



**South Carolina  
Office of the State Auditor**

**George L. Kennedy, III, CPA  
State Auditor**

April 13, 2016

Ms. Pamela M. Taylor, Administrator  
Honorage Nursing Home of Florence, S.C. Inc.  
1207 N. Cashua Drive  
Florence, South Carolina 29501

Re: AC# 3-HNH-J2 – Honorage Nursing Home of Florence, S.C. Inc. d/b/a Honorage Nursing Center

Dear Ms. Taylor:

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 blue ink that reads "George L. Kennedy, III".

George L. Kennedy, III, CPA  
State Auditor

GLKIII/sag

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

**HONORAGE NURSING HOME OF FLORENCE, S.C. INC.  
D/B/A HONORAGE NURSING CENTER**

**FLORENCE, SOUTH CAROLINA**

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

February 8, 2016

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 Honorage Nursing Home of Florence, S.C. Inc. d/b/a Honorage Nursing Center, 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 Honorage Nursing Home of Florence, S.C. Inc. d/b/a Honorage Nursing Center 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 Honorage Nursing Home of Florence, S.C. Inc. d/b/a Honorage Nursing Center, 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 Honorage Nursing Home of Florence, S.C. Inc. d/b/a Honorage Nursing Center 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  
February 8, 2016

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.



George L. Kennedy, III, CPA  
State Auditor

**HONORAGE NURSING CENTER**  
Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2013  
AC# 3-HNH-J2

10/01/13-  
09/30/14

Interim Reimbursement Rate (1)	\$174.47
Adjusted Reimbursement Rate	<u>171.91</u>
Decrease in Reimbursement Rate	\$ <u><u>2.56</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 12, 2015.

**HONORAGE NURSING CENTER**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2013 Through September 30, 2014  
 AC# 3-HNH-J2

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 88.10	\$ 95.25	
Dietary		18.56	17.41	
Laundry/Housekeeping/Maintenance		<u>21.88</u>	<u>16.17</u>	
Subtotal	\$ <u>.29</u>	128.54	128.83	\$128.54
Administration & Medical Records	\$ <u>5.23</u>	<u>18.48</u>	<u>23.71</u>	<u>18.48</u>
Subtotal		147.02	<u>\$152.54</u>	147.02
<u>Costs Not Subject to Standards:</u>				
Utilities		4.68		4.68
Special Services		.20		.20
Medical Supplies & Oxygen		6.65		6.65
Taxes and Insurance		4.14		4.14
Legal Fees		-		-
<b>TOTAL</b>		<u>\$162.69</u>		162.69
Inflation Factor (3.60%)				5.86
Cost of Capital				7.13
Cost of Capital Limitation				(.34)
Profit Incentive (Maximum 3.5% of Allowable Cost)				5.23
Cost Incentive				.29
Effect of \$1.75 Cap on Cost/Profit Incentives				(3.77)
Budget Neutrality Adjustment (2.9241%)				<u>(5.18)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$171.91</u>

**HONORAGE NURSING CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2012  
AC# 3-HNH-J2

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$2,678,973	\$23,061 (5) 13,471 (8)	\$ 1,821 (4) 264 (8)	\$2,713,420
Dietary	544,721	41,136 (5)	14,158 (8)	571,699
Laundry	73,837	-	7,547 (8)	66,290
Housekeeping	318,742	3,113 (8)	-	321,855
Maintenance	295,132	392 (8)	9,897 (4)	285,627
Administration & Medical Records	579,183	628 (8)	6,786 (2) 3,915 (8)	569,110
Utilities	144,219	-	-	144,219
Special Services	7,398	-	1,204 (7)	6,194
Medical Supplies & Oxygen	316,046	-	64,197 (5) 16,234 (6) 30,741 (7)	204,874
Taxes and Insurance	130,553	-	3,181 (4)	127,372
Legal Fees	-	-	-	-

**HONORAGE NURSING CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2012  
AC# 3-HNH-J2

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Cost of Capital	209,118	2,815 (1) <u>7,684 (3)</u>	-	219,617
Subtotal	5,297,922	92,300	159,945	5,230,277
Ancillary	-	16,234 (6)	-	16,234
Nonallowable	943,994	6,786 (2) 14,899 (4) 31,945 (7) 8,280 (8)	2,815 (1) 7,684 (3)	995,405
CNA Training and Testing	<u>532</u>	<u>-</u>	<u>-</u>	<u>532</u>
Total Operating Expenses	<u>\$6,242,448</u>	<u>\$170,444</u>	<u>\$170,444</u>	<u>\$6,242,448</u>
Total Patient Days	<u>30,798</u>	<u>-</u>	<u>-</u>	<u>30,798</u>
Total Beds	<u>88</u>			

**HONORAGE NURSING CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2012  
AC# 3-HNH-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$106,342	
	Cost of Capital	2,815	
	Accumulated Depreciation		\$104,112
	Other Equity		2,230
	Nonallowable		2,815
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	6,786	
	Administration		6,786
	To remove nonallowable telephone expense HIM-15-1, Sections 2103, 2126.2 and 2304 State Plan, Attachment 4.19D		
3	Cost of Capital	7,684	
	Nonallowable		7,684
	To adjust capital return State Plan, Attachment 4.19D		
4	Nonallowable	14,899	
	Restorative		1,821
	Maintenance		9,897
	Taxes and Insurance		3,181
	To disallow expense associated with non-reimbursable vehicles HIM-15-1, Sections 2103 and 2304 State Plan, Attachment 4.19D		
5	Nursing	23,061	
	Dietary	41,136	
	Medical Supplies		64,197
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		

**HONORAGE NURSING CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2012  
AC# 3-HNH-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Ancillary Medical Supplies	16,234	16,234
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
7	Nonallowable Medical Supplies Special Services	31,945	30,741 1,204
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
8	Nursing Housekeeping Maintenance Administration Nonallowable Restorative Dietary Laundry Medical Records	13,471 3,113 392 628 8,280	264 14,158 7,547 3,915
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$276,786</u>	<u>\$276,786</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.

**HONORAGE NURSING CENTER**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2012  
 AC# 3-HNH-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>88</u>
Deemed Asset Value	4,419,624
Improvements Since 1981	1,737,255
Accumulated Depreciation at 9/30/12	<u>(1,643,809)</u>
Deemed Depreciated Value	4,513,070
Market Rate of Return	<u>.0369</u>
Total Annual Return	166,532
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	166,532
Depreciation Expense	65,859
Amortization Expense	-
Capital Related Income Offsets	(12,774)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	219,617
Total Patient Days (Actual)	<u>30,798</u>
Cost of Capital Per Diem	<u><u>\$ 7.13</u></u>

**HONORAGE NURSING CENTER**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 2012  
AC# 3-HNH-J2

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 2.80
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>6.79</u>
Reimbursable Cost of Capital Per Diem	\$ 6.79
Cost of Capital Per Diem	<u>7.13</u>
Cost of Capital Per Diem Limitation	\$ <u>(0.34)</u>

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