

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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June 2, 2015

Ms. Sherry Finlayson, Director of Reimbursement
Conway Medical Center
Post Office Box 829
Conway, South Carolina 29528-0829

Re: AC# 3-KNC-J1 – Conway Hospital Long Term Care Services, Inc. d/b/a
Kingston Nursing Center

Dear Ms. Finlayson:

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/cwc

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

**CONWAY HOSPITAL LONG TERM CARE SERVICES, INC.
D/B/A KINGSTON NURSING CENTER**

CONWAY, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2012
AC# 3-KNC-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 30, 2015

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 Conway Hospital Long Term Care Services, Inc. d/b/a Kingston Nursing Center, 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 Conway Hospital Long Term Care Services, Inc. d/b/a Kingston Nursing Center 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 Conway Hospital Long Term Care Services, Inc. d/b/a Kingston Nursing Center, 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 Conway Hospital Long Term Care Services, Inc. d/b/a Kingston Nursing Center 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 30, 2015

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

KINGSTON NURSING CENTER
Computation of Rate Change
For the Contract Period
Beginning October 1, 2012
AC# 3-KNC-J1

	<u>10/01/12-</u> <u>09/30/13</u>
Interim Reimbursement Rate (1)	\$174.54
Adjusted Reimbursement Rate	<u>163.55</u>
Decrease in Reimbursement Rate	\$ <u><u>10.99</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 12, 2015.

KINGSTON NURSING CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2012 Through September 30, 2013
 AC# 3-KNC-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$102.06	\$ 90.02	
Dietary		16.65	17.38	
Laundry/Housekeeping/Maintenance		<u>21.65</u>	<u>16.63</u>	
Subtotal	\$ <u>-</u>	140.36	124.03	\$124.03
Administration & Medical Records	\$ <u>-</u>	<u>24.58</u>	<u>23.61</u>	<u>23.61</u>
Subtotal		164.94	<u>\$147.64</u>	147.64
<u>Costs Not Subject to Standards:</u>				
Utilities		4.81		4.81
Special Services		.07		.07
Medical Supplies & Oxygen		4.05		4.05
Taxes and Insurance		2.28		2.28
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$176.15</u>		158.85
Inflation Factor (N/A)				-
Cost of Capital				11.83
Cost of Capital Limitation				(.66)
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Budget Neutrality Adjustment (3.805%)				<u>(6.47)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$163.55</u>

KINGSTON NURSING CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2011
 AC# 3-KNC-J1

<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	\$2,829,948	\$229,172 (1)	\$ 5,918 (1)	\$3,053,202
Dietary	773,294	-	275,136 (1)	498,158
Laundry	90,970	-	5,530 (1)	85,440
Housekeeping	196,416	98,790 (1)	-	295,206
Maintenance	281,026	-	14,043 (1)	266,983
Administration & Medical Records	1,254,453	-	510,801 (1) 8,353 (1)	735,299
Utilities	225,069	-	81,274 (1)	143,795
Special Services	1,899	151 (1)	-	2,050
Medical Supplies & Oxygen	141,376	-	20,197 (1)	121,179
Taxes and Insurance	64,088	4,016 (1)	-	68,104
Legal Fees	-	-	-	-
Cost of Capital	<u>578,855</u>	<u>-</u>	<u>216,914 (1)</u>	<u>361,941</u>
Subtotal	6,437,394	332,129	1,138,166	5,631,357

KINGSTON NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2011
AC# 3-KNC-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
Ancillary	380,400	-	25,287 (1)	355,113
Nonallowable	(387,890)	831,324 (1)	-	443,434
CNA Training & Testing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>\$6,429,904</u>	<u>\$1,163,453</u>	<u>\$1,163,453</u>	<u>\$6,429,904</u>
Total Patient Days	<u>29,915</u>	<u>-</u>	<u>-</u>	<u>29,915</u>
			Cost of Capital Patient Days	<u>30,584</u>
Total Beds	<u>88</u>			

KINGSTON NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-KNC-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nursing	\$ 229,172	
	Housekeeping	98,790	
	Taxes and Insurance	4,016	
	Special Services	151	
	Nonallowable	831,324	
	Restorative		\$ 5,918
	Dietary		275,136
	Laundry		5,530
	Maintenance		14,043
	Administration		510,801
	Medical Records		8,353
	Utilities		81,274
	Medical Supplies		20,197
	Cost of Capital		216,914
	Ancillary		25,287
	To adjust direct expense and shared service cost allocations HIM-15-1, Sections 2102.3 and 2304 State Plan, Attachment 4.19D DH&HS Expense Crosswalk		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	\$ <u>1,163,453</u>	\$ <u>1,163,453</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.

KINGSTON NURSING CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2011
 AC# 3-KNC-J1

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>3.1821</u>	<u>3.1821</u>	
Deemed Asset Value (Per Bed)	49,698	49,698	
Number of Beds	<u>44</u>	<u>44</u>	
Deemed Asset Value	2,186,712	2,186,712	
Improvements Since 1981	801,653	427,670	
Accumulated Depreciation at 9/30/11	<u>(2,021,142)</u>	<u>(1,103,397)</u>	
Deemed Depreciated Value	967,223	1,510,985	
Market Rate of Return	<u>.0408</u>	<u>.0408</u>	
Total Annual Return	39,463	61,648	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	39,463	61,648	
Depreciation Expense	156,135	107,307	
Amortization Expense	-	-	
Capital Related Income Offsets	(1,306)	(1,306)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	194,292	167,649	\$361,941
Total Patient Days (Minimum 92% Occupancy)	<u>14,775</u>	<u>15,809</u>	<u>30,584</u>
Cost of Capital Per Diem	\$ <u>13.15</u>	\$ <u>10.60</u>	\$ <u>11.83</u>

KINGSTON NURSING CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2011
 AC# 3-KNC-J1

6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$ 7.79	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$11.78</u>	<u>\$10.60</u>
Reimbursable Cost of Capital Per Diem	\$11.17	
Cost of Capital Per Diem	<u>11.83</u>	
Cost of Capital Per Diem Limitation	<u>\$ (.66)</u>	

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