

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 17, 2014

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

Re: AC# 3-GRA-J1 – 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, 2010 through September 30, 2011. That report was used to set the rate covering the contract period beginning October 1, 2012.

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

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

MYRTLE BEACH, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2012
AC# 3-GRA-J1**

**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 18, 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 October 1, 2012, and for the twelve month cost report period ended September 30, 2011, 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 18, 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 October 1, 2012
AC# 3-GRA-J1

	<u>10/01/12-</u> <u>09/30/13</u>
Interim Reimbursement Rate (1)	\$159.75
Adjusted Reimbursement Rate	<u>158.91</u>
Decrease in Reimbursement Rate	\$ <u><u>.84</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 October 1, 2012 Through September 30, 2013
 AC# 3-GRA-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 80.98	\$103.52	
Dietary		18.58	17.38	
Laundry/Housekeeping/Maintenance		<u>25.20</u>	<u>16.63</u>	
Subtotal	\$ <u>9.63</u>	124.76	137.53	\$124.76
Administration & Medical Records	\$ <u>8.15</u>	<u>15.46</u>	<u>23.61</u>	<u>15.46</u>
Subtotal		140.22	<u>\$161.14</u>	140.22
<u>Costs Not Subject to Standards:</u>				
Utilities		5.13		5.13
Special Services		-		-
Medical Supplies & Oxygen		6.15		6.15
Taxes and Insurance		4.30		4.30
Legal Fees		<u>.21</u>		<u>.21</u>
TOTAL		<u>\$156.01</u>		156.01
Inflation Factor (N/A)				-
Cost of Capital				7.44
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				5.46
Cost Incentive				9.63
Effect of \$1.75 Cap on Cost/Profit Incentives				(13.34)
Budget Neutrality Adjustment (3.805%)				<u>(6.29)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$158.91</u>

GRAND STRAND HEALTHCARE
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2011
 AC# 3-GRA-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$2,498,675	\$ 7,889 (4)	\$ 4,419 (4)	\$2,502,145
Dietary	574,870	-	677 (4)	574,193
Laundry	102,662	505 (4)	-	103,167
Housekeeping	363,120	114 (4)	-	363,234
Maintenance	322,280	3,882 (4)	13,877 (2)	312,285
Administration & Medical Records	486,209	-	8,643 (4)	477,566
Utilities	158,539	-	-	158,539
Special Services	-	-	-	-
Medical Supplies & Oxygen	189,983	-	-	189,983
Taxes and Insurance	132,861	-	-	132,861
Legal Fees	6,335	-	-	6,335
Cost of Capital	242,292	40 (5)	520 (1) 9,668 (3) <u>2,141 (6)</u>	230,003
Subtotal	5,077,826	12,430	39,945	5,050,311

GRAND STRAND HEALTHCARE
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2011
AC# 3-GRA-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	137,088	-	-	137,088
Nonallowable	572,594	520 (1) 13,877 (2) 9,668 (3) 1,349 (4) 2,141 (6)	40 (5)	600,109
CNA Training and Testing	<u>700</u>	<u>-</u>	<u>-</u>	<u>700</u>
Total Operating Expenses	<u>\$5,788,208</u>	<u>\$39,985</u>	<u>\$39,985</u>	<u>\$5,788,208</u>
Total Patient Days	<u>30,900</u>	<u>-</u>	<u>-</u>	<u>30,900</u>
Total Beds	<u>88</u>			

GRAND STRAND HEALTHCARE
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-GRA-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable	\$ 520	
	Other Equity	4,377	
	Accumulated Depreciation	823	
	Fixed Assets		\$ 5,200
	Cost of Capital		520
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	13,877	
	Maintenance		13,877
	To adjust maintenance expense due to lack of documentation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Fixed Assets	55,777	
	Nonallowable	9,668	
	Other Equity		7,819
	Accumulated Depreciation		47,958
	Cost of Capital		9,668
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Nonallowable	1,349	
	Nursing	7,889	
	Laundry	505	
	Housekeeping	114	
	Maintenance	3,882	
	Restorative		4,419
	Dietary		677
	Administration		8,643
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

GRAND STRAND HEALTHCARE
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-GRA-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Cost of Capital Nonallowable	40	40
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
6	Nonallowable Cost of Capital	2,141	2,141
	To adjust capital return State Plan, Attachment 4.19D		
		\$ <u>100,962</u>	\$ <u>100,962</u>
	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.

GRAND STRAND HEALTHCARE
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2011
 AC# 3-GRA-J1

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>3.18210</u>
Deemed Asset Value (Per Bed)	49,698
Number of Beds	<u>88</u>
Deemed Asset Value	4,373,424
Improvements Since 1981	556,152
Accumulated Depreciation at 9/30/11	<u>(1,571,809)</u>
Deemed Depreciated Value	3,357,767
Market Rate of Return	<u>.0408</u>
Total Annual Return	136,997
Return Applicable to Non-Reimbursable Cost Centers	(1,246)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	135,751
Depreciation Expense	100,718
Amortization Expense	-
Capital Related Income Offsets	(5,168)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(1,298)</u>
Allowable Cost of Capital Expense	230,003
Total Patient Days (Actual)	<u>30,900</u>
Cost of Capital Per Diem	\$ <u><u>7.44</u></u>

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