

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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November 22, 2011

Mr. Fred Fauth, Controller
Millennium Management, LLC
10800 Biscayne Boulevard, Suite 600
Miami, Florida 33161

Re: AC# 3-PGV-J7 – Palmetto Prince George Operating, LLC d/b/a
Prince George Healthcare Center

Dear Mr. Fauth:

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, 2006 through September 30, 2007. That report was used to set the rate covering the contract period beginning October 1, 2008.

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. Terry K. Schmoyer, Jr.

**PALMETTO PRINCE GEORGE OPERATING, LLC D/B/A
PRINCE GEORGE HEALTHCARE CENTER**

GEORGETOWN, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2008
AC# 3-PGV-J7**

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

June 22, 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 Palmetto Prince George Operating, LLC d/b/a Prince George Healthcare Center, for the contract period beginning October 1, 2008, and for the twelve month cost report period ended September 30, 2007, as set forth in the accompanying schedules. The management of Palmetto Prince George Operating, LLC d/b/a Prince George Healthcare 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.

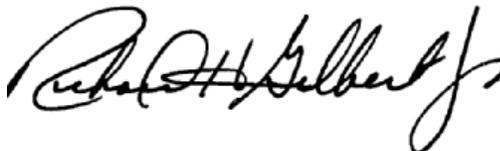
The procedures and the associated findings are as follows:

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 Palmetto Prince George Operating, LLC d/b/a Prince George Healthcare 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 Palmetto Prince George Operating, LLC d/b/a Prince George Healthcare 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
June 22, 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

PRINCE GEORGE HEALTHCARE CENTER
Computation of Rate Change
For the Contract Period
Beginning October 1, 2008
AC# 3-PGV-J7

	10/01/08- <u>09/30/09</u>
Interim Reimbursement Rate (1)	\$168.41
Adjusted Reimbursement Rate	<u>148.70</u>
Decrease in Reimbursement Rate	\$ <u><u>19.71</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated June 8, 2009.

PRINCE GEORGE HEALTHCARE CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2008 Through September 30, 2009
 AC# 3-PGV-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 77.66	\$ 85.73	
Dietary		13.85	14.35	
Laundry/Housekeeping/Maintenance		<u>10.05</u>	<u>13.01</u>	
Subtotal	<u>\$7.92</u>	101.56	113.09	\$101.56
Administration & Medical Records	<u>\$.85</u>	<u>18.45</u>	<u>19.30</u>	<u>18.45</u>
Subtotal		120.01	<u>\$132.39</u>	120.01
<u>Costs Not Subject to Standards:</u>				
Utilities		3.11		3.11
Special Services		-		-
Medical Supplies & Oxygen		6.91		6.91
Taxes and Insurance		3.05		3.05
Legal Fees		<u>.09</u>		<u>.09</u>
TOTAL		<u>\$133.17</u>		133.17
Inflation Factor (4.80%)				6.39
Cost of Capital				6.95
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				.85
Cost Incentive				7.92
Effect of \$1.75 Cap on Cost/Profit Incentives				(7.02)
Transportation Escort Add-On				<u>.44</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$148.70</u>

PRINCE GEORGE HEALTHCARE CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2007
 AC# 3-PGV-J7

<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	\$4,179,045	\$ 129 (11)	\$ 22,564 (7) 13,390 (8) 1,250 (8) 61,127 (9) 3,367 (9) 36,182 (10) 1,958 (10) 6,822 (11) 5,237 (13)	\$4,027,277
Dietary	730,614	5,146 (12)	1,204 (8) 4,626 (9) 2,699 (10) 9,181 (13)	718,050
Laundry	99,543	29 (12)	176 (8) 2,312 (9) 867 (10) 524 (13)	95,693
Housekeeping	248,241	1,403 (12)	669 (8) 3,205 (9) 1,669 (10) 4,363 (13)	239,738
Maintenance	199,779	3,214 (4) 17,538 (12)	411 (8) 1,091 (9) 814 (10) 32,352 (13)	185,863
Administration & Medical Records	1,017,826	10,524 (12)	44,930 (4) 1,877 (7) 770 (8) 111 (8) 1,038 (9) 188 (9) 2,628 (10) 160 (10) 6,381 (11) 10,002 (13) 3,366 (14)	956,899

PRINCE GEORGE HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2007
AC# 3-PGV-J7

<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>
Utilities	196,643	1,231 (4)	26,936 (5) 8,693 (12) 928 (13)	161,317
Special Services	158	23,068 (14)	2,356 (8) 13,254 (9) 7,449 (10)	167
Medical Supplies & Oxygen	425,589	44 (8)	5,540 (3) 76 (10) 61,455 (14)	358,562
Taxes and Insurance	579,992	50,266 (12)	423 (4) 445,317 (6) 12 (11) 26,577 (13)	157,929
Legal Fees	4,531	169 (4) 52 (12)	3 (11) 49 (13)	4,700
Cost of Capital	354,677	6,399 (1) 1,925 (4) 9 (11) <u>239 (12)</u>	2,364 (2) 643 (13)	360,242
Subtotal	8,036,638	121,385	891,586	7,266,437
Ancillary	260,796	-	-	260,796

PRINCE GEORGE HEALTHCARE CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2007
 AC# 3-PGV-J7

<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>	
Nonallowable	1,569,266	2,364 (2)	6,399 (1)	2,318,565
		5,540 (3)	76,504 (12)	
		38,814 (4)		
		26,327 (5)		
		445,317 (6)		
		24,441 (7)		
		90,208 (9)		
		54,502 (10)		
		13,080 (11)		
		89,856 (13)		
		41,753 (14)		
 CNA Training and Testing	 <u>725</u>	 <u>-</u>	 <u>-</u>	 <u>725</u>
 Total Operating Expenses	 <u>\$9,867,425</u>	 <u>\$953,587</u>	 <u>\$974,489</u>	 <u>\$9,846,523</u>
 Total Patient Days	 <u>50,267</u>	 <u>1,592</u> (15)	 <u>-</u>	 <u>51,859</u>
 Total Beds	 <u>148</u>			

PRINCE GEORGE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2007
AC# 3-PGV-J7

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 35,461	
	Cost of Capital	6,399	
	Accumulated Depreciation		\$ 21,404
	Other Equity		14,057
	Nonallowable		6,399
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	2,364	
	Cost of Capital		2,364
	To adjust capital return State Plan, Attachment 4.19D		
3	Nonallowable	5,540	
	Medical Supplies		5,540
	To disallow expense due to lack of adequate documentation HIM-15-1, Section 2304		
4	Maintenance	3,214	
	Utilities	1,231	
	Legal	169	
	Cost of Capital	1,925	
	Nonallowable	38,814	
	Administration		44,930
	Taxes and Insurance		423
	To adjust related party expense HIM-15-1, Sections 1005 and 2304		
5	Retained Earnings	609	
	Nonallowable	26,327	
	Utilities		26,936
	To reclassify expense to the proper cost center, disallow duplicate expense, and properly charge expense applicable to the prior period HIM-15-1, Sections 2302.1 and 2304 DH&HS Expense Crosswalk		

PRINCE GEORGE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2007
AC# 3-PGV-J7

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable Taxes and Insurance	445,317	445,317
	To adjust liability insurance expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Nonallowable Nursing Administration	24,441	22,564 1,877
	To reclassify expense to the proper cost center HIM-15-1, Section 2304 DH&HS Expense Crosswalk		
8	Retained Earnings Medical Supplies Accrued Salaries Nursing Restorative Dietary Laundry Housekeeping Maintenance Administration Medical Records Special Services	28,089 44	7,796 13,390 1,250 1,204 176 669 411 770 111 2,356
	To properly charge salaries applicable to prior and current periods HIM-15-1, Section 2302.1		

PRINCE GEORGE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2007
AC# 3-PGV-J7

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Nonallowable	90,208	
	Nursing		61,127
	Restorative		3,367
	Dietary		4,626
	Laundry		2,312
	Housekeeping		3,205
	Maintenance		1,091
	Administration		1,038
	Medical Records		188
	Special Services		13,254
	To disallow expense due to lack of documentation HIM-15-1, Section 2304		
10	Nonallowable	54,502	
	Nursing		36,182
	Restorative		1,958
	Dietary		2,699
	Laundry		867
	Housekeeping		1,669
	Maintenance		814
	Administration		2,628
	Medical Records		160
	Medical Supplies		76
	Special Services		7,449
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
11	Restorative	129	
	Cost of Capital	9	
	Nonallowable	13,080	
	Nursing		6,822
	Administration		6,381
	Legal		3
	Taxes and Insurance		12
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

PRINCE GEORGE HEALTHCARE CENTER
 Adjustment Report
 Cost Report Period Ended September 30, 2007
 AC# 3-PGV-J7

<u>ADJUSTMENT</u>			
<u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
12	Dietary	5,146	
	Laundry	29	
	Housekeeping	1,403	
	Maintenance	17,538	
	Administration	10,524	
	Legal	52	
	Taxes and Insurance	50,266	
	Cost of Capital	239	
	Utilities		8,693
	Nonallowable		76,504
	<p>To reverse Provider/DH&HS adjustments to remove indirect cost applicable to non-reimbursable cost centers and adjust utility expense allocation HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D</p>		
13	Nonallowable	89,856	
	Restorative		5,237
	Dietary		9,181
	Laundry		524
	Housekeeping		4,363
	Maintenance		32,352
	Administration		10,002
	Legal		49
	Utilities		928
	Taxes and Insurance		26,577
	Cost of Capital		643
	<p>To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D</p>		

PRINCE GEORGE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2007
AC# 3-PGV-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
14	Special Services Nonallowable Administration Medical Supplies	23,068 41,753	 3,366 61,455
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
15	<u>Memo Adjustment:</u> To increase total patient days by 1,592 to 51,859		
	TOTAL ADJUSTMENTS	<hr style="width: 100%; border: 0.5px solid black;"/> <u>\$1,017,746</u>	<hr style="width: 100%; border: 0.5px solid black;"/> <u>\$1,017,746</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.

PRINCE GEORGE HEALTHCARE CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2007
 AC# 3-PGV-J7

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.94141</u>
Deemed Asset Value (Per Bed)	45,939
Number of Beds	<u>148</u>
Deemed Asset Value	6,798,972
Improvements Since 1981	412,131
Accumulated Depreciation at 9/30/07	<u>(1,828,513)</u>
Deemed Depreciated Value	5,382,590
Market Rate of Return	<u>.0483</u>
Total Annual Return	259,979
Return Applicable to Non-Reimbursable Cost Centers	(1,647)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	258,332
Depreciation Expense	102,339
Amortization Expense	1,127
Capital Related Income Offsets	(913)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(643)</u>
Allowable Cost of Capital Expense	360,242
Total Patient Days (Minimum 96% Occupancy)	<u>51,859</u>
Cost of Capital Per Diem	\$ <u><u>6.95</u></u>

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