

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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December 14, 2011

Mr. Alan Hughes, Administrator
Abbeville Nursing Home, Inc.
Post Office Box 190
Abbeville, South Carolina 29620

Re: AC# 3-ABV-J9 – Abbeville Nursing Home, Inc.

Dear Mr. Hughes:

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, 2008 through September 30, 2009. That report was used to set the rate covering the contract periods beginning October 1, 2010.

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

ABBEVILLE NURSING HOME, INC.

ABBEVILLE, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 2010
AC# 3-ABV-J9**

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

October 24, 2011

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 Abbeville Nursing Home, Inc., for the contract periods beginning October 1, 2010, and for the twelve month cost report period ended September 30, 2009, as set forth in the accompanying schedules. The management of Abbeville Nursing Home, Inc. 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 Abbeville Nursing Home, Inc., 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 Abbeville Nursing Home, Inc. 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
October 24, 2011

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

ABBEVILLE NURSING HOME, INC.
 Computation of Rate Change
 For the Contract Periods
 Beginning October 1, 2010
 AC# 3-ABV-J9

	<u>10/01/10-</u> <u>04/07/11</u>	<u>04/08/11-</u> <u>09/30/11</u>
Interim Reimbursement Rate (1)	\$154.79	\$150.15
Adjusted Reimbursement Rate	<u>154.18</u>	<u>149.55</u>
Decrease in Reimbursement Rate	\$ <u>.61</u>	\$ <u>.60</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated August 30, 2011.

ABBEVILLE NURSING HOME, INC.
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2010 Through April 7, 2011
 AC# 3-ABV-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 83.53	\$ 92.96	
Dietary		13.63	15.32	
Laundry/Housekeeping/Maintenance		<u>16.75</u>	<u>14.84</u>	
Subtotal	<u>\$8.62</u>	113.91	123.12	\$113.91
Administration & Medical Records	<u>\$6.74</u>	<u>14.68</u>	<u>21.42</u>	<u>14.68</u>
Subtotal		128.59	<u>\$144.54</u>	128.59
<u>Costs Not Subject to Standards:</u>				
Utilities		3.63		3.63
Special Services		-		-
Medical Supplies & Oxygen		6.21		6.21
Taxes and Insurance		4.61		4.61
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$143.04</u>		143.04
Inflation Factor (2.00%)				2.86
Cost of Capital				6.53
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				5.01
Cost Incentive				8.62
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(11.88)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$154.18</u>

ABBEVILLE NURSING HOME, INC.
 Computation of Adjusted Reimbursement Rate
 For the Contract Period April 8, 2011 Through September 30, 2011
 AC# 3-ABV-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 83.53	\$ 92.96	
Dietary		13.63	15.32	
Laundry/Housekeeping/Maintenance		<u>16.75</u>	<u>14.84</u>	
Subtotal	<u>\$8.62</u>	113.91	123.12	\$113.91
Administration & Medical Records	<u>\$6.74</u>	<u>14.68</u>	<u>21.42</u>	<u>14.68</u>
Subtotal		128.59	<u>\$144.54</u>	128.59
<u>Costs Not Subject to Standards:</u>				
Utilities		3.63		3.63
Special Services		-		-
Medical Supplies & Oxygen		6.21		6.21
Taxes and Insurance		4.61		4.61
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$143.04</u>		143.04
Inflation Factor (2.00%)				2.86
Cost of Capital				6.53
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				5.01
Cost Incentive				8.62
Effect of \$1.75 Cap on Cost/Profit Incentives				(11.88)
Effect of 3% Rate Reduction				<u>(4.63)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$149.55</u>

ABBEVILLE NURSING HOME, INC.
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2009
 AC# 3-ABV-J9

<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>
General Services	\$2,574,104	\$ -	\$ 4,382 (4) 276 (4)	\$2,569,446
Dietary	419,418	-	-	419,418
Laundry	91,671	4,749 (1)	160 (4)	96,260
Housekeeping	175,905	-	-	175,905
Maintenance	255,183	-	4,749 (1) 198 (4) 7,116 (6)	243,120
Administration & Medical Records	452,542	-	216 (4) 84 (4) 634 (6)	451,608
Utilities	111,747	-	54 (5)	111,693
Special Services	-	-	-	-
Medical Supplies & Oxygen	211,259	-	20,267 (3)	190,992
Taxes and Insurance	144,680	-	2,909 (5)	141,771
Legal Fees	-	-	-	-

ABBEVILLE NURSING HOME, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2009
AC# 3-ABV-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	183,137	1,723 (1)	-	200,738
	<u> </u>	<u>15,878</u> (2)	<u> </u>	<u> </u>
Subtotal	4,619,646	22,350	41,045	4,600,951
Ancillary	80,787	-	-	80,787
Nonallowable	253,095	20,267 (3)	1,723 (1)	264,040
		5,316 (4)	15,878 (2)	
		2,963 (5)		
CNA Training and Testing	<u>600</u>	<u> </u>	<u> </u>	<u>600</u>
Total Operating Expenses	<u>\$4,954,128</u>	<u>\$50,896</u>	<u>\$58,646</u>	<u>\$4,946,378</u>
Total Patient Days	<u>30,761</u>	<u> </u>	<u> </u>	<u>30,761</u>
Total Beds	<u>94</u>			

ABBEVILLE NURSING HOME, INC.
Adjustment Report
Cost Report Period Ended September 30, 2009
AC# 3-ABV-J9

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$23,266	
	Laundry	4,749	
	Cost of Capital	1,723	
	Accumulated Depreciation		\$10,677
	Other Equity		12,589
	Maintenance		4,749
	Nonallowable		1,723
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Cost of Capital	15,878	
	Nonallowable		15,878
	To adjust capital return State Plan, Attachment 4.19D		
3	Nonallowable	20,267	
	Medical Supplies		20,267
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk State Plan, Attachment 4.19D		
4	Nonallowable	5,316	
	Nursing		4,382
	Restorative		276
	Laundry		160
	Maintenance		198
	Administration		216
	Medical Records		84
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

ABBEVILLE NURSING HOME, INC.
Adjustment Report
Cost Report Period Ended September 30, 2009
AC# 3-ABV-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable	2,963	
	Utilities		54
	Taxes and Insurance		2,909
	To remove cost not related to patient care HIM-15-1, Section 2102.3 DH&HS Expense Crosswalk		
6	Other Income	7,750	
	Maintenance		7,116
	Administration		634
	To offset income against related expense HIM-15-1, Sections 810.1 and 2304		
		\$81,912	\$81,912
	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.

ABBEVILLE NURSING HOME, INC.
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2009
 AC# 3-ABV-J9

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>3.10948</u>
Deemed Asset Value (Per Bed)	48,564
Number of Beds	<u>94</u>
Deemed Asset Value	4,565,016
Improvements Since 1981	699,274
Accumulated Depreciation at 9/30/09	<u>(1,312,277)</u>
Deemed Depreciated Value	3,952,013
Market Rate of Return	<u>.0440</u>
Total Annual Return	173,889
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	173,889
Depreciation Expense	50,157
Amortization Expense	1,812
Capital Related Income Offsets	(25,120)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	200,738
Total Patient Days (Actual)	<u>30,761</u>
Cost of Capital Per Diem	\$ <u><u>6.53</u></u>

ABBEVILLE NURSING HOME, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2009
AC# 3-ABV-J9

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$5.33
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$9.32</u>
Reimbursable Cost of Capital Per Diem	\$6.53
Cost of Capital Per Diem	<u>6.53</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

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