

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

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July 7, 2015

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

Re: AC# 3-GAC-J1 – NHC Healthcare – Garden City, LLC d/b/a
NHC Healthcare – Garden City

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/cwc

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

**NHC HEALTHCARE – GARDEN CITY, LLC
D/B/A NHC HEALTHCARE – GARDEN CITY**

MURRELLS INLET, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2012
AC# 3-GAC-J1**

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 2012	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2012 THROUGH SEPTEMBER 30, 2013	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2011	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	10

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

January 7, 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 NHC Healthcare – Garden City, LLC d/b/a NHC Healthcare – Garden City, 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 – Garden City, LLC d/b/a NHC Healthcare – Garden City 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 – Garden City, LLC d/b/a NHC Healthcare – Garden City, 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 – Garden City, LLC d/b/a NHC Healthcare – Garden City 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
January 7, 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

NHC HEALTHCARE – GARDEN CITY
Computation of Rate Change
For the Contract Period
Beginning October 1, 2012
AC# 3-GAC-J1

	10/01/12- <u>09/30/13</u>
Interim Reimbursement Rate (1)	\$170.33
Adjusted Reimbursement Rate	<u>157.68</u>
Decrease in Reimbursement Rate	\$ <u><u>12.65</u></u>

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

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 90.87	\$ 87.01	
Dietary		21.93	17.37	
Laundry/Housekeeping/Maintenance		<u>14.43</u>	<u>15.73</u>	
Subtotal	\$ <u>-</u>	127.23	120.11	\$120.11
Administration & Medical Records	\$ <u>-</u>	<u>27.11</u>	<u>22.95</u>	<u>22.95</u>
Subtotal		154.34	<u>\$143.06</u>	143.06
<u>Costs Not Subject to Standards:</u>				
Utilities		6.35		6.35
Special Services		-		-
Medical Supplies & Oxygen		5.93		5.93
Taxes and Insurance		2.19		2.19
Legal Fees		<u>.56</u>		<u>.56</u>
TOTAL		<u>\$169.37</u>		158.09
Inflation Factor (N/A)				-
Cost of Capital				5.83
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Budget Neutrality Adjustment (3.805%)				<u>(6.24)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$157.68</u>

NHC HEALTHCARE – GARDEN CITY
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2011
 AC# 3-GAC-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	\$4,539,676	\$ -	\$ 595 (7) 2,883 (7) 66 (8) 20,250 (9)	\$4,515,882
Dietary	1,077,549	12,519 (4)	6 (8)	1,090,062
Laundry	138,764	-	-	138,764
Housekeeping	307,721	4,856 (4)	75 (7)	312,502
Maintenance	266,596	-	464 (5) 15 (7) 3 (8)	266,114
Administration & Medical Records	1,468,412	10,958 (4)	878 (5) 1,270 (7) 129,779 (8)	1,347,443
Utilities	315,632	-	-	315,632
Special Services	-	-	-	-
Medical Supplies & Oxygen	335,705	-	28,333 (4) 1,038 (5) 11,578 (7)	294,756
Taxes and Insurance	476,172	-	21,440 (3) 345,546 (7) 457 (8)	108,729

NHC HEALTHCARE – GARDEN CITY
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2011
AC# 3-GAC-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>
Legal Fees	28,100	-	54 (8)	28,046
Cost of Capital	534,907	18,422 (2)	20,092 (1) 41,823 (6) <u>201,546 (8)</u>	289,868
Subtotal	<u>9,489,234</u>	<u>46,755</u>	828,191	8,707,798
Ancillary	-	4,063 (5)	-	4,063
Nonallowable	1,407,549	20,092 (1) 21,440 (3) 41,823 (6) 361,962 (7) 331,911 (8) 20,250 (9)	18,422 (2) 1,683 (5)	2,184,922
CNA Training and Testing	<u>4,912</u>	<u>-</u>	<u>-</u>	<u>4,912</u>
Total Operating Expenses	<u>\$10,901,695</u>	<u>\$848,296</u>	<u>\$848,296</u>	<u>\$10,901,695</u>
Total Patient Days	<u>49,698</u>	<u>-</u>	<u>-</u>	<u>49,698</u>
Total Beds	<u>148</u>			

NHC HEALTHCARE – GARDEN CITY
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-GAC-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Other Equity	\$516,718	
	Nonallowable	20,092	
	Fixed Assets		\$241,673
	Accumulated Depreciation		275,045
	Cost of Capital		20,092
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Cost of Capital	18,422	
	Nonallowable		18,422
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
3	Nonallowable	21,440	
	Taxes and Insurance		21,440
	To adjust property tax expense HIM-15-1, Sections 2102.3 and 2304		
4	Dietary	12,519	
	Housekeeping	4,856	
	Administration	10,958	
	Medical Supplies		28,333
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
5	Ancillary	4,063	
	Maintenance		464
	Administration		878
	Medical Supplies		1,038
	Nonallowable		1,683
	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		

NHC HEALTHCARE – GARDEN CITY
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-GAC-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable Cost of Capital	41,823	41,823
	To adjust capital return State Plan, Attachment 4.19D		
7	Nonallowable Nursing Restorative Housekeeping Maintenance Medical Records Taxes and Insurance Medical Supplies	361,962	595 2,883 75 15 1,270 345,546 11,578
	To disallow liability insurance and adjust related party cost HIM-15-1, Sections 1005, 2162.2 and 2304 State Plan, Attachment 4.19D		
8	Nonallowable Nursing Dietary Maintenance Administration Legal Taxes and Insurance Cost of Capital	331,911	66 6 3 129,779 54 457 201,546
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

NHC HEALTHCARE – GARDEN CITY
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-GAC-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Nonallowable Restorative	20,250	20,250
	To disallow cable TV expense HIM-15-1, Section 2106.1 DH&HS Expense Crosswalk		
	TOTAL ADJUSTMENTS	<u>\$1,365,014</u>	<u>\$1,365,014</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 – GARDEN CITY
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2011
AC# 3-GAC-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>88</u>	<u>60</u>	
Deemed Asset Value	4,373,424	2,981,880	
Improvements Since 1981	1,026,069	78,928	
Accumulated Depreciation at 9/30/11	(1,993,272)	(694,457)	
Deemed Depreciated Value	3,406,221	2,366,351	
Market Rate of Return	<u>.0408</u>	<u>.0408</u>	
Total Annual Return	138,974	96,547	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	138,974	96,547	
Depreciation Expense	116,978	152,357	
Amortization Expense	-	-	
Capital Related Income Offsets	(127,831)	(87,157)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	128,121	161,747	\$289,868
Total Patient Days (Minimum 92% Occupancy)	<u>29,550</u>	<u>20,148</u>	<u>49,698</u>
Cost of Capital Per Diem	\$ <u><u>4.34</u></u>	\$ <u><u>8.03</u></u>	\$ <u><u>5.83</u></u>

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