

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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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-SMW-J9 – Heritage Healthcare of Walterboro, LLC d/b/a
Heritage Healthcare of Walterboro

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

**HERITAGE HEALTHCARE OF WALTERBORO, LLC D/B/A
HERITAGE HEALTHCARE OF WALTERBORO**

WALTERBORO, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 2010
AC# 3-SMW-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 14, 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 Walterboro, LLC d/b/a Heritage Healthcare of Walterboro, 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 Walterboro, LLC d/b/a Heritage Healthcare of Walterboro 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 Walterboro, LLC d/b/a Heritage Healthcare of Walterboro, 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 Walterboro, LLC d/b/a Heritage Healthcare of Walterboro 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 14, 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

HERITAGE HEALTHCARE OF WALTERBORO

Computation of Rate Change
For the Contract Periods
Beginning October 1, 2010
AC# 3-SMW-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)	\$145.94	\$141.56
Adjusted Reimbursement Rate	<u>142.87</u>	<u>138.58</u>
Decrease in Reimbursement Rate	\$ <u>3.07</u>	\$ <u>2.98</u>

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

HERITAGE HEALTHCARE OF WALTERBORO
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2010 Through April 7, 2011
 AC# 3-SMW-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 68.02	\$ 99.59	
Dietary		12.15	15.58	
Laundry/Housekeeping/Maintenance		<u>18.22</u>	<u>14.87</u>	
Subtotal	<u>\$9.10</u>	98.39	130.04	\$ 98.39
Administration & Medical Records	<u>\$3.12</u>	<u>17.03</u>	<u>20.15</u>	<u>17.03</u>
Subtotal		115.42	<u>\$150.19</u>	115.42
<u>Costs Not Subject to Standards:</u>				
Utilities		3.39		3.39
Special Services		.93		.93
Medical Supplies & Oxygen		7.01		7.01
Taxes and Insurance		5.19		5.19
Legal Fees		<u>.38</u>		<u>.38</u>
TOTAL		<u>\$132.32</u>		132.32
Inflation Factor (2.00%)				2.65
Cost of Capital				6.15
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.12
Cost Incentive				9.10
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(10.47)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$142.87</u>

HERITAGE HEALTHCARE OF WALTERBORO
 Computation of Adjusted Reimbursement Rate
 For the Contract Period April 8, 2011 Through October 31, 2011
 AC# 3-SMW-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 68.02	\$ 99.59	
Dietary		12.15	15.58	
Laundry/Housekeeping/Maintenance		<u>18.22</u>	<u>14.87</u>	
Subtotal	<u>\$9.10</u>	98.39	130.04	\$ 98.39
Administration & Medical Records	<u>\$3.12</u>	<u>17.03</u>	<u>20.15</u>	<u>17.03</u>
Subtotal		115.42	<u>\$150.19</u>	115.42
<u>Costs Not Subject to Standards:</u>				
Utilities		3.39		3.39
Special Services		.93		.93
Medical Supplies & Oxygen		7.01		7.01
Taxes and Insurance		5.19		5.19
Legal Fees		<u>.38</u>		<u>.38</u>
TOTAL		<u>\$132.32</u>		132.32
Inflation Factor (2.00%)				2.65
Cost of Capital				6.15
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.12
Cost Incentive				9.10
Effect of \$1.75 Cap on Cost/Profit Incentives				(10.47)
Effect of 3% Rate Reduction				<u>(4.29)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$138.58</u>

HERITAGE HEALTHCARE OF WALTERBORO
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2009
AC# 3-SMW-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	\$3,157,651	\$ -	\$10,772 (2) 591 (8) 110 (8)	\$3,146,178
Dietary	571,970	2,681 (5)	8,574 (2) 881 (3) 3,391 (8)	561,805
Laundry	86,344	-	2,203 (8)	84,141
Housekeeping	311,657	-	3,180 (8)	308,477
Maintenance	471,834	-	15,647 (4) 3,179 (6) 2,827 (8)	450,181
Administration & Medical Records	843,604	-	1,158 (2) 53,685 (6) 886 (8) 109 (8)	787,766
Utilities	160,200	-	2,681 (5) 791 (6)	156,728
Special Services	42,502	1,379 (1)	692 (8)	43,189
Medical Supplies & Oxygen	340,281	-	15,850 (8)	324,431
Taxes and Insurance	242,288	-	2,042 (6)	240,246

HERITAGE HEALTHCARE OF WALTERBORO
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2009
AC# 3-SMW-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>
Legal Fees	23,080	-	5,699 (6)	17,381
Cost of Capital	292,449	-	1,386 (1) 5,909 (6) <u>746 (7)</u>	284,408
Subtotal	6,543,860	4,060	142,989	6,404,931
Ancillary	592,821	-	165 (8)	592,656
Nonallowable	1,912,964	7 (1) 20,504 (2) 881 (3) 15,647 (4) 71,305 (6) 746 (7) 30,004 (8)	-	2,052,058
CNA Training and Testing	<u>352</u>	<u>-</u>	<u>-</u>	<u>352</u>
Total Operating Expenses	<u>\$9,049,997</u>	<u>\$143,154</u>	<u>\$143,154</u>	<u>\$9,049,997</u>
Total Patient Days	<u>46,253</u>	<u>-</u>	<u>-</u>	<u>46,253</u>
Total Beds	<u>132</u>			

HERITAGE HEALTHCARE OF WALTERBORO
Adjustment Report
Cost Report Period Ended September 30, 2009
AC# 3-SMW-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Special Services - Therapy	\$ 1,379	
	Nonallowable	7	
	Other Equity	1	
	Accumulated Depreciation		\$ 1
	Cost of Capital		1,386
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	20,504	
	Nursing		10,772
	Dietary		8,574
	Administration		1,158
	To adjust related party United Clinical expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Nonallowable	881	
	Dietary		881
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1		
4	Nonallowable	15,647	
	Maintenance		15,647
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1		
5	Dietary	2,681	
	Utilities		2,681
	To properly classify expenses DH&HS Expense Crosswalk State Plan, Attachment 4.19D		

HERITAGE HEALTHCARE OF WALTERBORO
Adjustment Report
Cost Report Period Ended September 30, 2009
AC# 3-SMW-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable	71,305	
	Maintenance		3,179
	Administration		53,685
	Legal		5,699
	Utilities		791
	Taxes and Insurance		2,042
	Cost of Capital		5,909
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Nonallowable	746	
	Cost of Capital		746
	To adjust capital return State Plan, Attachment 4.19D		
8	Nonallowable	30,004	
	Nursing		591
	Restorative		110
	Dietary		3,391
	Laundry		2,203
	Housekeeping		3,180
	Maintenance		2,827
	Administration		886
	Medical Records		109
	Medical Supplies & Oxygen		15,850
	Special Services - Therapy		692
	Ancillary		165
	To adjust related party United Medical expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
	<u>TOTAL ADJUSTMENTS</u>	<u>\$143,155</u>	<u>\$143,155</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.

HERITAGE HEALTHCARE OF WALTERBORO
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2009
 AC# 3-SMW-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>132</u>
Deemed Asset Value	6,410,448
Improvements Since 1981	615,947
Accumulated Depreciation at 9/30/09	<u>(2,058,124)</u>
Deemed Depreciated Value	4,968,271
Market Rate of Return	<u>.044</u>
Total Annual Return	218,604
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	218,604
Depreciation Expense	65,839
Amortization Expense	-
Capital Related Income Offsets	(35)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	284,408
Total Patient Days (Minimum 96% Occupancy)	<u>46,253</u>
Cost of Capital Per Diem	<u><u>\$ 6.15</u></u>

HERITAGE HEALTHCARE OF WALTERBORO
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2009
AC# 3-SMW-J9

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$4.83
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$8.82</u>
Reimbursable Cost of Capital Per Diem	\$6.15
Cost of Capital Per Diem	<u>6.15</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

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