

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-F1 – 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, 2010 through June 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/sag

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 OCTOBER 1, 2012
AC# 3-CKC-F1**

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

December 18, 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 October 1, 2012, and for the twelve month cost report period ended June 30, 2011, 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
December 18, 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.", with a stylized flourish at the end.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

PEACHTREE CENTRE
Computation of Rate Change
For the Contract Period
Beginning October 1, 2012
AC# 3-CKC-F1

10/01/12-
09/30/13

Interim Reimbursement Rate (1)	\$157.93
Adjusted Reimbursement Rate	<u>155.31</u>
Decrease in Reimbursement Rate	\$ <u><u>2.62</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 October 1, 2012 Through September 30, 2013
 AC# 3-CKC-F1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 91.95	\$ 96.77	
Dietary		20.50	17.38	
Laundry/Housekeeping/Maintenance		<u>12.25</u>	<u>16.63</u>	
Subtotal	<u>\$6.08</u>	124.70	130.78	\$124.70
Administration & Medical Records	<u>\$8.72</u>	<u>14.89</u>	<u>23.61</u>	<u>14.89</u>
Subtotal		139.59	<u>\$154.39</u>	139.59
<u>Costs Not Subject to Standards:</u>				
Utilities		5.63		5.63
Special Services		.14		.14
Medical Supplies & Oxygen		9.03		9.03
Taxes and Insurance		.39		.39
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$154.78</u>		154.78
Inflation Factor (N/A)				-
Cost of Capital				4.92
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				5.42
Cost Incentive				6.08
Effect of \$1.75 Cap on Cost/Profit Incentives				(9.75)
Budget Neutrality Adjustment (3.805%)				<u>(6.14)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$155.31</u>

PEACHTREE CENTRE
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended June 30, 2011
 AC# 3-CKC-F1

<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	\$2,782,888	\$ 15,297 (3) 1,462 (3) 29,595 (6)	\$ 14,534 (5) 32,796 (8)	\$2,781,912
Dietary	626,160	816 (3) 1,064 (5) 243,020 (6)	296 (7) 250,654 (8)	620,110
Laundry	47,197	16,835 (6)	1 (7) 16,649 (8)	47,382
Housekeeping	183,991	122,660 (6)	122,660 (8)	183,991
Maintenance	128,460	2,420 (3) 211,471 (6)	18 (7) 203,104 (8)	139,229
Administration & Medical Records	531,964	218,878 (6)	13,344 (2) 7,010 (3) 8,530 (3) 66,073 (7) 200,456 (8) 4,884 (8)	450,545
Utilities	175,571	10,446 (6)	739 (7) 14,827 (8)	170,451
Special Services	4,127	-	-	4,127
Medical Supplies & Oxygen	260,403	13,344 (2) 8,135 (3) 36,424 (5)	45,020 (8)	273,286
Taxes and Insurance	12,057	2,450 (6) 15,890 (7)	18,529 (8)	11,868

PEACHTREE CENTRE
Summary of Costs and Total Patient Days
For the Cost Report Period Ended June 30, 2011
AC# 3-CKC-F1

<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>	
Legal Fees	-	-	-	-
Cost of Capital	161,369	2,247 (1) 21,243 (6) 693 (10)	7,650 (4) 11,859 (7) 14,211 (8) <u>2,985 (9)</u>	148,847
Subtotal	4,914,187	974,390	1,056,829	4,831,748
Ancillary	314,848	-	-	314,848
Nonallowable	2,816,225	7,650 (4) 63,096 (7) 923,790 (8) 2,985 (9)	2,247 (1) 12,590 (3) 21,890 (5) 876,598 (6) 693 (10)	2,899,728
CNA Training and Testing	-	-	-	-
Total Operating Expenses	<u>\$8,045,260</u>	<u>\$1,971,911</u>	<u>\$1,970,847</u>	<u>\$8,046,324</u>
Total Patient Days	<u>30,255</u>	<u>-</u>	<u>-</u>	<u>30,255</u>
Total Beds	<u>85</u>			

PEACHTREE CENTRE
Adjustment Report
Cost Report Period Ended June 30, 2011
AC# 3-CKC-F1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 3,102	
	Cost of Capital	2,247	
	Other Equity	2,055,484	
	Accumulated Depreciation		\$2,058,586
	Nonallowable		2,247
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Medical Supplies & Oxygen	13,344	
	Medical Records		13,344
	To reclassify salary expense to the proper cost center DH&HS Expense Crosswalk		
3	Nursing	15,297	
	Restorative	1,462	
	Dietary	816	
	Maintenance	2,420	
	Medical Supplies & Oxygen	8,135	
	Administration		7,010
	Medical Records		8,530
	Nonallowable		12,590
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Accumulated Amortization - Loan Cost	535,589	
	Interest Payable	5,029	
	Bonds Payable	566,345	
	Nonallowable	7,650	
	Fund Balance	7,898	
	Other Investments		384,696
	Loan Cost		535,871
	Current Portion of Long Term Debt		194,294
	Cost of Capital		7,650
	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, 2011
AC# 3-CKC-F1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Dietary	1,064	
	Medicaid Supplies & Oxygen	36,424	
	Nursing		14,534
	Nonallowable		21,890
	Other Income		1,064
	To adjust allocation of cost to non-reimbursable cost centers and adjust special (ancillary) services reimbursed by Medicare HIM-15-1, Sections 2102.3 and 2304 State Plan, Attachment 4.19D		
6	Restorative	29,595	
	Dietary	243,020	
	Laundry	16,835	
	Housekeeping	122,660	
	Maintenance	211,471	
	Administration	218,878	
	Utilities	10,446	
	Taxes and Insurance	2,450	
	Cost of Capital	21,243	
	Nonallowable		876,598
	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		
7	Taxes & Insurance	15,890	
	Nonallowable	63,096	
	Dietary		296
	Laundry		1
	Maintenance		18
	Administration		66,073
	Utilities		739
	Cost of Capital		11,859
	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, 2011
AC# 3-CKC-F1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Nonallowable	923,790	
	Cost of Capital		14,211
	Taxes and Insurance		18,529
	Administration		200,456
	Maintenance		203,104
	Utilities		14,827
	Laundry		16,649
	Housekeeping		122,660
	Dietary		250,654
	Medical Records		4,884
	Restorative		32,796
	Medical Supplies		45,020
	To remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
9	Nonallowable	2,985	
	Cost of Capital		2,985
	To adjust capital return State Plan, Attachment 4.19D		
10	Cost of Capital	693	
	Nonallowable		693
	To adjust depreciation expense and loan cost amortization to comply with capital cost policy State Plan, Attachment 4.19D		
		\$5,145,358	\$5,145,358
	TOTAL ADJUSTMENTS		

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, 2011
 AC# 3-CKC-F1

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>3.18210</u>	<u>3.18210</u>	
Deemed Asset Value (Per Bed)	49,698	49,698	
Number of Beds	<u>44</u>	<u>41</u>	
Deemed Asset Value	2,186,712	2,037,618	
Improvements Since 1981	909,301	226,817	
Accumulated Depreciation at 6/30/11	<u>(1,288,954)</u>	<u>(1,257,739)</u>	
Deemed Depreciated Value	1,807,059	1,006,696	
Market Rate of Return	<u>.0408</u>	<u>.0408</u>	
Total Annual Return	73,728	41,073	
Return Applicable to Non-Reimbursable Cost Centers	(9,556)	(9,567)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>82</u>	<u>1,865</u>	
Allowable Annual Return	64,254	33,371	
Depreciation Expense	28,858	33,768	
Amortization Expense	-	3,190	
Capital Related Income Offsets	(48)	(335)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(3,816)</u>	<u>(10,395)</u>	<u>Total</u>
Allowable Cost of Capital Expense	89,248	59,599	\$148,847
Total Patient Days (Actual)	<u>15,869</u>	<u>14,386</u>	<u>30,255</u>
Cost of Capital Per Diem	<u>\$ 5.62</u>	<u>\$ 4.14</u>	<u>\$ 4.92</u>

PEACHTREE CENTRE
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended June 30, 2011
AC# 3-CKC-F1

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>\$4.14</u>
Reimbursable Cost of Capital Per Diem	\$ 4.92	
Cost of Capital Per Diem	<u>4.92</u>	
Cost of Capital Per Diem Limitation	<u>\$ -</u>	

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