

*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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July 16, 2014

Mr. Harold D. Branton, Administrator  
Grand Strand Healthcare, Inc.  
Post Office Box 1175  
Myrtle Beach, South Carolina 29588

Re: AC# 3-GRA-J0 – Grand Strand Healthcare, Inc. d/b/a Grand Strand Healthcare

Dear Mr. Branton:

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

**GRAND STRAND HEALTHCARE, INC. D/B/A  
GRAND STRAND HEALTHCARE**

**MYRTLE BEACH, SOUTH CAROLINA**

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

March 12, 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 Grand Strand Healthcare, Inc. d/b/a Grand Strand Healthcare, 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 Grand Strand Healthcare, Inc. d/b/a Grand Strand Healthcare 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 Grand Strand Healthcare, Inc. d/b/a Grand Strand Healthcare, 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 Grand Strand Healthcare, Inc. d/b/a Grand Strand Healthcare 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  
March 12, 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

**GRAND STRAND HEALTHCARE**  
Computation of Rate Change  
For the Contract Period  
Beginning November 1, 2011  
AC# 3-GRA-J0

	<u>11/01/11-</u> <u>09/30/12</u>
Interim Reimbursement Rate (1)	\$153.99
Adjusted Reimbursement Rate	<u>153.02</u>
Decrease in Reimbursement Rate	\$ <u><u>.97</u></u>

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

**GRAND STRAND HEALTHCARE**

Computation of Adjusted Reimbursement Rate  
 For the Contract Period November 1, 2011 Through September 30, 2012  
 AC# 3-GRA-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 78.94	\$ 95.25	
Dietary		18.27	16.01	
Laundry/Housekeeping/Maintenance		<u>21.18</u>	<u>15.28</u>	
Subtotal	<u>\$8.15</u>	118.39	126.54	\$118.39
Administration & Medical Records	<u>\$6.54</u>	<u>15.94</u>	<u>22.48</u>	<u>15.94</u>
Subtotal		134.33	<u>\$149.02</u>	134.33
<u>Costs Not Subject to Standards:</u>				
Utilities		4.50		4.50
Special Services		-		-
Medical Supplies & Oxygen		5.66		5.66
Taxes and Insurance		4.12		4.12
Legal Fees		<u>.24</u>		<u>.24</u>
<b>TOTAL</b>		<u>\$148.85</u>		148.85
Inflation Factor (N/A)				-
Cost of Capital				7.19
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				5.21
Cost Incentive				8.15
Effect of \$1.75 Cap on Cost/Profit Incentives				(11.61)
Budget Neutrality Adjustment (3.02%)				<u>(4.77)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$153.02</u>

**GRAND STRAND HEALTHCARE**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2010  
 AC# 3-GRA-J0

<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	\$2,440,774	\$11,529 (7)	\$ 1,041 (7) 2,075 (12)	\$2,449,187
Dietary	565,455	320 (7) 951 (15)	-	566,726
Laundry	83,887	536 (7) 15,220 (11)	-	99,643
Housekeeping	342,577	957 (7) 484 (15)	7,464 (10) 15,220 (11)	321,334
Maintenance	250,636	67 (10) 294 (15)	432 (2) 705 (7) 13,583 (12)	236,277
Administration & Medical Records	506,944	219 (15)	12,483 (7)	494,680
Utilities	143,465	-	1,584 (4) 1,981 (13) 253 (14) 63 (15)	139,584
Special Services	-	-	-	-
Medical Supplies & Oxygen	168,267	7,397 (10)	-	175,664
Taxes and Insurance	137,655	90 (15)	3,499 (5) 6,478 (6)	127,768

**GRAND STRAND HEALTHCARE**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2010  
AC# 3-GRA-J0

<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	7,462	3 (15)	-	7,465
Cost of Capital	225,123	42 (1) 79 (8) <u>5 (15)</u>	303 (3) 1,516 (9) <u>201 (12)</u>	223,229
Subtotal	4,872,245	38,193	68,881	4,841,557
Ancillary	107,297	-	-	107,297
Nonallowable	539,062	432 (2) 303 (3) 1,584 (4) 3,499 (5) 6,478 (6) 887 (7) 1,516 (9) 15,658 (12) 1,981 (13) 253 (14)	42 (1) 79 (8) 1,983 (15)	569,549
CNA Training and Testing	<u>519</u>	<u>-</u>	<u>-</u>	<u>519</u>
Total Operating Expenses	<u>\$5,519,123</u>	<u>\$70,784</u>	<u>\$70,985</u>	<u>\$5,518,922</u>
Total Patient Days	<u>31,026</u>	<u>-</u>	<u>-</u>	<u>31,026</u>
Total Beds	<u>88</u>			

**GRAND STRAND HEALTHCARE**  
Adjustment Report  
Cost Report Period Ended September 30, 2010  
AC# 3-GRA-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$47,718	
	Cost of Capital	42	
	Other Equity		\$ 126
	Accumulated Depreciation		47,592
	Nonallowable		42
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	432	
	Maintenance		432
	To disallow expense not related to patient care HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Nonallowable	303	
	Other Equity	4,897	
	Accumulated Depreciation	303	
	Fixed Assets		5,200
	Cost of Capital		303
	To adjust fixed assets cost and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Nonallowable	1,584	
	Utilities		1,584
	To disallow expense not related to patient care HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
5	Nonallowable	3,499	
	Taxes and Insurance		3,499
	To adjust property taxes HIM-15-1, Sections 2302.1 and 2304 State Plan, Attachment 4.19D		

**GRAND STRAND HEALTHCARE**  
Adjustment Report  
Cost Report Period Ended September 30, 2010  
AC# 3-GRA-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable Taxes and Insurance	6,478	6,478
	To adjust liability insurance HIM-15-1, Section 2304		
7	Nonallowable Nursing Dietary Laundry Housekeeping Restorative Maintenance Administration	887 11,529 320 536 957	1,041 705 12,483
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Cost of Capital Nonallowable	79	79
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
9	Nonallowable Cost of Capital	1,516	1,516
	To adjust capital return State Plan, Attachment 4.19D		
10	Medical Supplies Maintenance Housekeeping	7,397 67	7,464
	To classify expenses to the proper cost center DH&HS Expense Crosswalk		

**GRAND STRAND HEALTHCARE**  
Adjustment Report  
Cost Report Period Ended September 30, 2010  
AC# 3-GRA-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
11	Laundry Housekeeping	15,220	15,220
	To classify expenses to the proper cost center DH&HS Expense Crosswalk		
12	Nonallowable Accumulated Depreciation Other Equity Maintenance Restorative Fixed Assets Cost of Capital	15,658 201 4,067	13,583 2,075 4,067 201
	To adjust Maintenance Expense due to lack of adequate documentation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
13	Nonallowable Utilities	1,981	1,981
	To disallow expense not related to patient care HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
14	Nonallowable Utilities	253	253
	To disallow expense not related to patient care HIM-15-1, Section 2304		

**GRAND STRAND HEALTHCARE**  
 Adjustment Report  
 Cost Report Period Ended September 30, 2010  
 AC# 3-GRA-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
15	Cost of Capital	5	
	Taxes and Insurance	90	
	Administration	219	
	Legal	3	
	Maintenance	294	
	Housekeeping	484	
	Dietary	951	
	Utilities		63
	Nonallowable		1,983
	<p>To revise DH&amp;HS adjustment to            remove indirect costs applicable            to non-reimbursable cost centers            HIM-15-1, Section 2102.3            State Plan, Attachment 4.19D</p>		
	TOTAL ADJUSTMENTS	<u>\$127,970</u>	<u>\$127,970</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.

**GRAND STRAND HEALTHCARE**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2010  
 AC# 3-GRA-J0

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>3,15264</u>
Deemed Asset Value (Per Bed)	49,238
Number of Beds	<u>88</u>
Deemed Asset Value	4,332,944
Improvements Since 1981	432,454
Accumulated Depreciation at 9/30/10	<u>(1,470,125)</u>
Deemed Depreciated Value	3,295,273
Market Rate of Return	<u>.0420</u>
Total Annual Return	138,401
Return Applicable to Non-Reimbursable Cost Centers	(1,236)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>22</u>
Allowable Annual Return	137,187
Depreciation Expense	93,319
Amortization Expense	-
Capital Related Income Offsets	(6,322)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(955)</u>
Allowable Cost of Capital Expense	223,229
Total Patient Days (Actual)	<u>31,026</u>
Cost of Capital Per Diem	\$ <u><u>7.19</u></u>

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