

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-GNW-J1 - NHC Healthcare - Greenwood

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/sag

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

**NHC HEALTHCARE – GREENWOOD
GREENWOOD, SOUTH CAROLINA**

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

January 14, 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 - Greenwood, 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 - Greenwood 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 - Greenwood, 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 - Greenwood 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 14, 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.", with a stylized flourish at the end.

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

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

10/01/12-
09/30/13

Interim Reimbursement Rate (1)	\$158.24
Adjusted Reimbursement Rate	<u>147.95</u>
Decrease in Reimbursement Rate	\$ <u><u>10.29</u></u>

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

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 78.33	\$101.11	
Dietary		17.26	17.37	
Laundry/Housekeeping/Maintenance		<u>13.89</u>	<u>15.73</u>	
Subtotal	<u>\$9.39</u>	109.48	134.21	\$109.48
Administration & Medical Records	<u>\$1.01</u>	<u>21.94</u>	<u>22.95</u>	<u>21.94</u>
Subtotal		131.42	<u>\$157.16</u>	131.42
<u>Costs Not Subject to Standards:</u>				
Utilities		3.10		3.10
Special Services		.35		.35
Medical Supplies & Oxygen		7.49		7.49
Taxes and Insurance		2.84		2.84
Legal Fees		<u>.05</u>		<u>.05</u>
TOTAL		<u>\$145.25</u>		145.25
Inflation Factor (N/A)				-
Cost of Capital				6.80
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				1.01
Cost Incentive				9.39
Effect of \$1.75 Cap on Cost/Profit Incentives				(8.65)
Budget Neutrality Adjustment (3.805%)				<u>(5.85)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$147.95</u>

NHC HEALTHCARE – GREENWOOD
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2011
 AC# 3-GNW-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	\$4,095,789	\$ -	\$ 16,112 (8) 1,135 (8) 1,109 (11) 4,068 (11) 57 (12) 13,980 (13)	\$4,059,328
Dietary	896,365	-	2,073 (8) 5 (12)	894,287
Laundry	138,207	-	529 (8)	137,678
Housekeeping	339,931	-	1,229 (8)	338,702
Maintenance	252,345	-	7,100 (3) 498 (8) 3 (12) 1,369 (14)	243,375
Administration & Medical Records	1,287,506	7,149 (6) 484 (6) 23,960 (8)	2,384 (8) 63,351 (10) 1,277 (11) 112,940 (12) 2,244 (14)	1,136,903
Utilities	162,830	-	2,252 (4)	160,578
Special Services	18,098	1 (14)	-	18,099
Medical Supplies & Oxygen	421,939	1 (14)	7,660 (6) 10,542 (7) 15,399 (11)	388,339

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

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted Totals
Taxes and Insurance	499,151	-	5,170 (5) 346,615 (11) 397 (12)	146,969
Legal Fees	2,876	-	47 (12)	2,829
Cost of Capital	416,852	187,996 (9)	50,061 (1) 26,854 (2) <u>175,393 (12)</u>	352,540
Subtotal	8,531,889	219,591	871,853	7,879,627
Ancillary	-	10,542 (7)	-	10,542
Nonallowable	1,326,647	50,061 (1) 26,854 (2) 7,100 (3) 2,252 (4) 5,170 (5) 27 (6) 63,351 (10) 368,468 (11) 288,842 (12) 13,980 (13) 3,611 (14)	187,996 (9)	1,968,367
CNA Training and Testing	-	-	-	-
Total Operating Expenses	<u>\$9,858,536</u>	<u>\$1,059,849</u>	<u>\$1,059,849</u>	<u>\$9,858,536</u>
Total Patient Days	<u>51,821</u>	<u>-</u>	<u>-</u>	<u>51,821</u>
Total Beds	<u>152</u>			

NHC HEALTHCARE – GREENWOOD
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-GNW-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Other Equity	\$552,150	
	Nonallowable	50,061	
	Fixed Assets		\$208,193
	Accumulated Depreciation		343,957
	Cost of Capital		50,061
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	26,854	
	Cost of Capital		26,854
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
3	Nonallowable	7,100	
	Maintenance		7,100
	To disallow expense not related to patient care HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
4	Nonallowable	2,252	
	Utilities		2,252
	To disallow expense not related to patient care HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
5	Nonallowable	5,170	
	Taxes and Insurance		5,170
	To adjust property tax expense HIM-15-1, Sections 2302.1 and 2304		

NHC HEALTHCARE – GREENWOOD
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-GNW-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Administration	7,149	
	Medical Records	484	
	Nonallowable	27	
	Medical Supplies		7,660
	To reclassify expense to the proper cost center		
	DH&HS Expense Crosswalk		
7	Ancillary	10,542	
	Medical Supplies		10,542
	To reclassify expense to the proper cost center		
	DH&HS Expense Crosswalk		
8	Medical Records	23,960	
	Nursing		16,112
	Restorative		1,135
	Dietary		2,073
	Laundry		529
	Housekeeping		1,229
	Maintenance		498
	Administration		2,384
	To adjust fringe benefits and related allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
9	Cost of Capital	187,996	
	Nonallowable		187,996
	To adjust capital return and related income offset		
	State Plan, Attachment 4.19D		

NHC HEALTHCARE – GREENWOOD
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-GNW-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Nonallowable Medical Records	63,351	63,351
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
11	Nonallowable Nursing Restorative Medical Records Taxes and Insurance Medical Supplies	368,468	1,109 4,068 1,277 346,615 15,399
	To disallow liability insurance and adjust related party cost HIM-15-1, Sections 1005, 2162.2 and 2304 State Plan, Attachment 4.19D		
12	Nonallowable Nursing Dietary Maintenance Administration Legal Taxes and Insurance Cost of Capital	288,842	57 5 3 112,940 47 397 175,393
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
13	Nonallowable Restorative	13,980	13,980
	To disallow cable TV expense HIM-15-1, Section 2106.1 DH&HS Expense Crosswalk		

NHC HEALTHCARE – GREENWOOD
 Adjustment Report
 Cost Report Period Ended September 30, 2011
 AC# 3-GNW-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
14	Medical Supplies	1	
	Special Services	1	
	Nonallowable	3,611	
	Maintenance		1,369
	Administration		2,244
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
		_____	_____
	TOTAL ADJUSTMENTS	<u>\$1,611,999</u>	<u>\$1,611,999</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 – GREENWOOD
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2011
 AC# 3-GNW-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>108</u>	<u>44</u>	
Deemed Asset Value	5,367,384	2,186,712	
Improvements Since 1981	4,369,883	419,281	
Accumulated Depreciation at 9/30/11	(4,453,488)	(1,700,582)	
Deemed Depreciated Value	5,283,779	905,411	
Market Rate of Return	<u>.0408</u>	<u>.0408</u>	
Total Annual Return	215,578	36,941	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	215,578	36,941	
Depreciation Expense	198,162	69,777	
Amortization Expense	-	-	
Capital Related Income Offsets	(130,977)	(36,941)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	282,763	69,777	\$352,540
Total Patient Days (Actual)	<u>36,820</u>	<u>15,001</u>	<u>51,821</u>
Cost of Capital Per Diem	\$ <u><u>7.68</u></u>	\$ <u><u>4.65</u></u>	\$ <u><u>6.80</u></u>

NHC HEALTHCARE – GREENWOOD
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2011
AC# 3-GNW-J1

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$4.03	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$8.02</u>	<u>\$4.65</u>
Reimbursable Cost of Capital Per Diem		\$ 6.80
Cost of Capital Per Diem		<u>6.80</u>
Cost of Capital Per Diem Limitation		\$ <u>-</u>

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