



**South Carolina
Office of the State Auditor**

**George L. Kennedy, III, CPA
State Auditor**

May 24, 2016

Mr. Alan Hughes, Administrator
Abbeville Nursing Home
Post Office Box 190
Abbeville, South Carolina 29620

Re: AC# 3-ABV-J3 – Abbeville Nursing Home, Inc.

Dear Mr. Hughes:

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, 2012 through September 30, 2013. That report was used to set the rate covering the contract period beginning October 1, 2014.

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 blue ink that reads "George L. Kennedy, III".

George L. Kennedy, III, CPA
State Auditor

GLKIII/cwc

cc: Mr. Jeff Saxon
Ms. Melissa Simmons
Mr. Byron Roberts
Ms. Nicole Mitchell Threat
Ms. Brittany Sandifer
Ms. Chari Preacher

ABBEVILLE NURSING HOME, INC.

ABBEVILLE, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2014
AC# 3-ABV-J3**

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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**South Carolina
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**George L. Kennedy, III, CPA
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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

March 9, 2016

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 Abbeville Nursing Home, Inc., for the contract period beginning October 1, 2014, and for the twelve month cost report period ended September 30, 2013, as set forth in the accompanying schedules. The management of Abbeville Nursing Home, 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 Abbeville Nursing Home, 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 Abbeville Nursing Home, Inc. dated as of October 1, 2014, 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 9, 2016

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.



George L. Kennedy, III, CPA
State Auditor

ABBEVILLE NURSING HOME, INC.
Computation of Rate Change
For the Contract Period
Beginning October 1, 2014
AC# 3-ABV-J3

	10/01/14- <u>09/30/15</u>
Interim Reimbursement Rate (1)	\$146.94
Adjusted Reimbursement Rate	<u>145.76</u>
Decrease in Reimbursement Rate	\$ <u><u>1.18</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 8, 2015.

ABBEVILLE NURSING HOME, INC.
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2014 Through September 30, 2015
 AC# 3-ABV-J3

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 77.62	\$ 90.55	
Dietary		14.09	17.36	
Laundry/Housekeeping/Maintenance		<u>14.58</u>	<u>15.17</u>	
Subtotal	\$ <u>8.62</u>	106.29	123.08	\$106.29
Administration & Medical Records	\$ <u>11.42</u>	<u>13.55</u>	<u>24.97</u>	<u>13.55</u>
Subtotal		119.84	<u>\$148.05</u>	119.84
<u>Costs Not Subject to Standards:</u>				
Utilities		3.81		3.81
Special Services		-		-
Medical Supplies & Oxygen		6.09		6.09
Taxes and Insurance		3.38		3.38
Legal Fees		<u>.02</u>		<u>.02</u>
TOTAL		<u>\$133.14</u>		133.14
Inflation Factor (3.30%)				4.39
Cost of Capital				6.48
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				4.66
Cost Incentive				8.62
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(11.53)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$145.76</u>

ABBEVILLE NURSING HOME, INC.
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2013
 AC# 3-ABV-J3

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$2,450,030	\$ -	\$ -	\$2,450,030
Dietary	444,889	-	-	444,889
Laundry	117,271	-	-	117,271
Housekeeping	175,492	-	-	175,492
Maintenance	167,591	-	-	167,591
Administration & Medical Records	437,545	-	9,688 (2)	427,857
Utilities	120,207	-	-	120,207
Special Services	-	-	-	-
Medical Supplies & Oxygen	203,654	3,648 (3)	15,058 (4)	192,244
Taxes and Insurance	106,818	-	-	106,818
Legal Fees	779	-	-	779
Cost of Capital	<u>219,804</u>	<u>1,455 (5)</u>	<u>16,661 (1)</u>	<u>204,598</u>
Subtotal	4,444,080	5,103	41,407	4,407,776

ABBEVILLE NURSING HOME, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2013
AC# 3-ABV-J3

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments		Adjusted Totals
		<u>Debit</u>	<u>Credit</u>	
Ancillary	72,022	-	-	72,022
Nonallowable	(42,543)	16,661 (1)	3,648 (3)	(6,239)
		9,688 (2)	1,455 (5)	
		15,058 (4)		
CNA Training and Testing	<u>202</u>	<u>-</u>	<u>-</u>	<u>202</u>
Total Operating Expenses	<u>\$4,473,761</u>	<u>\$46,510</u>	<u>\$46,510</u>	<u>\$4,473,761</u>
Total Patient Days	<u>31,565</u>	<u>-</u>	<u>-</u>	<u>31,565</u>
Total Beds	<u>94</u>			

ABBEVILLE NURSING HOME, INC.
Adjustment Report
Cost Report Period Ended September 30, 2013
AC# 3-ABV-J3

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 56,517	
	Nonallowable	16,661	
	Accumulated Depreciation		\$ 28,368
	Other Equity		28,149
	Cost of Capital		16,661
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	9,688	
	Administration		9,688
	To adjust owner/relative salaries and related fringe benefits State Plan, Attachment 4.19D		
3	Medical Supplies & Oxygen	3,648	
	Nonallowable		3,648
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
4	Nonallowable	15,058	
	Medical Supplies & Oxygen		15,058
	To remove non-Medicaid special (ancillary) services cost State Plan, Attachment 4.19D		
5	Cost of Capital	1,455	
	Nonallowable		1,455
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$103,027</u>	<u>\$103,027</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.

ABBEVILLE NURSING HOME, INC.
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2013
 AC# 3-ABV-J3

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>3.27359</u>
Deemed Asset Value (Per Bed)	51,127
Number of Beds	<u>94</u>
Deemed Asset Value	4,805,938
Improvements Since 1981	823,173
Accumulated Depreciation at 9/30/13	<u>(1,559,691)</u>
Deemed Depreciated Value	4,069,420
Market Rate of Return	<u>.0343</u>
Total Annual Return	139,581
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	139,581
Depreciation Expense	65,131
Amortization Expense	1,812
Capital Related Income Offsets	(1,926)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	204,598
Total Patient Days (Minimum 92% Occupancy)	<u>31,565</u>
Cost of Capital Per Diem	<u>\$ 6.48</u>

ABBEVILLE NURSING HOME, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2013
AC# 3-ABV-J3

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$5.33
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$9.32</u>
Reimbursable Cost of Capital Per Diem	\$6.48
Cost of Capital Per Diem	<u>6.48</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

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