

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 2, 2015

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

Re: AC# 3-GNV-J2 – 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, 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 – GREENVILLE, LLC
GREER, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2013
AC# 3-GNV-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 25, 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, 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 – 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
November 25, 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 - GREENVILLE, LLC
Computation of Rate Change
For the Contract Period
Beginning October 1, 2013
AC# 3-GNV-J2

10/01/13-
09/30/14

Interim Reimbursement Rate (1)	\$170.25
Adjusted Reimbursement Rate	<u>158.21</u>
Decrease in Reimbursement Rate	<u>\$ 12.04</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, 2013 Through September 30, 2014
 AC# 3-GNV-J2

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 90.12	\$ 85.64	
Dietary		18.89	17.31	
Laundry/Housekeeping/Maintenance		<u>13.28</u>	<u>15.32</u>	
Subtotal	\$ <u>-</u>	122.29	118.27	\$118.27
Administration & Medical Records	\$ <u>-</u>	<u>25.53</u>	<u>22.29</u>	<u>22.29</u>
Subtotal		147.82	<u>\$140.56</u>	140.56
<u>Costs Not Subject to Standards:</u>				
Utilities		3.34		3.34
Special Services		.26		.26
Medical Supplies & Oxygen		7.21		7.21
Taxes and Insurance		2.78		2.78
Legal Fees		<u>.04</u>		<u>.04</u>
TOTAL		<u>\$161.45</u>		154.19
Inflation Factor (3.60%)				5.55
Cost of Capital				3.24
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 (2.9241%)				<u>(4.77)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$158.21</u>

NHC HEALTHCARE - GREENVILLE, LLC
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2012
 AC# 3-GNV-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	\$5,586,477	\$ -	\$ 10,792 (4) 604 (7) 4,954 (7) 1,301,010 (10) 109,654 (11) 1,350 (12)	\$4,158,113
Dietary	1,167,378	821 (5)	821 (9) 295,805 (11) 91 (12)	871,482
Laundry	188,652	-	47,819 (11)	140,833
Housekeeping	359,208	-	94,076 (11)	265,132
Maintenance	282,070	-	753 (5) 222 (7) 901 (9) 73,486 (11) 47 (12)	206,661
Administration & Medical Records	1,665,279	-	1,452 (5) 381 (7) 1,772 (7) 503 (9) 209,975 (11) 69,913 (11) 203,261 (12)	1,178,022
Utilities	219,076	-	10,412 (8) 54,577 (11)	154,087
Special Services	16,159	612,167 (5)	616,246 (9)	12,080

NHC HEALTHCARE - GREENVILLE, LLC
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2012
AC# 3-GNV-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>
Medical Supplies & Oxygen	477,949	-	6,613 (5) 23,211 (7) 72,668 (9) 42,595 (11)	332,862
Taxes and Insurance	594,155	-	421,956 (3) 34,968 (11) 8,755 (12)	128,476
Legal Fees	2,434	-	617 (12)	1,817
Cost of Capital	483,237	28,472 (2)	103,904 (1) 60,563 (6) 10,576 (11) 187,363 (12)	149,303
Subtotal	11,042,074	641,460	4,084,666	7,598,868
Ancillary	-	6,588 (5)	-	6,588
Nonallowable	2,617,420	103,904 (1) 421,956 (3) 10,792 (4) 60,563 (6) 31,144 (7) 691,139 (9) 1,301,010 (10) 1,043,444 (11) 401,484 (12)	28,472 (2) 610,758 (5)	6,043,626

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

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
CNA Training and Testing	-	-	-	-
Total Operating Expenses	<u>\$13,659,494</u>	<u>\$4,713,484</u>	<u>\$4,723,896</u>	<u>\$13,649,082</u>
Total Patient Days	<u>61,814</u>	<u>-</u>	<u>15,674</u> (13)	<u>46,140</u>
Total Beds	<u>132</u>			

NHC HEALTHCARE - GREENVILLE, LLC
Adjustment Report
Cost Report Period Ended September 30, 2012
AC# 3-GNV-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$865,049	
	Other Equity	829,787	
	Nonallowable	103,904	
	Fixed Assets		\$1,694,836
	Cost of Capital		103,904
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Cost of Capital	28,472	
	Nonallowable		28,472
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
3	Nonallowable	421,956	
	Taxes and Insurance		421,956
	To disallow liability insurance HIM-15-1, Sections 2162.2 and 2304 State Plan, Attachment 4.19D		
4	Nonallowable	10,792	
	Restorative		10,792
	To disallow cable TV expense HIM-15-1, Section 2106.1 DH&HS Expense Crosswalk		
5	Dietary	821	
	Special Services	612,167	
	Ancillary	6,588	
	Maintenance		753
	Administration		1,452
	Medical Supplies		6,613
	Nonallowable		610,758
	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 - GREENVILLE, LLC
Adjustment Report
Cost Report Period Ended September 30, 2012
AC# 3-GNV-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable Cost of Capital	60,563	60,563
	To adjust capital return and related income offset State Plan, Attachment 4.19D		
7	Nonallowable Nursing Restorative Maintenance Administration Medical Records Medical Supplies	31,144	604 4,954 222 381 1,772 23,211
	To adjust related party cost HIM-15-1, Sections 1005 and 2304		
8	Other Revenue Utilities	10,412	10,412
	To offset income against related expense HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
9	Nonallowable Dietary Maintenance Administration Medical Supplies Special Services	691,139	821 901 503 72,668 616,246
	To reclassify ancillary service 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, 2012
AC# 3-GNV-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Nonallowable Nursing	1,301,010	1,301,010
	To reclassify nursing cost to a non-reimbursable cost center HIM-15-1, Sections 2102.3 and 2304 State Plan, Attachment 4.19D		
11	Nonallowable	1,043,444	
	Restorative		109,654
	Dietary		295,805
	Laundry		47,819
	Housekeeping		94,076
	Maintenance		73,486
	Administration		209,975
	Medical Records		69,913
	Utilities		54,577
	Taxes and Insurance		34,968
	Medical Supplies		42,595
	Cost of Capital		10,576
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
12	Nonallowable	401,484	
	Nursing		1,350
	Dietary		91
	Maintenance		47
	Administration		203,261
	Legal		617
	Taxes and Insurance		8,755
	Cost of Capital		187,363
	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, 2012
 AC# 3-GNV-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
13	Memo Adjustment: To decrease total patient days by 15,674 to 46,140		
	TOTAL ADJUSTMENTS	<u>\$6,418,732</u>	<u>\$6,418,732</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, 2012
 AC# 3-GNV-J2

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>3.21571</u>
Deemed Asset Value (Per Bed)	50,223
Number of Beds	<u>132</u>
Deemed Asset Value	6,629,436
Improvements Since 1981	1,527,199
Accumulated Depreciation at 9/30/12	<u>(3,258,489)</u>
Deemed Depreciated Value	4,898,146
Market Rate of Return	<u>.0369</u>
Total Annual Return	180,742
Return Applicable to Non-Reimbursable Cost Centers	(12,558)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	168,184
Depreciation Expense	159,879
Amortization Expense	-
Capital Related Income Offsets	(168,184)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(10,576)</u>
Allowable Cost of Capital Expense	149,303
Total Patient Days (Actual)	<u>46,140</u>
Cost of Capital Per Diem	\$ <u><u>3.24</u></u>

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