

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-PKN-J1 – NHC Healthcare – Parklane, LLC d/b/a NHC Healthcare, Parklane

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

COLUMBIA, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2012
AC# 3-PKN-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 23, 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 – Parklane, LLC d/b/a NHC Healthcare, Parklane, 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 – Parklane, LLC d/b/a NHC Healthcare, Parklane 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 – Parklane, LLC d/b/a NHC Healthcare, Parklane, 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 – Parklane, LLC d/b/a NHC Healthcare, Parklane 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 23, 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, PARKLANE
Computation of Rate Change
For the Contract Period
Beginning October 1, 2012
AC# 3-PKN-J1

	<u>10/01/12-</u> <u>09/30/13</u>
Interim Reimbursement Rate (1)	\$160.98
Adjusted Reimbursement Rate	<u>151.18</u>
Decrease in Reimbursement Rate	\$ <u><u>9.80</u></u>

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

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 83.31	\$ 79.95	
Dietary		22.44	17.37	
Laundry/Housekeeping/Maintenance		<u>15.56</u>	<u>15.73</u>	
Subtotal	\$ <u>-</u>	121.31	113.05	\$113.05
Administration & Medical Records	<u>\$1.28</u>	<u>21.67</u>	<u>22.95</u>	<u>21.67</u>
Subtotal		142.98	<u>\$136.00</u>	134.72
<u>Costs Not Subject to Standards:</u>				
Utilities		6.41		6.41
Special Services		-		-
Medical Supplies & Oxygen		5.90		5.90
Taxes and Insurance		4.90		4.90
Legal Fees		<u>.06</u>		<u>.06</u>
TOTAL		<u>\$160.25</u>		151.99
Inflation Factor (N/A)				-
Cost of Capital				3.89
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				1.28
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Budget Neutrality Adjustment (3.805%)				<u>(5.98)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$151.18</u>

NHC HEALTHCARE, PARKLANE
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2011
 AC# 3-PKN-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	\$4,018,407	\$125,552 (9)	\$ 263 (6) 4,307 (6) 31,157 (7) 575,310 (8) 113,730 (10) 1,569 (11)	\$3,417,623
Dietary	910,954	14,206 (3) 2,239 (4) 455,455 (9)	2,239 (8) 460,059 (10) 137 (11)	920,419
Laundry	106,858	53,426 (9)	53,426 (10)	106,858
Housekeeping	281,938	1,524 (3) 160,721 (9)	145,984 (10)	298,199
Maintenance	218,538	540 (3) 130,504 (9)	1,261 (4) 2,973 (8) 112,136 (10) 81 (11)	233,131
Administration & Medical Records	1,096,412	8,555 (3) 3,502 (7) 321,518 (9) 73,110 (9)	758 (4) 1,491 (6) 379 (8) 237,133 (10) 72,611 (10) 301,779 (11)	888,946
Utilities	250,477	141,076 (9)	128,782 (10)	262,771
Special Services	-	486,457 (4)	486,457 (8)	-
Medical Supplies & Oxygen	224,214	64,885 (4) 112,101 (9)	26,074 (3) 10,734 (6) 97,598 (8) 24,884 (10)	241,910

NHC HEALTHCARE, PARKLANE
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2011
AC# 3-PKN-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	508,798	209,154 (9)	419,805 (6) 86,167 (10) 10,842 (11)	201,138
Legal Fees	2,775	977 (9)	1,292 (11)	2,460
Cost of Capital	299,473	38,365 (2) 5,224 (5) <u>44,794 (9)</u>	69,496 (1) 8,987 (10) <u>149,955 (11)</u>	159,418
Subtotal	7,918,844	2,453,885	3,639,856	6,732,873
Ancillary	-	398 (4)	-	398
Nonallowable	4,757,427	69,496 (1) 436,600 (6) 27,655 (7) 1,164,956 (8) 1,443,899 (10) 465,655 (11)	38,365 (2) 551,960 (4) 5,224 (5) 1,828,388 (9)	5,941,751
CNA Training and Testing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>\$12,676,271</u>	<u>\$6,062,544</u>	<u>\$6,063,793</u>	<u>\$12,675,022</u>
Total Patient Days	<u>41,024</u>	<u>-</u>	<u>-</u>	<u>41,024</u>
Total Beds	<u>120</u>			

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

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Other Equity	\$496,845	
	Nonallowable	69,496	
	Fixed Assets		\$ 90,235
	Accumulated Depreciation		406,610
	Cost of Capital		69,496
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Cost of Capital	38,365	
	Nonallowable		38,365
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
3	Intercompany	1,249	
	Dietary	14,206	
	Housekeeping	1,524	
	Maintenance	540	
	Administration	8,555	
	Medical Supplies		26,074
	To remove cost not related to patient care and reclassify expense to the proper cost center HIM-15-1, Section 2102.3 DH&HS Expense Crosswalk		
4	Dietary	2,239	
	Medical Supplies	64,885	
	Special Services	486,457	
	Ancillary	398	
	Maintenance		1,261
	Administration		758
	Nonallowable		551,960
	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, PARKLANE
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-PKN-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Cost of Capital Nonallowable	5,224	5,224
	To adjust capital return and related income offset State Plan, Attachment 4.19D		
6	Nonallowable	436,600	
	Nursing		263
	Restorative		4,307
	Medical Records		1,491
	Taxes and Insurance		419,805
	Medical Supplies		10,734
	To disallow liability insurance and adjust related party cost HIM-15-1, Sections 1005, 2162.2 and 2304 State Plan, Attachment 4.19D		
7	Administration Nonallowable	3,502	
	Restorative	27,655	31,157
	To disallow cable TV expense and reclassify expense to the proper cost center HIM-15-1, Section 2106.1 DH&HS Expense Crosswalk		
8	Nonallowable	1,164,956	
	Nursing		575,310
	Dietary		2,239
	Maintenance		2,973
	Administration		379
	Medical Supplies		97,598
	Special Services		486,457
	To reclassify expense to a non-reimbursable cost center HIM-15-1, Sections 2102.3 and 2304 State Plan, Attachment 4.19D		

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

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Restorative	125,552	
	Dietary	455,455	
	Laundry	53,426	
	Housekeeping	160,721	
	Maintenance	130,504	
	Administration	321,518	
	Medical Records	73,110	
	Legal	977	
	Utilities	141,076	
	Taxes and Insurance	209,154	
	Medical Supplies	112,101	
	Cost of Capital	44,794	
	Nonallowable		1,828,388
	To reverse DH&HS adjustment to remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
10	Nonallowable	1,443,899	
	Restorative		113,730
	Dietary		460,059
	Laundry		53,426
	Housekeeping		145,984
	Maintenance		112,136
	Administration		237,133
	Medical Records		72,611
	Utilities		128,782
	Taxes and Insurance		86,167
	Medical Supplies		24,884
	Cost of Capital		8,987
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

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

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
11	Nonallowable	465,655	
	Nursing		1,569
	Dietary		137
	Maintenance		81
	Administration		301,779
	Legal		1,292
	Taxes and Insurance		10,842
	Cost of Capital		149,955
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
		_____	_____
	TOTAL ADJUSTMENTS	<u>\$6,560,638</u>	<u>\$6,560,638</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, PARKLANE
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2011
AC# 3-PKN-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	472,340
Accumulated Depreciation at 9/30/11	<u>(2,662,506)</u>
Deemed Depreciated Value	3,773,594
Market Rate of Return	<u>.0408</u>
Total Annual Return	153,963
Return Applicable to Non-Reimbursable Cost Centers	(8,486)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	145,477
Depreciation Expense	168,405
Amortization Expense	-
Capital Related Income Offsets	(145,477)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(8,987)</u>
Allowable Cost of Capital Expense	159,418
Total Patient Days (Actual)	<u>41,024</u>
Cost of Capital Per Diem	\$ <u><u>3.89</u></u>

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