

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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November 22, 2011

Mr. Joseph Hunt, Administrator
Countrywood Nursing Center
1645 Ridge Road
Hopkins, South Carolina 29061

Re: AC# 3-RDM-J8 – Countrywood Nursing Center, L.L.C.

Dear Mr. Hunt:

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 November 29, 2007 through September 30, 2008. That report was used to set the rate covering the contract period beginning October 1, 2009.

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.

**COUNTRYWOOD NURSING CENTER, L.L.C.
HOPKINS, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2009
AC# 3-RDM-J8**

**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

September 30, 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 Countrywood Nursing Center, L.L.C., for the contract period beginning October 1, 2009, and for the twelve month cost report period ended September 30, 2008, as set forth in the accompanying schedules. The management of Countrywood Nursing Center, L.L.C. 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 Countrywood Nursing Center, L.L.C., 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 Countrywood Nursing Center, L.L.C. dated as of November 29, 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
September 30, 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

COUNTRYWOOD NURSING CENTER, L.L.C.
Computation of Rate Change
For the Contract Period
Beginning October 1, 2009
AC# 3-RDM-J8

	10/01/09- <u>09/30/10</u>
Interim Reimbursement Rate (1)	\$153.90
Adjusted Reimbursement Rate	<u>135.20</u>
Decrease in Reimbursement Rate	\$ <u><u>18.70</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated July 15, 2011.

COUNTRYWOOD NURSING CENTER, L.L.C.
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2009 Through September 30, 2010
 AC# 3-RDM-J8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 73.03	\$ 87.54	
Dietary		11.14	16.45	
Laundry/Housekeeping/Maintenance		<u>9.83</u>	<u>14.83</u>	
Subtotal	\$ <u>8.32</u>	94.00	118.82	\$ 94.00
Administration & Medical Records	<u>\$10.25</u>	<u>15.35</u>	<u>25.60</u>	<u>15.35</u>
Subtotal		109.35	<u>\$144.42</u>	109.35
<u>Costs Not Subject to Standards:</u>				
Utilities		3.50		3.50
Special Services		.40		.40
Medical Supplies & Oxygen		4.01		4.01
Taxes and Insurance		3.12		3.12
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$120.38</u>		120.38
Inflation Factor (4.70%)				5.66
Cost of Capital				7.41
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				4.21
Cost Incentive				8.32
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(10.78)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$135.20</u>

COUNTRYWOOD NURSING CENTER, L.L.C.
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2008
 AC# 3-RDM-J8

<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	\$900,815	\$ -	\$58,833 (3) 6,782 (9) 124 (9) 9,019 (10) 8,158 (13)	\$817,899
Dietary	129,884	73,963 (12)	5,923 (4) 40 (9) 73,103 (13)	124,781
Laundry	23,066	11,369 (12)	12,722 (13)	21,713
Housekeeping	70,316	27,899 (12)	40,300 (13)	57,915
Maintenance	32,207	21,854 (12)	1,976 (5) 131 (9) 236 (11) 21,267 (13)	30,451
Administration & Medical Records	214,711	1,457 (5) 46,029 (12)	2,030 (6) 10,200 (7) 469 (9) 33,029 (11) 44,595 (13)	171,874
Utilities	40,050	27,115 (12)	754 (11) 27,261 (13)	39,150
Special Services	4,529	-	-	4,529
Medical Supplies & Oxygen	86,079	-	7,513 (4) 14,642 (8) 19,065 (13)	44,859

COUNTRYWOOD NURSING CENTER, L.L.C.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2008
AC# 3-RDM-J8

<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>
Taxes and Insurance	35,719	22,838 (12)	749 (11) 22,856 (13)	34,952
Legal Fees	-	-	-	-
Cost of Capital	94,301	266 (1) 6,156 (2) <u>1,476 (12)</u>	247 (11) 1,546 (13) <u>17,434 (14)</u>	82,972
Subtotal	1,631,677	240,422	441,004	1,431,095
Ancillary	34,133	14,642 (8)	-	48,775
Nonallowable	660,235	58,833 (3) 13,436 (4) 519 (5) 10,200 (7) 7,546 (9) 9,019 (10) 35,015 (11) 270,873 (13) 17,434 (14)	266 (1) 6,156 (2) 232,543 (12)	844,145
CNA Training and Testing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>\$2,326,045</u>	<u>\$677,939</u>	<u>\$679,969</u>	<u>\$2,324,015</u>
Total Patient Days	<u>11,199</u>	<u>-</u>	<u>-</u>	<u>11,199</u>
Total Beds	<u>38</u>			

COUNTRYWOOD NURSING CENTER, L.L.C.
Adjustment Report
Cost Report Period Ended September 30, 2008
AC# 3-RDM-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$243,615	
	Cost of Capital	266	
	Accumulated Depreciation		\$ 96,747
	Other Equity		146,868
	Nonallowable		266
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Cost of Capital	6,156	
	Nonallowable		6,156
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
3	Nonallowable	58,833	
	Nursing		58,833
	To disallow expense due to lack of adequate documentation HIM-15-1, Sections 1000, 1005 and 2304		
4	Nonallowable	13,436	
	Dietary		5,923
	Medical Supplies		7,513
	To disallow expense due to lack of adequate documentation HIM-15-1, Section 2304		
5	Administration	1,457	
	Nonallowable	519	
	Maintenance		1,976
	To remove duplicate expense posting and reclassify expense to the proper cost center HIM-15-1, Section 2304 DH&HS Expense Crosswalk		

COUNTRYWOOD NURSING CENTER, L.L.C.
Adjustment Report
Cost Report Period Ended September 30, 2008
AC# 3-RDM-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Retained Earnings Administration	2,030	2,030
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1		
7	Nonallowable Medical Records	10,200	10,200
	To disallow expense due to lack of adequate documentation HIM-15-1, Section 2304		
8	Ancillary Medical Supplies	14,642	14,642
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
9	Nonallowable	7,546	
	Nursing		6,782
	Restorative		124
	Dietary		40
	Maintenance		131
	Administration		469
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
10	Nonallowable Nursing	9,019	9,019
	To reclassify salaries to the proper cost center DH&HS Expense Crosswalk		

COUNTRYWOOD NURSING CENTER, L.L.C.
Adjustment Report
Cost Report Period Ended September 30, 2008
AC# 3-RDM-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
11	Nonallowable	35,015	
	Maintenance		236
	Administration		33,029
	Utilities		754
	Taxes and Insurance		749
	Cost of Capital		247
	To disallow home office cost allocation due to lack of adequate documentation HIM-15-1, Section 2304		
12	Dietary	73,963	
	Laundry	11,369	
	Housekeeping	27,899	
	Maintenance	21,854	
	Administration	46,029	
	Utilities	27,115	
	Taxes and Insurance	22,838	
	Cost of Capital	1,476	
	Nonallowable		232,543
	To reverse Provider/DH&HS adjustments to remove cost applicable to a non-reimbursable cost center HIM-15-1, Sections 2102.3 and 2304 State Plan, Attachment 4.19D		
13	Nonallowable	270,873	
	Restorative		8,158
	Dietary		73,103
	Laundry		12,722
	Housekeeping		40,300
	Maintenance		21,267
	Administration		44,595
	Utilities		27,261
	Taxes and Insurance		22,856
	Medical Supplies		19,065
	Cost of Capital		1,546
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

COUNTRYWOOD NURSING CENTER, L.L.C.
Adjustment Report
Cost Report Period Ended September 30, 2008
AC# 3-RDM-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
14	Nonallowable Cost of Capital	17,434	17,434
	To adjust capital return State Plan, Attachment 4.19D		
		\$923,584	\$923,584
	TOTAL ADJUSTMENTS	\$923,584	\$923,584

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.

COUNTRYWOOD NURSING CENTER, L.L.C.
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2008
 AC# 3-RDM-J8

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>3.03131</u>
Deemed Asset Value (Per Bed)	47,343
Number of Beds	<u>38</u>
Deemed Asset Value	1,799,034
Improvements Since 1981	16,746
Accumulated Depreciation at 9/30/08	<u>(354,050)</u>
Deemed Depreciated Value	1,461,730
Market Rate of Return	<u>.0471</u>
Total Annual Return	68,847
Number of Days in Period	<u>307/365</u>
Adjusted Annual Return	57,907
Return Applicable to Non-Reimbursable Cost Centers	(3,021)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	54,886
Depreciation Expense	29,632
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(1,546)</u>
Allowable Cost of Capital Expense	82,972
Total Patient Days (Minimum 96% Occupancy)	<u>11,199</u>
Cost of Capital Per Diem	\$ <u><u>7.41</u></u>

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