

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 24, 2013

Ms. Sybil L. Tyson, Reimbursement Director
Special Projects and Planning
UHS–Pruitt Corporation
Post Office Box 1210
Toccoa, Georgia 30577

Re: AC# 3-MCH-J9 – UniHealth Post Acute Care - Aiken, LLC d/b/a
UniHealth Post Acute Care - Aiken

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, 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 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

**UNIHEALTH POST ACUTE CARE - AIKEN, LLC D/B/A
UNIHEALTH POST ACUTE CARE - AIKEN**

AIKEN, SOUTH CAROLINA

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

February 25, 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 UniHealth Post Acute Care - Aiken, LLC d/b/a UniHealth Post Acute Care - Aiken, 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 UniHealth Post Acute Care - Aiken, LLC d/b/a UniHealth Post Acute Care - Aiken 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 UniHealth Post Acute Care - Aiken, LLC d/b/a UniHealth Post Acute Care - Aiken, 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 UniHealth Post Acute Care - Aiken, LLC d/b/a UniHealth Post Acute Care - Aiken 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
February 25, 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

UNIHEALTH POST ACUTE CARE - AIKEN

Computation of Rate Change
For the Contract Periods
Beginning October 1, 2010
AC# 3-MCH-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)	\$185.36	\$179.80
Adjusted Reimbursement Rate	<u>175.71</u>	<u>170.44</u>
Decrease in Reimbursement Rate	\$ <u>9.65</u>	\$ <u>9.36</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated June 30, 2011.

UNIHEALTH POST ACUTE CARE - AIKEN
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2010 Through April 7, 2011
 AC# 3-MCH-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 88.52	\$ 99.59	
Dietary		15.50	15.58	
Laundry/Housekeeping/Maintenance		<u>17.06</u>	<u>14.87</u>	
Subtotal	<u>\$8.96</u>	121.08	130.04	\$121.08
Administration & Medical Records	<u>\$.42</u>	<u>19.73</u>	<u>20.15</u>	<u>19.73</u>
Subtotal		140.81	<u>\$150.19</u>	140.81
<u>Costs Not Subject to Standards:</u>				
Utilities		4.48		4.48
Special Services		.62		.62
Medical Supplies & Oxygen		7.23		7.23
Taxes and Insurance		7.10		7.10
Legal Fees		<u>.41</u>		<u>.41</u>
TOTAL		<u>\$160.65</u>		160.65
Inflation Factor (2.00%)				3.21
Cost of Capital				10.10
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				.42
Cost Incentive				8.96
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(7.63)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$175.71</u>

UNIHEALTH POST ACUTE CARE - AIKEN
 Computation of Adjusted Reimbursement Rate
 For the Contract Period April 8, 2011 Through October 31, 2011
 AC# 3-MCH-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 88.52	\$ 99.59	
Dietary		15.50	15.58	
Laundry/Housekeeping/Maintenance		<u>17.06</u>	<u>14.87</u>	
Subtotal	<u>\$8.96</u>	121.08	130.04	\$121.08
Administration & Medical Records	<u>\$.42</u>	<u>19.73</u>	<u>20.15</u>	<u>19.73</u>
Subtotal		140.81	<u>\$150.19</u>	140.81
<u>Costs Not Subject to Standards:</u>				
Utilities		4.48		4.48
Special Services		.62		.62
Medical Supplies & Oxygen		7.23		7.23
Taxes and Insurance		7.10		7.10
Legal Fees		<u>.41</u>		<u>.41</u>
TOTAL		<u>\$160.65</u>		160.65
Inflation Factor (2.00%)				3.21
Cost of Capital				10.10
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				.42
Cost Incentive				8.96
Effect of \$1.75 Cap on Cost/Profit Incentives				(7.63)
Effect of 3% Rate Reduction				<u>(5.27)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$170.44</u>

UNIHEALTH POST ACUTE CARE - AIKEN
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2009
 AC# 3-MCH-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	\$5,526,213	\$5,988 (3)	\$ 60,537 (2) 14 (4) 12,567 (10) 75 (10) 14 (14)	\$5,458,994
Dietary	971,964	15 (3)	1,795 (2) 6,687 (4) 874 (5) 6,542 (10)	956,081
Laundry	143,562	-	2,349 (10)	141,213
Housekeeping	499,846	-	4,279 (10)	495,567
Maintenance	913,984	-	253,105 (3) 9,616 (6) 207,153 (7) 11,384 (8) 1,006 (9) 12,062 (10) 4,605 (12)	415,053
Administration & Medical Records	1,300,137	-	1,665 (2) 1,434 (10) 91 (10) 80,143 (12)	1,216,804

UNIHEALTH POST ACUTE CARE - AIKEN
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2009
 AC# 3-MCH-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>	
Utilities	277,397	-	1,146 (12)	276,251
Special Services	35,209	3,294 (1)	529 (10)	37,974
Medical Supplies & Oxygen	478,771	1,098 (4) 14 (14)	23,551 (10) 4,828 (13) 5,470 (15)	446,034
Taxes and Insurance	492,434	962 (12)	55,314 (11)	438,082
Legal Fees	33,772	-	8,255 (12)	25,517
Cost of Capital	639,994	1,526 (7)	3,968 (1) 3,911 (12) <u>10,543 (16)</u>	623,098
Subtotal	11,313,283	12,897	795,512	10,530,668
Ancillary	593,844	-	-	593,844

UNIHEALTH POST ACUTE CARE - AIKEN
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2009
AC# 3-MCH-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>	
Nonallowable	1,124,098	674 (1)	1,513 (7)	1,456,444
		63,997 (2)		
		3,973 (3)		
		5,603 (4)		
		874 (5)		
		9,616 (6)		
		11,384 (8)		
		1,006 (9)		
		63,479 (10)		
		55,314 (11)		
		97,098 (12)		
		4,828 (13)		
		5,470 (15)		
		10,543 (16)		
 CNA Training and Testing	 <u>1,012</u>	 <u>-</u>	 <u>-</u>	 <u>1,012</u>
 Total Operating Expenses	 <u>\$13,032,237</u>	 <u>\$346,756</u>	 <u>\$797,025</u>	 <u>\$12,581,968</u>
 Total Patient Days	 <u>61,670</u>	 <u>-</u>	 <u>-</u>	 <u>61,670</u>
 Total Beds	 <u>176</u>			

UNIHEALTH POST ACUTE CARE - AIKEN
Adjustment Report
Cost Report Period Ended September 30, 2009
AC# 3-MCH-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 6,883	
	Nonallowable	674	
	Special Services - Therapy	3,294	
	Other Equity		\$ 5,901
	Accumulated Depreciation		982
	Cost of Capital		3,968
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	63,997	
	Nursing		60,537
	Dietary		1,795
	Administrative		1,665
	To adjust related party United Clinical expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Construction In Progress	243,129	
	Restorative	5,988	
	Dietary	15	
	Nonallowable	3,973	
	Maintenance		253,105
	To properly classify expenses DH&HS Expense Crosswalk HIM-15-1, Sections 108 and 2302.1 State Plan, Attachment 4.19D		
4	Medical Supplies & Oxygen	1,098	
	Nonallowable	5,603	
	Restorative		14
	Dietary		6,687
	To disallow expense applicable to the prior period and properly classify expenses HIM-15-1, Section 2302.1 DH&HS Expense Crosswalk State Plan, Attachment 4.19D		

UNIHEALTH POST ACUTE CARE - AIKEN
 Adjustment Report
 Cost Report Period Ended September 30, 2009
 AC# 3-MCH-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable Dietary	874	874
	To disallow dietary expense due to lack of documentation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
6	Nonallowable Maintenance	9,616	9,616
	To disallow expense applicable to the prior period HIM-15-1, Section 2302.1 State Plan, Attachment 4.19D		
7	Fixed Assets Cost of Capital Accumulated Depreciation Maintenance Nonallowable	208,666 1,526	1,526 207,153 1,513
	To capitalize expense HIM-15-1, Section 108 State Plan, Attachment 4.19D		
8	Nonallowable Maintenance	11,384	11,384
	To disallow expense applicable to the prior period HIM-15-1, Section 2302.1 State Plan, Attachment 4.19D		
9	Nonallowable Maintenance	1,006	1,006
	To disallow maintenance expense due to lack of documentation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

UNIHEALTH POST ACUTE CARE - AIKEN
Adjustment Report
Cost Report Period Ended September 30, 2009
AC# 3-MCH-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Nonallowable	63,479	
	Nursing		12,567
	Restorative		75
	Dietary		6,542
	Laundry		2,349
	Housekeeping		4,279
	Maintenance		12,062
	Administration		1,434
	Medical Records		91
	Medical Supplies & Oxygen		23,551
	Special Services - Therapy		529
	To adjust related party United Medical expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
11	Nonallowable	55,314	
	Taxes and Insurance		55,314
	To adjust property taxes and related accrual HIM-15-1, Sections 2302.1 and 2304 State Plan, Attachment 4.19D		
12	Nonallowable	97,098	
	Taxes and Insurance	962	
	Maintenance		4,605
	Administration		80,143
	Legal		8,255
	Utilities		1,146
	Cost of Capital		3,911
	To adjust home office costs HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
13	Nonallowable	4,828	
	Medical Supplies & Oxygen		4,828
	To disallow expense due to lack of documentation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

UNIHEALTH POST ACUTE CARE - AIKEN
Adjustment Report
Cost Report Period Ended September 30, 2009
AC# 3-MCH-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
14	Medical Supplies & Oxygen Restorative	14	14
	To properly classify expense DH&HS Expense Crosswalk		
15	Nonallowable Medical Supplies & Oxygen	5,470	5,470
	To disallow expense applicable to the prior period HIM-15-1, Section 2302.1 State Plan, Attachment 4.19D		
16	Nonallowable Cost of Capital	10,543	10,543
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$805,434</u>	<u>\$805,434</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.

UNIHEALTH POST ACUTE CARE - AIKEN
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2009
 AC# 3-MCH-J9

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>3.1095</u>	<u>3.1095</u>	
Deemed Asset Value (Per Bed)	48,564	48,564	
Number of Beds	<u>132</u>	<u>44</u>	
Deemed Asset Value	6,410,448	2,136,816	
Improvements Since 1981	3,186,982	219,504	
Accumulated Depreciation at 9/30/09	<u>(3,250,913)</u>	<u>(869,563)</u>	
Deemed Depreciated Value	6,346,517	1,486,757	
Market Rate of Return	<u>.0440</u>	<u>.0440</u>	
Total Annual Return	279,247	65,417	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	279,247	65,417	
Depreciation Expense	219,181	60,963	
Amortization Expense	-	-	
Capital Related Income Offsets	(1,282)	(428)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	497,146	125,952	\$623,098
Total Patient Days (Minimum 96% Occupancy)	<u>46,253</u>	<u>15,417</u>	<u>61,670</u>
Cost of Capital Per Diem	\$ <u><u>10.75</u></u>	\$ <u><u>8.17</u></u>	\$ <u><u>10.10</u></u>

UNIHEALTH POST ACUTE CARE - AIKEN
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2009
 AC# 3-MCH-J9

6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$ 7.79	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$11.78</u>	<u>\$8.17</u>
Reimbursable Cost of Capital Per Diem	\$10.10	
Cost of Capital Per Diem	<u>10.10</u>	
Cost of Capital Per Diem Limitation	<u>\$ -</u>	

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