

State of South Carolina



Office of the State Auditor

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COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA
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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-SMH-J0 – Heritage Healthcare of Estill, LLC d/b/a
UniHealth Post Acute Care – Low Country

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 ESTILL, LLC D/B/A
UNIHEALTH POST ACUTE CARE – LOW COUNTRY**

ESTILL, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING NOVEMBER 1, 2011
AC# 3-SMH-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

June 21, 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 Estill, LLC d/b/a UniHealth Post Acute Care – Low Country, 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 Estill, LLC d/b/a UniHealth Post Acute Care – Low Country 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 Estill, LLC d/b/a UniHealth Post Acute Care – Low Country, 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 Estill, LLC d/b/a UniHealth Post Acute Care – Low Country 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
June 21, 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 – LOW COUNTRY
Computation of Rate Change
For the Contract Period
Beginning November 1, 2011
AC# 3-SMH-J0

	<u>11/01/11-</u> <u>09/30/12</u>
Interim Reimbursement Rate (1)	\$152.31
Adjusted Reimbursement Rate	<u>151.66</u>
Decrease in Reimbursement Rate	\$ <u><u>.65</u></u>

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

UNIHEALTH POST ACUTE CARE – LOW COUNTRY
 Computation of Adjusted Reimbursement Rate
 For the Contract Period November 1, 2011 Through September 30, 2012
 AC# 3-SMH-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 73.80	\$101.78	
Dietary		13.81	15.92	
Laundry/Housekeeping/Maintenance		<u>18.93</u>	<u>14.77</u>	
Subtotal	<u>\$9.27</u>	106.54	132.47	\$106.54
Administration & Medical Records	<u>\$1.07</u>	<u>19.55</u>	<u>20.62</u>	<u>19.55</u>
Subtotal		126.09	<u>\$153.09</u>	126.09
<u>Costs Not Subject to Standards:</u>				
Utilities		4.91		4.91
Special Services		.53		.53
Medical Supplies & Oxygen		5.41		5.41
Taxes and Insurance		9.26		9.26
Legal Fees		<u>.46</u>		<u>.46</u>
TOTAL		<u>\$146.66</u>		146.66
Inflation Factor (N/A)				-
Cost of Capital				10.26
Cost of Capital Limitation				(2.29)
Profit Incentive (Maximum 3.5% of Allowable Cost)				1.07
Cost Incentive				9.27
Effect of \$1.75 Cap on Cost/Profit Incentives				(8.59)
Budget Neutrality Adjustment (3.02%)				<u>(4.72)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$151.66</u>

UNIHEALTH POST ACUTE CARE – LOW COUNTRY
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2010
 AC# 3-SMH-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	\$2,707,042	\$ -	\$ 4,637 (1) 414 (5) 7 (5) 12,543 (6)	\$2,689,441
Dietary	504,418	-	1,106 (5)	503,312
Laundry	103,408	-	553 (5)	102,855
Housekeeping	272,959	-	961 (5)	271,998
Maintenance	325,141	-	8,955 (2) 1,070 (5)	315,116
Administration & Medical Records	705,061	8,043 (6)	531 (5) 5 (5)	712,568
Utilities	179,103	-	-	179,103
Special Services	18,887	4,500 (6) 3,542 (8)	316 (5) 7,375 (7)	19,238
Medical Supplies & Oxygen	202,093	757 (7)	5,727 (5)	197,123
Taxes and Insurance	337,333	-	-	337,333
Legal Fees	16,932	-	-	16,932
Cost of Capital	287,087	2,048 (3) 3,435 (8) <u>82,107 (9)</u>	906 (4)	373,771
Subtotal	5,659,464	104,432	45,106	5,718,790

UNIHEALTH POST ACUTE CARE – LOW COUNTRY
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2010
AC# 3-SMH-J0

<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>
Ancillary	249,119	-	3 (5)	249,116
Nonallowable	1,634,822	4,637 (1) 8,955 (2) 10,693 (5) 6,618 (7)	2,048 (3) 6,977 (8) 82,107 (9)	1,574,593
CNA Training and Testing	<u>588</u>	<u>-</u>	<u>-</u>	<u>588</u>
Total Operating Expenses	<u>\$7,543,993</u>	<u>\$135,335</u>	<u>\$136,241</u>	<u>\$7,543,087</u>
Total Patient Days	<u>36,442</u>	<u>-</u>	<u>-</u>	<u>36,442</u>
Total Beds	<u>104</u>			

UNIHEALTH POST ACUTE CARE – LOW COUNTRY
Adjustment Report
Cost Report Period Ended September 30, 2010
AC# 3-SMH-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Nursing	\$ 4,637	\$ 4,637
	To adjust related party United Clinical expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable Maintenance	8,955	8,955
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1		
3	Fixed Assets Cost of Capital Accumulated Depreciation Other Equity Nonallowable	24,579 2,048	2,800 21,779 2,048
	To carry forward adjustment to capitalize expense HIM-15-1, Section 108 State Plan, Attachment 4.19D		
4	Accumulated Depreciation Other Equity Fixed Assets Cost of Capital	906 13,589	13,589 906
	To properly classify expenses HIM-15-1, Section 108		

UNIHEALTH POST ACUTE CARE – LOW COUNTRY
Adjustment Report
Cost Report Period Ended September 30, 2010
AC# 3-SMH-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable	10,693	
	Nursing		414
	Restorative		7
	Dietary		1,106
	Laundry		553
	Housekeeping		961
	Maintenance		1,070
	Administration		531
	Medical Records		5
	Medical Supplies & Oxygen		5,727
	Special Services - Therapy		316
	Ancillary		3
	To adjust related party United Medical expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
6	Medical Records	8,043	
	Special Services - Therapy	4,500	
	Nursing		12,543
	To properly classify expenses DH&HS Expense Crosswalk		
7	Medical Supplies & Oxygen	757	
	Nonallowable	6,618	
	Special Services - Therapy		7,375
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
8	Fixed Assets	54,979	
	Accumulated Depreciation	349	
	Special Services - Therapy	3,542	
	Cost of Capital	3,435	
	Other Equity		55,328
	Nonallowable		6,977
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

UNIHEALTH POST ACUTE CARE – LOW COUNTRY
Adjustment Report
Cost Report Period Ended September 30, 2010
AC# 3-SMH-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Cost of Capital Nonallowable	82,107	82,107
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$229,737</u>	<u>\$229,737</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 – LOW COUNTRY
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2010
AC# 3-SMH-J0

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>3.15264</u>	<u>3.15264</u>	<u>3.15264</u>	
Deemed Asset Value (Per Bed)	49,238	49,238	49,238	
Number of Beds	<u>44</u>	<u>44</u>	<u>16</u>	
Deemed Asset Value	2,166,472	2,166,472	787,808	
Improvements Since 1981	761,842	325,793	118,470	
Accumulated Depreciation at 9/30/10	<u>(961,019)</u>	<u>(557,325)</u>	<u>(189,222)</u>	
Deemed Depreciated Value	1,967,295	1,934,940	717,056	
Market Rate of Return	<u>.0420</u>	<u>.0420</u>	<u>.0420</u>	
Total Annual Return	82,626	81,267	30,116	
Return Applicable to Non-Reimbursable Cost Centers	-	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>-</u>	
Allowable Annual Return	82,626	81,267	30,116	
Depreciation Expense	89,696	64,541	25,534	
Amortization Expense	-	-	-	
Capital Related Income Offsets	(4)	(4)	(1)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	172,318	145,804	55,649	\$373,771
Total Patient Days (Minimum 96% Occupancy)	<u>15,418</u>	<u>15,418</u>	<u>5,606</u>	<u>36,442</u>
Cost of Capital Per Diem	<u>\$ 11.18</u>	<u>\$ 9.46</u>	<u>\$ 9.93</u>	<u>\$ 10.26</u>

UNIHEALTH POST ACUTE CARE – LOW COUNTRY
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2010
AC# 3-SMH-J0

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$1.77	\$ N/A	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$5.76</u>	<u>\$ 9.46</u>	<u>\$9.93</u>
Reimbursable Cost of Capital Per Diem		\$ 7.97	
Cost of Capital Per Diem		<u>10.26</u>	
Cost of Capital Per Diem Limitation		<u>\$(2.29)</u>	

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