

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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October 9, 2014

Ms. Cindy Gault, Controller
Union Hospital District
322 W. South Street
Union, South Carolina 29379

Re: AC# 3-ELS-J0 – Union Hospital District d/b/a Ellen Sagar Nursing Home

Dear Ms. Gault:

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/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Ms. Kathleen C. Snider
Ms. Nicole Mitchell Threat
Ms. Melissa Simmons

**UNION HOSPITAL DISTRICT D/B/A
ELLEN SAGAR NURSING HOME**

UNION, SOUTH CAROLINA

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

April 4, 2014

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 Union Hospital District d/b/a Ellen Sagar Nursing Home, 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 Union Hospital District d/b/a Ellen Sagar Nursing Home 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 Union Hospital District d/b/a Ellen Sagar Nursing Home, 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 Union Hospital District d/b/a Ellen Sagar Nursing Home 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
April 4, 2014

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

ELLEN SAGAR NURSING HOME
Computation of Rate Change
For the Contract Period
Beginning November 1, 2011
AC# 3-ELS-J0

11/01/11-
09/30/12

Interim Reimbursement Rate (1)	\$146.22
Adjusted Reimbursement Rate	<u>139.35</u>
Decrease in Reimbursement Rate	\$ <u><u>6.87</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated August 23, 2013.

ELLEN SAGAR NURSING HOME
 Computation of Adjusted Reimbursement Rate
 For the Contract Period November 1, 2011 Through September 30, 2012
 AC# 3-ELS-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 82.14	\$ 95.14	
Dietary		14.06	15.92	
Laundry/Housekeeping/Maintenance		<u>13.82</u>	<u>14.77</u>	
Subtotal	<u>\$8.81</u>	110.02	125.83	\$110.02
Administration & Medical Records	<u>\$4.62</u>	<u>16.00</u>	<u>20.62</u>	<u>16.00</u>
Subtotal		126.02	<u>\$146.45</u>	126.02
<u>Costs Not Subject to Standards:</u>				
Utilities		3.29		3.29
Special Services		1.63		1.63
Medical Supplies & Oxygen		3.11		3.11
Taxes and Insurance		1.83		1.83
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$135.88</u>		135.88
Inflation Factor (N/A)				-
Cost of Capital				7.30
Cost of Capital Limitation				(1.24)
Profit Incentive (Maximum 3.5% of Allowable Cost)				4.62
Cost Incentive				8.81
Effect of \$1.75 Cap on Cost/Profit Incentives				(11.68)
Budget Neutrality Adjustment (3.02%)				<u>(4.34)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$139.35</u>

ELLEN SAGAR NURSING HOME
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2010
 AC# 3-ELS-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	\$3,344,696	\$ 3,233 (13)	\$ 1,738 (2) 4,174 (3) 6,029 (9) 392 (9)	\$3,335,596
Dietary	570,834	-	-	570,834
Laundry	81,371	-	-	81,371
Housekeeping	205,081	-	-	205,081
Maintenance	331,194	-	39,841 (4) 3,808 (5) 857 (6) 11,935 (7)	274,753
Administration & Medical Records	839,255	39,841 (4) 3,808 (5)	197 (9) 46 (9) 233,001 (10)	649,660
Utilities	133,431	-	-	133,431
Special Services	66,178	-	-	66,178
Medical Supplies & Oxygen	157,162	-	17,824 (8) 13,177 (13)	126,161
Taxes and Insurance	74,493	-	-	74,493

ELLEN SAGAR NURSING HOME
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2010
AC# 3-ELS-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Legal Fees	-	-	-	-
Cost of Capital	249,570	324 (7)	4,416 (1)	296,415
	<u> </u>	<u>52,369</u> (12)	<u>1,432</u> (11)	<u> </u>
Subtotal	6,053,265	99,575	338,867	5,813,973
Ancillary	166,507	6,493 (13)	-	173,000
Nonallowable	1,361,587	4,416 (1)	52,369 (12)	1,582,775
		1,738 (2)		
		4,174 (3)		
		857 (6)		
		17,824 (8)		
		6,664 (9)		
		233,001 (10)		
		1,432 (11)		
		3,451 (13)		
CNA Training and Testing	<u>84</u>	<u>-</u>	<u>-</u>	<u>84</u>
Total Operating Expenses	<u>\$7,581,443</u>	<u>\$379,625</u>	<u>\$391,236</u>	<u>\$7,569,832</u>
Total Patient Days	<u>40,609</u>	<u>-</u>	<u>-</u>	<u>40,609</u>
Total Beds	<u>113</u>			

ELLEN SAGAR NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 2010
AC# 3-ELS-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$242,469	
	Nonallowable	4,416	
	Fixed Assets		\$136,225
	Cost of Capital		4,416
	Other Equity		106,244
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	1,738	
	Nursing		1,738
	To properly charge expense applicable to a prior period HIM-15-1, Section 2302.1		
3	Nonallowable	4,174	
	Nursing		4,174
	To properly charge expense applicable to a prior period HIM-15-1, Section 2302.1		
4	Administration	39,841	
	Maintenance		39,841
	To properly classify expenses DH&HS Expense Crosswalk State Plan, Attachment 4.19D		
5	Medical Records	3,808	
	Maintenance		3,808
	To properly classify expense DH&HS Expense Crosswalk State Plan, Attachment 4.19D		

ELLEN SAGAR NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 2010
AC# 3-ELS-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable Maintenance	857	857
	To properly charge expense applicable to a prior period HIM-15-1, Section 2302.1		
7	Fixed Assets Cost of Capital Maintenance Accumulated Depreciation	11,935 324	11,935 324
	To capitalize expense HIM-15-1, Section 108.1		
8	Nonallowable Medical Supplies	17,824	17,824
	To properly charge expense applicable to a prior period HIM-15-1, Section 2302.1		
9	Nonallowable Nursing Restorative Administration Medical Records	6,664	6,029 392 197 46
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
10	Nonallowable Administration	233,001	233,001
	To adjust related party management fee allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

ELLEN SAGAR NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 2010
AC# 3-ELS-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
11	Nonallowable Cost of Capital	1,432	1,432
	To adjust depreciation expense to comply with the cost of capital policy State Plan, Attachment 4.19D		
12	Cost of Capital Nonallowable	52,369	52,369
	To adjust capital return State Plan, Attachment 4.19D		
13	Restorative Ancillary Nonallowable Medical Supplies	3,233 6,493 3,451	13,177
	To properly classify expenses DH&HS Expense Crosswalk		
	TOTAL ADJUSTMENTS	<u>\$634,029</u>	<u>\$634,029</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.

ELLEN SAGAR NURSING HOME
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2010
 AC# 3-ELS-J0

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>3.15264</u>	<u>3.15264</u>	<u>3.15264</u>	<u>3.15264</u>	
Deemed Asset Value (Per Bed)	49,238	49,238	49,238	49,238	
Number of Beds	<u>51</u>	<u>44</u>	<u>13</u>	<u>5</u>	
Deemed Asset Value	2,511,138	2,166,472	640,094	246,190	
Improvements Since 1981	1,132,618	254,990	51,774	23,771	
Accumulated Depreciation at 9/30/10	<u>(1,475,259)</u>	<u>(694,651)</u>	<u>(191,333)</u>	<u>(115,009)</u>	
Deemed Depreciated Value	2,168,497	1,726,811	500,535	154,952	
Market Rate of Return	<u>.0420</u>	<u>.0420</u>	<u>.0420</u>	<u>.0420</u>	
Total Annual Return	91,077	72,526	21,022	6,508	
Return Applicable to Non-Reimbursable Cost Centers	(897)	(787)	(227)	(65)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Allowable Annual Return	90,180	71,739	20,795	6,443	
Depreciation Expense	52,311	37,948	12,942	5,581	
Amortization Expense	-	-	-	-	
Capital Related Income Offsets	(63)	(55)	(16)	(6)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(625)</u>	<u>(539)</u>	<u>(159)</u>	<u>(61)</u>	<u>Total</u>
Allowable Cost of Capital Expense	141,803	109,093	33,562	11,957	\$296,415
Total Patient Days (Actual)	<u>18,274</u>	<u>15,849</u>	<u>4,684</u>	<u>1,802</u>	<u>40,609</u>
Cost of Capital Per Diem	\$ <u>7.76</u>	\$ <u>6.88</u>	\$ <u>7.17</u>	\$ <u>6.64</u>	\$ <u>7.30</u>

ELLEN SAGAR NURSING HOME
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2010
 AC# 3-ELS-J0

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$1.02	\$ N/A	\$ N/A	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$5.01</u>	<u>\$6.88</u>	<u>\$7.17</u>	<u>\$6.64</u>
Reimbursable Cost of Capital Per Diem		\$ 6.06		
Cost of Capital Per Diem		<u>7.30</u>		
Cost of Capital Per Diem Limitation		<u>\$(1.24)</u>		

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