

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-SMH-J9 – 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, 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/sag

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 PERIODS
BEGINNING OCTOBER 1, 2010
AC# 3-SMH-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 20, 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 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 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 contracts 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 April 1, 2007 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 20, 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 Periods
Beginning October 1, 2010
AC# 3-SMH-J9

	10/01/10- <u>04/07/11</u>	04/08/11- <u>10/31/11</u>
Interim Reimbursement Rate (1)	\$156.86	\$152.15
Adjusted Reimbursement Rate	<u>150.95</u>	<u>146.42</u>
Decrease in Reimbursement Rate	\$ <u>5.91</u>	\$ <u>5.73</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 October 1, 2010 Through April 7, 2011
 AC# 3-SMH-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 69.58	\$106.09	
Dietary		13.05	15.58	
Laundry/Housekeeping/Maintenance		<u>17.19</u>	<u>14.87</u>	
Subtotal	<u>\$9.56</u>	99.82	136.54	\$ 99.82
Administration & Medical Records	<u>\$ -</u>	<u>20.27</u>	<u>20.15</u>	<u>20.15</u>
Subtotal		120.09	<u>\$156.69</u>	119.97
<u>Costs Not Subject to Standards:</u>				
Utilities		4.27		4.27
Special Services		.52		.52
Medical Supplies & Oxygen		5.84		5.84
Taxes and Insurance		7.57		7.57
Legal Fees		<u>.39</u>		<u>.39</u>
TOTAL		<u>\$138.68</u>		138.56
Inflation Factor (2.00%)				2.77
Cost of Capital				10.10
Cost of Capital Limitation				(2.23)
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				9.56
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(7.81)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$150.95</u>

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 69.58	\$106.09	
Dietary		13.05	15.58	
Laundry/Housekeeping/Maintenance		<u>17.19</u>	<u>14.87</u>	
Subtotal	<u>\$9.56</u>	99.82	136.54	\$ 99.82
Administration & Medical Records	<u>\$ -</u>	<u>20.27</u>	<u>20.15</u>	<u>20.15</u>
Subtotal		120.09	<u>\$156.69</u>	119.97
<u>Costs Not Subject to Standards:</u>				
Utilities		4.27		4.27
Special Services		.52		.52
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Legal Fees		<u>.39</u>		<u>.39</u>
TOTAL		<u>\$138.68</u>		138.56
Inflation Factor (2.00%)				2.77
Cost of Capital				10.10
Cost of Capital Limitation				(2.23)
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				9.56
Effect of \$1.75 Cap on Cost/Profit Incentives				(7.81)
Effect of 3.00% Rate Reduction				<u>(4.53)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$146.42</u>

UNIHEALTH POST ACUTE CARE - LOW COUNTRY
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2009
 AC# 3-SMH-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	\$2,557,388	\$13,589 (3)	\$ 6,147 (1) 20,170 (2) 7,361 (4) 1,415 (13) 249 (13)	\$2,535,635
Dietary	486,355	-	6,187 (1) 2,169 (11) 2,472 (13)	475,527
Laundry	100,911	-	1,090 (13)	99,821
Housekeeping	266,585	-	727 (11) 2,277 (13)	263,581
Maintenance	386,929	-	57,951 (3) 2,628 (5) 12,776 (6) 10,056 (7) 1,000 (8) 33,201 (11) 3,889 (13) 2,572 (14)	262,856
Administration & Medical Records	768,616	6,679 (4) 10,056 (7)	932 (1) 767 (13) 95 (13) 44,967 (14)	738,590

UNIHEALTH POST ACUTE CARE - LOW COUNTRY
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2009
AC# 3-SMH-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	158,696	-	2,473 (11) 640 (14)	155,583
Special Services	18,292	20,170 (2) 779 (10)	229 (13) 19,978 (15)	19,034
Medical Supplies & Oxygen	234,701	-	5,658 (11) 11,537 (13) 4,744 (15)	212,762
Taxes and Insurance	295,116	-	17,713 (9) 1,651 (14)	275,752
Legal Fees	18,956	-	4,610 (14)	14,346
Cost of Capital	289,126	751 (6) <u>85,194 (12)</u>	1,721 (10) <u>5,437 (14)</u>	367,913
Subtotal	5,581,671	137,218	297,489	5,421,400
Ancillary	294,559	11 (13)	-	294,570

UNIHEALTH POST ACUTE CARE - LOW COUNTRY
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2009
AC# 3-SMH-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted Totals
Nonallowable	1,297,624	13,266 (1)	11,803 (6)	1,447,645
		57,951 (3)	85,194 (12)	
		682 (4)		
		2,628 (5)		
		1,000 (8)		
		17,713 (9)		
		942 (10)		
		44,228 (11)		
		24,009 (13)		
		59,877 (14)		
		24,722 (15)		
 CNA Training and Testing	 <u>178</u>	 <u>-</u>	 <u>-</u>	 <u>178</u>
Total Operating Expenses	 <u>\$7,174,032</u>	 <u>\$384,247</u>	 <u>\$394,486</u>	 <u>\$7,163,793</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, 2009
AC# 3-SMH-J9

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable	\$13,266	
	Nursing		\$ 6,147
	Dietary		6,187
	Administration		932
	To adjust related party United Clinical expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Special Services - Therapy	20,170	
	Nursing		20,170
	To properly classify expense DH&HS Expense Crosswalk State Plan, Attachment 4.19D		
3	Restorative	13,589	
	Nonallowable	57,951	
	Fixed Assets		13,589
	Maintenance		57,951
	To properly classify expenses HIM-15-1, Section 108 DH&HS Expense Crosswalk		
4	Medical Records	6,679	
	Nonallowable	682	
	Nursing		7,361
	To properly classify expenses HIM-15-1, Section 2304 DH&HS Expense Crosswalk		
5	Nonallowable	2,628	
	Maintenance		2,628
	To disallow expense due to lack of documentation and remove prior period expense HIM-15-1, Sections 2304 and 2302.1 State Plan, Attachment 4.19D		

UNIHEALTH POST ACUTE CARE - LOW COUNTRY
Adjustment Report
Cost Report Period Ended September 30, 2009
AC# 3-SMH-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Fixed Assets	24,579	
	Cost of Capital	751	
	Accumulated Depreciation		751
	Maintenance		12,776
	Nonallowable		11,803
	To capitalize expense		
	HIM-15-1, Section 108		
	State Plan, Attachment 4.19D		
7	Administration	10,056	
	Maintenance		10,056
	To properly classify expenses		
	DH&HS Expense Crosswalk		
8	Nonallowable	1,000	
	Maintenance		1,000
	To disallow expense due to lack of		
	documentation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
9	Nonallowable	17,713	
	Taxes and Insurance		17,713
	To adjust property taxes		
	HIM-15-1, Sections 2302.1 and 2304		
10	Fixed Assets	64,504	
	Accumulated Depreciation	7,247	
	Special Services - Therapy	779	
	Nonallowable	942	
	Other Equity		71,751
	Cost of Capital		1,721
	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, 2009
AC# 3-SMH-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
11	Nonallowable	44,228	
	Dietary		2,169
	Housekeeping		727
	Maintenance		33,201
	Utilities		2,473
	Medical Supplies & Oxygen		5,658
	To properly charge expense applicable to prior period HIM-15-1, Section 2302.1		
12	Cost of Capital	85,194	
	Nonallowable		85,194
	To adjust capital return State Plan, Attachment 4.19D		
13	Nonallowable	24,009	
	Ancillary	11	
	Nursing		1,415
	Restorative		249
	Dietary		2,472
	Laundry		1,090
	Housekeeping		2,277
	Maintenance		3,889
	Administration		767
	Medical Records		95
	Medical Supplies & Oxygen		11,537
	Special Services - Therapy		229
	To adjust related party United Medical expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

UNIHEALTH POST ACUTE CARE - LOW COUNTRY
Adjustment Report
Cost Report Period Ended September 30, 2009
AC# 3-SMH-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
14	Nonallowable	59,877	
	Maintenance		2,572
	Administration		44,967
	Legal		4,610
	Utilities		640
	Taxes & Insurance		1,651
	Cost of Capital		5,437
	To adjust home office costs HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
15	Nonallowable	24,722	
	Medical Supplies & Oxygen		4,744
	Special Services - Therapy		19,978
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
		\$480,577	\$480,577
	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.

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

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>3.10948</u>	<u>3.10948</u>	<u>3.10948</u>	
Deemed Asset Value (Per Bed)	48,564	48,564	48,564	
Number of Beds	<u>44</u>	<u>44</u>	<u>16</u>	
Deemed Asset Value	2,136,816	2,136,816	777,024	
Improvements Since 1981	746,368	310,318	112,843	
Accumulated Depreciation at 9/30/09	<u>(884,020)</u>	<u>(505,482)</u>	<u>(168,305)</u>	
Deemed Depreciated Value	1,999,164	1,941,652	721,562	
Market Rate of Return	<u>.0440</u>	<u>.0440</u>	<u>.0440</u>	
Total Annual Return	87,963	85,433	31,749	
Return Applicable to Non-Reimbursable Cost Centers	-	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>-</u>	
Allowable Annual Return	87,963	85,433	31,749	
Depreciation Expense	82,101	56,946	23,910	
Amortization Expense	-	-	-	
Capital Related Income Offsets	(80)	(80)	(29)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	169,984	142,299	55,630	\$367,913
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><u>11.03</u></u>	\$ <u><u>9.23</u></u>	\$ <u><u>9.92</u></u>	\$ <u><u>10.10</u></u>

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

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>\$ 9.23</u>	<u>\$9.92</u>
Reimbursable Cost of Capital Per Diem		\$ 7.87	
Cost of Capital Per Diem		<u>10.10</u>	
Cost of Capital Per Diem Limitation		<u>\$(2.23)</u>	

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