

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

(803) 253-4160
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July 8, 2015

Ms. Cindy Matthews, Administrator
Peachtree Centre
1434 North Limestone Street
Gaffney, South Carolina 29340

Re: AC# 3-CKC-F0 – Cherokee County Long Term Care Facility d/b/a Peachtree Centre

Dear Ms. Matthews:

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 July 1, 2009 through June 30, 2010. That report was used to set the rate covering the contract period beginning November 1, 2011.

We are recommending that the Department of Health and Human Services certify an accounts payable for amounts underpaid as a result of the rate changes shown on Exhibit A. You will be notified of settlement 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

**CHEROKEE COUNTY LONG TERM CARE FACILITY D/B/A
PEACHTREE CENTRE**

GAFFNEY, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING NOVEMBER 1, 2011
AC# 3-CKC-F0**

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

October 31, 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 Cherokee County Long Term Care Facility d/b/a Peachtree Centre, for the contract period beginning November 1, 2011, and for the twelve month cost report period ended June 30, 2010, as set forth in the accompanying schedules. The management of Cherokee County Long Term Care Facility d/b/a Peachtree Centre 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 Cherokee County Long Term Care Facility d/b/a Peachtree Centre, 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 Cherokee County Long Term Care Facility d/b/a Peachtree Centre 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
October 31, 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

PEACHTREE CENTRE
Computation of Rate Change
For the Contract Period
Beginning November 1, 2011
AC# 3-CKC-F0

	<u>11/01/11-</u> <u>09/30/12</u>
Interim Reimbursement Rate (1)	\$159.83
Adjusted Reimbursement Rate	<u>160.78</u>
Decrease (Increase) in Reimbursement Rate	\$ <u><u>(.95)</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated August 23, 2013.

PEACHTREE CENTRE
 Computation of Adjusted Reimbursement Rate
 For the Contract Period November 1, 2011 Through September 30, 2012
 AC# 3-CKC-F0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 96.32	\$101.89	
Dietary		20.37	16.01	
Laundry/Housekeeping/Maintenance		<u>12.02</u>	<u>15.28</u>	
Subtotal	\$ <u>4.47</u>	128.71	133.18	\$128.71
Administration & Medical Records	\$ <u>7.47</u>	<u>15.01</u>	<u>22.48</u>	<u>15.01</u>
Subtotal		143.72	<u>\$155.66</u>	143.72
<u>Costs Not Subject to Standards:</u>				
Utilities		6.25		6.25
Special Services		-		-
Medical Supplies & Oxygen		8.66		8.66
Taxes and Insurance		.39		.39
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$159.02</u>		159.02
Inflation Factor (N/A)				-
Cost of Capital				5.19
Cost of Capital Limitation				(.17)
Profit Incentive (Maximum 3.5% of Allowable Cost)				5.57
Cost Incentive				4.47
Effect of \$1.75 Cap on Cost/Profit Incentives				(8.29)
Budget Neutrality Adjustment (3.02%)				<u>(5.01)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$160.78</u>

PEACHTREE CENTRE
Summary of Costs and Total Patient Days
For the Cost Report Period Ended June 30, 2010
AC# 3-CKC-F0

<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	\$2,865,538	\$ 17,699 (3) 1,166 (3) 29,088 (7) 34,576 (8)	\$ 866 (6) 35,448 (9)	\$2,911,753
Dietary	615,907	852 (3) 1,292 (6) 272,457 (8)	1,156 (7) 273,695 (9)	615,657
Laundry	48,187	19,302 (8)	806 (7) 18,498 (9)	48,185
Housekeeping	183,764	122,510 (8)	1 (7) 122,509 (9)	183,764
Maintenance	123,648	1,174 (3) 5,397 (7) 200,857 (8)	199,510 (9)	131,566
Administration & Medical Records	476,612	235,867 (8)	12,689 (2) 7,745 (3) 10,161 (3) 17,820 (7) 204,321 (9) 6,019 (9)	453,724
Utilities	193,580	1,166 (7) 11,570 (8)	17,347 (9)	188,969
Special Services	-	-	-	-
Medical Supplies & Oxygen	245,750	12,689 (2) 10,328 (3) 39,953 (6)	47,017 (9)	261,703

PEACHTREE CENTRE
Summary of Costs and Total Patient Days
For the Cost Report Period Ended June 30, 2010
AC# 3-CKC-F0

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Debit	Adjustments Credit	Adjusted Totals
Taxes and Insurance	11,729	19,407 (8)	1,030 (7) 18,381 (9)	11,725
Legal Fees	-	-	-	-
Cost of Capital	164,714	5,422 (5) 15,805 (8) 9,795 (10)	2,167 (1) 16,454 (4) 3,264 (7) 16,841 (9)	157,010
Subtotal	4,929,429	1,068,372	1,033,745	4,964,056
Ancillary	343,448	-	-	343,448
Nonallowable	3,114,123	2,167 (1) 16,454 (4) 959,586 (9)	13,313 (3) 5,422 (5) 39,087 (6) 11,574 (7) 932,351 (8) 9,795 (10)	3,080,788
CNA Training & Testing	-	-	-	-
Total Operating Expenses	<u>\$8,387,000</u>	<u>\$2,046,579</u>	<u>\$2,045,287</u>	<u>\$8,388,292</u>
Total Patient Days	<u>30,230</u>	<u>-</u>	<u>-</u>	<u>30,230</u>
Total Beds	<u>85</u>			

PEACHTREE CENTRE
Cost Report Period Ended June 30, 2010
AC# 3-CKC-F0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 87,411	
	Nonallowable	2,167	
	Fixed Assets	3,100	
	Other Equity		\$ 90,511
	Cost of Capital		2,167
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Medical Supplies & Oxygen	12,689	
	Medical Records		12,689
	To reclassify salary expense to the proper cost center DH&HS Expense Crosswalk		
3	Nursing	17,699	
	Restorative	1,166	
	Dietary	852	
	Maintenance	1,174	
	Medical Supplies & Oxygen	10,328	
	Administration		7,745
	Medical Records		10,161
	Nonallowable		13,313
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Accumulated Amortization - Loan Cost	538,111	
	Interest Payable	9,911	
	Bonds Payable	911,247	
	Nonallowable	16,454	
	Other Investments		384,930
	Loan Costs		535,871
	Current Portion of Long Term Debt		182,363
	Fund Balance		356,105
	Cost of Capital		16,454
	To adjust bond related debt, loan costs and interest HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

PEACHTREE CENTRE
Adjustment Report
Cost Report Period Ended June 30, 2010
AC# 3-CKC-F0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Cost of Capital Nonallowable	5,422	5,422
	To adjust depreciation expense and loan cost amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
6	Dietary	1,292	
	Medical Supplies & Oxygen	39,953	
	Nursing		866
	Other Income		1,292
	Nonallowable		39,087
	To adjust allocation of cost to non-reimbursable cost centers HIM-15-1, Sections 2102.3 and 2304 State Plan, Attachment 4.19D		
7	Utilities	1,166	
	Maintenance	5,397	
	Restorative	29,088	
	Nonallowable		11,574
	Cost of Capital		3,264
	Taxes and Insurance		1,030
	Administration		17,820
	Housekeeping		1
	Laundry		806
	Dietary		1,156
	To reverse DH&HS adjustment to remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

PEACHTREE CENTRE
Adjustment Report
Cost Report Period Ended June 30, 2010
AC# 3-CKC-F0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Cost of Capital	15,805	
	Taxes and Insurance	19,407	
	Administration	235,867	
	Maintenance	200,857	
	Utilities	11,570	
	Laundry	19,302	
	Housekeeping	122,510	
	Dietary	272,457	
	Restorative	34,576	
	Nonallowable		932,351
	To reverse Provider adjustment to remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
9	Nonallowable	959,586	
	Cost of Capital		16,841
	Taxes and Insurance		18,381
	Administration		204,321
	Maintenance		199,510
	Utilities		17,347
	Laundry		18,498
	Housekeeping		122,509
	Dietary		273,695
	Medical Records		6,019
	Restorative		35,448
	Medical Supplies & Oxygen		47,017
	To remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

PEACHTREE CENTRE
Adjustment Report
Cost Report Period Ended June 30, 2010
AC# 3-CKC-F0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Cost of Capital Nonallowable	9,795	9,795
	To adjust capital return State Plan, Attachment 4.19D		
		_____	_____
	TOTAL ADJUSTMENTS	\$ <u>3,596,359</u>	\$ <u>3,596,359</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.

PEACHTREE CENTRE
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended June 30, 2010
 AC# 3-CKC-F0

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>3.15264</u>	<u>3.15264</u>	
Deemed Asset Value (Per Bed)	49,238	49,238	
Number of Beds	<u>44</u>	<u>41</u>	
Deemed Asset Value	2,166,472	2,018,758	
Improvements Since 1981	905,696	221,267	
Accumulated Depreciation at 6/30/10	(1,259,653)	(1,223,711)	
Deemed Depreciated Value	1,812,515	1,016,314	
Market Rate of Return	<u>.0420</u>	<u>.0420</u>	
Total Annual Return	76,126	42,685	
Return Applicable to Non-Reimbursable Cost Centers	(10,196)	(9,962)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>83</u>	<u>3,298</u>	
Allowable Annual Return	66,013	36,021	
Depreciation Expense	33,265	36,042	
Amortization Expense	-	3,190	
Capital Related Income Offsets	(76)	(604)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(4,528)</u>	<u>(12,313)</u>	<u>Total</u>
Allowable Cost of Capital Expense	94,674	62,336	\$157,010
Total Patient Days (Actual)	<u>15,664</u>	<u>14,566</u>	<u>30,230</u>
Cost of Capital Per Diem	\$ <u>6.04</u>	\$ <u>4.28</u>	\$ <u>5.19</u>

PEACHTREE CENTRE
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended June 30, 2010
 AC# 3-CKC-F0

6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$1.72	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$5.71</u>	<u>\$4.28</u>
Reimbursable Cost of Capital Per Diem	\$5.02	
Cost of Capital Per Diem	<u>5.19</u>	
Cost of Capital Per Diem Limitation	<u>\$(.17)</u>	

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