

*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-MFB-J6 – Martha Franks Baptist Retirement 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  
Ms. Dina Hair  
Mrs. Kathy B. Wine

**MARTHA FRANKS BAPTIST RETIREMENT CENTER  
LAURENS, SOUTH CAROLINA**

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

November 8, 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 Martha Franks Baptist Retirement 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 Martha Franks Baptist Retirement 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 Martha Franks Baptist Retirement 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 Martha Franks Baptist Retirement Center 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  
November 8, 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

**MARTHA FRANKS BAPTIST RETIREMENT CENTER**

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

	10/01/07- <u>09/30/08</u>
Interim Reimbursement Rate (1)	\$141.99
Adjusted Reimbursement Rate	<u>136.33</u>
Decrease in Reimbursement Rate	\$ <u>5.66</u>

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

**MARTHA FRANKS BAPTIST RETIREMENT CENTER**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2007 Through September 30, 2008  
 AC# 3-MFB-J6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 89.58	\$ 71.58	
Dietary		13.68	13.90	
Laundry/Housekeeping/Maintenance		<u>8.68</u>	<u>13.36</u>	
Subtotal	\$ <u>-</u>	111.94	98.84	\$ 98.84
Administration & Medical Records	<u>\$2.19</u>	<u>14.88</u>	<u>17.07</u>	<u>14.88</u>
Subtotal		126.82	<u>\$115.91</u>	113.72
<u>Costs Not Subject to Standards:</u>				
Utilities		3.37		3.37
Special Services		.13		.13
Medical Supplies & Oxygen		3.71		3.71
Taxes and Insurance		1.21		1.21
Legal Fees		<u>.32</u>		<u>.32</u>
<b>TOTAL</b>		<u>\$135.56</u>		122.46
Inflation Factor (4.60%)				5.63
Cost of Capital				5.81
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				2.19
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				(.44)
Transportation Escort Add-On				<u>.68</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$136.33</u>

**MARTHA FRANKS BAPTIST RETIREMENT CENTER**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2006  
 AC# 3-MFB-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	\$2,781,444	\$ 28,445 (4) 123,567 (9)	\$ 325 (5) 5,175 (6) 430 (6) 165,253 (10)	\$2,762,273
Dietary	482,137	14,242 (4) 4,050 (5) 609,764 (9)	847 (6) 687,659 (10)	421,687
Laundry	62,734	-	86 (6)	62,648
Housekeeping	93,588	2,371 (4) 59,171 (9)	152 (6) 62,037 (10)	92,941
Maintenance	116,988	413,854 (9)	387 (6) 418,427 (10)	112,028
Administration & Medical Records	547,427	265,483 (9)	86,977 (2) 685 (6) 266,302 (10)	458,946
Utilities	169,704	93,189 (3) 239,641 (9)	12,660 (8) 386,029 (10)	103,845
Special Services	4,156	-	-	4,156
Medical Supplies & Oxygen	182,033	-	51,380 (4) 16,195 (5)	114,458
Taxes and Insurance	51,269	73,247 (1) 40,951 (9)	128,137 (10)	37,330
Legal Fees	10,513	5,915 (9)	6,654 (10)	9,774

**MARTHA FRANKS BAPTIST RETIREMENT CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2006  
AC# 3-MFB-J6

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Debit	Adjustments Credit	Adjusted Totals
Cost of Capital	182,525	68,811 (9)	4,681 (7)	179,026
		52,938 (12)	12,687 (10)	
			<u>107,880 (11)</u>	
Subtotal	4,684,518	2,095,639	2,421,045	4,359,112
Ancillary	253,828	27 (4)	5,957 (5)	247,898
Nonallowable	3,228,242	86,977 (2)	73,247 (1)	3,559,578
		6,295 (4)	93,189 (3)	
		18,427 (5)	1,827,157 (9)	
		7,762 (6)	52,938 (12)	
		4,681 (7)		
		12,660 (8)		
		2,133,185 (10)		
		107,880 (11)		
CNA Training and Testing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>\$8,166,588</u>	<u>\$4,473,533</u>	<u>\$4,473,533</u>	<u>\$8,166,588</u>
Total Patient Days	<u>30,835</u>	<u>-</u>	<u>-</u>	<u>30,835</u>
Total Beds	<u>88</u>			

**MARTHA FRANKS BAPTIST RETIREMENT CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2006  
AC# 3-MFB-J6

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Taxes and Insurance Nonallowable - Non SNF Nonallowable	\$73,247	\$39,479 33,768
	To adjust professional liability expense and reverse cost report adjustment number twelve HIM-15-1, Sections 2161 and 2302.4 State Plan, Attachment 4.19D		
2	Nonallowable Administration	86,977	86,977
	To remove expense which is not adequately documented HIM-15-1, Section 2304		
3	Utilities Nonallowable - Non SNF	93,189	93,189
	To reverse cost report adjustment number nine HIM-15-1, Section 2304		
4	Nursing Dietary Housekeeping Ancillary Nonallowable - Non SNF Nonallowable Medical Supplies & Oxygen	28,445 14,242 2,371 27 1,350 4,945	51,380
	To reclassify expenses to the proper cost centers DH&HS Expense Crosswalk State Plan, Attachment 4.19D		

**MARTHA FRANKS BAPTIST RETIREMENT CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2006  
AC# 3-MFB-J6

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Dietary	4,050	
	Nonallowable	18,427	
	Nursing		325
	Medical Supplies & Oxygen		16,195
	Ancillary		5,957
	To reclassify expense to the proper cost centers		
	DH&HS Expense Crosswalk		
	State Plan, Attachment 4.19D		
6	Nonallowable	8,477	
	Nursing		5,175
	Restorative		430
	Dietary		847
	Laundry		86
	Housekeeping		152
	Maintenance		387
	Administration		685
	Nonallowable Non-SNF		624
	Nonallowable Gift Shop		5
	Nonallowable Marketing		86
	To adjust fringe benefits and related allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
7	Accumulated Depreciation	34,557	
	Other Equity	1,466	
	Nonallowable	4,681	
	Fixed Assets		36,023
	Cost of Capital		4,681
	To adjust fixed assets and related depreciation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		

**MARTHA FRANKS BAPTIST RETIREMENT CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2006  
AC# 3-MFB-J6

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Nonallowable Utilities	12,660	12,660
	To remove cable expense HIM-15-1, Section 2106		
9	Restorative	123,567	
	Dietary	609,764	
	Housekeeping	59,171	
	Maintenance	413,854	
	Administration	265,483	
	Legal	5,915	
	Utilities	239,641	
	Taxes and Insurance	40,951	
	Cost of Capital	68,811	
	Nonallowable		1,827,157
	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		
10	Nonallowable	2,133,185	
	Restorative		165,253
	Dietary		687,659
	Housekeeping		62,037
	Maintenance		418,427
	Administration		266,302
	Legal		6,654
	Utilities		386,029
	Taxes and Insurance		128,137
	Cost of Capital		12,687
	To remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

**MARTHA FRANKS BAPTIST RETIREMENT CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2006  
AC# 3-MFB-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
11	Nonallowable	107,880	
	Cost of Capital - Depreciation Expense		106,563
	Cost of Capital - Amortization Expense		1,317
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
12	Cost of Capital Nonallowable	52,938	
	To adjust capital return State Plan, Attachment 4.19D		
	<u>TOTAL ADJUSTMENTS</u>	<u>\$4,510,271</u>	<u>\$4,510,271</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.

**MARTHA FRANKS BAPTIST RETIREMENT CENTER**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2006  
 AC# 3-MFB-J6

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.85382</u>
Deemed Asset Value (Per Bed)	44,571
Number of Beds	<u>88</u>
Deemed Asset Value	3,922,248
Improvements Since 1981	208,305
Accumulated Depreciation at 9/30/06	( <u>1,423,199</u> )
Deemed Depreciated Value	2,707,354
Market Rate of Return	<u>.0489</u>
Total Annual Return	132,390
Return Applicable to Non-Reimbursable Cost Centers	(7,152)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>3,455</u>
Allowable Annual Return	128,693
Depreciation Expense	74,000
Amortization Expense	909
Capital Related Income Offsets	(11,889)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(12,687)</u>
Allowable Cost of Capital Expense	179,026
Total Patient Days (Minimum 96% Occupancy)	<u>30,835</u>
Cost of Capital Per Diem	\$ <u><u>5.81</u></u>

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