

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-MLD-J1 – NHC Healthcare – Mauldin, LLC d/b/a NHC Healthcare Mauldin

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 – MAULDIN, LLC
D/B/A NHC HEALTHCARE MAULDIN**

MAULDIN, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2012
AC# 3-MLD-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 27, 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 – Mauldin, LLC d/b/a NHC Healthcare Mauldin, 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 – Mauldin, LLC d/b/a NHC Healthcare Mauldin 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 – Mauldin, LLC d/b/a NHC Healthcare Mauldin, 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 – Mauldin, LLC d/b/a NHC Healthcare Mauldin 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 27, 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 MAULDIN
Computation of Rate Change
For the Contract Period
Beginning October 1, 2012
AC# 3-MLD-J1

	10/01/12- <u>09/30/13</u>
Interim Reimbursement Rate (1)	\$179.10
Adjusted Reimbursement Rate	<u>165.87</u>
Decrease in Reimbursement Rate	\$ <u><u>13.23</u></u>

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

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 94.96	\$101.11	
Dietary		17.52	17.37	
Laundry/Housekeeping/Maintenance		<u>14.09</u>	<u>15.73</u>	
Subtotal	<u>\$7.64</u>	126.57	134.21	\$126.57
Administration & Medical Records	<u>\$ -</u>	<u>23.04</u>	<u>22.95</u>	<u>22.95</u>
Subtotal		149.61	<u>\$157.16</u>	149.52
<u>Costs Not Subject to Standards:</u>				
Utilities		6.10		6.10
Special Services		.01		.01
Medical Supplies & Oxygen		6.36		6.36
Taxes and Insurance		3.56		3.56
Legal Fees		<u>.06</u>		<u>.06</u>
TOTAL		<u>\$165.70</u>		165.61
Inflation Factor (N/A)				-
Cost of Capital				5.07
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				7.64
Effect of \$1.75 Cap on Cost/Profit Incentives				(5.89)
Budget Neutrality Adjustment (3.805%)				<u>(6.56)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$165.87</u>

NHC HEALTHCARE MAULDIN
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2011
AC# 3-MLD-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	\$5,864,875	\$ -	\$ 996 (6) 2,767 (6) 11,799 (7) 1,742,577 (8) 155,110 (10) 1,632 (11)	\$3,949,994
Dietary	1,092,355	1,252 (12)	8,859 (4) 1,252 (9) 354,534 (10) 142 (11)	728,820
Laundry	129,035	-	41,895 (10)	87,140
Housekeeping	426,650	-	141,916 (10)	284,734
Maintenance	322,090	-	1,430 (9) 106,050 (10) 85 (11) 403 (12)	214,122
Administration & Medical Records	1,593,430	-	1,549 (6) 466 (9) 250,294 (10) 64,256 (10) 317,635 (11) 970 (12)	958,260
Utilities	373,644	8,859 (4)	6,728 (7) 122,009 (10)	253,766
Special Services	615	445,403 (12)	445,604 (9)	414
Medical Supplies & Oxygen	414,623	1,456 (12)	13,224 (6) 96,888 (9) 41,479 (10)	264,488

NHC HEALTHCARE MAULDIN
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2011
AC# 3-MLD-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>
Taxes and Insurance	650,401	-	10,052 (3) 420,350 (6) 60,790 (10) 11,280 (11)	147,929
Legal Fees	4,002	-	1,344 (11)	2,658
Cost of Capital	668,367	136,917 (2)	306,588 (1) 111,578 (5) 14,238 (10) <u>162,133 (11)</u>	210,747
Subtotal	<u>11,540,087</u>	<u>593,887</u>	5,030,902	7,103,072
Ancillary	-	21,172 (12)	-	21,172
Nonallowable	1,400,217	306,588 (1) 111,578 (5) 438,886 (6) 11,799 (7) 1,742,577 (8) 545,640 (9) 1,352,571 (10) 494,251 (11)	136,917 (2) 467,910 (12)	5,799,280
CNA Training and Testing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>\$12,940,304</u>	<u>\$5,618,949</u>	<u>\$5,635,729</u>	<u>\$12,923,524</u>
Total Patient Days	<u>61,595</u>	<u>-</u>	<u>19,999 (13)</u>	<u>41,596</u>
Total Beds	<u>120</u>			

NHC HEALTHCARE MAULDIN
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-MLD-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$1,146,431	
	Other Equity	4,101,267	
	Nonallowable	306,588	
	Fixed Assets		\$5,247,698
	Cost of Capital		306,588
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Cost of Capital	136,917	
	Nonallowable		136,917
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
3	Intercompany	10,052	
	Taxes and Insurance		10,052
	To adjust property tax expense HIM-15-1, Sections 2302.1 and 2304		
4	Utilities	8,859	
	Dietary		8,859
	To reclassify income offset to the proper cost center HIM-15-1, Section 2102.3 DH&HS Expense Crosswalk		
5	Nonallowable	111,578	
	Cost of Capital		111,578
	To adjust capital return and related income offset State Plan, Attachment 4.19D		

NHC HEALTHCARE MAULDIN
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-MLD-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable	438,886	
	Nursing		996
	Restorative		2,767
	Medical Records		1,549
	Taxes and Insurance		420,350
	Medical Supplies		13,224
	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	6,728	
	Nonallowable	11,799	
	Restorative		11,799
	Utilities		6,728
	To offset income against related expense and disallow cable TV expense HIM-15-1, Sections 2102.3 and 2106.1 DH&HS Expense Crosswalk		
8	Nonallowable	1,742,577	
	Nursing		1,742,577
	To reclassify nursing cost to a non-reimbursable cost center HIM-15-1, Sections 2102.3 and 2304 State Plan, Attachment 4.19D		
9	Nonallowable	545,640	
	Dietary		1,252
	Maintenance		1,430
	Administration		466
	Medical Supplies		96,888
	Special Services		445,604
	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 MAULDIN
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-MLD-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Nonallowable	1,352,571	
	Restorative		155,110
	Dietary		354,534
	Laundry		41,895
	Housekeeping		141,916
	Maintenance		106,050
	Administration		250,294
	Medical Records		64,256
	Utilities		122,009
	Taxes and Insurance		60,790
	Medical Supplies		41,479
	Cost of Capital		14,238
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
11	Nonallowable	494,251	
	Nursing		1,632
	Dietary		142
	Maintenance		85
	Administration		317,635
	Legal		1,344
	Taxes and Insurance		11,280
	Cost of Capital		162,133
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

NHC HEALTHCARE MAULDIN
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-MLD-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
12	Dietary	1,252	
	Medical Supplies	1,456	
	Special Services	445,403	
	Ancillary	21,172	
	Maintenance		403
	Administration		970
	Nonallowable		467,910
	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		
13	<u>Memo Adjustment:</u> To decrease total patient days by 19,999 to 41,596		
	TOTAL ADJUSTMENTS	<u>\$10,883,427</u>	<u>\$10,883,427</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 MAULDIN
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2011
 AC# 3-MLD-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>120</u>
Deemed Asset Value	5,963,760
Improvements Since 1981	815,636
Accumulated Depreciation at 9/30/11	<u>(3,132,076)</u>
Deemed Depreciated Value	3,647,320
Market Rate of Return	<u>.0408</u>
Total Annual Return	148,811
Return Applicable to Non-Reimbursable Cost Centers	(9,567)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	139,244
Depreciation Expense	224,985
Amortization Expense	-
Capital Related Income Offsets	(139,244)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(14,238)</u>
Allowable Cost of Capital Expense	210,747
Total Patient Days (Actual)	<u>41,596</u>
Cost of Capital Per Diem	<u>\$ 5.07</u>

2 copies of this document were published at an estimated printing cost of \$1.41 each, and a total printing cost of \$2.82. Section 1-11-425 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.