

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-J9 – 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, 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 cursive script, appearing to read "Richard H. Gilbert Jr.", written in black ink.

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

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

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

August 28, 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 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 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 contracts 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, 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 28, 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.", with a stylized flourish at the end.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

GOLDEN AGE - INMAN
 Computation of Rate Change
 For the Contract Periods
 Beginning October 1, 2010
 AC# 3-GAI-J9

	10/01/10- <u>04/07/11</u>	04/08/11- <u>10/31/11</u>
Interim Reimbursement Rate (1)	\$143.55	\$139.24
Adjusted Reimbursement Rate	<u>141.15</u>	<u>136.92</u>
Decrease in Reimbursement Rate	\$ <u><u>2.40</u></u>	\$ <u><u>2.32</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 October 1, 2010 Through April 7, 2011
 AC# 3-GAI-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 75.92	\$ 91.82	
Dietary		13.16	16.72	
Laundry/Housekeeping/Maintenance		<u>9.18</u>	<u>15.73</u>	
Subtotal	<u>\$8.70</u>	98.26	124.27	\$ 98.26
Administration & Medical Records	<u>\$3.17</u>	<u>22.71</u>	<u>25.88</u>	<u>22.71</u>
Subtotal		120.97	<u>\$150.15</u>	120.97
<u>Costs Not Subject to Standards:</u>				
Utilities		3.32		3.32
Special Services		-		-
Medical Supplies & Oxygen		3.99		3.99
Taxes and Insurance		2.53		2.53
Legal Fees		<u>.39</u>		<u>.39</u>
TOTAL		<u>\$131.20</u>		131.20
Inflation Factor (2.00%)				2.62
Cost of Capital				6.72
Cost of Capital Limitation				(1.14)
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.17
Cost Incentive				8.70
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(10.12)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$141.15</u>

GOLDEN AGE - INMAN
 Computation of Adjusted Reimbursement Rate
 For the Contract Period April 8, 2011 Through October 31, 2011
 AC# 3-GAI-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 75.92	\$ 91.82	
Dietary		13.16	16.72	
Laundry/Housekeeping/Maintenance		<u>9.18</u>	<u>15.73</u>	
Subtotal	<u>\$8.70</u>	98.26	124.27	\$ 98.26
Administration & Medical Records	<u>\$3.17</u>	<u>22.71</u>	<u>25.88</u>	<u>22.71</u>
Subtotal		120.97	<u>\$150.15</u>	120.97
<u>Costs Not Subject to Standards:</u>				
Utilities		3.32		3.32
Special Services		-		-
Medical Supplies & Oxygen		3.99		3.99
Taxes and Insurance		2.53		2.53
Legal Fees		<u>.39</u>		<u>.39</u>
TOTAL		<u>\$131.20</u>		131.20
Inflation Factor (2.00%)				2.62
Cost of Capital				6.72
Cost of Capital Limitation				(1.14)
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.17
Cost Incentive				8.70
Effect of \$1.75 Cap on Cost/Profit Incentives				(10.12)
Effect of 3% Rate Reduction				<u>(4.23)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$136.92</u>

GOLDEN AGE - INMAN
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2009
AC# 3-GAI-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	\$1,187,319	\$ -	\$13,580 (2) 599 (2) 2,620 (3)	\$1,170,520
Dietary	204,125	-	1,299 (2)	202,826
Laundry	44,660	-	-	44,660
Housekeeping	36,966	-	-	36,966
Maintenance	57,421	2,925 (1)	446 (2)	59,900
Administration & Medical Records	365,720	-	1,685 (2) 93 (2) 13,846 (3)	350,096
Utilities	51,206	-	-	51,206
Special Services	-	-	-	-
Medical Supplies & Oxygen	66,629	-	91 (2) 5,081 (4)	61,457
Taxes and Insurance	39,050	-	-	39,050
Legal Fees	6,002	-	-	6,002

GOLDEN AGE - INMAN
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2009
AC# 3-GAI-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>
Cost of Capital	86,032	19 (1)	568 (3)	103,658
	<u> </u>	<u>18,175</u> (5)	<u> </u>	<u> </u>
Subtotal	2,145,130	21,119	39,908	2,126,341
Ancillary	24,301	9 (4)	-	24,310
Nonallowable	635,560	17,793 (2)	19 (1)	657,265
		17,034 (3)	18,175 (5)	
		5,072 (4)		
CNA Training and Testing	<u>442</u>	<u>-</u>	<u>-</u>	<u>442</u>
Total Operating Expenses	<u>\$2,805,433</u>	<u>\$61,027</u>	<u>\$58,102</u>	<u>\$2,808,358</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, 2009
AC# 3-GAI-J9

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 1,307	
	Other Equity	153	
	Maintenance	2,925	
	Cost of Capital	19	
	Fixed Assets		\$ 1,460
	Accounts Payable		2,925
	Nonallowable		19
	To adjust fixed assets and related depreciation and record expense to the current period HIM-15-1, Sections 2302.1 and 2304 State Plan, Attachment 4.19D		
2	Nonallowable	17,793	
	Nursing		13,580
	Restorative		599
	Dietary		1,299
	Maintenance		446
	Administration		1,685
	Medical Records		93
	Medical Supplies		91
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Nonallowable	17,034	
	Nursing		2,620
	Administration		13,846
	Cost of Capital		568
	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, 2009
AC# 3-GAI-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
4	Ancillary Nonallowable Medical Supplies	9 5,072	5,081
	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	18,175	18,175
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<hr style="width: 100px; margin: 0 auto;"/> <u>\$62,487</u>	<hr style="width: 100px; margin: 0 auto;"/> <u>\$62,487</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.

GOLDEN AGE - INMAN
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2009
 AC# 3-GAI-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>44</u>
Deemed Asset Value	2,136,816
Improvements Since 1981	205,189
Accumulated Depreciation at 9/30/09	<u>(437,716)</u>
Deemed Depreciated Value	1,904,289
Market Rate of Return	<u>.0440</u>
Total Annual Return	83,789
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	83,789
Depreciation Expense	20,437
Amortization Expense	-
Capital Related Income Offsets	(568)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	103,658
Total Patient Days (Minimum 96% Occupancy)	<u>15,418</u>
Cost of Capital Per Diem	\$ <u><u>6.72</u></u>

GOLDEN AGE - INMAN
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2009
AC# 3-GAI-J9

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>6.72</u>
Cost of Capital Per Diem Limitation	\$ <u>(1.14)</u>

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