



**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-J4 – 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, 2013 through September 30, 2014. That report was used to set the rate covering the contract period beginning October 1, 2015.

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/sag

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, 2015
AC# 3-ABV-J4**

**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
Office of the State Auditor

George L. Kennedy, III, CPA
State Auditor

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, 2015, and for the twelve month cost report period ended September 30, 2014, 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, 2015
AC# 3-ABV-J4

	<u>Beginning 10/01/15</u>
Interim Reimbursement Rate (1)	\$150.17
Adjusted Reimbursement Rate	<u>149.23</u>
Decrease in Reimbursement Rate	\$ <u><u>.94</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 Beginning October 1, 2015
AC# 3-ABV-J4

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 79.74	\$ 90.38	
Dietary		14.25	17.71	
Laundry/Housekeeping/Maintenance		<u>15.20</u>	<u>15.15</u>	
Subtotal	<u>\$8.63</u>	109.19	123.24	\$109.19
Administration & Medical Records	<u>\$9.68</u>	<u>13.92</u>	<u>23.60</u>	<u>13.92</u>
Subtotal		123.11	<u>\$146.84</u>	123.11
<u>Costs Not Subject to Standards:</u>				
Utilities		4.19		4.19
Special Services		-		-
Medical Supplies & Oxygen		6.62		6.62
Taxes and Insurance		3.43		3.43
Legal Fees		-		-
TOTAL		<u>\$137.35</u>		137.35
Inflation Factor (3.00%)				4.12
Cost of Capital				6.01
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				4.81
Cost Incentive				8.63
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(11.69)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$149.23</u>

ABBEVILLE NURSING HOME, INC.
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2014
 AC# 3-ABV-J4

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$2,515,856	\$1,206 (2) 87 (2)	\$ -	\$2,517,149
Dietary	449,761	-	-	449,761
Laundry	120,567	12 (2)	-	120,579
Housekeeping	174,911	-	-	174,911
Maintenance	184,208	48 (2)	-	184,256
Administration & Medical Records	449,951	-	2,022 (2) 8,414 (3)	439,515
Utilities	132,218	-	-	132,218
Special Services	-	-	-	-
Medical Supplies & Oxygen	218,638	6,438 (5)	15,959 (6)	209,117
Taxes and Insurance	108,134	-	-	108,134
Legal Fees	-	-	-	-
Cost of Capital	199,870	-	298 (1) 1,367 (4) 8,508 (7)	189,697
Subtotal	4,554,114	7,791	36,568	4,525,337

ABBEVILLE NURSING HOME, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2014
AC# 3-ABV-J4

<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	89,172	-	-	89,172
Nonallowable	144,393	298 (1) 669 (2) 8,414 (3) 1,367 (4) 15,959 (6) 8,508 (7)	6,438 (5)	173,170
CNA Training and Testing	<u>718</u>	<u>-</u>	<u>-</u>	<u>718</u>
Total Operating Expenses	<u>\$4,788,397</u>	<u>\$43,006</u>	<u>\$43,006</u>	<u>\$4,788,397</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, 2014
AC# 3-ABV-J4

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$58,517	
	Nonallowable	298	
	Accumulated Depreciation		\$32,090
	Other Equity		26,427
	Cost of Capital		298
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nursing	1,206	
	Restorative	87	
	Laundry	12	
	Maintenance	48	
	Nonallowable	669	
	Administration		2,022
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Nonallowable	8,414	
	Administration		8,414
	To adjust owner/relative salaries State Plan, Attachment 4.19D		
4	Nonallowable	1,367	
	Cost of Capital		1,367
	To properly classify interest revenue HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
5	Medical Supplies & Oxygen	6,438	
	Nonallowable		6,438
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		

ABBEVILLE NURSING HOME, INC.
Adjustment Report
Cost Report Period Ended September 30, 2014
AC# 3-ABV-J4

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable Medical Supplies & Oxygen	15,959	15,959
	To remove non-Medicaid special (ancillary) services cost State Plan, Attachment 4.19D		
7	Nonallowable Cost of Capital	8,508	8,508
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$101,523</u>	<u>\$101,523</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, 2014
 AC# 3-ABV-J4

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>3.34857</u>
Deemed Asset Value (Per Bed)	52,298
Number of Beds	<u>94</u>
Deemed Asset Value	4,916,012
Improvements Since 1981	831,077
Accumulated Depreciation at 9/30/14	<u>(1,625,289)</u>
Deemed Depreciated Value	4,121,800
Market Rate of Return	<u>.0300</u>
Total Annual Return	123,654
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	123,654
Depreciation Expense	65,598
Amortization Expense	1,812
Capital Related Income Offsets	(1,367)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	189,697
Total Patient Days (Minimum 92% Occupancy)	<u>31,565</u>
Cost of Capital Per Diem	<u><u>\$ 6.01</u></u>

ABBEVILLE NURSING HOME, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2014
AC# 3-ABV-J4

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	\$6.01
Cost of Capital Per Diem	<u>6.01</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

2 copies of this document were published at an estimated printing cost of \$1.38 each, and a total printing cost of \$2.76. Section 1-11-425 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.