable	1,814	
	Utilities		1,814
	To remove expense not adequately documented HIM-15-1, Section 2304		
5	Nonallowable	53,935	
	Taxes and Insurance		53,935
	To adjust professional liability expense HIM-15-1, Section 2161.2		
6	Nonallowable	11,941	
	Medical Supplies & Oxygen		11,941
	To adjust medical supplies HIM-15-1, Section 2302.1		

**SANDPIPER REHAB & NURSING, LLC**  
Adjustment Report  
Cost Report Period Ended September 30, 2006  
AC# 3-SDP-J6

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
7	Nonallowable Medical Supplies & Oxygen	22,824	22,824
	To reclassify expense to the proper cost center HIM-15-1, Section 2304		
8	Nonallowable Medical Supplies & Oxygen	7,490	7,490
	To reclassify expense to the proper cost center HIM-15-1, Section 2304		
9	Nonallowable	104,563	
	Nursing		75,090
	Restorative		4,031
	Dietary		6,851
	Laundry		1,447
	Housekeeping		5,036
	Maintenance		1,792
	Administration		9,397
	Medical Records		630
	Medical Supplies		289
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
10	Nonallowable Cost of Capital	26,525	26,525
	To adjust capital return State Plan, Attachment 4.19D		

**SANDPIPER REHAB & NURSING, LLC**  
Adjustment Report  
Cost Report Period Ended September 30, 2006  
AC# 3-SDP-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
11	Cost of Capital Nonallowable	709	709
	To adjust deemed asset value limitation State Plan, Attachment 4.19D		
		_____	_____
	TOTAL ADJUSTMENTS	\$ <u>670,342</u>	\$ <u>670,342</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.

**SANDPIPER REHAB & NURSING, LLC**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2006  
 AC# 3-SDP-J6

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.85382</u>	<u>2.85382</u>	<u>2.85382</u>	<u>2.85382</u>	
Deemed Asset Value (Per Bed)	44,571	44,571	44,571	44,571	
Number of Beds	<u>88</u>	<u>44</u>	<u>16</u>	<u>28</u>	
Deemed Asset Value	3,922,248	1,961,124	713,136	1,247,988	
Improvements Since 1981	486,356	184,863	53,869	94,284	
Accumulated Depreciation at 9/30/06	<u>(1,314,628)</u>	<u>(690,631)</u>	<u>(312,934)</u>	<u>(547,714)</u>	
Deemed Depreciated Value	3,093,976	1,455,356	454,071	794,558	
Market Rate of Return	<u>.0489</u>	<u>.0489</u>	<u>.0489</u>	<u>.0489</u>	
Total Annual Return	151,295	71,167	22,204	38,854	
Return Applicable to Non-Reimbursable Cost Centers	-	-	-	-	
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Allowable Annual Return	151,295	71,167	22,204	38,854	
Depreciation Expense	61,609	45,927	5,125	8,969	
Amortization Expense	-	-	-	-	
Capital Related Income Offsets	(3,253)	(1,626)	(591)	(1,035)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	209,651	115,468	26,738	46,788	\$398,645
Total Patient Days (Minimum 96% Occupancy)	<u>30,835</u>	<u>15,418</u>	<u>5,607</u>	<u>9,810</u>	<u>61,670</u>
Cost of Capital Per Diem	\$ <u>6.80</u>	\$ <u>7.49</u>	\$ <u>4.77</u>	\$ <u>4.77</u>	\$ <u>6.46</u>

**SANDPIPER REHAB & NURSING, LLC**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2006  
 AC# 3-SDP-J6

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>\$7.49</u>	<u>\$4.77</u>	<u>\$4.77</u>
Reimbursable Cost of Capital Per Diem		\$6.46		
Cost of Capital Per Diem		<u>6.46</u>		
Cost of Capital Per Diem Limitation		<u>\$ -</u>		

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