

*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

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

Re: AC# 3-DHC-J9 – Heritage Healthcare at the Pines, LLC d/b/a  
Heritage Healthcare at the Pines

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 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  
Ms. Nicole Mitchell Threat  
Ms. Melissa Simmons

**HERITAGE HEALTHCARE AT THE PINES, LLC D/B/A  
HERITAGE HEALTHCARE AT THE PINES**

**DILLON, SOUTH CAROLINA**

**CONTRACT PERIODS  
BEGINNING OCTOBER 1, 2010  
AC# 3-DHC-J9**

**AGREED-UPON PROCEDURES REPORT**

**ON CONTRACT**

**FOR**

**PURCHASE OF NURSING CARE SERVICES**

**WITH**

**STATE OF SOUTH CAROLINA**

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

## CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIODS BEGINNING OCTOBER 1, 2010	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2010 THROUGH APRIL 7, 2011	B-1	4
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD APRIL 8, 2011 THROUGH OCTOBER 31, 2011	B-2	5
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2009	C	6
ADJUSTMENT REPORT	1	8
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	11

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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 26, 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 Heritage Healthcare at the Pines, LLC d/b/a Heritage Healthcare at the Pines, 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 Heritage Healthcare at the Pines, LLC d/b/a Heritage Healthcare at the Pines 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 Heritage Healthcare at the Pines, LLC d/b/a Heritage Healthcare at the Pines, 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 Heritage Healthcare at the Pines, LLC d/b/a Heritage Healthcare at the Pines 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  
August 26, 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

**HERITAGE HEALTHCARE AT THE PINES**

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

	10/01/10- <u>04/07/11</u>	04/08/11- <u>10/31/11</u>
Interim Reimbursement Rate (1)	\$148.85	\$144.38
Adjusted Reimbursement Rate	<u>145.61</u>	<u>141.24</u>
Decrease in Reimbursement Rate	\$ <u><u>3.24</u></u>	\$ <u><u>3.14</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated September 14, 2012.

**HERITAGE HEALTHCARE AT THE PINES**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2010 Through April 7, 2011  
 AC# 3-DHC-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 71.70	\$ 99.44	
Dietary		13.59	15.32	
Laundry/Housekeeping/Maintenance		<u>15.83</u>	<u>14.84</u>	
Subtotal	<u>\$9.07</u>	101.12	129.60	\$101.12
Administration & Medical Records	<u>\$2.41</u>	<u>19.01</u>	<u>21.42</u>	<u>19.01</u>
Subtotal		120.13	<u>\$151.02</u>	120.13
<u>Costs Not Subject to Standards:</u>				
Utilities		3.32		3.32
Special Services		.35		.35
Medical Supplies & Oxygen		4.97		4.97
Taxes and Insurance		6.48		6.48
Legal Fees		<u>.34</u>		<u>.34</u>
<b>TOTAL</b>		<u>\$135.59</u>		135.59
Inflation Factor (2.00%)				2.71
Cost of Capital				8.17
Cost of Capital Limitation				(2.61)
Profit Incentive (Maximum 3.5% of Allowable Cost)				2.41
Cost Incentive				9.07
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(9.73)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$145.61</u>

**HERITAGE HEALTHCARE AT THE PINES**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period April 8, 2011 Through October 31, 2011  
 AC# 3-DHC-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 71.70	\$ 99.44	
Dietary		13.59	15.32	
Laundry/Housekeeping/Maintenance		<u>15.83</u>	<u>14.84</u>	
Subtotal	<u>\$9.07</u>	101.12	129.60	\$101.12
Administration & Medical Records	<u>\$2.41</u>	<u>19.01</u>	<u>21.42</u>	<u>19.01</u>
Subtotal		120.13	<u>\$151.02</u>	120.13
<u>Costs Not Subject to Standards:</u>				
Utilities		3.32		3.32
Special Services		.35		.35
Medical Supplies & Oxygen		4.97		4.97
Taxes and Insurance		6.48		6.48
Legal Fees		<u>.34</u>		<u>.34</u>
<b>TOTAL</b>		<u>\$135.59</u>		135.59
Inflation Factor (2.00%)				2.71
Cost of Capital				8.17
Cost of Capital Limitation				(2.61)
Profit Incentive (Maximum 3.5% of Allowable Cost)				2.41
Cost Incentive				9.07
Effect of \$1.75 Cap on Cost/Profit Incentives				(9.73)
Effect of 3.00% Rate Reduction				<u>(4.37)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$141.24</u>

**HERITAGE HEALTHCARE AT THE PINES**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2009  
 AC# 3-DHC-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$2,163,786	\$ 7,264 (3)	\$18,430 (2) 592 (8) 10 (8)	\$2,152,018
Dietary	411,526	-	1,996 (2) 1,699 (8)	407,831
Laundry	100,616	-	963 (8)	99,653
Housekeeping	187,166	-	1,275 (8)	185,891
Maintenance	236,684	-	35,079 (3) 7,534 (4) 1,251 (5) 1,950 (6) 1,229 (8)	189,641
Administration & Medical Records	588,598	17,381 (3)	679 (2) 34,445 (6) 258 (8) 20 (8)	570,577
Utilities	100,204	-	485 (6)	99,719
Special Services	10,403	-	32 (8)	10,371
Medical Supplies & Oxygen	156,817	-	7,537 (8)	149,280
Taxes and Insurance	195,753	-	1,253 (6)	194,500

**HERITAGE HEALTHCARE AT THE PINES**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2009  
AC# 3-DHC-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Legal Fees	13,609	-	3,495 (6)	10,114
Cost of Capital	166,878	85,921 (7)	4,204 (1)	245,287
	<u>                    </u>	<u>                    </u>	<u>3,308 (6)</u>	<u>                    </u>
Subtotal	4,332,040	110,566	127,724	4,314,882
Ancillary	184,335	-	16 (8)	184,319
Nonallowable	742,356	4,204 (1)	85,921 (7)	750,780
		21,105 (2)		
		1,684 (3)		
		7,534 (4)		
		1,251 (5)		
		44,936 (6)		
		13,631 (8)		
CNA Training and Testing	<u>506</u>	<u>-</u>	<u>-</u>	<u>506</u>
Total Operating Expenses	<u>\$5,259,237</u>	<u>\$204,911</u>	<u>\$213,661</u>	<u>\$5,250,487</u>
Total Patient Days	<u>30,014</u>	<u>-</u>	<u>-</u>	<u>30,014</u>
Total Beds	<u>84</u>			

**HERITAGE HEALTHCARE AT THE PINES**  
Adjustment Report  
Cost Report Period Ended September 30, 2009  
AC# 3-DHC-J9

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$70,641	
	Other Equity	45,637	
	Nonallowable	4,204	
	Fixed Assets		\$116,278
	Cost of Capital		4,204
	To adjust fixed assets and related depreciation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
2	Nonallowable	21,105	
	Nursing		18,430
	Dietary		1,996
	Administration		679
	To adjust related party United Clinical expense		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
3	Fixed Assets	8,750	
	Restorative	7,264	
	Administration	17,381	
	Nonallowable	1,684	
	Maintenance		35,079
	To properly classify expenses		
	HIM-15-1, Section 108		
	DH&HS Expense Crosswalk		

**HERITAGE HEALTHCARE AT THE PINES**  
Adjustment Report  
Cost Report Period Ended September 30, 2009  
AC# 3-DHC-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
4	Nonallowable Maintenance	7,534	7,534
	To disallow expense applicable to the prior period HIM-15-1, Section 2302.1 State Plan, Attachment 4.19D		
5	Nonallowable Maintenance	1,251	1,251
	To properly charge expenses applicable to the prior period HIM-15-1, Section 2302.1		
6	Nonallowable Maintenance Administration Legal Utilities Taxes and Insurance Cost of Capital	44,936	1,950 34,445 3,495 485 1,253 3,308
	To adjust home office cost allocation HIM-15-1, Section 2304		
7	Cost of Capital Nonallowable	85,921	85,921
	To adjust capital return HIM-15-1, Section 2304		

**HERITAGE HEALTHCARE AT THE PINES**  
Adjustment Report  
Cost Report Period Ended September 30, 2009  
AC# 3-DHC-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Nonallowable	13,631	
	Nursing		592
	Restorative		10
	Dietary		1,699
	Laundry		963
	Housekeeping		1,275
	Maintenance		1,229
	Administration		258
	Medical Records		20
	Medical Supplies & Oxygen		7,537
	Special Services - Therapy		32
	Ancillary		16
	To adjust related party United Medical expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
	<u>TOTAL ADJUSTMENTS</u>	<u>\$329,939</u>	<u>\$329,939</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.

**HERITAGE HEALTHCARE AT THE PINES**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 2009  
AC# 3-DHC-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>84</u>
Deemed Asset Value	4,079,376
Improvements Since 1981	1,012,980
Accumulated Depreciation at 9/30/09	<u>(1,296,930)</u>
Deemed Depreciated Value	3,795,426
Market Rate of Return	<u>.0440</u>
Total Annual Return	166,999
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	166,999
Depreciation Expense	79,270
Amortization Expense	-
Capital Related Income Offsets	(982)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	245,287
Total Patient Days (Actual)	<u>30,014</u>
Cost of Capital Per Diem	<u>\$ 8.17</u>

**HERITAGE HEALTHCARE AT THE PINES**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 2009  
AC# 3-DHC-J9

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 1.57
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>5.56</u>
Reimbursable Cost of Capital Per Diem	\$ 5.56
Cost of Capital Per Diem	<u>8.17</u>
Cost of Capital Per Diem Limitation	\$ <u>(2.61)</u>

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