

*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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December 2, 2014

Ms. Paige Welch, Administrator  
Heritage Home of Florence, Inc.  
515 South Warley Street  
Florence, South Carolina 29501

Re: AC# 3-HHF-J0 – Heritage Home of Florence, Inc.

Dear Ms. Welch:

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

**HERITAGE HOME OF FLORENCE, INC.**

**FLORENCE, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING NOVEMBER 1, 2011  
AC# 3-HHF-J0**

**AGREED-UPON PROCEDURES REPORT**

**ON CONTRACT**

**FOR**

**PURCHASE OF NURSING CARE SERVICES**

**WITH**

**STATE OF SOUTH CAROLINA**

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

## CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIOD BEGINNING NOVEMBER 1, 2011	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD NOVEMBER 1, 2011 THROUGH SEPTEMBER 30, 2012	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2010	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	9

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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 21, 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 Heritage Home of Florence, Inc., 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 Heritage Home of Florence, Inc. 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 Home of Florence, Inc., 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 Heritage Home of Florence, Inc. 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  
August 21, 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.", with a stylized flourish at the end.

Richard H. Gilbert, Jr., CPA  
Deputy State Auditor

**HERITAGE HOME OF FLORENCE, INC.**  
Computation of Rate Change  
For the Contract Period  
Beginning November 1, 2011  
AC# 3-HHF-J0

11/01/11-  
09/30/12

Interim Reimbursement Rate (1)	\$152.64
Adjusted Reimbursement Rate	<u>151.30</u>
Decrease in Reimbursement Rate	\$ <u><u>1.34</u></u>

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

**HERITAGE HOME OF FLORENCE, INC.**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period November 1, 2011 Through September 30, 2012  
 AC# 3-HHF-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 87.57	\$ 88.50	
Dietary		19.05	15.92	
Laundry/Housekeeping/Maintenance		<u>11.65</u>	<u>14.77</u>	
Subtotal	\$ <u>.92</u>	118.27	119.19	\$118.27
Administration & Medical Records	\$ <u>3.84</u>	<u>16.78</u>	<u>20.62</u>	<u>16.78</u>
Subtotal		135.05	<u>\$139.81</u>	135.05
<u>Costs Not Subject to Standards:</u>				
Utilities		3.63		3.63
Special Services		-		-
Medical Supplies & Oxygen		5.95		5.95
Taxes and Insurance		3.03		3.03
Legal Fees		<u>.21</u>		<u>.21</u>
<b>TOTAL</b>		<u>\$147.87</u>		147.87
Inflation Factor (N/A)				-
Cost of Capital				6.49
Cost of Capital Limitation				(.10)
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.84
Cost Incentive				.92
Effect of \$1.75 Cap on Cost/Profit Incentives				(3.01)
Budget Neutrality Adjustment (3.02%)				<u>(4.71)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$151.30</u>

**HERITAGE HOME OF FLORENCE, INC.**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2010  
 AC# 3-HHF-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$4,107,465	\$ -	\$ -	\$4,107,465
Dietary	893,729	-	-	893,729
Laundry	107,191	-	-	107,191
Housekeeping	232,842	-	-	232,842
Maintenance	206,201	-	-	206,201
Administration & Medical Records	834,471	-	10,962 (5) 20,362 (6) 15,838 (6)	787,309
Utilities	170,208	-	-	170,208
Special Services	-	-	-	-
Medical Supplies & Oxygen	284,125	-	5,033 (4)	279,092
Taxes and Insurance	142,110	-	-	142,110
Legal Fees	10,000	-	-	10,000
Cost of Capital	311,888	634 (3)	5,836 (1) <u>2,075 (2)</u>	304,611
Subtotal	7,300,230	634	60,106	7,240,758

**HERITAGE HOME OF FLORENCE, INC.**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2010  
AC# 3-HHF-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Ancillary	297,370	-	-	297,370
Nonallowable	1,285,930	5,836 (1) 2,075 (2) 5,033 (4) 10,962 (5) 36,200 (6)	634 (3)	1,345,402
CNA Training and Testing	<u>896</u>	<u>-</u>	<u>-</u>	<u>896</u>
Total Operating Expenses	<u>\$8,884,426</u>	<u>\$60,740</u>	<u>\$60,740</u>	<u>\$8,884,426</u>
Total Patient Days	<u>46,906</u>	<u>-</u>	<u>-</u>	<u>46,906</u>
Cost of Capital Patient Days				<u>46,950</u>
Total Beds	<u>132</u>			

**HERITAGE HOME OF FLORENCE, INC.**  
Adjustment Report  
Cost Report Period Ended September 30, 2010  
AC# 3-HHF-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Other Equity	\$86,845	
	Nonallowable	5,836	
	Fixed Assets		\$15,309
	Cost of Capital		5,836
	Accumulated Depreciation		71,536
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	2,075	
	Cost of Capital		2,075
	To adjust capital return State Plan, Attachment 4.19D		
3	Cost of Capital	634	
	Nonallowable		634
	To adjust depreciation to comply with capital cost policy State Plan, Attachment 4.19D		
4	Nonallowable	5,033	
	Medical Supplies & Oxygen		5,033
	To remove special ancillary services reimbursed by Medicare State Plan, Attachment 4.19D DH&HS Expense Crosswalk		
5	Nonallowable	10,962	
	Administration		10,962
	To offset miscellaneous income State Plan, Attachment 4.19D		

**HERITAGE HOME OF FLORENCE, INC.**  
Adjustment Report  
Cost Report Period Ended September 30, 2010  
AC# 3-HHF-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable Administration Medical Records	36,200	15,838 20,362
	To adjust owner/relative compensation and related benefits State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<hr style="width: 100%;"/> <u>\$147,585</u>	<hr style="width: 100%;"/> <u>\$147,585</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 HOME OF FLORENCE, INC.**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2010  
 AC# 3-HHF-J0

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>3.15264</u>	<u>3.15264</u>	<u>3.15264</u>	
Deemed Asset Value (Per Bed)	49,238	49,238	49,238	
Number of Beds	<u>44</u>	<u>44</u>	<u>44</u>	
Deemed Asset Value	2,166,472	2,166,472	2,166,472	
Improvements Since 1981	657,251	133,026	89,607	
Accumulated Depreciation at 9/30/10	<u>(633,133)</u>	<u>(703,549)</u>	<u>(655,929)</u>	
Deemed Depreciated Value	2,190,590	1,595,949	1,600,150	
Market Rate of Return	<u>.0420</u>	<u>.0420</u>	<u>.0420</u>	
Total Annual Return	92,005	67,030	67,206	
Return Applicable to Non-Reimbursable Cost Centers	-	-	-	
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>-</u>	
Allowable Annual Return	92,005	67,030	67,206	
Depreciation Expense	25,301	25,172	55,016	
Amortization Expense	115	173	664	
Capital Related Income Offsets	(2,808)	(4,211)	(21,052)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	114,613	88,164	101,834	\$304,611
Total Patient Days (Minimum 96% Occupancy)	<u>15,472</u>	<u>15,418</u>	<u>16,060</u>	<u>46,950</u>
Cost of Capital Per Diem	\$ <u><u>7.41</u></u>	\$ <u><u>5.72</u></u>	\$ <u><u>6.34</u></u>	\$ <u><u>6.49</u></u>

**HERITAGE HOME OF FLORENCE, INC.**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2010  
 AC# 3-HHF-J0

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$3.12	\$ N/A	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$7.11</u>	<u>\$5.72</u>	<u>\$6.34</u>
Reimbursable Cost of Capital Per Diem		\$6.39	
Cost of Capital Per Diem		<u>6.49</u>	
Cost of Capital Per Diem Limitation		<u>\$(.10)</u>	

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