

*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-J2 – 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, 2011 through September 30, 2012. That report was used to set the rate covering the contract period beginning October 1, 2013.

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, 2013  
AC# 3-BLF-J2**

**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 OCTOBER 1, 2013	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2013 THROUGH SEPTEMBER 30, 2014	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2012	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	10

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

December 5, 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, 2013, and for the twelve month cost report period ended September 30, 2012, 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  
December 5, 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, 2013  
AC# 3-BLF-J2

	<u>10/01/13-</u> <u>09/30/14</u>
Interim Reimbursement Rate (1)	\$179.22
Adjusted Reimbursement Rate	<u>163.71</u>
Decrease in Reimbursement Rate	\$ <u><u>15.51</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, 2013 Through September 30, 2014  
 AC# 3-BLF-J2

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$113.16	\$ 78.69	
Dietary		24.45	17.31	
Laundry/Housekeeping/Maintenance		<u>17.89</u>	<u>15.32</u>	
Subtotal	\$ <u>-</u>	155.50	111.32	\$111.32
Administration & Medical Records	\$ <u>-</u>	<u>26.15</u>	<u>22.29</u>	<u>22.29</u>
Subtotal		181.65	<u>\$133.61</u>	133.61
<u>Costs Not Subject to Standards:</u>				
Utilities		7.48		7.48
Special Services		-		-
Medical Supplies & Oxygen		5.76		5.76
Taxes and Insurance		8.19		8.19
Legal Fees		<u>.12</u>		<u>.12</u>
<b>TOTAL</b>		<u>\$203.20</u>		155.16
Inflation Factor (3.60%)				5.59
Cost of Capital				7.89
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 (2.9241%)				<u>(4.93)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$163.71</u>

**NHC HEALTHCARE, BLUFFTON**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2012  
 AC# 3-BLF-J2

<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	\$4,262,824	\$ -	\$ 25,504 (5) 1,111 (9) 1,859 (9)	\$4,234,350
Dietary	903,912	10,927 (6)	-	914,839
Laundry	116,234	-	-	116,234
Housekeeping	229,795	-	-	229,795
Maintenance	323,369	-	-	323,369
Administration & Medical Records	1,032,882	12,050 (6) 266 (6)	1,187 (9) 65,637 (10)	978,374
Utilities	281,419	-	1,523 (5)	279,896
Special Services	-	-	-	-
Medical Supplies & Oxygen	263,392	-	24,669 (6) 13,859 (7) 9,145 (9)	215,719
Taxes and Insurance	635,868	-	41,788 (3) 287,666 (4) 1 (10)	306,413
Legal Fees	4,583	-	-	4,583
Cost of Capital	501,006	77,785 (2) <u>19,221 (8)</u>	96,587 (1) <u>206,029 (10)</u>	295,396
Subtotal	8,555,284	120,249	776,565	7,898,968

**NHC HEALTHCARE, BLUFFTON**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2012  
AC# 3-BLF-J2

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	-	13,859 (7)	-	13,859
Nonallowable	3,156,854	96,587 (1) 41,788 (3) 287,666 (4) 25,504 (5) 1,426 (6) 13,302 (9) 271,667 (10)	77,785 (2) 19,221 (8)	3,797,788
CNA Training and Testing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>\$11,712,138</u>	<u>\$872,048</u>	<u>\$873,571</u>	<u>\$11,710,615</u>
Total Patient Days	<u>37,420</u>	<u>-</u>	<u>-</u>	<u>37,420</u>
Total Beds	<u>120</u>			

**NHC HEALTHCARE, BLUFFTON**  
Adjustment Report  
Cost Report Period Ended September 30, 2012  
AC# 3-BLF-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$257,384	
	Other Equity	25,243	
	Nonallowable	96,587	
	Fixed Assets		\$282,627
	Cost of Capital		96,587
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Cost of Capital	77,785	
	Nonallowable		77,785
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
3	Nonallowable	41,788	
	Taxes and Insurance		41,788
	To adjust property tax expense HIM-15-1, Sections 2302.1 and 2304		
4	Nonallowable	287,666	
	Taxes and Insurance		287,666
	To disallow liability insurance HIM-15-1, Sections 2162.2 and 2304 State Plan, Attachment 4.19D		
5	Other Revenue	1,523	
	Nonallowable	25,504	
	Restorative		25,504
	Utilities		1,523
	To offset income against related expense and disallow cable TV expense HIM-15-1, Sections 2102.3 and 2106.1 DH&HS Expense Crosswalk		

**NHC HEALTHCARE, BLUFFTON**  
Adjustment Report  
Cost Report Period Ended September 30, 2012  
AC# 3-BLF-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Dietary	10,927	
	Administration	12,050	
	Medical Records	266	
	Nonallowable	1,426	
	Medical Supplies		24,669
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
7	Ancillary	13,859	
	Medical Supplies		13,859
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
8	Cost of Capital	19,221	
	Nonallowable		19,221
	To adjust capital return and related income offset State Plan, Attachment 4.19D		
9	Nonallowable	13,302	
	Nursing		1,111
	Restorative		1,859
	Medical Records		1,187
	Medical Supplies		9,145
	To adjust related party cost HIM-15-1, Sections 1005 and 2304		

**NHC HEALTHCARE, BLUFFTON**  
Adjustment Report  
Cost Report Period Ended September 30, 2012  
AC# 3-BLF-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Nonallowable	271,667	
	Administration		65,637
	Taxes and Insurance		1
	Cost of Capital		206,029
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$1,156,198	\$1,156,198

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, 2012  
 AC# 3-BLF-J2

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>3.21571</u>
Deemed Asset Value (Per Bed)	50,223
Number of Beds	<u>120</u>
Deemed Asset Value	6,026,760
Improvements Since 1981	18,127
Accumulated Depreciation at 9/30/12	<u>(720,078)</u>
Deemed Depreciated Value	5,324,809
Market Rate of Return	<u>.0369</u>
Total Annual Return	196,485
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	196,485
Depreciation Expense	295,396
Amortization Expense	-
Capital Related Income Offsets	(196,485)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	295,396
Total Patient Days (Actual)	<u>37,420</u>
Cost of Capital Per Diem	\$ <u><u>7.89</u></u>

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