

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-HAR-F9 – Heritage Healthcare of Pickens, LLC d/b/a Heritage Healthcare
of Pickens

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 June 30, 2009. That report was used to set the rate covering the contract periods beginning December 1, 2008.

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

**HERITAGE HEALTHCARE OF PICKENS, LLC D/B/A
HERITAGE HEALTHCARE OF PICKENS**

SIX MILE, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING DECEMBER 1, 2008
AC# 3-HAR-F9**

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 DECEMBER 1, 2008	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD DECEMBER 1, 2008 THROUGH JUNE 30, 2009	B-1	4
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD JULY 1, 2009 THROUGH SEPTEMBER 30, 2009	B-2	5
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2009 THROUGH SEPTEMBER 30, 2010	B-3	6
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED JUNE 30, 2009 FOR THE CONTRACT PERIODS DECEMBER 1, 2008 THROUGH SEPTEMBER 30, 2009	C-1	7
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED JUNE 30, 2009 FOR THE CONTRACT PERIOD OCTOBER 1, 2009 THROUGH SEPTEMBER 30, 2010	C-2	10
ADJUSTMENT REPORT	1	13
COST OF CAPITAL REIMBURSEMENT ANALYSIS FOR THE CONTRACT PERIODS DECEMBER 1, 2008 THROUGH SEPTEMBER 30, 2009	2	19
COST OF CAPITAL REIMBURSEMENT ANALYSIS FOR THE CONTRACT PERIOD OCTOBER 1, 2009 THROUGH SEPTEMBER 30, 2010	3	21

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

June 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 Heritage Healthcare of Pickens, LLC d/b/a Heritage Healthcare of Pickens, for the contract periods beginning December 1, 2008, and for the seven month cost report period ended June 30, 2009, as set forth in the accompanying schedules. The management of Heritage Healthcare of Pickens, LLC d/b/a Heritage Healthcare of Pickens 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 of Pickens, LLC d/b/a Heritage Healthcare of Pickens, 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 Summaries of Costs and Total Patient Days, Adjustment Report, and Cost of Capital Reimbursement Analyses 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 Heritage Healthcare of Pickens, LLC d/b/a Heritage Healthcare of Pickens dated as of October 1, 2006, 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
June 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.", written in a cursive style.

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

HERITAGE HEALTHCARE OF PICKENS

Computation of Rate Change
For the Contract Periods
Beginning December 1, 2008
AC# 3-HAR-F9

	<u>12/01/08-</u> <u>06/30/09</u>	<u>07/01/09-</u> <u>09/30/09</u>	<u>10/01/09-</u> <u>09/30/10</u>
Interim Reimbursement Rate (1)	\$159.53	\$166.96	\$182.07
Adjusted Reimbursement Rate	<u>157.27</u>	<u>164.57</u>	<u>179.67</u>
Decrease in Reimbursement Rate	\$ <u>2.26</u>	\$ <u>2.39</u>	\$ <u>2.40</u>

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

HERITAGE HEALTHCARE OF PICKENS
 Computation of Adjusted Reimbursement Rate
 For the Contract Period December 1, 2008 Through June 30, 2009
 AC# 3-HAR-F9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 85.81	\$ 81.70	
Dietary		23.23	16.33	
Laundry/Housekeeping/Maintenance		<u>20.85</u>	<u>14.74</u>	
Subtotal	\$ <u>-</u>	129.89	112.77	\$112.77
Administration & Medical Records	\$ <u>-</u>	<u>26.06</u>	<u>23.19</u>	<u>23.19</u>
Subtotal		155.95	<u>\$135.96</u>	135.96
<u>Costs Not Subject to Standards:</u>				
Utilities		3.85		3.85
Special Services		-		-
Medical Supplies & Oxygen		6.10		6.10
Taxes and Insurance		5.76		5.76
Legal Fees		<u>.41</u>		<u>.41</u>
TOTAL		<u>\$172.07</u>		152.08
Inflation Factor (N/A)				-
Cost of Capital				9.49
Cost of Capital Limitation				(4.30)
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>-</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$157.27</u>

HERITAGE HEALTHCARE OF PICKENS
 Computation of Adjusted Reimbursement Rate
 For the Contract Period July 1, 2009 Through September 30, 2009
 AC# 3-HAR-F9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 85.81	\$ 81.70	
Dietary		23.23	16.33	
Laundry/Housekeeping/Maintenance		<u>20.85</u>	<u>14.74</u>	
Subtotal	\$ <u>-</u>	129.89	112.77	\$112.77
Administration & Medical Records	\$ <u>-</u>	<u>26.06</u>	<u>23.19</u>	<u>23.19</u>
Subtotal		155.95	<u>\$135.96</u>	135.96
<u>Costs Not Subject to Standards:</u>				
Utilities		3.85		3.85
Special Services		-		-
Medical Supplies & Oxygen		6.10		6.10
Taxes and Insurance		5.76		5.76
Legal Fees		<u>.41</u>		<u>.41</u>
TOTAL		<u>\$172.07</u>		152.08
Inflation Factor (4.80%)				7.30
Cost of Capital				9.49
Cost of Capital Limitation				(4.30)
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>-</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$164.57</u>

HERITAGE HEALTHCARE OF PICKENS
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2009 Through September 30, 2010
 AC# 3-HAR-F9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 85.81	\$ 93.64	
Dietary		23.23	16.45	
Laundry/Housekeeping/Maintenance		<u>20.85</u>	<u>14.83</u>	
Subtotal	\$ <u>-</u>	129.89	124.92	\$124.92
Administration & Medical Records	\$ <u>-</u>	<u>26.06</u>	<u>25.60</u>	<u>25.60</u>
Subtotal		155.95	<u>\$150.52</u>	150.52
<u>Costs Not Subject to Standards:</u>				
Utilities		3.85		3.85
Special Services		-		-
Medical Supplies & Oxygen		6.10		6.10
Taxes and Insurance		5.76		5.76
Legal Fees		<u>.41</u>		<u>.41</u>
TOTAL		<u>\$172.07</u>		166.64
Inflation Factor (4.70%)				7.83
Cost of Capital				9.52
Cost of Capital Limitation				(4.32)
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>-</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$179.67</u>

HERITAGE HEALTHCARE OF PICKENS
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended June 30, 2009
 For the Contract Periods December 1, 2008 Through September 30, 2009
 AC# 3-HAR-F9

<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	\$794,803	\$1,521 (3)	\$ 5,510 (16) 306 (16) 180 (17) 3 (17)	\$790,325
Dietary	219,809	-	35 (1) 1,886 (3) 401 (14) 1,020 (16) 2,548 (17)	213,919
Laundry	19,020	516 (11)	4,420 (14) 49 (16) 828 (17)	14,239
Housekeeping	69,988	-	273 (14) 473 (16) 822 (17)	68,420
Maintenance	170,105	455 (11) 2,533 (19)	911 (4) 3,897 (5) 1,201 (6) 5,457 (7) 43,250 (8) 912 (14) 3,531 (15) 285 (16) 3,505 (17) 782 (18)	109,362

HERITAGE HEALTHCARE OF PICKENS
Summary of Costs and Total Patient Days
For the Cost Report Period Ended June 30, 2009
For the Contract Periods December 1, 2008 Through September 30, 2009
AC# 3-HAR-F9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	<u>Adjustments</u> <u>Credit</u>	<u>Adjusted Totals</u>
Administration & Medical Records	242,511	5,457 (7) 776 (11) 24,203 (19)	6,668 (1) 346 (1) 272 (3) 672 (9) 8,321 (10) 3,437 (14) 600 (14) 555 (16) 175 (16) 147 (17) 33 (17) 11,731 (18)	239,990
Utilities	31,883	3,531 (15) 222 (19)	194 (18)	35,442
Special Services	-	-	-	-
Medical Supplies & Oxygen	83,853	-	23,913 (13) 729 (14) 3,009 (17)	56,202
Taxes and Insurance	53,461	132 (19)	502 (18)	53,091
Legal Fees	3,432	1,723 (19)	1,401 (18)	3,754
Cost of Capital	44,036	4,549 (2) 827 (19) <u>39,142 (21)</u>	839 (18) 296 (20)	87,419
Subtotal	1,732,901	85,587	146,325	1,672,163

HERITAGE HEALTHCARE OF PICKENS
Summary of Costs and Total Patient Days
For the Cost Report Period Ended June 30, 2009
For the Contract Periods December 1, 2008 Through September 30, 2009
AC# 3-HAR-F9

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Ancillary	54,412	-	16 (17)	54,396
Nonallowable	278,937	7,049 (1) 637 (3) 911 (4) 3,897 (5) 1,201 (6) 672 (9) 8,321 (10) 23,913 (13) 10,772 (14) 8,373 (16) 11,091 (17) 15,449 (18) 296 (20)	4,549 (2) 14,968 (11) 29,640 (19) 39,142 (21)	283,220
CNA Training and Testing	<u>225</u>	<u>-</u>	<u>-</u>	<u>225</u>
Total Operating Expenses	<u>\$2,066,475</u>	<u>\$178,169</u>	<u>\$234,640</u>	<u>\$2,010,004</u>
Total Patient Days	<u>9,191</u>	<u>19 (22)</u>	<u>-</u>	<u>9,210</u>
Total Beds	<u>44</u>			

HERITAGE HEALTHCARE OF PICKENS
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended June 30, 2009
 For the Contract Period October 1, 2009 Through September 30, 2010
 AC# 3-HAR-F9

<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	\$794,803	\$1,521 (3)	\$ 5,510 (16) 306 (16) 180 (17) 3 (17)	\$790,325
Dietary	219,809	-	35 (1) 1,886 (3) 401 (14) 1,020 (16) 2,548 (17)	213,919
Laundry	19,020	516 (11)	4,420 (14) 49 (16) 828 (17)	14,239
Housekeeping	69,988	-	273 (14) 473 (16) 822 (17)	68,420
Maintenance	170,105	455 (11) 2,533 (19)	911 (4) 3,897 (5) 1,201 (6) 5,457 (7) 43,250 (8) 912 (14) 3,531 (15) 285 (16) 3,505 (17) 782 (18)	109,362

HERITAGE HEALTHCARE OF PICKENS
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended June 30, 2009
 For the Contract Period October 1, 2009 Through September 30, 2010
 AC# 3-HAR-F9

<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>
Administration & Medical Records	242,511	5,457 (7) 776 (11) 24,203 (19)	6,668 (1) 346 (1) 272 (3) 672 (9) 8,321 (10) 3,437 (14) 600 (14) 555 (16) 175 (16) 147 (17) 33 (17) 11,731 (18)	239,990
Utilities	31,883	3,531 (15) 222 (19)	194 (18)	35,442
Special Services	-	-	-	-
Medical Supplies & Oxygen	83,853	-	23,913 (13) 729 (14) 3,009 (17)	56,202
Taxes and Insurance	53,461	132 (19)	502 (18)	53,091
Legal Fees	3,432	1,723 (19)	1,401 (18)	3,754
Cost of Capital	44,224	4,549 (2) 39,199 (12) 827 (19)	839 (18) 296 (20)	87,664
Subtotal	1,733,089	85,644	146,325	1,672,408

HERITAGE HEALTHCARE OF PICKENS
Summary of Costs and Total Patient Days
For the Cost Report Period Ended June 30, 2009
For the Contract Periods October 1, 2009 Through September 30, 2010
AC# 3-HAR-F9

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Ancillary	54,412	-	16 (17)	54,396
Nonallowable	278,749	7,049 (1)	4,549 (2)	282,975
		637 (3)	14,968 (11)	
		911 (4)	39,199 (12)	
		3,897 (5)	29,640 (19)	
		1,201 (6)		
		672 (9)		
		8,321 (10)		
		23,913 (13)		
		10,772 (14)		
		8,373 (16)		
		11,091 (17)		
		15,449 (18)		
		296 (20)		
CNA Training and Testing	<u>225</u>	<u>-</u>	<u>-</u>	<u>225</u>
Total Operating Expenses	<u>\$2,066,475</u>	<u>\$178,226</u>	<u>\$234,697</u>	<u>\$2,010,004</u>
Total Patient Days	<u>9,191</u>	<u>19 (22)</u>	<u>-</u>	<u>9,210</u>
Total Beds	<u>44</u>			

HERITAGE HEALTHCARE OF PICKENS
Adjustment Report
Cost Report Period Ended June 30, 2009
AC# 3-HAR-F9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable	\$ 7,049	
	Dietary		\$ 35
	Administration		6,668
	Medical Records		346
	To agree the trial balance to the general ledger HIM-15-1, Section 2304		
2	Fixed Assets	59,197	
	Accumulated Depreciation	51,546	
	Cost of Capital	4,549	
	Other Equity		110,743
	Nonallowable		4,549
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Nursing	1,521	
	Nonallowable	637	
	Dietary		1,886
	Administration		272
	To adjust related party United Clinical expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Nonallowable	911	
	Maintenance		911
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1		
5	Nonallowable	3,897	
	Maintenance		3,897
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1		

HERITAGE HEALTHCARE OF PICKENS
Adjustment Report
Cost Report Period Ended June 30, 2009
AC# 3-HAR-F9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable Maintenance	1,201	1,201
	To remove expense due to lack of adequate documentation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Administration Maintenance	5,457	5,457
	To properly classify expenses DH&HS Expense Crosswalk State Plan, Attachment 4.19D		
8	Other Equity Maintenance	43,250	43,250
	To post DH&HS September 30, 2009 adjustment to capitalize fixed assets HIM-15-1, Sections 108 and 2304		
9	Nonallowable Administration	672	672
	To disallow expense due to lack of documentation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
10	Nonallowable Administration	8,321	8,321
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1		

HERITAGE HEALTHCARE OF PICKENS
Adjustment Report
Cost Report Period Ended June 30, 2009
AC# 3-HAR-F9

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
11	Start-Up Costs	14,968	
	Laundry	516	
	Maintenance	455	
	Administration	776	
	Accumulated Amortization		1,747
	Nonallowable		14,968
	To record start-up cost and related amortization		
	HIM-15-1, Section 2132		
	State Plan, Attachment 4.19D		
12	Cost of Capital	39,199	
	Nonallowable		39,199
	To adjust capital return		
	State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate period 10/01/09 - 09/30/10)		
13	Nonallowable	23,913	
	Medical Supplies & Oxygen		23,913
	To remove inventory expense		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
14	Nonallowable	10,772	
	Dietary		401
	Laundry		4,420
	Housekeeping		273
	Maintenance		912
	Administration		3,437
	Medical Records		600
	Medical Supplies & Oxygen		729
	To properly charge expense applicable to the prior period		
	HIM-15-1, Section 2302.1		

HERITAGE HEALTHCARE OF PICKENS
 Adjustment Report
 Cost Report Period Ended June 30, 2009
 AC# 3-HAR-F9

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
15	Utilities Maintenance	3,531	3,531
	To properly classify expenses DH&HS Expense Crosswalk State Plan, Attachment 4.19D		
16	Nonallowable	8,373	
	Nursing		5,510
	Restorative		306
	Dietary		1,020
	Laundry		49
	Housekeeping		473
	Maintenance		285
	Administration		555
	Medical Records		175
	To adjust fringes and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
17	Nonallowable	11,091	
	Nursing		180
	Restorative		3
	Dietary		2,548
	Laundry		828
	Housekeeping		822
	Maintenance		3,505
	Administration		147
	Medical Records		33
	Medical Supplies & Oxygen		3,009
	Ancillary		16
	To adjust related party United Medical expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

HERITAGE HEALTHCARE OF PICKENS
Adjustment Report
Cost Report Period Ended June 30, 2009
AC# 3-HAR-F9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
18	Nonallowable	15,449	
	Maintenance		782
	Administration		11,731
	Legal		1,401
	Utilities		194
	Taxes and Insurance		502
	Cost of Capital - Home Office Depreciation		839
	To adjust home office costs HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
19	Maintenance	2,533	
	Administration	24,203	
	Legal	1,723	
	Utilities	222	
	Taxes and Insurance	132	
	Cost of Capital - Home Office Depreciation	827	
	Nonallowable		29,640
	To adjust home office costs HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
20	Nonallowable	296	
	Cost of Capital		296
	To adjust depreciation expense and amortization expense to comply with the cost of capital policy State Plan, Attachment 4.19D		
21	Cost of Capital	39,142	
	Nonallowable		39,142
	To adjust capital return State Plan, Attachment 4.19D (This adjustment applies only to the rate periods 12/01/08 - 09/30/09)		

HERITAGE HEALTHCARE OF PICKENS
 Adjustment Report
 Cost Report Period Ended June 30, 2009
 AC# 3-HAR-F9

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
22	Memo Adjustment: To increase patient days by 19 to 9,210		
	TOTAL ADJUSTMENTS	<u>\$386,329</u>	<u>\$386,329</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 OF PICKENS
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended June 30, 2009
 For the Contract Periods December 1, 2008 Through September 30, 2009
 AC# 3-HAR-F9

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.94141</u>	<u>2.94141</u>	
Deemed Asset Value (Per Bed)	45,939	45,939	
Number of Beds	<u>38</u>	<u>6</u>	
Deemed Asset Value	1,745,682	275,634	
Improvements Since 1981	537,392	14,298	
Accumulated Depreciation at 6/30/09	<u>(397,169)</u>	<u>(99,881)</u>	
Deemed Depreciated Value	1,885,905	190,051	
Market Rate of Return	<u>.0483</u>	<u>.0483</u>	
Total Annual Return	91,089	9,179	
Number of Days in Period	<u>212/365</u>	<u>212/365</u>	
Adjusted Annual Return	52,906	5,331	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	52,906	5,331	
Depreciation Expense	22,176	6,414	
Amortization Expense of Loan Costs	566	44	
Capital Related Income Offsets	(16)	(2)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	75,632	11,787	\$87,419
Total Patient Days (Actual)	<u>7,954</u>	<u>1,256</u>	<u>9,210</u>
Cost of Capital Per Diem	<u>\$ 9.51</u>	<u>\$ 9.38</u>	<u>\$ 9.49</u>

HERITAGE HEALTHCARE OF PICKENS

Cost of Capital Reimbursement Analysis

For the Cost Report Period Ended June 30, 2009

For the Contract Periods December 1, 2008 Through September 30, 2009

AC# 3-HAR-F9

6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$.54	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$4.53</u>	<u>\$9.38</u>
Reimbursable Cost of Capital Per Diem		\$ 5.19
Cost of Capital Per Diem		<u>9.49</u>
Cost of Capital Per Diem Limitation		<u>\$(4.30)</u>

HERITAGE HEALTHCARE OF PICKENS
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended June 30, 2009
 For the Contract Period October 1, 2009 Through September 30, 2010
 AC# 3-HAR-F9

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>3.03131</u>	<u>3.03131</u>	
Deemed Asset Value (Per Bed)	47,343	47,343	
Number of Beds	<u>38</u>	<u>6</u>	
Deemed Asset Value	1,799,034	284,058	
Improvements Since 1981	537,392	14,298	
Accumulated Depreciation at 6/30/09	<u>(397,169)</u>	<u>(99,881)</u>	
Deemed Depreciated Value	1,939,257	198,475	
Market Rate of Return	<u>.0471</u>	<u>.0471</u>	
Total Annual Return	91,339	9,348	
Number of Days in Period	<u>212/365</u>	<u>212/365</u>	
Adjusted Annual Return	53,052	5,430	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	53,052	5,430	
Depreciation Expense	22,176	6,414	
Amortization Expense of Loan Costs	566	44	
Capital Related Income Offsets	(16)	(2)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	75,778	11,886	\$87,664
Total Patient Days (Actual)	<u>7,954</u>	<u>1,256</u>	<u>9,210</u>
Cost of Capital Per Diem	\$ <u>9.53</u>	\$ <u>9.46</u>	\$ <u>9.52</u>

HERITAGE HEALTHCARE OF PICKENS
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended June 30, 2009
 For the Contract Period October 1, 2009 Through September 30, 2010
 AC# 3-HAR-F9

6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$.54	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$4.53</u>	<u>\$9.46</u>
Reimbursable Cost of Capital Per Diem	\$ 5.20	
Cost of Capital Per Diem	<u>9.52</u>	
Cost of Capital Per Diem Limitation	<u>\$(4.32)</u>	

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