

*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 7, 2015

Ms. Martha Hughey  
Assistant Vice President of Reimbursement  
National Healthcare Corporation  
Post Office Box 1398  
Murfreesboro, Tennessee 37133

Re: AC# 3-BLF-J1 – NHC Healthcare – Bluffton, LLC d/b/a NHC Healthcare, Bluffton

Dear Ms. Hughey:

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

**NHC HEALTHCARE – BLUFFTON, LLC  
D/B/A NHC HEALTHCARE, BLUFFTON**

**BLUFFTON, SOUTH CAROLINA**

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

November 24, 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 NHC Healthcare – Bluffton, LLC d/b/a NHC Healthcare, Bluffton, 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 NHC Healthcare – Bluffton, LLC d/b/a NHC Healthcare, Bluffton 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 NHC Healthcare – Bluffton, LLC d/b/a NHC Healthcare, Bluffton, 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 NHC Healthcare – Bluffton, LLC d/b/a NHC Healthcare, Bluffton 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  
November 24, 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

**NHC HEALTHCARE, BLUFFTON**  
Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2012  
AC# 3-BLF-J1

	10/01/12- <u>09/30/13</u>
Interim Reimbursement Rate (1)	\$178.98
Adjusted Reimbursement Rate	<u>172.14</u>
Decrease in Reimbursement Rate	\$ <u><u>6.84</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 21, 2014.

**NHC HEALTHCARE, BLUFFTON**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2012 Through September 30, 2013  
 AC# 3-BLF-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$121.44	\$ 87.01	
Dietary		24.18	17.37	
Laundry/Housekeeping/Maintenance		<u>17.94</u>	<u>15.73</u>	
Subtotal	\$ <u>-</u>	163.56	120.11	\$120.11
Administration & Medical Records	\$ <u>-</u>	<u>29.03</u>	<u>22.95</u>	<u>22.95</u>
Subtotal		192.59	<u>\$143.06</u>	143.06
<u>Costs Not Subject to Standards:</u>				
Utilities		8.62		8.62
Special Services		.06		.06
Medical Supplies & Oxygen		5.97		5.97
Taxes and Insurance		8.75		8.75
Legal Fees		<u>.45</u>		<u>.45</u>
<b>TOTAL</b>		<u>\$216.44</u>		166.91
Inflation Factor (N/A)				-
Cost of Capital				12.04
Cost of Capital Limitation				-
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>(6.81)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$172.14</u>

**NHC HEALTHCARE, BLUFFTON**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2011  
 AC# 3-BLF-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$3,931,452	\$ -	\$ 826 (7) 1,802 (7) 40 (8) 31,901 (9)	\$3,896,883
Dietary	769,151	6,693 (4)	3 (8)	775,841
Laundry	107,550	-	-	107,550
Housekeeping	190,857	1,184 (4)	-	192,041
Maintenance	275,932	-	10 (5) 2 (8)	275,920
Administration & Medical Records	996,306	14,277 (4) 1,270 (4)	1,525 (5) 882 (7) 78,089 (8)	931,357
Utilities	277,193	-	476 (9)	276,717
Special Services	2,184	-	304 (5)	1,880
Medical Supplies & Oxygen	254,799	-	30,800 (4) 26,333 (5) 6,024 (7)	191,642
Taxes and Insurance	517,818	43,289 (3)	280,055 (7) 275 (8)	280,777

**NHC HEALTHCARE, BLUFFTON**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2011  
AC# 3-BLF-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Legal Fees	14,319	-	33 (8)	14,286
Cost of Capital	534,599	99,078 (2)	124,108 (1) 1,958 (6) <u>121,272 (8)</u>	386,339
Subtotal	<u>7,872,160</u>	<u>165,791</u>	706,718	7,331,233
Ancillary	-	1,632 (4) 2,354 (5)	-	3,986
Nonallowable	2,632,612	124,108 (1) 5,744 (4) 25,818 (5) 1,958 (6) 289,589 (7) 199,714 (8) 31,901 (9)	99,078 (2)	3,212,366
CNA Training and Testing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>\$10,504,772</u>	<u>\$848,609</u>	<u>\$805,796</u>	<u>\$10,547,585</u>
Total Patient Days	<u>37,230</u>	<u>-</u>	<u>5,142 (10)</u>	<u>32,088</u>
Total Beds	<u>120</u>			

**NHC HEALTHCARE, BLUFFTON**  
Adjustment Report  
Cost Report Period Ended September 30, 2011  
AC# 3-BLF-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$168,289	
	Other Equity	114,338	
	Nonallowable	124,108	
	Fixed Assets		\$282,627
	Cost of Capital		124,108
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Cost of Capital	99,078	
	Nonallowable		99,078
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
3	Taxes and Insurance	43,289	
	Accrued Property Taxes		43,289
	To adjust property tax expense HIM-15-1, Sections 2302.1 and 2304		
4	Dietary	6,693	
	Housekeeping	1,184	
	Administration	14,277	
	Medical Records	1,270	
	Ancillary	1,632	
	Nonallowable	5,744	
	Medical Supplies		30,800
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		

**NHC HEALTHCARE, BLUFFTON**  
Adjustment Report  
Cost Report Period Ended September 30, 2011  
AC# 3-BLF-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Ancillary	2,354	
	Nonallowable	25,818	
	Maintenance		10
	Administration		1,525
	Medical Supplies		26,333
	Special Services		304
	To remove special (ancillary) services reimbursed by Medicare and reclassify expense to the proper cost center State Plan, Attachment 4.19D DH&HS Expense Crosswalk		
6	Nonallowable	1,958	
	Cost of Capital		1,958
	To adjust capital return State Plan, Attachment 4.19D		
7	Nonallowable	289,589	
	Nursing		826
	Restorative		1,802
	Medical Records		882
	Taxes and Insurance		280,055
	Medical Supplies		6,024
	To disallow liability insurance and adjust related party cost HIM-15-1, Sections 1005, 2162.2 and 2304 State Plan, Attachment 4.19D		

**NHC HEALTHCARE, BLUFFTON**  
Adjustment Report  
Cost Report Period Ended September 30, 2011  
AC# 3-BLF-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Nonallowable	199,714	
	Nursing		40
	Dietary		3
	Maintenance		2
	Administration		78,089
	Legal		33
	Taxes and Insurance		275
	Cost of Capital		121,272
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
9	Other Revenue	476	
	Nonallowable	31,901	
	Restorative		31,901
	Utilities		476
	To offset income against related expense and disallow cable TV expense HIM-15-1, Sections 2102.3 and 2106.1 DH&HS Expense Crosswalk		
10	<u>Memo Adjustment:</u>		
	To decrease total patient days by 5,142 to 32,088		
	TOTAL ADJUSTMENTS	\$1,131,712	\$1,131,712

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.

**NHC HEALTHCARE, BLUFFTON**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 2011  
AC# 3-BLF-J1

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>3.1821</u>
Deemed Asset Value (Per Bed)	49,698
Number of Beds	<u>120</u>
Deemed Asset Value	5,963,760
Improvements Since 1981	13,776
Accumulated Depreciation at 9/30/11	<u>(429,073)</u>
Deemed Depreciated Value	5,548,463
Market Rate of Return	<u>.0408</u>
Total Annual Return	226,377
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	226,377
Depreciation Expense	291,801
Amortization Expense	-
Capital Related Income Offsets	(131,839)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	386,339
Total Patient Days (Minimum County Occupancy)	<u>32,088</u>
Cost of Capital Per Diem	\$ <u><u>12.04</u></u>

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