

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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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-J9 – 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 September 30, 2009. That report was used to set the rate covering the contract period 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 OF PICKENS, LLC D/B/A
HERITAGE HEALTHCARE OF PICKENS**

SIX MILE, SOUTH CAROLINA

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

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 October 1, 2010, and for the ten month cost report period ended September 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 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 of Pickens, LLC d/b/a Heritage Healthcare of Pickens 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
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 October 1, 2010
AC# 3-HAR-J9

	<u>10/01/10-</u> <u>04/07/11</u>	<u>04/08/11-</u> <u>10/31/11</u>
Interim Reimbursement Rate (1)	\$184.23	\$178.70
Adjusted Reimbursement Rate	<u>180.36</u>	<u>174.95</u>
Decrease in Reimbursement Rate	\$ <u>3.87</u>	\$ <u>3.75</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 October 1, 2010 Through April 7, 2011
 AC# 3-HAR-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 85.96	\$ 98.22	
Dietary		21.76	16.72	
Laundry/Housekeeping/Maintenance		<u>19.96</u>	<u>15.73</u>	
Subtotal	<u>\$2.99</u>	127.68	130.67	\$127.68
Administration & Medical Records	<u>\$ -</u>	<u>26.99</u>	<u>25.88</u>	<u>25.88</u>
Subtotal		154.67	<u>\$156.55</u>	153.56
<u>Costs Not Subject to Standards:</u>				
Utilities		3.63		3.63
Special Services		.08		.08
Medical Supplies & Oxygen		6.06		6.06
Taxes and Insurance		6.27		6.27
Legal Fees		<u>.44</u>		<u>.44</u>
TOTAL		<u>\$171.15</u>		170.04
Inflation Factor (2.00%)				3.40
Cost of Capital				9.25
Cost of Capital Limitation				(4.08)
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				2.99
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(1.24)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$180.36</u>

HERITAGE HEALTHCARE OF PICKENS
 Computation of Adjusted Reimbursement Rate
 For the Contract Period April 8, 2011 Through October 31, 2011
 AC# 3-HAR-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 85.96	\$ 98.22	
Dietary		21.76	16.72	
Laundry/Housekeeping/Maintenance		<u>19.96</u>	<u>15.73</u>	
Subtotal	\$ <u>2.99</u>	127.68	130.67	\$127.68
Administration & Medical Records	\$ <u>-</u>	<u>26.99</u>	<u>25.88</u>	<u>25.88</u>
Subtotal		154.67	<u>\$156.55</u>	153.56
<u>Costs Not Subject to Standards:</u>				
Utilities		3.63		3.63
Special Services		.08		.08
Medical Supplies & Oxygen		6.06		6.06
Taxes and Insurance		6.27		6.27
Legal Fees		<u>.44</u>		<u>.44</u>
TOTAL		<u>\$171.15</u>		170.04
Inflation Factor (2.00%)				3.40
Cost of Capital				9.25
Cost of Capital Limitation				(4.08)
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				2.99
Effect of \$1.75 Cap on Cost/Profit Incentives				(1.24)
Effect of 3.00% Rate Reduction				<u>(5.41)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$174.95</u>

HERITAGE HEALTHCARE OF PICKENS
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2009
 AC# 3-HAR-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$1,112,948	\$32,145 (2) 94 (18)	\$4,854 (3) 9,859 (16) 473 (16) 5 (18)	\$1,129,996
Dietary	290,582	555 (2)	401 (14) 1,697 (16) 2,944 (18)	286,095
Laundry	27,044	737 (15)	4,420 (14) 104 (16) 1,038 (18)	22,219
Housekeeping	98,285	-	273 (14) 828 (16) 1,082 (18)	96,102
Maintenance	169,077	650 (15)	5,913 (4) 3,897 (6) 1,201 (7) 8,106 (8) 912 (14) 496 (16) 4,042 (18) 1,123 (19)	144,037
Administration & Medical Records	373,524	3,561 (2) 8,106 (8) 1,108 (15)	672 (9) 8,321 (10) 3,437 (14) 600 (14) 969 (16) 300 (16) 324 (18) 38 (18) 16,845 (19)	354,793

HERITAGE HEALTHCARE OF PICKENS
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2009
AC# 3-HAR-J9

<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>
Utilities	48,886	-	911 (5) 278 (19)	47,697
Special Services	663	23,065 (17)	25 (16) 159 (18) 22,497 (20)	1,047
Medical Supplies & Oxygen	108,490	-	23,913 (13) 729 (14) 4,213 (18)	79,635
Taxes and Insurance	83,166	-	721 (19)	82,445
Legal Fees	7,805	-	2,012 (19)	5,793
Cost of Capital	67,831	5,118 (1) <u>49,895 (12)</u>	108 (11) <u>1,205 (19)</u>	121,531
Subtotal	2,388,301	125,034	141,945	2,371,390
Ancillary	75,691	-	16 (18)	75,675

HERITAGE HEALTHCARE OF PICKENS
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2009
AC# 3-HAR-J9

<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>
Nonallowable	376,346	4,854 (3)	5,118 (1)	380,800
		5,913 (4)	36,261 (2)	
		911 (5)	49,895 (12)	
		3,897 (6)	14,968 (15)	
		1,201 (7)	23,065 (17)	
		672 (9)		
		8,321 (10)		
		108 (11)		
		23,913 (13)		
		10,772 (14)		
		14,751 (16)		
		13,767 (18)		
		22,184 (19)		
		22,497 (20)		
CNA Training and Testing	<u>331</u>	<u>-</u>	<u>-</u>	<u>331</u>
Total Operating Expenses	<u>\$2,840,669</u>	<u>\$258,795</u>	<u>\$271,268</u>	<u>\$2,828,196</u>
Total Patient Days	<u>13,104</u>	<u>41</u> (21)	<u>-</u>	<u>13,145</u>
Total Beds	<u>44</u>			

HERITAGE HEALTHCARE OF PICKENS
Adjustment Report
Cost Report Period Ended September 30, 2009
AC# 3-HAR-J9

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$50,978	
	Cost of Capital	5,118	
	Fixed Assets		\$ 5,201
	Other Equity		45,777
	Nonallowable		5,118
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nursing	32,145	
	Dietary	555	
	Administration	3,561	
	Nonallowable		36,261
	To adjust related party United Clinical expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Nonallowable	4,854	
	Nursing		4,854
	To disallow expense due to lack of documentation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Nonallowable	5,913	
	Maintenance		5,913
	To adjust expense which was capitalized HIM-15-1, Section 108 State Plan, Attachment 4.19D		
5	Nonallowable	911	
	Utilities		911
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1 State Plan, Attachment 4.19D		

HERITAGE HEALTHCARE OF PICKENS
Adjustment Report
Cost Report Period Ended September 30, 2009
AC# 3-HAR-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable Maintenance	3,897	3,897
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1 State Plan, Attachment 4.19D		
7	Nonallowable Maintenance	1,201	1,201
	To disallow expense due to lack of documentation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Administration Maintenance	8,106	8,106
	To properly classify expenses DH&HS Expense Crosswalk State Plan, Attachment 4.19D		
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 State Plan, Attachment 4.19D		

HERITAGE HEALTHCARE OF PICKENS
Adjustment Report
Cost Report Period Ended September 30, 2009
AC# 3-HAR-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
11	Nonallowable Cost of Capital	108	108
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
12	Cost of Capital Nonallowable	49,895	49,895
	To adjust capital return State Plan, Attachment 4.19D		
13	Nonallowable Medical Supplies & Oxygen	23,913	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 State Plan, Attachment 4.19D		

HERITAGE HEALTHCARE OF PICKENS
Adjustment Report
Cost Report Period Ended September 30, 2009
AC# 3-HAR-J9

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
15	Start-Up Cost	14,968	
	Laundry	737	
	Maintenance	650	
	Administration	1,108	
	Accumulated Amortization		2,495
	Nonallowable		14,968
	To record start-up cost and related amortization		
	HIM-15-1, Section 2132		
	State Plan, Attachment 4.19D		
16	Nonallowable	14,751	
	Nursing		9,859
	Restorative		473
	Dietary		1,697
	Laundry		104
	Housekeeping		828
	Maintenance		496
	Administration		969
	Medical Records		300
	Special Services - Therapy		25
	To adjust fringes and related allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
17	Special Services - Therapy	23,065	
	Nonallowable		23,065
	To adjust related party United Rehab expense		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		

HERITAGE HEALTHCARE OF PICKENS
Adjustment Report
Cost Report Period Ended September 30, 2009
AC# 3-HAR-J9

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
18	Nonallowable	13,767	
	Nursing	94	
	Restorative		5
	Dietary		2,944
	Laundry		1,038
	Housekeeping		1,082
	Maintenance		4,042
	Administration		324
	Medical Records		38
	Medical Supplies & Oxygen		4,213
	Special Services - Therapy		159
	Ancillary		16
	To adjust related party United		
	Medical expense		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
19	Nonallowable	22,184	
	Maintenance		1,123
	Administration		16,845
	Legal		2,012
	Utilities		278
	Taxes and Insurance		721
	Cost of Capital - Home Office		
	Depreciation		1,205
	To adjust home office cost		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
20	Nonallowable	22,497	
	Special Services - Therapy		22,497
	To remove special (ancillary) services		
	reimbursed by Medicare		
	State Plan, Attachment 4.19D		

HERITAGE HEALTHCARE OF PICKENS
 Adjustment Report
 Cost Report Period Ended September 30, 2009
 AC# 3-HAR-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
21	<u>Memo Adjustment:</u> To increase patient days by 41 to 13,145		
	TOTAL ADJUSTMENTS	<u>\$324,741</u>	<u>\$324,741</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 September 30, 2009
 AC# 3-HAR-J9

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>3.10948</u>	<u>3.10948</u>	
Deemed Asset Value (Per Bed)	48,564	48,564	
Number of Beds	<u>38</u>	<u>6</u>	
Deemed Asset Value	1,845,432	291,384	
Improvements Since 1981	542,539	14,700	
Accumulated Depreciation at 9/30/09	<u>(403,315)</u>	<u>(101,848)</u>	
Deemed Depreciated Value	1,984,656	204,236	
Market Rate of Return	<u>.0440</u>	<u>.0440</u>	
Total Annual Return	87,325	8,986	
Number of Days in Period	<u>304/365</u>	<u>304/365</u>	
Adjusted Annual Return	72,731	7,484	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	72,731	7,484	
Depreciation Expense	32,321	9,012	
Amortization Expense of Loan Costs	-	-	
Capital Related Income Offsets	(15)	(2)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	105,037	16,494	\$121,531
Total Patient Days (Actual)	<u>11,352</u>	<u>1,793</u>	<u>13,145</u>
Cost of Capital Per Diem	\$ <u>9.25</u>	\$ <u>9.20</u>	\$ <u>9.25</u>

HERITAGE HEALTHCARE OF PICKENS
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2009
AC# 3-HAR-J9

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>\$9.20</u>
Reimbursable Cost of Capital Per Diem	\$ 5.17	
Cost of Capital Per Diem	<u>9.25</u>	
Cost of Capital Per Diem Limitation	<u>\$(4.08)</u>	

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