

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
FAX (803) 343-0723

July 7, 2015

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

Re: AC# 3-GNV-J1 – NHC Healthcare – Greenville, LLC

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 – GREENVILLE, LLC
GREER, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2012
AC# 3-GNV-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 20, 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 – Greenville, LLC, 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 – Greenville, LLC 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 – Greenville, LLC, 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 – Greenville, LLC 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 20, 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.", written in a cursive style.

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

NHC HEALTHCARE – GREENVILLE, LLC
Computation of Rate Change
For the Contract Period
Beginning October 1, 2012
AC# 3-GNV-J1

	10/01/12- <u>09/30/13</u>
Interim Reimbursement Rate (1)	\$165.47
Adjusted Reimbursement Rate	<u>152.80</u>
Decrease in Reimbursement Rate	\$ <u><u>12.67</u></u>

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

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 91.56	\$ 87.01	
Dietary		19.62	17.37	
Laundry/Housekeeping/Maintenance		<u>12.75</u>	<u>15.73</u>	
Subtotal	\$ <u>-</u>	123.93	120.11	\$120.11
Administration & Medical Records	\$ <u>-</u>	<u>27.08</u>	<u>22.95</u>	<u>22.95</u>
Subtotal		151.01	<u>\$143.06</u>	143.06
<u>Costs Not Subject to Standards:</u>				
Utilities		3.19		3.19
Special Services		.02		.02
Medical Supplies & Oxygen		6.52		6.52
Taxes and Insurance		2.62		2.62
Legal Fees		<u>.06</u>		<u>.06</u>
TOTAL		<u>\$163.42</u>		155.47
Inflation Factor (N/A)				-
Cost of Capital				3.37
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>(6.04)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$152.80</u>

NHC HEALTHCARE – GREENVILLE, LLC
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2011
 AC# 3-GNV-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	\$5,655,538	\$12,955 (3)	\$ 1,324 (4) 96 (4) 1,241 (6) 4,261 (6) 10,161 (8) 1,297,014 (9) 111,228 (11) 1,269 (12)	\$4,241,899
Dietary	1,195,460	15,900 (3) 898 (13)	166 (4) 963 (10) 301,874 (11) 110 (12)	909,145
Laundry	171,460	-	37 (4) 42,749 (11)	128,674
Housekeeping	341,106	2,683 (3)	70 (4) 89,935 (11)	253,784
Maintenance	284,299	-	31 (4) 1,303 (10) 73,592 (11) 66 (12) 1,218 (13)	208,089
Administration & Medical Records	1,825,260	5,845 (3) 2,558 (3) 1,780 (4)	38 (4) 1,532 (6) 718 (10) 228,070 (11) 68,666 (11) 279,671 (12) 2,163 (13)	1,254,585

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

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Utilities	208,183	-	8,376 (7) 52,205 (11)	147,602
Special Services	1,484	488,408 (13)	18 (4) 488,841 (10)	1,033
Medical Supplies & Oxygen	475,240	-	39,941 (3) 17,537 (6) 81,006 (10) 29,747 (11) 4,985 (13)	302,024
Taxes and Insurance	573,630	-	411,004 (6) 32,704 (11) 8,769 (12)	121,153
Legal Fees	3,992	-	1,045 (12)	2,947
Cost of Capital	525,443	31,317 (2)	112,816 (1) 95,794 (5) 11,139 (11) <u>180,656 (12)</u>	156,355
Subtotal	11,261,095	562,344	4,096,149	7,727,290

NHC HEALTHCARE – GREENVILLE, LLC
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2011
AC# 3-GNV-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>	
Ancillary	-	16,504 (13)	-	16,504
Nonallowable	1,976,938	112,816 (1)	31,317 (2)	5,485,863
		95,794 (5)	497,444 (13)	
		435,575 (6)		
		10,161 (8)		
		1,297,014 (9)		
		572,831 (10)		
		1,041,909 (11)		
		471,586 (12)		
CNA Training and Testing	-	-	-	-
Total Operating Expenses	<u>\$13,238,033</u>	<u>\$4,616,534</u>	<u>\$4,624,910</u>	<u>\$13,229,657</u>
Total Patient Days	<u>61,727</u>	<u>-</u>	<u>15,397 (14)</u>	<u>46,330</u>
Total Beds	<u>132</u>			

NHC HEALTHCARE – GREENVILLE, LLC
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-GNV-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$843,720	
	Other Equity	848,421	
	Nonallowable	112,816	
	Fixed Assets		\$1,692,141
	Cost of Capital		112,816
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Cost of Capital	31,317	
	Nonallowable		31,317
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
3	Nursing	12,955	
	Dietary	15,900	
	Housekeeping	2,683	
	Administration	5,845	
	Medical Records	2,558	
	Medical Supplies		39,941
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
4	Administration	1,780	
	Nursing		1,324
	Restorative		96
	Dietary		166
	Laundry		37
	Housekeeping		70
	Maintenance		31
	Medical Records		38
	Special Services		18
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

NHC HEALTHCARE – GREENVILLE, LLC
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-GNV-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable Cost of Capital	95,794	95,794
	To adjust capital return and related income offset State Plan, Attachment 4.19D		
6	Nonallowable Nursing Restorative Medical Records Taxes and Insurance Medical Supplies	435,575	1,241 4,261 1,532 411,004 17,537
	To disallow liability insurance and adjust related party cost HIM-15-1, Sections 1005, 2162.2 and 2304 State Plan, Attachment 4.19D		
7	Other Revenue Utilities	8,376	8,376
	To offset income against related expense HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
8	Nonallowable Restorative	10,161	10,161
	To disallow cable TV expense HIM-15-1, Section 2106.1 DH&HS Expense Crosswalk		
9	Nonallowable Nursing	1,297,014	1,297,014
	To reclassify nursing cost to a non-reimbursable cost center HIM-15-1, Sections 2102.3 and 2304 State Plan, Attachment 4.19D		

NHC HEALTHCARE – GREENVILLE, LLC
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-GNV-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Nonallowable	572,831	
	Dietary		963
	Maintenance		1,303
	Administration		718
	Medical Supplies		81,006
	Special Services		488,841
	To reclassify ancillary service cost to a non-reimbursable cost center HIM-15-1, Sections 2102.3 and 2304 State Plan, Attachment 4.19D		
11	Nonallowable	1,041,909	
	Restorative		111,228
	Dietary		301,874
	Laundry		42,749
	Housekeeping		89,935
	Maintenance		73,592
	Administration		228,070
	Medical Records		68,666
	Utilities		52,205
	Taxes and Insurance		32,704
	Medical Supplies		29,747
	Cost of Capital		11,139
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
12	Nonallowable	471,586	
	Nursing		1,269
	Dietary		110
	Maintenance		66
	Administration		279,671
	Legal		1,045
	Taxes and Insurance		8,769
	Cost of Capital		180,656
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

NHC HEALTHCARE – GREENVILLE, LLC
 Adjustment Report
 Cost Report Period Ended September 30, 2011
 AC# 3-GNV-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
13	Dietary	898	
	Special Services	488,408	
	Ancillary	16,504	
	Maintenance		1,218
	Administration		2,163
	Medical Supplies		4,985
	Nonallowable		497,444
14	<u>Memo Adjustment:</u>		
	To decrease total patient days		
	by 15,397 to 46,330		
		_____	_____
	TOTAL ADJUSTMENTS	<u>\$6,317,051</u>	<u>\$6,317,051</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 – GREENVILLE, LLC
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2011
 AC# 3-GNV-J1

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>3.1821</u>
Deemed Asset Value (Per Bed)	49,698
Number of Beds	<u>132</u>
Deemed Asset Value	6,560,136
Improvements Since 1981	1,508,701
Accumulated Depreciation at 9/30/11	<u>(3,146,267)</u>
Deemed Depreciated Value	4,922,570
Market Rate of Return	<u>.0408</u>
Total Annual Return	200,841
Return Applicable to Non-Reimbursable Cost Centers	(13,760)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	187,081
Depreciation Expense	167,494
Amortization Expense	-
Capital Related Income Offsets	(187,081)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(11,139)</u>
Allowable Cost of Capital Expense	156,355
Total Patient Days (Actual)	<u>46,330</u>
Cost of Capital Per Diem	\$ <u><u>3.37</u></u>

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