

State of South Carolina



Office of the State Auditor

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COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA
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July 2, 2015

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

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

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/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Ms. Kathleen C. Snider
Ms. Nicole Mitchell Threat
Ms. Melissa Simmons

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

CLINTON, SOUTH CAROLINA

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

October 7, 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 – Clinton, LLC d/b/a NHC Healthcare - Clinton, 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 – Clinton, LLC d/b/a NHC Healthcare - Clinton 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 – Clinton, LLC d/b/a NHC Healthcare - Clinton, 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 – Clinton, LLC d/b/a NHC Healthcare - Clinton 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 7, 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

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

	<u>10/01/12-</u> <u>09/30/13</u>
Interim Reimbursement Rate (1)	\$167.49
Adjusted Reimbursement Rate	<u>156.27</u>
Decrease in Reimbursement Rate	\$ <u><u>11.22</u></u>

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

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 88.99	\$ 87.01	
Dietary		18.80	17.37	
Laundry/Housekeeping/Maintenance		<u>14.31</u>	<u>15.73</u>	
Subtotal	\$ <u>-</u>	122.10	120.11	\$120.11
Administration & Medical Records	<u>\$2.59</u>	<u>20.36</u>	<u>22.95</u>	<u>20.36</u>
Subtotal		142.46	<u>\$143.06</u>	140.47
<u>Costs Not Subject to Standards:</u>				
Utilities		6.39		6.39
Special Services		.06		.06
Medical Supplies & Oxygen		6.72		6.72
Taxes and Insurance		2.47		2.47
Legal Fees		<u>.05</u>		<u>.05</u>
TOTAL		<u>\$158.15</u>		156.16
Inflation Factor (N/A)				-
Cost of Capital				4.54
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				2.59
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				(.84)
Budget Neutrality Adjustment (3.805%)				<u>(6.18)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$156.27</u>

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

<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	\$4,110,135	\$ -	\$ 143 (6) 2,629 (6) 50 (7) 8,296 (8)	\$4,099,017
Dietary	838,797	27,211 (3)	5 (7)	866,003
Laundry	104,571	-	-	104,571
Housekeeping	288,624	-	-	288,624
Maintenance	265,825	-	62 (4) 2 (7)	265,761
Administration & Medical Records	1,037,764	-	478 (4) 1,117 (6) 98,195 (7)	937,974
Utilities	294,187	-	-	294,187
Special Services	2,917	-	-	2,917
Medical Supplies & Oxygen	353,124	-	27,211 (3) 7,837 (4) 8,493 (6)	309,583
Taxes and Insurance	419,962	-	305,925 (6) 346 (7)	113,691
Legal Fees	2,501	-	41 (7)	2,460

NHC HEALTHCARE - CLINTON
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2011
AC# 3-CLN-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>
Cost of Capital	358,114	36,914 (5)	32,332 (1) 1,158 (2) <u>152,495 (7)</u>	209,043
Subtotal	8,076,521	64,125	646,815	7,493,831
Ancillary	-	4,650 (4)	-	4,650
Nonallowable	693,066	32,332 (1) 1,158 (2) 3,727 (4) 318,307 (6) 251,134 (7) 8,296 (8)	36,914 (5)	1,271,106
CNA Training and Testing	<u>4,653</u>	<u>-</u>	<u>-</u>	<u>4,653</u>
Total Operating Expenses	<u>\$8,774,240</u>	<u>\$683,729</u>	<u>\$683,729</u>	<u>\$8,774,240</u>
Total Patient Days	<u>46,063</u>	<u>-</u>	<u>-</u>	<u>46,063</u>
Total Beds	<u>131</u>			

NHC HEALTHCARE - CLINTON
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-CLN-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$328,829	
	Other Equity	346,518	
	Nonallowable	32,332	
	Accumulated Depreciation		\$675,347
	Cost of Capital		32,332
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	1,158	
	Cost of Capital		1,158
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
3	Dietary	27,211	
	Medical Supplies		27,211
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
4	Ancillary	4,650	
	Nonallowable	3,727	
	Maintenance		62
	Administration		478
	Medical Supplies		7,837
	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		
5	Cost of Capital	36,914	
	Nonallowable		36,914
	To adjust capital return State Plan, Attachment 4.19D		

NHC HEALTHCARE - CLINTON
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-CLN-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable	318,307	
	Nursing		143
	Restorative		2,629
	Medical Records		1,117
	Taxes and Insurance		305,925
	Medical Supplies		8,493
	To disallow liability insurance and adjust related party cost HIM-15-1, Sections 1005, 2162.2 and 2304 State Plan, Attachment 4.19D		
7	Nonallowable	251,134	
	Nursing		50
	Dietary		5
	Maintenance		2
	Administration		98,195
	Legal		41
	Taxes and Insurance		346
	Cost of Capital		152,495
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Nonallowable	8,296	
	Restorative		8,296
	To disallow cable TV expense HIM-15-1, Section 2106.1 DH&HS Expense Crosswalk		
	TOTAL ADJUSTMENTS	\$1,359,076	\$1,359,076

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 - CLINTON
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2011
 AC# 3-CLN-J1

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>3.1821</u>	<u>3.1821</u>	
Deemed Asset Value (Per Bed)	49,698	49,698	
Number of Beds	<u>43</u>	<u>88</u>	
Deemed Asset Value	2,137,014	4,373,424	
Improvements Since 1981	1,006,171	1,079,188	
Accumulated Depreciation at 9/30/11	(1,333,945)	(2,463,211)	
Deemed Depreciated Value	1,809,240	2,989,401	
Market Rate of Return	<u>.0408</u>	<u>.0408</u>	
Total Annual Return	73,817	121,968	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	73,817	121,968	
Depreciation Expense	59,438	114,027	
Amortization Expense	-	-	
Capital Related Income Offsets	(52,587)	(107,620)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	80,668	128,375	\$209,043
Total Patient Days (Actual)	<u>15,122</u>	<u>30,941</u>	<u>46,063</u>
Cost of Capital Per Diem	\$ <u>5.33</u>	\$ <u>4.15</u>	\$ <u>4.54</u>

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

6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$2.30	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$6.29</u>	<u>\$4.15</u>
Reimbursable Cost of Capital Per Diem	\$ 4.54	
Cost of Capital Per Diem	<u>4.54</u>	
Cost of Capital Per Diem Limitation	<u>\$ -</u>	

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