

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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September 28, 2011

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

Re: AC# 3-STG-C7 – Palmetto St. George Operating, LLC d/b/a St. 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 September 29, 2006 through March 31, 2007. That report was used to set the rate covering the contract periods beginning April 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/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Ms. Kathleen C. Snider
Mr. Terry K. Schmoyer, Jr.

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

ST. GEORGE, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING APRIL 1, 2007
AC# 3-STG-C7**

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

February 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 St. George Operating, LLC d/b/a St. George Healthcare Center, for the contract periods beginning April 1, 2007, and for the six month cost report period ended March 31, 2007, as set forth in the accompanying schedules. The management of Palmetto St. George Operating, LLC d/b/a St. 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 St. George Operating, LLC d/b/a St. 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 Summaries of Costs and Total Patient Days, Adjustment Report, and Cost of Capital Reimbursement Analyses 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 St. George Operating, LLC d/b/a St. 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 Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
February 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

ST. GEORGE HEALTHCARE CENTER
 Computation of Rate Change
 For the Contract Periods
 Beginning April 1, 2007
 AC# 3-STG-C7

	<u>04/01/07-</u> <u>09/30/07</u>	<u>10/01/07-</u> <u>09/30/08</u>
Interim Reimbursement Rate (1)	\$151.16	\$154.74
Adjusted Reimbursement Rate	<u>138.48</u>	<u>141.43</u>
Decrease in Reimbursement Rate	\$ <u>12.68</u>	\$ <u>13.31</u>

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

ST. GEORGE HEALTHCARE CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period April 1, 2007 Through September 30, 2007
 AC# 3-STG-C7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 75.87	\$ 74.32	
Dietary		13.32	13.72	
Laundry/Housekeeping/Maintenance		<u>11.04</u>	<u>12.61</u>	
Subtotal	\$ <u>.42</u>	100.23	100.65	\$100.23
Administration & Medical Records	\$ <u>-</u>	<u>17.21</u>	<u>16.31</u>	<u>16.31</u>
Subtotal		117.44	<u>\$116.96</u>	116.54
<u>Costs Not Subject to Standards:</u>				
Utilities		3.79		3.79
Special Services		-		-
Medical Supplies & Oxygen		2.37		2.37
Taxes and Insurance		2.99		2.99
Legal Fees		<u>.19</u>		<u>.19</u>
TOTAL		<u>\$126.78</u>		125.88
Inflation Factor (4.60%)				5.79
Cost of Capital				6.39
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				.42
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>-</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$138.48</u>

ST. GEORGE HEALTHCARE CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2007 Through September 30, 2008
 AC# 3-STG-C7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 75.87	\$ 77.38	
Dietary		13.32	13.90	
Laundry/Housekeeping/Maintenance		<u>11.04</u>	<u>13.36</u>	
Subtotal	\$ <u>4.41</u>	100.23	104.64	\$100.23
Administration & Medical Records	\$ <u>-</u>	<u>17.21</u>	<u>17.07</u>	<u>17.07</u>
Subtotal		117.44	<u>\$121.71</u>	117.30
<u>Costs Not Subject to Standards:</u>				
Utilities		3.79		3.79
Special Services		-		-
Medical Supplies & Oxygen		2.37		2.37
Taxes and Insurance		2.99		2.99
Legal Fees		<u>.19</u>		<u>.19</u>
TOTAL		<u>\$126.78</u>		126.64
Inflation Factor (4.60%)				5.83
Cost of Capital				6.55
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				4.41
Effect of \$1.75 Cap on Cost/Profit Incentives				(2.66)
Transportation Escort Add-On				<u>.66</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$141.43</u>

ST. GEORGE HEALTHCARE CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended March 31, 2007
 For the Contract Period April 1, 2007 Through September 30, 2007
 AC# 3-STG-C7

<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	\$1,201,219	\$ -	\$ 7,219 (5) 289 (5) 1,055 (7) 16 (7)	\$1,192,640
Dietary	210,085	-	639 (5)	209,446
Laundry	16,849	-	105 (5)	16,744
Housekeeping	81,645	-	204 (5)	81,441
Maintenance	75,633	-	295 (5)	75,338
Administration & Medical Records	319,954	-	6,994 (2) 1,028 (5) 121 (5) 38,835 (6) 2,273 (7) 225 (8)	270,478
Utilities	59,632	-	-	59,632
Special Services	-	1,782 (8)	1,785 (5)	(3)
Medical Supplies & Oxygen	93,688	-	4,926 (4) 84 (5) 51,491 (8)	37,187
Taxes and Insurance	180,902	-	133,863 (3)	47,039

ST. GEORGE HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended March 31, 2007
For the Contract Period April 1, 2007 Through September 30, 2007
AC# 3-STG-C7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Legal Fees	2,938	-	1 (7)	2,937
Cost of Capital	<u>100,319</u>	<u>283</u> (9)	<u>101</u> (1)	<u>100,501</u>
Subtotal	2,342,864	2,065	251,549	2,093,380
Ancillary	93,989	-	-	93,989
Nonallowable	372,043	101 (1) 6,994 (2) 133,863 (3) 4,926 (4) 11,769 (5) 38,835 (6) 3,345 (7) 49,934 (8)	283 (9)	621,527
CNA Training and Testing	<u>500</u>	<u>-</u>	<u>-</u>	<u>500</u>
Total Operating Expenses	<u>\$2,809,396</u>	<u>\$251,832</u>	<u>\$251,832</u>	<u>\$2,809,396</u>
Total Patient Days	<u>15,719</u>	<u>-</u>	<u>-</u>	<u>15,719</u>
Total Beds	<u>88</u>			

ST. GEORGE HEALTHCARE CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended March 31, 2007
 For the Contract Period October 1, 2007 Through September 30, 2008
 AC# 3-STG-C7

<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	\$1,201,219	\$ -	\$ 7,219 (5) 289 (5) 1,055 (7) 16 (7)	\$1,192,640
Dietary	210,085	-	639 (5)	209,446
Laundry	16,849	-	105 (5)	16,744
Housekeeping	81,645	-	204 (5)	81,441
Maintenance	75,633	-	295 (5)	75,338
Administration & Medical Records	319,954	-	6,994 (2) 1,028 (5) 121 (5) 38,835 (6) 2,273 (7) 225 (8)	270,478
Utilities	59,632	-	-	59,632
Special Services	-	1,782 (8)	1,785 (5)	(3)
Medical Supplies & Oxygen	93,688	-	4,926 (4) 84 (5) 51,491 (8)	37,187
Taxes and Insurance	180,902	-	133,863 (3)	47,039

ST. GEORGE HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended March 31, 2007
For the Contract Period October 1, 2007 Through September 30, 2008
AC# 3-STG-C7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Legal Fees	2,938	-	1 (7)	2,937
Cost of Capital	<u>102,683</u>	<u>311</u> (10)	<u>101</u> (1)	<u>102,893</u>
Subtotal	2,345,228	2,093	251,549	2,095,772
Ancillary	93,989	-	-	93,989
Nonallowable	369,679	101 (1) 6,994 (2) 133,863 (3) 4,926 (4) 11,769 (5) 38,835 (6) 3,345 (7) 49,934 (8)	311 (10)	619,135
CNA Training and Testing	<u>500</u>	<u>-</u>	<u>-</u>	<u>500</u>
Total Operating Expenses	<u>\$2,809,396</u>	<u>\$251,860</u>	<u>\$251,860</u>	<u>\$2,809,396</u>
Total Patient Days	<u>15,719</u>	<u>-</u>	<u>-</u>	<u>15,719</u>
Total Beds	<u>88</u>			

ST. GEORGE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended March 31, 2007
AC# 3-STG-C7

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 17,332	
	Other Equity	15,789	
	Nonallowable	101	
	Accumulated Depreciation		\$ 33,121
	Cost of Capital		101
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	6,994	
	Administration		6,994
	To disallow interest expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Nonallowable	133,863	
	Taxes and Insurance		133,863
	To adjust liability insurance expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Nonallowable	4,926	
	Medical Supplies		4,926
	To disallow expense due to lack of adequate documentation and remove special (ancillary) services reimbursed by Medicare HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

ST. GEORGE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended March 31, 2007
AC# 3-STG-C7

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable	11,769	
	Nursing		7,219
	Restorative		289
	Dietary		639
	Laundry		105
	Housekeeping		204
	Maintenance		295
	Administration		1,028
	Medical Records		121
	Medical Supplies		84
	Special Services		1,785
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
6	Nonallowable	38,835	
	Administration		38,835
	To disallow related party expense HIM-15-1, Sections 1005 and 2304		
7	Nonallowable	3,345	
	Nursing		1,055
	Restorative		16
	Administration		2,273
	Legal		1
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Special Services	1,782	
	Nonallowable	49,934	
	Administration		225
	Medical Supplies		51,491
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		

ST. GEORGE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended March 31, 2007
AC# 3-STG-C7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Cost of Capital Nonallowable	283	283
	To adjust capital return State Plan, Attachment 4.19D (This adjustment applies only to the contract period 4/1/07 - 9/30/07)		
10	Cost of Capital Nonallowable	311	311
	To adjust capital return State Plan, Attachment 4.19D (This adjustment applies only to the contract period 10/1/07 - 9/30/08)		
	TOTAL ADJUSTMENTS	<u>\$285,264</u>	<u>\$285,264</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.

ST. GEORGE HEALTHCARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended March 31, 2007
For the Contract Period April 1, 2007 Through September 30, 2007
AC# 3-STG-C7

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.77878</u>
Deemed Asset Value (Per Bed)	43,399
Number of Beds	<u>88</u>
Deemed Asset Value	3,819,112
Improvements Since 1981	585,552
Accumulated Depreciation at 3/31/07	<u>(1,415,497)</u>
Deemed Depreciated Value	2,989,167
Market Rate of Return	<u>.0490</u>
Total Annual Return	146,469
Number of Days in Period	<u>184/365</u>
Adjusted Annual Return	73,836
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	73,836
Depreciation Expense	26,665
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	100,501
Total Patient Days (Actual)	<u>15,719</u>
Cost of Capital Per Diem	\$ <u><u>6.39</u></u>

ST. GEORGE HEALTHCARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended March 31, 2007
For the Contract Period April 1, 2007 Through September 30, 2007
AC# 3-STG-C7

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 6.57
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$10.56</u>
Reimbursable Cost of Capital Per Diem	\$ 6.39
Cost of Capital Per Diem	<u>6.39</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

ST. GEORGE HEALTHCARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended March 31, 2007
For the Contract Period October 1, 2007 Through September 30, 2008
AC# 3-STG-C7

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	585,552
Accumulated Depreciation at 3/31/07	<u>(1,415,497)</u>
Deemed Depreciated Value	3,092,303
Market Rate of Return	<u>.0489</u>
Total Annual Return	151,214
Number of Days in Period	<u>184/365</u>
Adjusted Annual Return	76,228
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	76,228
Depreciation Expense	26,665
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	102,893
Total Patient Days (Actual)	<u>15,719</u>
Cost of Capital Per Diem	\$ <u><u>6.55</u></u>

ST. GEORGE HEALTHCARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended March 31, 2007
For the Contract Period October 1, 2007 Through September 30, 2008
AC# 3-STG-C7

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 6.57
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$10.56</u>
Reimbursable Cost of Capital Per Diem	\$ 6.55
Cost of Capital Per Diem	<u>6.55</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

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