

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-J2 – 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, 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/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, 2013
AC# 3-CLN-J2**

**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 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 – Clinton, LLC d/b/a NHC Healthcare - Clinton, 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 – 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.

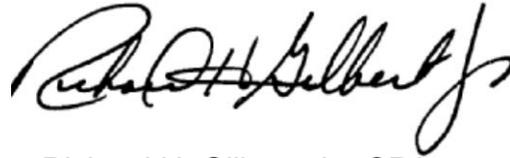
The procedures and the associated findings are as follows:

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
November 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.", 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, 2013
AC# 3-CLN-J2

10/01/13-
09/30/14

Interim Reimbursement Rate (1)	\$170.35
Adjusted Reimbursement Rate	<u>158.07</u>
Decrease in Reimbursement Rate	\$ <u><u>12.28</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, 2013 Through September 30, 2014
 AC# 3-CLN-J2

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 87.01	\$ 85.64	
Dietary		18.70	17.31	
Laundry/Housekeeping/Maintenance		<u>13.86</u>	<u>15.32</u>	
Subtotal	\$ <u>-</u>	119.57	118.27	\$118.27
Administration & Medical Records	<u>\$4.60</u>	<u>17.69</u>	<u>22.29</u>	<u>17.69</u>
Subtotal		137.26	<u>\$140.56</u>	135.96
<u>Costs Not Subject to Standards:</u>				
Utilities		6.31		6.31
Special Services		.05		.05
Medical Supplies & Oxygen		6.53		6.53
Taxes and Insurance		2.85		2.85
Legal Fees		<u>.03</u>		<u>.03</u>
TOTAL		<u>\$153.03</u>		151.73
Inflation Factor (3.60%)				5.46
Cost of Capital				3.89
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				4.60
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				(2.85)
Budget Neutrality Adjustment (2.9241%)				<u>(4.76)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$158.07</u>

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

<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	\$4,023,239	\$ -	\$ 8,782 (5) 592 (8) 3,225 (8)	\$4,010,640
Dietary	835,756	26,017 (4)	-	861,773
Laundry	85,823	-	-	85,823
Housekeeping	265,759	444 (4)	-	266,203
Maintenance	287,023	-	-	287,023
Administration & Medical Records	864,296	2,873 (4)	70 (8) 1,296 (8) 50,350 (9)	815,453
Utilities	290,997	-	-	290,997
Special Services	2,147	-	-	2,147
Medical Supplies & Oxygen	344,445	-	29,334 (4) 4,440 (6) 9,876 (8)	300,795
Taxes and Insurance	445,193	-	313,979 (3)	131,214
Legal Fees	1,520	-	-	1,520

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

<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	341,722	1,199 (2)	35,315 (1)	179,150
	<u> </u>	<u>29,590 (7)</u>	<u>158,046 (9)</u>	<u> </u>
Subtotal	7,787,920	60,123	615,305	7,232,738
 Ancillary	 -	 4,440 (6)	 -	 4,440
 Nonallowable	 766,818	 35,315 (1)	 1,199 (2)	 1,317,560
		313,979 (3)	29,590 (7)	
		8,782 (5)		
		15,059 (8)		
		208,396 (9)		
 CNA Training and Testing	 <u>11,237</u>	 <u>-</u>	 <u>-</u>	 <u>11,237</u>
 Total Operating Expenses	 <u>\$8,565,975</u>	 <u>\$646,094</u>	 <u>\$646,094</u>	 <u>\$8,565,975</u>
 Total Patient Days	 <u>46,096</u>	 <u>-</u>	 <u>-</u>	 <u>46,096</u>
 Total Beds	 <u>131</u>			

NHC HEALTHCARE - CLINTON
Adjustment Report
Cost Report Period Ended September 30, 2012
AC# 3-CLN-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$406,954	
	Other Equity	313,024	
	Nonallowable	35,315	
	Accumulated Depreciation		\$719,978
	Cost of Capital		35,315
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Cost of Capital	1,199	
	Nonallowable		1,199
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
3	Nonallowable	313,979	
	Taxes and Insurance		313,979
	To disallow liability insurance HIM-15-1, Sections 2162.2 and 2304 State Plan, Attachment 4.19D		
4	Dietary	26,017	
	Housekeeping	444	
	Administration	2,873	
	Medical Supplies		29,334
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
5	Nonallowable	8,782	
	Restorative		8,782
	To disallow cable TV expense HIM-15-1, Section 2106.1 DH&HS Expense Crosswalk		
6	Ancillary	4,440	
	Medical Supplies		4,440
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		

NHC HEALTHCARE - CLINTON
Adjustment Report
Cost Report Period Ended September 30, 2012
AC# 3-CLN-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
7	Cost of Capital Nonallowable	29,590	29,590
	To adjust capital return State Plan, Attachment 4.19D		
8	Nonallowable	15,059	
	Nursing		592
	Restorative		3,225
	Administration		70
	Medical Records		1,296
	Medical Supplies		9,876
	To adjust related party cost HIM-15-1, Sections 1005 and 2304		
9	Nonallowable	208,396	
	Administration		50,350
	Cost of Capital		158,046
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$1,366,072</u>	<u>\$1,366,072</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.

NHC HEALTHCARE - CLINTON
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2012
 AC# 3-CLN-J2

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>3.21571</u>	<u>3.21571</u>	
Deemed Asset Value (Per Bed)	50,223	50,223	
Number of Beds	<u>43</u>	<u>88</u>	
Deemed Asset Value	2,159,589	4,419,624	
Improvements Since 1981	1,029,587	1,105,290	
Accumulated Depreciation at 9/30/12	(1,378,436)	(2,560,838)	
Deemed Depreciated Value	1,810,740	2,964,076	
Market Rate of Return	<u>.0369</u>	<u>.0369</u>	
Total Annual Return	66,816	109,374	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	66,816	109,374	
Depreciation Expense	55,686	111,136	
Amortization Expense	-	-	
Capital Related Income Offsets	(54,488)	(109,374)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	68,014	111,136	\$179,150
Total Patient Days (Actual)	<u>15,133</u>	<u>30,963</u>	<u>46,096</u>
Cost of Capital Per Diem	\$ <u>4.49</u>	\$ <u>3.59</u>	\$ <u>3.89</u>

NHC HEALTHCARE - CLINTON
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2012
AC# 3-CLN-J2

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>\$3.59</u>
Reimbursable Cost of Capital Per Diem		\$ 3.89
Cost of Capital Per Diem		<u>3.89</u>
Cost of Capital Per Diem Limitation		\$ <u>-</u>

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