

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

Re: AC# 3-RDM-J9 – 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 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
Mr. Terry K. Schmoyer, Jr.

COUNTRYWOOD NURSING CENTER, L.L.C.

HOPKINS, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 2010
AC# 3-RDM-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 11, 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 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 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 Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
October 11, 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 Periods
Beginning October 1, 2010
AC# 3-RDM-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)	\$147.93	\$143.49
Adjusted Reimbursement Rate	<u>137.14</u>	<u>133.03</u>
Decrease in Reimbursement Rate	\$ <u>10.79</u>	\$ <u>10.46</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, 2010 Through April 7, 2011
AC# 3-RDM-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 74.33	\$ 98.22	
Dietary		10.69	16.72	
Laundry/Housekeeping/Maintenance		<u>10.62</u>	<u>15.73</u>	
Subtotal	<u>\$9.15</u>	95.64	130.67	\$ 95.64
Administration & Medical Records	<u>\$5.94</u>	<u>19.94</u>	<u>25.88</u>	<u>19.94</u>
Subtotal		115.58	<u>\$156.55</u>	115.58
<u>Costs Not Subject to Standards:</u>				
Utilities		3.25		3.25
Special Services		-		-
Medical Supplies & Oxygen		3.44		3.44
Taxes and Insurance		3.50		3.50
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$125.77</u>		125.77
Inflation Factor (2.00%)				2.52
Cost of Capital				7.10
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				4.40
Cost Incentive				9.15
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(11.80)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$137.14</u>

COUNTRYWOOD NURSING CENTER, L.L.C.
 Computation of Adjusted Reimbursement Rate
 For the Contract Period April 8, 2011 Through September 30, 2011
 AC# 3-RDM-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 74.33	\$ 98.22	
Dietary		10.69	16.72	
Laundry/Housekeeping/Maintenance		<u>10.62</u>	<u>15.73</u>	
Subtotal	<u>\$9.15</u>	95.64	130.67	\$ 95.64
Administration & Medical Records	<u>\$5.94</u>	<u>19.94</u>	<u>25.88</u>	<u>19.94</u>
Subtotal		115.58	<u>\$156.55</u>	115.58
<u>Costs Not Subject to Standards:</u>				
Utilities		3.25		3.25
Special Services		-		-
Medical Supplies & Oxygen		3.44		3.44
Taxes and Insurance		3.50		3.50
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$125.77</u>		125.77
Inflation Factor (2.00%)				2.52
Cost of Capital				7.10
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				4.40
Cost Incentive				9.15
Effect of \$1.75 Cap on Cost/Profit Incentives				(11.80)
Effect of 3% Rate Reduction				<u>(4.11)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$133.03</u>

COUNTRYWOOD NURSING CENTER, L.L.C.
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2009
 AC# 3-RDM-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	\$1,003,046	\$11,397 (9)	\$ 1,860 (6) 10,724 (7) 12,185 (10)	\$989,674
Dietary	144,038	92,166 (9)	93,884 (10)	142,320
Laundry	26,693	13,749 (9)	16,074 (10)	24,368
Housekeeping	83,978	33,266 (9)	48,249 (10)	68,995
Maintenance	51,524	37,752 (9)	7,222 (4) 223 (8) 33,828 (10)	48,003
Administration & Medical Records	307,710	68,539 (9)	14,400 (3) 30,656 (8) 65,717 (10)	265,476
Utilities	39,309	7,222 (4) 27,286 (9)	40 (8) 30,451 (10)	43,326
Special Services	30,513	-	30,513 (11)	-
Medical Supplies & Oxygen	84,777	3,000 (9)	9,930 (5) 27,705 (10) 4,345 (11)	45,797
Taxes and Insurance	46,247	31,548 (9)	387 (8) 30,744 (10)	46,664
Legal Fees	628	185 (9)	813 (8)	-

COUNTRYWOOD NURSING CENTER, L.L.C.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2009
AC# 3-RDM-J9

<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	91,568	407 (1)	175 (8)	94,520
		7,309 (2)	1,935 (10)	
	<u> </u>	<u>2,787 (9)</u>	<u>5,441 (12)</u>	<u> </u>
Subtotal	1,910,031	336,613	477,501	1,769,143
Ancillary	42,792	9,930 (5)	-	52,722
Nonallowable	1,128,752	14,400 (3)	407 (1)	1,259,710
		1,860 (6)	7,309 (2)	
		10,724 (7)	321,675 (9)	
		32,294 (8)		
		360,772 (10)		
		34,858 (11)		
		5,441 (12)		
CNA Training and Testing	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
Total Operating Expenses	<u>\$3,081,575</u>	<u>\$806,892</u>	<u>\$806,892</u>	<u>\$3,081,575</u>
Total Patient Days	<u> 13,315</u>	<u> -</u>	<u> -</u>	<u> 13,315</u>
Total Beds	<u> 38</u>			

COUNTRYWOOD NURSING CENTER, L.L.C.
Adjustment Report
Cost Report Period Ended September 30, 2009
AC# 3-RDM-J9

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$243,615	
	Cost of Capital	407	
	Accumulated Depreciation		\$ 97,371
	Other Equity		146,244
	Nonallowable		407
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Cost of Capital	7,309	
	Nonallowable		7,309
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
3	Nonallowable	14,400	
	Medical Records		14,400
	To disallow expense due to lack of adequate documentation HIM-15-1, Section 2304		
4	Utilities	7,222	
	Maintenance		7,222
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
5	Ancillary	9,930	
	Medical Supplies		9,930
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
6	Nonallowable	1,860	
	Nursing		1,860
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

COUNTRYWOOD NURSING CENTER, L.L.C.
Adjustment Report
Cost Report Period Ended September 30, 2009
AC# 3-RDM-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
7	Nonallowable Nursing	10,724	10,724
	To reclassify salaries to the proper cost center DH&HS Expense Crosswalk		
8	Nonallowable	32,294	
	Maintenance		223
	Administration		30,656
	Legal		813
	Utilities		40
	Taxes and Insurance		387
	Cost of Capital		175
	To disallow home office cost allocation due to lack of adequate documentation HIM-15-1, Section 2304		
9	Restorative	11,397	
	Dietary	92,166	
	Laundry	13,749	
	Housekeeping	33,266	
	Maintenance	37,752	
	Administration	68,539	
	Legal	185	
	Utilities	27,286	
	Taxes and Insurance	31,548	
	Medical Supplies	3,000	
	Cost of Capital	2,787	
	Nonallowable		321,675
	To reverse Provider/DH&HS adjustments to remove cost applicable to a non-reimbursable cost center and offset unrecorded vending income against related expense HIM-15-1, Sections 2102.3 and 2304 State Plan, Attachment 4.19D		

COUNTRYWOOD NURSING CENTER, L.L.C.
Adjustment Report
Cost Report Period Ended September 30, 2009
AC# 3-RDM-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Nonallowable	360,772	
	Restorative		12,185
	Dietary		93,884
	Laundry		16,074
	Housekeeping		48,249
	Maintenance		33,828
	Administration		65,717
	Utilities		30,451
	Taxes and Insurance		30,744
	Medical Supplies		27,705
	Cost of Capital		1,935
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
11	Nonallowable	34,858	
	Medical Supplies		4,345
	Special Services		30,513
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
12	Nonallowable	5,441	
	Cost of Capital		5,441
	To adjust capital return State Plan, Attachment 4.19D		
	<u>TOTAL ADJUSTMENTS</u>	<u>\$1,050,507</u>	<u>\$1,050,507</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.

COUNTRYWOOD NURSING CENTER, L.L.C.
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2009
 AC# 3-RDM-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>38</u>
Deemed Asset Value	1,845,432
Improvements Since 1981	16,746
Accumulated Depreciation at 9/30/09	<u>(389,362)</u>
Deemed Depreciated Value	1,472,816
Market Rate of Return	<u>.0440</u>
Total Annual Return	64,804
Return Applicable to Non-Reimbursable Cost Centers	(3,561)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	61,243
Depreciation Expense	35,312
Amortization Expense	-
Capital Related Income Offsets	(100)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(1,935)</u>
Allowable Cost of Capital Expense	94,520
Total Patient Days (Minimum 96% Occupancy)	<u>13,315</u>
Cost of Capital Per Diem	\$ <u><u>7.10</u></u>

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