

*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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January 14, 2014

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

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

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

**RIDGEWAY, SOUTH CAROLINA**

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

August 9, 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 - Tanglewood, LLC d/b/a UniHealth Post Acute Care - Tanglewood, 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 - Tanglewood, LLC d/b/a UniHealth Post Acute Care - Tanglewood 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 - Tanglewood, LLC d/b/a UniHealth Post Acute Care - Tanglewood, 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 - Tanglewood, LLC d/b/a UniHealth Post Acute Care - Tanglewood 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  
August 9, 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 - TANGLEWOOD**  
Computation of Rate Change  
For the Contract Periods  
Beginning October 1, 2010  
AC# 3-SMR-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)	\$151.65	\$147.10
Adjusted Reimbursement Rate	<u>148.72</u>	<u>144.26</u>
Decrease in Reimbursement Rate	\$ <u>2.93</u>	\$ <u>2.84</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 - TANGLEWOOD**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2010 Through April 7, 2011  
 AC# 3-SMR-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 70.57	\$ 99.59	
Dietary		12.24	15.58	
Laundry/Housekeeping/Maintenance		<u>20.19</u>	<u>14.87</u>	
Subtotal	<u>\$9.10</u>	103.00	130.04	\$103.00
Administration & Medical Records	<u>\$3.51</u>	<u>16.64</u>	<u>20.15</u>	<u>16.64</u>
Subtotal		119.64	<u>\$150.19</u>	119.64
<u>Costs Not Subject to Standards:</u>				
Utilities		5.40		5.40
Special Services		.52		.52
Medical Supplies & Oxygen		5.87		5.87
Taxes and Insurance		6.10		6.10
Legal Fees		<u>.34</u>		<u>.34</u>
<b>TOTAL</b>		<u>\$137.87</u>		137.87
Inflation Factor (2.00%)				2.76
Cost of Capital				6.34
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.51
Cost Incentive				9.10
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(10.86)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$148.72</u>

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 70.57	\$ 99.59	
Dietary		12.24	15.58	
Laundry/Housekeeping/Maintenance		<u>20.19</u>	<u>14.87</u>	
Subtotal	<u>\$9.10</u>	103.00	130.04	\$103.00
Administration & Medical Records	<u>\$3.51</u>	<u>16.64</u>	<u>20.15</u>	<u>16.64</u>
Subtotal		119.64	<u>\$150.19</u>	119.64
<u>Costs Not Subject to Standards:</u>				
Utilities		5.40		5.40
Special Services		.52		.52
Medical Supplies & Oxygen		5.87		5.87
Taxes and Insurance		6.10		6.10
Legal Fees		<u>.34</u>		<u>.34</u>
<b>TOTAL</b>		<u>\$137.87</u>		137.87
Inflation Factor (2.00%)				2.76
Cost of Capital				6.34
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.51
Cost Incentive				9.10
Effect of \$1.75 Cap on Cost/Profit Incentives				(10.86)
Effect of 3% Rate Reduction				<u>(4.46)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$144.26</u>

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

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$3,729,976	\$ -	\$19,331 (2) 1,403 (10) 89 (10)	\$3,709,153
Dietary	651,555	-	5,850 (2) 2,434 (10)	643,271
Laundry	108,937	-	1,735 (10)	107,202
Housekeeping	474,960	-	3,238 (10)	471,722
Maintenance	512,007	-	6,959 (3) 5,467 (4) 8,163 (5) 2,898 (6) 3,310 (10) 3,165 (11)	482,045
Administration & Medical Records	922,865	2,664 (3) 8,163 (5)	1,144 (2) 1,001 (10) 21 (10) 56,815 (11)	874,711
Utilities	285,699	4,295 (3)	5,175 (7) 788 (11)	284,031
Special Services	27,570	708 (1)	186 (8) 501 (10)	27,591
Medical Supplies & Oxygen	327,681	-	1,900 (8) 17,132 (10)	308,649

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

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Taxes and Insurance	322,605	-	2,032 (11)	320,573
Legal Fees	23,799	-	5,673 (11)	18,126
Cost of Capital	343,207	-	2,543 (1) 1,435 (9) 5,876 (11)	333,353
Subtotal	7,730,861	15,830	166,264	7,580,427
Ancillary	493,881	-	25 (10)	493,856
Nonallowable	857,526	1,835 (1) 26,325 (2) 5,467 (4) 2,898 (6) 5,175 (7) 2,086 (8) 1,435 (9) 30,889 (10) 74,349 (11)	-	1,007,985
CNA Training and Testing	<u>1,521</u>	<u>-</u>	<u>-</u>	<u>1,521</u>
Total Operating Expenses	<u>\$9,083,789</u>	<u>\$166,289</u>	<u>\$166,289</u>	<u>\$9,083,789</u>
Total Patient Days	<u>52,560</u>	<u>-</u>	<u>-</u>	<u>52,560</u>
Total Beds	<u>150</u>			

**UNIHEALTH POST ACUTE CARE - TANGLEWOOD**  
Adjustment Report  
Cost Report Period Ended September 30, 2009  
AC# 3-SMR-J9

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 4,619	
	Special Services - Therapy	708	
	Nonallowable	1,835	
	Cost of Capital		\$ 2,543
	Fixed Assets		1,784
	Other Equity		2,835
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	26,325	
	Nursing		19,331
	Dietary		5,850
	Administration		1,144
	To adjust related party United Clinical expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Utilities	4,295	
	Administration	2,664	
	Maintenance		6,959
	To properly classify expenses DH&HS Expense Crosswalk		
4	Nonallowable	5,467	
	Maintenance		5,467
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1		
5	Administration	8,163	
	Maintenance		8,163
	To properly classify expenses DH&HS Expense Crosswalk		

**UNIHEALTH POST ACUTE CARE - TANGLEWOOD**  
Adjustment Report  
Cost Report Period Ended September 30, 2009  
AC# 3-SMR-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable Maintenance	2,898	2,898
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1		
7	Nonallowable Utilities	5,175	5,175
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1		
8	Nonallowable Medical Supplies & Oxygen Special Services - Therapy	2,086	1,900 186
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
9	Nonallowable Cost of Capital	1,435	1,435
	To adjust capital return State Plan, Attachment 4.19D		
10	Nonallowable Nursing Restorative Dietary Laundry Housekeeping Maintenance Administration Medical Records Medical Supplies & Oxygen Special Services - Therapy Ancillary	30,889	1,403 89 2,434 1,735 3,238 3,310 1,001 21 17,132 501 25
	To adjust related party United Medical Expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

**UNIHEALTH POST ACUTE CARE - TANGLEWOOD**  
Adjustment Report  
Cost Report Period Ended September 30, 2009  
AC# 3-SMR-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
11	Nonallowable	74,349	
	Maintenance		3,165
	Administration		56,815
	Legal		5,673
	Utilities		788
	Taxes and Insurance		2,032
	Cost of Capital		5,876
	To adjust home office cost HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
	<b>TOTAL ADJUSTMENTS</b>	<u>\$170,908</u>	<u>\$170,908</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 - TANGLEWOOD**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2009  
 AC# 3-SMR-J9

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>3,10948</u>
Deemed Asset Value (Per Bed)	48,564
Number of Beds	<u>150</u>
Deemed Asset Value	7,284,600
Improvements Since 1981	1,633,029
Accumulated Depreciation at 9/30/09	<u>(3,637,753)</u>
Deemed Depreciated Value	5,279,876
Market Rate of Return	<u>.0440</u>
Total Annual Return	232,315
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	232,315
Depreciation Expense	101,089
Amortization Expense	-
Capital Related Income Offsets	(51)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	333,353
Total Patient Days (Minimum 96% Occupancy)	<u>52,560</u>
Cost of Capital Per Diem	<u>\$ 6.34</u>

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

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 6.24
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$10.23</u>
Reimbursable Cost of Capital Per Diem	\$ 6.34
Cost of Capital Per Diem	<u>6.34</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

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