

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
FAX (803) 343-0723

September 25, 2013

Ms. Sybil L. Tyson, Reimbursement Director
Special Projects and Planning
UHS–Pruitt Corporation
Post Office Box 1210
Toccoa, Georgia 30577

Re: AC# 3-AMM-J9 – UniHealth Post Acute Care – North Augusta, LLC d/b/a
UniHealth Post Acute Care – North Augusta

Dear Ms. Tyson:

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 December 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
Ms. Nicole Mitchell Threat
Ms. Melissa Simmons

**UNIHEALTH POST ACUTE CARE – NORTH AUGUSTA, LLC
D/B/A UNIHEALTH POST ACUTE CARE – NORTH AUGUSTA
NORTH AUGUSTA, SOUTH CAROLINA**

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 2010
AC# 3-AMM-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

July 18, 2013

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 UniHealth Post Acute Care – North Augusta, LLC, d/b/a UniHealth Post Acute Care – North Augusta, for the contract periods beginning October 1, 2010, and for the ten month cost report period ended September 30, 2009, as set forth in the accompanying schedules. The management of UniHealth Post Acute Care – North Augusta, LLC, d/b/a UniHealth Post Acute Care – North Augusta 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 UniHealth Post Acute Care – North Augusta, LLC, d/b/a UniHealth Post Acute Care – North Augusta, 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 contracts between the South Carolina Department of Health and Human Services and UniHealth Post Acute Care – North Augusta, LLC, d/b/a UniHealth Post Acute Care – North Augusta dated as of October 1, 2006 and October 1, 2011, 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
July 18, 2013

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

UNIHEALTH POST ACUTE CARE - NORTH AUGUSTA

Computation of Rate Change
For the Contract Periods
Beginning October 1, 2010
AC# 3-AMM-J9

	10/01/10- <u>04/07/11</u>	04/08/11- <u>10/31/11</u>
Interim Reimbursement Rate (1)	\$189.32	\$183.64
Adjusted Reimbursement Rate	<u>171.92</u>	<u>166.76</u>
Decrease in Reimbursement Rate	\$ <u>17.40</u>	\$ <u>16.88</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated April 10, 2012.

UNIHEALTH POST ACUTE CARE - NORTH AUGUSTA
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2010 Through April 7, 2011
 AC# 3-AMM-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 88.21	\$106.09	
Dietary		14.92	15.58	
Laundry/Housekeeping/Maintenance		<u>19.85</u>	<u>14.87</u>	
Subtotal	\$ <u>9.56</u>	122.98	136.54	\$122.98
Administration & Medical Records	\$ <u>-</u>	<u>23.05</u>	<u>20.15</u>	<u>20.15</u>
Subtotal		146.03	<u>\$156.69</u>	143.13
<u>Costs Not Subject to Standards:</u>				
Utilities		4.50		4.50
Special Services		.59		.59
Medical Supplies & Oxygen		7.17		7.17
Taxes and Insurance		3.81		3.81
Legal Fees		<u>.45</u>		<u>.45</u>
TOTAL		<u>\$162.55</u>		159.65
Inflation Factor (2.00%)				3.19
Cost of Capital				7.44
Cost of Capital Limitation				(.11)
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				9.56
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(7.81)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$171.92</u>

UNIHEALTH POST ACUTE CARE - NORTH AUGUSTA
 Computation of Adjusted Reimbursement Rate
 For the Contract Period April 8, 2011 Through October 31, 2011
 AC# 3-AMM-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 88.21	\$106.09	
Dietary		14.92	15.58	
Laundry/Housekeeping/Maintenance		<u>19.85</u>	<u>14.87</u>	
Subtotal	\$ <u>9.56</u>	122.98	136.54	\$122.98
Administration & Medical Records	\$ <u>-</u>	<u>23.05</u>	<u>20.15</u>	<u>20.15</u>
Subtotal		146.03	<u>\$156.69</u>	143.13
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Utilities		4.50		4.50
Special Services		.59		.59
Medical Supplies & Oxygen		7.17		7.17
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Legal Fees		<u>.45</u>		<u>.45</u>
TOTAL		<u>\$162.55</u>		159.65
Inflation Factor (2.00%)				3.19
Cost of Capital				7.44
Cost of Capital Limitation				(.11)
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				9.56
Effect of \$1.75 Cap on Cost/Profit Incentives				(7.81)
Effect of 3.00% Rate Reduction				<u>(5.16)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$166.76</u>

UNIHEALTH POST ACUTE CARE - NORTH AUGUSTA
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2009
 AC# 3-AMM-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>	
General Services	\$3,623,727	\$11,690 (7) 65,737 (17)	\$ 12,786 (8) 17,788 (9) 868 (9) 2,473 (11) 9 (11) 31,643 (19) 1,544 (19) 236,000 (20)	\$3,398,043
Dietary	558,176	14,120 (7) 14,818 (8)	1,431 (9) 8,041 (11) 237 (18) 2,546 (19)	574,859
Laundry	47,439	-	2,691 (11)	44,748
Housekeeping	301,583	3,753 (7)	1,616 (9) 2,076 (11) 294 (18) 2,874 (19)	298,476
Maintenance	1,254,674	-	261,195 (2) 10,980 (3) 8,106 (5) 534 (9) 20,134 (11) 3,366 (12) 460,710 (14) 65,737 (17) 1,555 (18) 951 (19)	421,406

UNIHEALTH POST ACUTE CARE - NORTH AUGUSTA
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2009
AC# 3-AMM-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>
Administration & Medical Records	959,866	2,500 (1) 8,106 (5) 11,069 (8)	1,677 (9) 271 (9) 559 (11) 231 (11) 47,204 (12) 40,275 (18) 2,984 (19) 482 (19)	887,858
Utilities	174,163	-	837 (12)	173,326
Special Services	16,230	77,890 (10)	939 (7) 3 (9) 427 (11) 70,035 (15) 6 (19)	22,710
Medical Supplies & Oxygen	501,532	-	71,739 (6) 28,624 (7) 26,055 (11) 98,129 (15) 740 (18)	276,245
Taxes and Insurance	121,919	26,983 (4)	2,161 (12)	146,741
Legal Fees	23,410	-	6,035 (12)	17,375
Cost of Capital	282,470	8,653 (2) <u>10,829 (16)</u>	7,117 (12) <u>8,216 (13)</u>	286,619
Subtotal	7,865,189	256,148	1,572,931	6,548,406
Ancillary	337,530	-	31 (11)	337,499

UNIHEALTH POST ACUTE CARE - NORTH AUGUSTA
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2009
AC# 3-AMM-J9

<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>	
Nonallowable	1,008,042	10,980 (3)	15,001 (1)	2,016,519
		71,739 (6)	193 (2)	
		26,917 (9)	26,983 (4)	
		62,727 (11)	13,101 (8)	
		66,720 (12)	2,729 (9)	
		8,216 (13)	77,890 (10)	
		460,710 (14)	10,829 (16)	
		168,164 (15)		
		43,030 (19)		
		236,000 (20)		
 CNA Training and Testing	 <u>603</u>	 <u>-</u>	 <u>-</u>	 <u>603</u>
Total Operating Expenses	 <u>\$9,211,364</u>	 <u>\$1,411,351</u>	 <u>\$1,719,688</u>	 <u>\$8,903,027</u>
 Total Patient Days	 <u>38,523</u>	 <u>-</u>	 <u>-</u>	 <u>38,523</u>
 Total Beds	 <u>132</u>			

UNIHEALTH POST ACUTE CARE - NORTH AUGUSTA
Adjustment Report
Cost Report Period Ended September 30, 2009
AC# 3-AMM-J9

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Start-Up Costs	\$ 15,001	
	Administration	2,500	
	Accumulated Amortization		\$ 2,500
	Nonallowable		15,001
	To record start-up cost and related amortization		
	HIM-15-1, Section 2132		
	State Plan, Attachment 4.19D		
2	Fixed Assets	261,388	
	Cost of Capital	8,653	
	Accumulated Depreciation		8,653
	Maintenance		261,195
	Nonallowable		193
	To capitalize expense		
	HIM-15-1, Section 108		
	State Plan, Attachment 4.19D		
3	Nonallowable	10,980	
	Maintenance		10,980
	To adjust expense which was capitalized		
	HIM-15-1, Section 108		
4	Taxes and Insurance	26,983	
	Nonallowable		26,983
	To adjust property taxes		
	HIM-15-1, Sections 2302.1 and 2304		
5	Administration	8,106	
	Maintenance		8,106
	To reclassify expense to the proper cost center		
	DH&HS Expense Crosswalk		
6	Nonallowable	71,739	
	Medical Supplies & Oxygen		71,739
	To disallow inventory expense		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		

UNIHEALTH POST ACUTE CARE - NORTH AUGUSTA
 Adjustment Report
 Cost Report Period Ended September 30, 2009
 AC# 3-AMM-J9

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
7	Nursing	11,690	
	Dietary	14,120	
	Housekeeping	3,753	
	Medical Supplies & Oxygen		28,624
	Special Services - Therapy		939
	To reclassify expenses to the proper cost centers		
	DH&HS Expense Crosswalk		
8	Dietary	14,818	
	Administration	11,069	
	Nursing		12,786
	Nonallowable		13,101
	To adjust related party United Clinical expense		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
9	Nonallowable	26,917	
	Nursing		17,788
	Restorative		868
	Dietary		1,431
	Housekeeping		1,616
	Maintenance		534
	Administration		1,677
	Medical Records		271
	Special Services - Therapy		3
	Nonallowable Vent		2,729
	To disallow expense due to lack of documentation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
10	Special Services - Therapy	77,890	
	Nonallowable		77,890
	To adjust related party United Rehab expense		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		

UNIHEALTH POST ACUTE CARE - NORTH AUGUSTA
Adjustment Report
Cost Report Period Ended September 30, 2009
AC# 3-AMM-J9

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
11	Nonallowable	62,727	
	Nursing		2,473
	Restorative		9
	Dietary		8,041
	Laundry		2,691
	Housekeeping		2,076
	Maintenance		20,134
	Administration		559
	Medical Records		231
	Medical Supplies & Oxygen		26,055
	Special Services - Therapy		427
	Ancillary		31
	To adjust related party United Medical expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
12	Nonallowable	66,720	
	Maintenance		3,366
	Administration		47,204
	Legal		6,035
	Utilities		837
	Taxes and Insurance		2,161
	Cost of Capital		7,117
	To adjust home office costs HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
13	Nonallowable	8,216	
	Other Equity	69,518	
	Fixed Assets		18,757
	Accumulated Depreciation		50,761
	Cost of Capital		8,216
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

UNIHEALTH POST ACUTE CARE - NORTH AUGUSTA
 Adjustment Report
 Cost Report Period Ended September 30, 2009
 AC# 3-AMM-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
14	Nonallowable Maintenance	460,710	460,710
	To adjust expense which was capitalized HIM-15-1, Section 108		
15	Nonallowable Special Services - Therapy Medical Supplies & Oxygen	168,164	70,035 98,129
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
16	Cost of Capital Nonallowable	10,829	10,829
	To adjust capital return State Plan, Attachment 4.19D		
17	Nursing Maintenance	65,737	65,737
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
18	Retained Earnings Dietary Housekeeping Maintenance Administration Medical Supplies & Oxygen	43,101	237 294 1,555 40,275 740
	To properly charge expenses applicable to the prior period HIM-15-1, Section 2302.1		

UNIHEALTH POST ACUTE CARE - NORTH AUGUSTA
Adjustment Report
Cost Report Period Ended September 30, 2009
AC# 3-AMM-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
19	Nonallowable	43,030	
	Nursing		31,643
	Restorative		1,544
	Dietary		2,546
	Housekeeping		2,874
	Maintenance		951
	Administration		2,984
	Medical Records		482
	Special Services - Therapy		6
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
20	Nonallowable	236,000	
	Nursing		236,000
	To reclassify incremental wages associated with the vent unit State Plan, Attachment 4.19D		
	<u>TOTAL ADJUSTMENTS</u>	<u>\$1,800,359</u>	<u>\$1,800,359</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.

UNIHEALTH POST ACUTE CARE - NORTH AUGUSTA
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2009
 AC# 3-AMM-J9

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>3.10948</u>	<u>3.10948</u>	
Deemed Asset Value (Per Bed)	48,564	48,564	
Number of Beds	<u>121</u>	<u>11</u>	
Deemed Asset Value	5,876,244	534,204	
Improvements Since 1981	1,397,966	118,654	
Accumulated Depreciation at 9/30/09	<u>(2,287,656)</u>	<u>(234,653)</u>	
Deemed Depreciated Value	4,986,554	418,205	
Market Rate of Return	<u>.0440</u>	<u>.0440</u>	
Total Annual Return	219,408	18,401	
Number of Days in Period	<u>304/365</u>	<u>304/365</u>	
Adjusted Annual Return	182,740	15,326	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	182,740	15,326	
Depreciation Expense	76,447	12,764	
Amortization Expense	-	-	
Capital Related Income Offsets	(603)	(55)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	258,584	28,035	\$286,619
Total Patient Days (Minimum 96% Occupancy)	<u>35,313</u>	<u>3,210</u>	<u>38,523</u>
Cost of Capital Per Diem	\$ <u>7.32</u>	\$ <u>8.73</u>	\$ <u>7.44</u>

UNIHEALTH POST ACUTE CARE - NORTH AUGUSTA
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2009
AC# 3-AMM-J9

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$3.21	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$7.20</u>	<u>\$8.73</u>
Reimbursable Cost of Capital Per Diem		\$7.33
Cost of Capital Per Diem		<u>7.44</u>
Cost of Capital Per Diem Limitation		<u>\$ (.11)</u>

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