

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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September 8, 2015

Mr. Tony Stewart, Assistant Administrator
Ellenburg Nursing Center, Inc.
611 East Hampton Street
Anderson, South Carolina 29624

Re: AC# 3-ELB-J2 – Ellenburg Nursing Center, Inc.

Dear Mr. Stewart:

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: Mr. Jeff Saxon
Ms. Melissa Simmons
Mr. Byron Roberts
Ms. Nicole Mitchell Threat
Ms. Brittany Sandifer
Ms. Chari Preacher

**ELLENBURG NURSING CENTER, INC.
ANDERSON, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2013
AC# 3-ELB-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

July 23, 2015

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 Ellenburg Nursing Center, Inc., 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 Ellenburg Nursing Center, Inc. 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 Ellenburg Nursing Center, Inc., 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 Ellenburg Nursing Center, Inc. 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
July 23, 2015

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

ELLENBURG NURSING CENTER, INC.
Computation of Rate Change
For the Contract Period
Beginning October 1, 2013
AC# 3-ELB-J2

	<u>10/01/13-</u> <u>09/30/14</u>
Interim Reimbursement Rate (1)	\$156.83
Adjusted Reimbursement Rate	<u>155.31</u>
Decrease in Reimbursement Rate	\$ <u><u>1.52</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated April 7, 2014.

ELLENBURG NURSING CENTER, INC.
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2013 Through September 30, 2014
 AC# 3-ELB-J2

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 86.28	\$ 92.58	
Dietary		17.96	17.31	
Laundry/Housekeeping/Maintenance		<u>16.20</u>	<u>15.32</u>	
Subtotal	\$ <u>4.77</u>	120.44	125.21	\$120.44
Administration & Medical Records	\$ <u>8.98</u>	<u>13.31</u>	<u>22.29</u>	<u>13.31</u>
Subtotal		133.75	\$ <u>147.50</u>	133.75
<u>Costs Not Subject to Standards:</u>				
Utilities		2.98		2.98
Special Services		.06		.06
Medical Supplies & Oxygen		4.77		4.77
Taxes and Insurance		6.12		6.12
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		\$ <u>147.68</u>		147.68
Inflation Factor (3.60%)				5.32
Cost of Capital				5.24
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				5.17
Cost Incentive				4.77
Effect of \$1.75 Cap on Cost/Profit Incentives				(8.19)
Budget Neutrality Adjustment (2.9241%)				<u>(4.68)</u>
ADJUSTED REIMBURSEMENT RATE				\$ <u>155.31</u>

ELLENBURG NURSING CENTER, INC.
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2012
 AC# 3-ELB-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	\$5,467,869	\$ 5,042 (3)	\$ 2,270 (2) 1,296 (4)	\$5,469,345
Dietary	1,170,554	10,457 (3)	42,364 (2)	1,138,647
Laundry	269,955	1,004 (3)	1,514 (2)	269,445
Housekeeping	390,367	2,005 (3)	5,742 (2)	386,630
Maintenance	371,083	-	431 (2)	370,652
Administration & Medical Records	857,459	-	1,114 (2) 12,343 (4)	844,002
Utilities	189,994	-	1,299 (2)	188,695
Special Services	3,932	142 (3)	139 (5)	3,935
Medical Supplies & Oxygen	349,844	5,371 (3) 2,666 (3) 156,171 (3) 6,990 (3)	16,383 (2) 189,848 (3) 12,443 (5)	302,368
Taxes and Insurance	388,117	-	-	388,117
Legal Fees	-	-	-	-
Cost of Capital	<u>330,925</u>	<u>4,542 (6)</u>	<u>3,464 (1)</u>	<u>332,003</u>
Subtotal	9,790,099	194,390	290,650	9,693,839

ELLENBURG NURSING CENTER, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2012
AC# 3-ELB-J2

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Ancillary	152,311	-	-	152,311
Nonallowable	930,183	3,464 (1) 71,117 (2) 13,639 (4) 12,582 (5)	4,542 (6)	1,026,443
CNA Training and Testing	<u>153</u>	<u>-</u>	<u>-</u>	<u>153</u>
Total Operating Expenses	<u>\$10,872,746</u>	<u>\$295,192</u>	<u>\$295,192</u>	<u>\$10,872,746</u>
Total Patient Days	<u>63,394</u>	<u>-</u>	<u>-</u>	<u>63,394</u>
Total Beds	<u>181</u>			

ELLENBURG NURSING CENTER, INC.
Adjustment Report
Cost Report Period Ended September 30, 2012
AC# 3-ELB-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 26,380	
	Nonallowable	3,464	
	Other Equity		\$ 26,380
	Cost of Capital		3,464
	To adjust accumulated depreciation and depreciation expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	71,117	
	Restorative		2,270
	Dietary		42,364
	Laundry		1,514
	Housekeeping		5,742
	Maintenance		431
	Administration		1,114
	Utilities		1,299
	Medical Supplies & Oxygen		16,383
	To remove duplicate expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Nursing	5,042	
	Dietary	10,457	
	Laundry	1,004	
	Housekeeping	2,005	
	Medical Supplies & Oxygen - PEN	5,371	
	Medical Supplies & Oxygen - Oxygen-RT	2,666	
	Medical Supplies & Oxygen - Disposal Diapers	156,171	
	Medical Supplies & Oxygen - Medical Supplies	6,990	
	Special Services	142	
	Medical Supplies & Oxygen - Nursing Supplies		189,848
	To properly classify expenses DH&HS Expense Crosswalk State Plan, Attachment 4.19D		
4	Nonallowable	13,639	
	Restorative		1,296
	Administration		12,343
	To adjust excess owner/relative employer contributions State Plan, Attachment 4.19D		

ELLENBURG NURSING CENTER, INC.
Adjustment Report
Cost Report Period Ended September 30, 2012
AC# 3-ELB-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable	12,582	
	Medical Supplies & Oxygen		12,443
	Special Services		139
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
6	Cost of Capital	4,542	
	Nonallowable		4,542
	To adjust capital return State Plan, Attachment 4.19D		
		\$321,572	\$321,572
	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.

ELLENBURG NURSING CENTER, INC.
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2012
 AC# 3-ELB-J2

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>3.2157</u>
Deemed Asset Value (Per Bed)	50,223
Number of Beds	<u>181</u>
Deemed Asset Value	9,090,363
Improvements Since 1981	601,591
Accumulated Depreciation at 9/30/12	<u>(1,610,355)</u>
Deemed Depreciated Value	8,081,599
Market Rate of Return	<u>.0369</u>
Total Annual Return	298,211
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	298,211
Depreciation Expense	33,794
Amortization Expense	-
Capital Related Income Offsets	(2)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	332,003
Total Patient Days (Actual)	<u>63,394</u>
Cost of Capital Per Diem	<u>\$ 5.24</u>

ELLENBURG NURSING CENTER, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2012
AC# 3-ELB-J2

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$3.03
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$7.02</u>
Reimbursable Cost of Capital Per Diem	\$5.24
Cost of Capital Per Diem	<u>5.24</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

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