

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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October 30, 2013

Ms. Autumn Grove, Senior Reimbursement Manager
Fundamental Administrative Services
920 Ridgebrook Road
Sparks, Maryland 21152

Re: AC# 3-GAI-J0 – THI of South Carolina at Golden Age – Inman, LLC d/b/a
Golden Age – Inman

Dear Ms. Grove:

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/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Ms. Kathleen C. Snider
Ms. Nicole Mitchell Threat
Ms. Melissa Simmons

**THE STATE OF SOUTH CAROLINA AT GOLDEN AGE - INMAN, LLC D/B/A
GOLDEN AGE - INMAN**

INMAN, SOUTH CAROLINA

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

July 22, 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 THI of South Carolina at Golden Age – Inman, LLC d/b/a Golden Age – Inman, 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 THI of South Carolina at Golden Age – Inman, LLC d/b/a Golden Age – Inman 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 THI of South Carolina at Golden Age – Inman, LLC d/b/a Golden Age – Inman, 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 THI of South Carolina at Golden Age – Inman, LLC d/b/a Golden Age – Inman 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
July 22, 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

GOLDEN AGE - INMAN
Computation of Rate Change
For the Contract Period
Beginning November 1, 2011
AC# 3-GAI-J0

	<u>11/01/11-</u> <u>09/30/12</u>
Interim Reimbursement Rate (1)	\$136.81
Adjusted Reimbursement Rate	<u>135.65</u>
Decrease in Reimbursement Rate	\$ <u><u>1.16</u></u>

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

GOLDEN AGE - INMAN

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 74.91	\$ 77.05	
Dietary		14.88	16.72	
Laundry/Housekeeping/Maintenance		<u>10.91</u>	<u>15.78</u>	
Subtotal	<u>\$7.67</u>	100.70	109.55	\$100.70
Administration & Medical Records	<u>\$3.36</u>	<u>22.56</u>	<u>25.92</u>	<u>22.56</u>
Subtotal		123.26	<u>\$135.47</u>	123.26
<u>Costs Not Subject to Standards:</u>				
Utilities		3.77		3.77
Special Services		-		-
Medical Supplies & Oxygen		3.32		3.32
Taxes and Insurance		2.07		2.07
Legal Fees		<u>.12</u>		<u>.12</u>
TOTAL		<u>\$132.54</u>		132.54
Inflation Factor (N/A)				-
Cost of Capital				6.61
Cost of Capital Limitation				(1.03)
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.36
Cost Incentive				7.67
Effect of \$1.75 Cap on Cost/Profit Incentives				(9.28)
Budget Neutrality Adjustment (3.02%)				<u>(4.22)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$135.65</u>

GOLDEN AGE - INMAN
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2010
 AC# 3-GAI-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	\$1,156,206	\$ 719 (2) 64 (2)	\$ 1,707 (3) 267 (4)	\$1,155,015
Dietary	229,235	171 (2)	-	229,406
Laundry	48,490	-	-	48,490
Housekeeping	37,278	-	-	37,278
Maintenance	85,245	50 (2)	2,925 (1)	82,370
Administration & Medical Records	359,628	54 (2) 5 (2)	11,933 (3)	347,754
Utilities	58,154	-	-	58,154
Special Services	-	-	-	-
Medical Supplies & Oxygen	53,946	3 (2)	2,733 (4)	51,216
Taxes and Insurance	31,883	-	-	31,883
Legal Fees	1,890	-	93 (3)	1,797
Cost of Capital	<u>86,032</u>	<u>16,073</u> (5)	<u>196</u> (3)	<u>101,909</u>
Subtotal	2,147,987	17,139	19,854	2,145,272

GOLDEN AGE - INMAN
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2010
 AC# 3-GAI-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments		Adjusted Totals
		<u>Debit</u>	<u>Credit</u>	
Ancillary	24,269	89 (4)	-	24,358
Nonallowable	584,744	13,929 (3) 2,911 (4)	1,066 (2) 16,073 (5)	584,445
CNA Training and Testing	<u>112</u>	<u>-</u>	<u>-</u>	<u>112</u>
Total Operating Expenses	<u>\$2,757,112</u>	<u>\$34,068</u>	<u>\$36,993</u>	<u>\$2,754,187</u>
Total Patient Days	<u>15,418</u>	<u>-</u>	<u>-</u>	<u>15,418</u>
Total Beds	<u>44</u>			

GOLDEN AGE - INMAN
Adjustment Report
Cost Report Period Ended September 30, 2010
AC# 3-GAI-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 1,526	
	Retained Earnings	2,925	
	Fixed Assets		\$ 1,460
	Other Equity		66
	Maintenance		2,925
	To adjust fixed assets and related depreciation and properly charge expense applicable to the prior period HIM-15-1, Sections 2302.1 and 2304 State Plan, Attachment 4.19D		
2	Nursing	719	
	Restorative	64	
	Dietary	171	
	Maintenance	50	
	Administration	54	
	Medical Records	5	
	Medical Supplies	3	
	Nonallowable		1,066
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Nonallowable	13,929	
	Nursing		1,707
	Administration		11,933
	Legal		93
	Cost of Capital		196
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

GOLDEN AGE - INMAN
Adjustment Report
Cost Report Period Ended September 30, 2010
AC# 3-GAI-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
4	Ancillary Nonallowable Nursing Medical Supplies	89 2,911	267 2,733
	To remove special (ancillary) services reimbursed by Medicare and reclassify expense to the proper cost center State Plan, Attachment 4.19D DH&HS Expense Crosswalk		
5	Cost of Capital Nonallowable	16,073	16,073
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$38,519	\$38,519

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.

GOLDEN AGE - INMAN
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2010
 AC# 3-GAI-J0

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>3,15264</u>
Deemed Asset Value (Per Bed)	49,238
Number of Beds	<u>44</u>
Deemed Asset Value	2,166,472
Improvements Since 1981	227,887
Accumulated Depreciation at 9/30/10	<u>(455,879)</u>
Deemed Depreciated Value	1,938,480
Market Rate of Return	<u>.0420</u>
Total Annual Return	81,416
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	81,416
Depreciation Expense	20,689
Amortization Expense	-
Capital Related Income Offsets	(196)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	101,909
Total Patient Days (Minimum 96% Occupancy)	<u>15,418</u>
Cost of Capital Per Diem	\$ <u><u>6.61</u></u>

GOLDEN AGE - INMAN
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2010
AC# 3-GAI-J0

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 1.59
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>5.58</u>
Reimbursable Cost of Capital Per Diem	\$ 5.58
Cost of Capital Per Diem	<u>6.61</u>
Cost of Capital Per Diem Limitation	\$ <u>(1.03)</u>

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