

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

December 5, 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-J0 – 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 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

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

SIX MILE, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING NOVEMBER 1, 2011
AC# 3-HAR-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 10, 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 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 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 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 Heritage Healthcare of Pickens, LLC d/b/a Heritage Healthcare of Pickens 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 10, 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 Period
Beginning November 1, 2011
AC# 3-HAR-J0

	11/01/11- <u>09/30/12</u>
Interim Reimbursement Rate (1)	\$171.50
Adjusted Reimbursement Rate	<u>169.59</u>
Decrease in Reimbursement Rate	\$ <u><u>1.91</u></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 November 1, 2011 Through September 30, 2012
AC# 3-HAR-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 88.32	\$ 95.80	
Dietary		18.08	16.72	
Laundry/Housekeeping/Maintenance		<u>18.63</u>	<u>15.78</u>	
Subtotal	<u>\$3.27</u>	125.03	128.30	\$125.03
Administration & Medical Records	<u>\$ -</u>	<u>29.01</u>	<u>25.92</u>	<u>25.92</u>
Subtotal		154.04	<u>\$154.22</u>	150.95
<u>Costs Not Subject to Standards:</u>				
Utilities		3.35		3.35
Special Services		.30		.30
Medical Supplies & Oxygen		5.26		5.26
Taxes and Insurance		7.71		7.71
Legal Fees		<u>.46</u>		<u>.46</u>
TOTAL		<u>\$171.12</u>		168.03
Inflation Factor (N/A)				-
Cost of Capital				9.27
Cost of Capital Limitation				(4.18)
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				3.27
Effect of \$1.75 Cap on Cost/Profit Incentives				(1.52)
Budget Neutrality Adjustment (3.02%)				<u>(5.28)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$169.59</u>

HERITAGE HEALTHCARE OF PICKENS
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2010
AC# 3-HAR-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	\$1,360,145	\$4,854 (1) 8,965 (5)	\$10,434 (2) 1,739 (10)	\$1,361,791
Dietary	281,043	-	1,988 (2) 330 (10)	278,725
Laundry	29,654	884 (3)	203 (10)	30,335
Housekeeping	106,075	-	298 (10)	105,777
Maintenance	168,706	779 (3)	8,965 (5) 8,766 (6) 668 (10)	151,086
Administration & Medical Records	437,528	1,330 (3) 8,766 (6)	276 (10) 39 (10)	447,309
Utilities	51,654	-	-	51,654
Special Services	4,683	134 (4)	39 (10) 96 (11)	4,682
Medical Supplies & Oxygen	82,897	49 (11)	1,895 (10)	81,051
Taxes and Insurance	127,755	-	8,939 (7)	118,816

HERITAGE HEALTHCARE OF PICKENS
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2010
AC# 3-HAR-J0

<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	7,083	-	-	7,083
Cost of Capital	79,982	1,362 (8)	6,736 (4)	142,896
	<u> </u>	<u>68,288 (9)</u>	<u> </u>	<u> </u>
Subtotal	2,737,205	95,411	51,411	2,781,205
Ancillary	124,137	-	-	124,137
Nonallowable	573,270	12,422 (2)	2,993 (3)	534,124
		6,602 (4)	1,362 (8)	
		8,939 (7)	68,288 (9)	
		5,487 (10)		
		47 (11)		
CNA Training and Testing	<u>168</u>	<u>-</u>	<u>-</u>	<u>168</u>
Total Operating Expenses	<u>\$3,434,780</u>	<u>\$128,908</u>	<u>\$124,054</u>	<u>\$3,439,634</u>
Total Patient Days	<u>15,418</u>	<u>-</u>	<u>-</u>	<u>15,418</u>
Total Beds	<u>44</u>			

HERITAGE HEALTHCARE OF PICKENS
Adjustment Report
Cost Report Period Ended September 30, 2010
AC# 3-HAR-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nursing	\$ 4,854	
	Other Equity		\$ 4,854
	To remove credit applicable to 2009 HIM-15-1, Section 2302.1		
2	Nonallowable	12,422	
	Nursing		10,434
	Dietary		1,988
	To adjust related party United Clinical expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Start-Up Cost	14,968	
	Laundry	884	
	Maintenance	779	
	Administration	1,330	
	Accumulated Amortization		5,488
	Other Equity		9,480
	Nonallowable		2,993
	To adjust start-up cost and related amortization HIM-15-1, Section 2132 State Plan, Attachment 4.19D		
4	Accumulated Depreciation	62,558	
	Special Services - Therapy	134	
	Nonallowable	6,602	
	Cost of Capital		6,736
	Other Equity		51,910
	Fixed Assets		10,648
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
5	Nursing	8,965	
	Maintenance		8,965
	To properly classify expense DH&HS Expense Crosswalk State Plan, Attachment 4.19D		

HERITAGE HEALTHCARE OF PICKENS
Adjustment Report
Cost Report Period Ended September 30, 2010
AC# 3-HAR-J0

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
6	Administration Maintenance	8,766	8,766
	To properly classify expenses DH&HS Expense Crosswalk State Plan, Attachment 4.19D		
7	Nonallowable Taxes and Insurance	8,939	8,939
	To adjust real property tax expense HIM-15-1, Sections 2302.1 and 2304		
8	Cost of Capital Nonallowable	1,362	1,362
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
9	Cost of Capital Nonallowable	68,288	68,288
	To adjust capital return State Plan, Attachment 4.19D		
10	Nonallowable	5,487	
	Nursing		1,739
	Dietary		330
	Laundry		203
	Housekeeping		298
	Maintenance		668
	Administration		276
	Medical Records		39
	Medical Supplies & Oxygen		1,895
	Special Services - Therapy		39
	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 September 30, 2010
AC# 3-HAR-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
11	Medical Supplies & Oxygen	49	
	Nonallowable	47	
	Special Services - Therapy		96
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
		\$206,434	\$206,434
	TOTAL ADJUSTMENTS		

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 September 30, 2010
 AC# 3-HAR-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>38</u>	<u>6</u>	
Deemed Asset Value	1,871,044	295,428	
Improvements Since 1981	583,179	17,874	
Accumulated Depreciation at 9/30/10	<u>(430,279)</u>	<u>(109,437)</u>	
Deemed Depreciated Value	2,023,944	203,865	
Market Rate of Return	<u>.0420</u>	<u>.0420</u>	
Total Annual Return	85,006	8,562	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	85,006	8,562	
Depreciation Expense	39,811	9,618	
Amortization Expense of Loan Costs	-	-	
Capital Related Income Offsets	(87)	(14)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	124,730	18,166	\$142,896
Total Patient Days (Minimum 96% Occupancy)	<u>13,315</u>	<u>2,103</u>	<u>15,418</u>
Cost of Capital Per Diem	\$ <u>9.37</u>	\$ <u>8.64</u>	\$ <u>9.27</u>

HERITAGE HEALTHCARE OF PICKENS
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2010
 AC# 3-HAR-J0

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>\$8.64</u>
Reimbursable Cost of Capital Per Diem	\$ 5.09	
Cost of Capital Per Diem	<u>9.27</u>	
Cost of Capital Per Diem Limitation	<u>\$(4.18)</u>	

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