

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-STG-J7 – 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 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 ST. GEORGE OPERATING, LLC D/B/A
ST. GEORGE HEALTHCARE CENTER**

ST. GEORGE, SOUTH CAROLINA

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

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 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 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 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 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 Computation 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 Period
Beginning October 1, 2008
AC# 3-STG-J7

	10/01/08- <u>09/30/09</u>
Interim Reimbursement Rate (1)	\$154.95
Adjusted Reimbursement Rate	<u>144.62</u>
Decrease in Reimbursement Rate	\$ <u><u>10.33</u></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 October 1, 2008 Through September 30, 2009
 AC# 3-STG-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 72.70	\$ 79.06	
Dietary		13.32	14.42	
Laundry/Housekeeping/Maintenance		<u>11.13</u>	<u>13.38</u>	
Subtotal	<u>\$7.48</u>	97.15	106.86	\$ 97.15
Administration & Medical Records	<u>\$ -</u>	<u>21.45</u>	<u>19.41</u>	<u>19.41</u>
Subtotal		118.60	<u>\$126.27</u>	116.56
<u>Costs Not Subject to Standards:</u>				
Utilities		3.83		3.83
Special Services		-		-
Medical Supplies & Oxygen		4.72		4.72
Taxes and Insurance		4.01		4.01
Legal Fees		<u>.12</u>		<u>.12</u>
TOTAL		<u>\$131.28</u>		129.24
Inflation Factor (4.80%)				6.20
Cost of Capital				6.77
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				7.48
Effect of \$1.75 Cap on Cost/Profit Incentives				(5.73)
Transportation Escort Add-On				<u>.66</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$144.62</u>

ST. GEORGE HEALTHCARE CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2007
 AC# 3-STG-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	\$2,289,190	\$ 44 (8)	\$ 6,831 (5) 290 (5) 7,321 (6) 316 (6) 4,372 (8)	\$2,270,104
Dietary	417,105	-	597 (5) 654 (6)	415,854
Laundry	49,461	-	47 (5) 138 (6)	49,276
Housekeeping	154,974	23 (5)	263 (6)	154,734
Maintenance	142,163	1,900 (7)	281 (5) 279 (6)	143,503
Administration & Medical Records	700,231	-	856 (5) 63 (5) 1,112 (6) 121 (6) 23,711 (7) 4,236 (8) 225 (9)	669,907
Utilities	119,009	728 (7)	-	119,737
Special Services	(10)	4,925 (9)	2,834 (5) 2,081 (6)	-
Medical Supplies & Oxygen	174,609	605 (5) 47 (6)	7,875 (4) 19,987 (9)	147,399
Taxes and Insurance	390,151	-	264,783 (3) 250 (7) 1 (8)	125,117

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

<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>
Legal Fees	3,671	100 (7)	7 (8)	3,764
Cost of Capital	208,331	2,297 (1) <u>1,139 (7)</u>	262 (2)	211,505
Subtotal	4,648,885	11,808	349,793	4,310,900
Ancillary	152,003	-	-	152,003
Nonallowable	810,743	262 (2) 264,783 (3) 7,875 (4) 12,238 (6) 20,094 (7) 8,572 (8) 15,287 (9)	2,297 (1)	1,137,557
CNA Training and Testing	<u>350</u>	<u>-</u>	<u>-</u>	<u>350</u>
Total Operating Expenses	<u>\$5,611,981</u>	<u>\$340,919</u>	<u>\$352,090</u>	<u>\$5,600,810</u>
Total Patient Days	<u>31,227</u>	<u>-</u>	<u>-</u>	<u>31,227</u>
Total Beds	<u>88</u>			

ST. GEORGE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2007
AC# 3-STG-J7

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 35,833	
	Cost of Capital	2,297	
	Accumulated Depreciation		\$ 35,814
	Other Equity		19
	Nonallowable		2,297
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	262	
	Cost of Capital		262
	To adjust capital return State Plan, Attachment 4.19D		
3	Nonallowable	264,783	
	Taxes and Insurance		264,783
	To adjust liability insurance expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Nonallowable	7,875	
	Medical Supplies		7,875
	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 September 30, 2007
AC# 3-STG-J7

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Retained Earnings	13,720	
	Housekeeping	23	
	Medical Supplies	605	
	Accrued Salaries		2,549
	Nursing		6,831
	Restorative		290
	Dietary		597
	Laundry		47
	Maintenance		281
	Administration		856
	Medical Records		63
	Special Services		2,834
	To properly charge salaries applicable to prior and current periods HIM-15-1, Section 2302.1		
6	Medical Supplies	47	
	Nonallowable	12,238	
	Nursing		7,321
	Restorative		316
	Dietary		654
	Laundry		138
	Housekeeping		263
	Maintenance		279
	Administration		1,112
	Medical Records		121
	Special Services		2,081
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Maintenance	1,900	
	Utilities	728	
	Legal	100	
	Cost of Capital	1,139	
	Nonallowable	20,094	
	Administration		23,711
	Taxes and Insurance		250
	To adjust related party expense HIM-15-1, Sections 1005 and 2304		

ST. GEORGE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2007
AC# 3-STG-J7

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Restorative Nonallowable	44 8,572	
	Nursing		4,372
	Administration		4,236
	Legal		7
	Taxes and Insurance		1
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
9	Special Services Nonallowable	4,925 15,287	
	Administration		225
	Medical Supplies		19,987
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$390,472</u>	<u>\$390,472</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 September 30, 2007
 AC# 3-STG-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>88</u>
Deemed Asset Value	4,042,632
Improvements Since 1981	648,663
Accumulated Depreciation at 9/30/07	(<u>1,442,579</u>)
Deemed Depreciated Value	3,248,716
Market Rate of Return	<u>.0483</u>
Total Annual Return	156,913
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	156,913
Depreciation Expense	54,592
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	211,505
Total Patient Days (Actual)	<u>31,227</u>
Cost of Capital Per Diem	\$ <u><u>6.77</u></u>

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

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><u>\$10.56</u></u>
Reimbursable Cost of Capital Per Diem	\$ 6.77
Cost of Capital Per Diem	<u>6.77</u>
Cost of Capital Per Diem Limitation	<u><u>\$ -</u></u>

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