

*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

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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-IHC-J0 – THI of South Carolina at Inman, LLC d/b/a Inman Healthcare

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

**THI OF SOUTH CAROLINA AT INMAN, LLC D/B/A  
INMAN HEALTHCARE**

**INMAN, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING NOVEMBER 1, 2011  
AC# 3-IHC-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 Inman, LLC d/b/a Inman Healthcare, 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 Inman, LLC d/b/a Inman Healthcare 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 Inman, LLC d/b/a Inman Healthcare, 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 Inman, LLC d/b/a Inman Healthcare 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

**INMAN HEALTHCARE**  
Computation of Rate Change  
For the Contract Period  
Beginning November 1, 2011  
AC# 3-IHC-J0

	<u>11/01/11-</u> <u>09/30/12</u>
Interim Reimbursement Rate (1)	\$147.77
Adjusted Reimbursement Rate	<u>144.97</u>
Decrease in Reimbursement Rate	\$ <u><u>2.80</u></u>

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

**INMAN HEALTHCARE**

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 83.95	\$ 89.55	
Dietary		16.61	16.72	
Laundry/Housekeeping/Maintenance		<u>10.48</u>	<u>15.78</u>	
Subtotal	<u>\$8.54</u>	111.04	122.05	\$111.04
Administration & Medical Records	<u>\$2.29</u>	<u>23.63</u>	<u>25.92</u>	<u>23.63</u>
Subtotal		134.67	<u>\$147.97</u>	134.67
<u>Costs Not Subject to Standards:</u>				
Utilities		2.51		2.51
Special Services		-		-
Medical Supplies & Oxygen		4.03		4.03
Taxes and Insurance		1.73		1.73
Legal Fees		<u>.12</u>		<u>.12</u>
<b>TOTAL</b>		<u>\$143.06</u>		143.06
Inflation Factor (N/A)				-
Cost of Capital				6.80
Cost of Capital Limitation				(2.13)
Profit Incentive (Maximum 3.5% of Allowable Cost)				2.29
Cost Incentive				8.54
Effect of \$1.75 Cap on Cost/Profit Incentives				(9.08)
Budget Neutrality Adjustment (3.02%)				<u>(4.51)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$144.97</u>

**INMAN HEALTHCARE**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2010  
 AC# 3-IHC-J0

<u>Expenses</u>	<u>Totals (From Schedule SC 13) as Adjusted by DH&amp;HS</u>	<u>Adjustments</u>	<u>Adjusted Totals</u>	
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,194,438	\$ -	\$14,896 (2) 690 (2) 1,640 (3)	\$1,177,212
Dietary	234,695	-	1,830 (2)	232,865
Laundry	51,845	-	-	51,845
Housekeeping	42,037	-	-	42,037
Maintenance	56,903	-	3,423 (1) 410 (2)	53,070
Administration & Medical Records	344,347	-	1,577 (2) 11,468 (3)	331,302
Utilities	35,142	-	-	35,142
Special Services	-	1 (4)	-	1
Medical Supplies & Oxygen	60,866	-	4,337 (4)	56,529
Taxes and Insurance	24,400	-	150 (4)	24,250
Legal Fees	1,816	-	89 (3)	1,727
Cost of Capital	<u>65,483</u>	<u>30,112</u> (5)	<u>188</u> (3)	<u>95,407</u>
Subtotal	2,111,972	30,113	40,698	2,101,387

**INMAN HEALTHCARE**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2010  
AC# 3-IHC-J0

<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	27,386	150 (4)	-	27,536
Nonallowable	218,108	19,403 (2) 13,385 (3) 4,336 (4)	30,112 (5)	225,120
CNA Training and Testing	<u>193</u>	<u>-</u>	<u>-</u>	<u>193</u>
Total Operating Expenses	<u>\$2,357,659</u>	<u>\$67,387</u>	<u>\$70,810</u>	<u>\$2,354,236</u>
Total Patient Days	<u>14,022</u>	<u>-</u>	<u>-</u>	<u>14,022</u>
Total Beds	<u>40</u>			

**INMAN HEALTHCARE**  
Adjustment Report  
Cost Report Period Ended September 30, 2010  
AC# 3-IHC-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 1,099	
	Retained Earnings	3,423	
	Other Equity	237	
	Fixed Assets		\$ 1,336
	Maintenance		3,423
	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	Nonallowable	19,403	
	Nursing		14,896
	Restorative		690
	Dietary		1,830
	Maintenance		410
	Administration		1,577
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Nonallowable	13,385	
	Nursing		1,640
	Administration		11,468
	Legal		89
	Cost of Capital		188
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

**INMAN HEALTHCARE**  
Adjustment Report  
Cost Report Period Ended September 30, 2010  
AC# 3-IHC-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
4	Special Services	1	
	Ancillary	150	
	Nonallowable	4,336	
	Taxes and Insurance		150
	Medical Supplies		4,337
	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	30,112	
	Nonallowable		30,112
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$72,146</u>	<u>\$72,146</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.

**INMAN HEALTHCARE**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2010  
 AC# 3-IHC-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>40</u>
Deemed Asset Value	1,969,520
Improvements Since 1981	265,409
Accumulated Depreciation at 9/30/10	<u>(299,092)</u>
Deemed Depreciated Value	1,935,837
Market Rate of Return	<u>.0420</u>
Total Annual Return	81,305
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	81,305
Depreciation Expense	14,290
Amortization Expense	-
Capital Related Income Offsets	(188)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	95,407
Total Patient Days (Actual)	<u>14,022</u>
Cost of Capital Per Diem	\$ <u><u>6.80</u></u>

**INMAN HEALTHCARE**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 2010  
AC# 3-IHC-J0

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ .68
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>4.67</u>
Reimbursable Cost of Capital Per Diem	\$ 4.67
Cost of Capital Per Diem	<u>6.80</u>
Cost of Capital Per Diem Limitation	\$ <u>(2.13)</u>

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