

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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December 2, 2011

Mr. Tom Turner, President
South Carolina Baptist Ministries for the Aging
190 Stoneridge Drive
Columbia, South Carolina 29210

Re: AC# 3-BBH-J6 – South Carolina Baptist Ministry d/b/a Bethea Baptist Health Care Center

Dear Mr. Turner:

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
Mr. Benjamin Spurling
Mrs. Kathy B. Wine

**SOUTH CAROLINA BAPTIST MINISTRY D/B/A
BETHEA BAPTIST HEALTH CARE CENTER**

DARLINGTON, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2007
AC# 3-BBH-J6**

AGREED-UPON PROCEDURES REPORT

ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 2007	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2007 THROUGH SEPTEMBER 30, 2008	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2006	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	10

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

October 21, 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 South Carolina Baptist Ministry d/b/a Bethea Baptist Health Care Center, 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 South Carolina Baptist Ministry d/b/a Bethea Baptist Health Care Center 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 South Carolina Baptist Ministry d/b/a Bethea Baptist Health Care Center, 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 South Carolina Baptist Ministry d/b/a Bethea Baptist Health Care Center dated as of April 1, 2007, 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 21, 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

BETHEA BAPTIST HEALTH CARE CENTER

Computation of Rate Change
For the Contract Period
Beginning October 1, 2007
AC# 3-BBH-J6

	10/01/07- <u>09/30/08</u>
Interim Reimbursement Rate (1)	\$148.74
Adjusted Reimbursement Rate	<u>134.86</u>
Decrease in Reimbursement Rate	\$ <u><u>13.88</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated October 20, 2010.

BETHEA BAPTIST HEALTH CARE CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2007 Through September 30, 2008
 AC# 3-BBH-J6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 73.61	\$ 77.38	
Dietary		13.06	13.90	
Laundry/Housekeeping/Maintenance		<u>6.31</u>	<u>13.36</u>	
Subtotal	<u>\$7.32</u>	92.98	104.64	\$ 92.98
Administration & Medical Records	<u>\$.68</u>	<u>16.39</u>	<u>17.07</u>	<u>16.39</u>
Subtotal		109.37	<u>\$121.71</u>	109.37
<u>Costs Not Subject to Standards:</u>				
Utilities		2.27		2.27
Special Services		-		-
Medical Supplies & Oxygen		6.97		6.97
Taxes and Insurance		1.09		1.09
Legal Fees		<u>.99</u>		<u>.99</u>
TOTAL		<u>\$120.69</u>		120.69
Inflation Factor (4.60%)				5.55
Cost of Capital				6.00
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				.68
Cost Incentive				7.32
Effect of \$1.75 Cap on Cost/Profit Incentives				(6.25)
Transportation Escort Add-On				<u>.87</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$134.86</u>

BETHEA BAPTIST HEALTH CARE CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2006
 AC# 3-BBH-J6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,758,750	\$ 19,553 (9)	\$ 45,001 (1) 11,442 (7) 17,931 (10)	\$1,703,929
Dietary	302,279	352,074 (9)	352,073 (10)	302,280
Laundry	47,482	7,846 (9)	7,845 (10)	47,483
Housekeeping	88,220	27,379 (9)	84,769 (10)	30,830
Maintenance	91,328	1,682 (2) 256,679 (9)	281,962 (10)	67,727
Administration & Medical Records	427,501	194,096 (9) 6,505 (9)	25,873 (3) 216,352 (10) 6,504 (10)	379,373
Utilities	62,612	225,973 (9)	18,139 (4) 217,987 (10)	52,459
Special Services	-	-	-	-
Medical Supplies & Oxygen	162,914	25,074 (9)	26,655 (10)	161,333
Taxes and Insurance	38,666	93,724 (9)	32,164 (5) 75,031 (10)	25,195
Legal Fees	25,285	13,623 (9)	16,040 (10)	22,868

BETHEA BAPTIST HEALTH CARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2006
AC# 3-BBH-J6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	273,030	13,252 (9)	17,207 (6)	138,843
			4,146 (8)	
			3,662 (10)	
			33,202 (11)	
			201 (11)	
			<u>89,021 (12)</u>	
Subtotal	<u>3,278,067</u>	<u>1,237,460</u>	<u>1,583,207</u>	<u>2,932,320</u>
Ancillary	-	-	-	-
Nonallowable	2,444,279	45,001 (1)	1,235,778 (9)	2,780,266
		25,873 (3)		
		18,139 (4)		
		32,164 (5)		
		17,207 (6)		
		4,146 (8)		
		1,306,811 (10)		
		33,403 (11)		
		89,021 (12)		
CNA Training and Testing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>\$5,722,346</u>	<u>\$2,809,225</u>	<u>\$2,818,985</u>	<u>\$5,712,586</u>
Total Patient Days	<u>23,148</u>	<u>-</u>	<u>-</u>	<u>23,148</u>
Total Beds	<u>88</u>			

BETHEA BAPTIST HEALTH CARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2006
AC# 3-BBH-J6

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable - Private Pay Wing Nursing	\$ 45,001	\$ 45,001
	To reclassify private pay wing expenses HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
2	Maintenance Other Equity	1,682	1,682
	To record expenses applicable to the current year HIM-15-1, Section 2302.1		
3	Nonallowable Administration	25,873	25,873
	To remove advertising expense HIM-15-1, Section 2136.2		
4	Nonallowable Utilities	18,139	18,139
	To remove nonallowable costs HIM-15-1, Section 2106.1		
5	Nonallowable Taxes and Insurance	32,164	32,164
	To adjust professional liability expense HIM-15-1, Sections 2161 and 2302.4 State Plan, Attachment 4.19D		
6	Fixed Assets Nonallowable Accumulated Depreciation Other Equity Cost of Capital	982,604 17,207	842,137 140,467 17,207
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

BETHEA BAPTIST HEALTH CARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2006
AC# 3-BBH-J6

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
7	Other Miscellaneous Revenue Restorative	11,442	11,442
	To reclassify revenue to the proper cost center HIM-15-1, Section 2328C		
8	Nonallowable - Non-SNF Cost of Capital	4,146	4,146
	To remove non-SNF amortization State Plan, Attachment 4.19D		
9	Restorative	19,553	
	Dietary	352,074	
	Laundry	7,846	
	Housekeeping	27,379	
	Maintenance	256,679	
	Administration	194,096	
	Medical Records	6,505	
	Legal	13,623	
	Utilities	225,973	
	Taxes and Insurance	93,724	
	Medical Supplies	25,074	
	Cost of Capital	13,252	
	Nonallowable		1,235,778
	To reverse DH&HS adjustment to remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

BETHEA BAPTIST HEALTH CARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2006
AC# 3-BBH-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Nonallowable	1,306,811	
	Restorative		17,931
	Dietary		352,073
	Laundry		7,845
	Housekeeping		84,769
	Maintenance		281,962
	Administration		216,352
	Medical Records		6,504
	Legal		16,040
	Utilities		217,987
	Taxes and Insurance		75,031
	Medical Supplies		26,655
	Cost of Capital		3,662
	To remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
11	Nonallowable	33,403	
	Cost of Capital - Depreciation		33,202
	Cost of Capital - Amortization		201
	To adjust depreciation and amortization to comply with capital cost policy State Plan, Attachment 4.19D		
12	Nonallowable	89,021	
	Cost of Capital		89,021
	To adjust capital return State Plan, Attachment 4.19D		
	<u>TOTAL ADJUSTMENTS</u>	<u>\$3,803,271</u>	<u>\$3,803,271</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.

BETHEA BAPTIST HEALTH CARE CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2006
 AC# 3-BBH-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>44</u>	<u>44</u>	
Deemed Asset Value	1,961,124	1,961,124	
Improvements Since 1981	254,077	-	
Accumulated Depreciation at 9/30/06	<u>(1,386,423)</u>	<u>(341,832)</u>	
Deemed Depreciated Value	828,778	1,619,292	
Market Rate of Return	<u>.0489</u>	<u>.0489</u>	
Total Annual Return	40,527	79,183	
Number of Days in Period	<u>365/365</u>	<u>183/365</u>	
Adjusted Annual Return	40,527	39,700	
Return Applicable to Non-Reimbursable Cost Centers	(1,372)	(1,346)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>260</u>	<u>80</u>	
Allowable Annual Return	39,415	38,434	
Depreciation Expense	52,466	11,713	
Amortization Expense	317	160	
Capital Related Income Offsets	-	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(3,179)</u>	<u>(483)</u>	<u>Total</u>
Allowable Cost of Capital Expense	89,019	49,824	\$138,843
Total Patient Days (Minimum 96% Occupancy)	<u>15,418</u>	<u>7,730</u>	<u>23,148</u>
Cost of Capital Per Diem	\$ <u>5.77</u>	\$ <u>6.45</u>	\$ <u>6.00</u>

BETHEA BAPTIST HEALTH CARE CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2006
 AC# 3-BBH-J6

6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$ N/A	\$ N/A
Adjustment for Maximum Increase	<u>N/A</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$5.77</u>	<u>\$6.45</u>
Reimbursable Cost of Capital Per Diem		\$6.00
Cost of Capital Per Diem		<u>6.00</u>
Cost of Capital Per Diem Limitation		<u>\$ -</u>

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