

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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January 14, 2014

Mr. Joel Dyson, Administrator
Cheraw Healthcare, Inc.
400 Moffat Road
Cheraw, South Carolina 29520

Re: AC# 3-CHW-J0 – Cheraw Healthcare, Inc. d/b/a Cheraw Healthcare

Dear Mr. Dyson:

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, 2009 through September 30, 2010. That report was used to set the rate covering the contract period beginning November 1, 2011.

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

**CHERAW HEALTHCARE, INC. DBA
CHERAW HEALTHCARE
CHERAW, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING NOVEMBER 1, 2011
AC# 3-CHW-J0**

**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 20, 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 Cheraw Healthcare, Inc. d/b/a Cheraw Healthcare, for the contract period beginning November 1, 2011, and for the twelve month cost report period ended September 30, 2010, as set forth in the accompanying schedules. The management of Cheraw Healthcare, Inc. d/b/a Cheraw Healthcare 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 Cheraw Healthcare, Inc. d/b/a Cheraw Healthcare, 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 Cheraw Healthcare, Inc. d/b/a Cheraw Healthcare dated as of October 1, 2011, 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 20, 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

CHERAW HEALTHCARE
Computation of Rate Change
For the Contract Period
Beginning November 1, 2011
AC# 3-CHW-J0

	<u>11/01/11-</u> <u>09/30/12</u>
Interim Reimbursement Rate (1)	\$125.38
Adjusted Reimbursement Rate	<u>122.87</u>
Decrease in Reimbursement Rate	\$ <u><u>2.51</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated August 23, 2013.

CHERAW HEALTHCARE
 Computation of Adjusted Reimbursement Rate
 For the Contract Period November 1, 2011 Through September 30, 2012
 AC# 3-CHW-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 64.27	\$101.78	
Dietary		13.53	15.92	
Laundry/Housekeeping/Maintenance		<u>11.64</u>	<u>14.77</u>	
Subtotal	<u>\$9.27</u>	89.44	132.47	\$ 89.44
Administration & Medical Records	<u>\$6.72</u>	<u>13.90</u>	<u>20.62</u>	<u>13.90</u>
Subtotal		103.34	<u>\$153.09</u>	103.34
<u>Costs Not Subject to Standards:</u>				
Utilities		3.55		3.55
Special Services		-		-
Medical Supplies & Oxygen		3.57		3.57
Taxes and Insurance		5.11		5.11
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$115.57</u>		115.57
Inflation Factor (N/A)				-
Cost of Capital				9.38
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				4.04
Cost Incentive				9.27
Effect of \$1.75 Cap on Cost/Profit Incentives				(11.56)
Budget Neutrality Adjustment (3.02%)				<u>(3.83)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$122.87</u>

CHERAW HEALTHCARE
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2010
AC# 3-CHW-J0

<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	\$2,789,666	\$ -	\$25,812 (6) 1,311 (6)	\$2,762,543
Dietary	584,463	-	2,733 (6)	581,730
Laundry	107,211	-	-	107,211
Housekeeping	202,899	-	-	202,899
Maintenance	191,307	-	1,063 (6)	190,244
Administration & Medical Records	612,378	-	8,641 (6) 429 (6) 5,680 (7)	597,628
Utilities	157,787	-	3,115 (2) 1,884 (7)	152,788
Special Services	-	-	-	-
Medical Supplies & Oxygen	156,697	-	3,170 (5)	153,527
Taxes and Insurance	259,125	-	33,701 (3) 5,636 (4)	219,788

CHERAW HEALTHCARE
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2010
AC# 3-CHW-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Legal Fees	-	-	-	-
Cost of Capital	419,628	603 (10)	3,309 (1) 13,055 (8) <u>472 (9)</u>	403,395
Subtotal	5,481,161	603	110,011	5,371,753
Ancillary	154,170	3,170 (5)	-	157,340
Nonallowable	1,300,896	3,309 (1) 3,115 (2) 33,701 (3) 5,636 (4) 39,989 (6) 7,564 (7) 13,055 (8) 472 (9)	603 (10)	1,407,134
CNA Training and Testing	<u>840</u>	<u>-</u>	<u>-</u>	<u>840</u>
Total Operating Expenses	<u>\$6,937,067</u>	<u>\$110,614</u>	<u>\$110,614</u>	<u>\$6,937,067</u>
Total Patient Days	<u>42,983</u>	<u>-</u>	<u>-</u>	<u>42,983</u>
Total Beds	<u>120</u>			

CHERAW HEALTHCARE
Adjustment Report
Cost Report Period Ended September 30, 2010
AC# 3-CHW-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 5,086	
	Nonallowable	3,309	
	Other Equity		\$ 5,086
	Cost of Capital		3,309
	To adjust fixed assets and related depreciation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
2	Nonallowable	3,115	
	Utilities		3,115
	To disallow expense not related to patient care		
	HIM-15-1, Section 2100		
3	Nonallowable	33,701	
	Taxes and Insurance		33,701
	To adjust property taxes		
	HIM-15-1, Section 2304		
4	Nonallowable	5,636	
	Taxes and Insurance		5,636
	To adjust insurance		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
5	Ancillary	3,170	
	Medical Supplies & Oxygen		3,170
	To reclassify expense to proper cost center		
	DH&HS Expense Crosswalk		
	State Plan, Attachment 4.19D		

CHERAW HEALTHCARE
Adjustment Report
Cost Report Period Ended September 30, 2010
AC# 3-CHW-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable	39,989	
	Nursing		25,812
	Restorative		1,311
	Dietary		2,733
	Maintenance		1,063
	Administration		8,641
	Medical Records		429
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Nonallowable	7,564	
	Utilities		1,884
	Administration		5,680
	To offset against income related expense State Plan, Attachment 4.19D		
8	Nonallowable	13,055	
	Cost of Capital		13,055
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
9	Nonallowable	472	
	Cost of Capital		472
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		

CHERAW HEALTHCARE
Adjustment Report
Cost Report Period Ended September 30, 2010
AC# 3-CHW-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Cost of Capital Nonallowable	603	603
	To adjust capital return State Plan, Attachment 4.19D		
		\$115,700	\$115,700
	TOTAL ADJUSTMENTS	\$115,700	\$115,700

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.

CHERAW HEALTHCARE
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2010
AC# 3-CHW-J0

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>3.15264</u>	<u>3.15264</u>	
Deemed Asset Value (Per Bed)	49,238	49,238	
Number of Beds	<u>117</u>	<u>3</u>	
Deemed Asset Value	5,760,846	147,714	
Improvements Since 1981	24,140	638	
Accumulated Depreciation at 9/30/10	<u>(427,800)</u>	<u>(11,306)</u>	
Deemed Depreciated Value	5,357,186	137,046	
Market Rate of Return	<u>.042</u>	<u>.042</u>	
Total Annual Return	225,002	5,756	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	225,002	5,756	
Depreciation Expense	166,102	4,390	
Amortization Expense	2,090	55	
Capital Related Income Offsets	-	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	393,194	10,201	\$403,395
Total Patient Days (Actual)	<u>41,910</u>	<u>1,073</u>	<u>42,983</u>
Cost of Capital Per Diem	\$ <u>9.38</u>	\$ <u>9.51</u>	\$ <u>9.38</u>

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