



**South Carolina
Office of the State Auditor**

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

January 6, 2016

Ms. Sarah L. Frierson, Administrator
Dr. Ronald E. McNair Nursing and Rehabilitation Center
56 Genesis Drive
Lake City, South Carolina 29560

Re: AC# 3-RMM-J2 – Healthcare Panascope, Inc. d/b/a Dr. Ronald E. McNair Nursing and Rehabilitation Center

Dear Ms. Frierson:

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

**HEALTHCARE PANASCOPE, INC. D/B/A
DR. RONALD E. MCNAIR NURSING
AND REHABILITATION CENTER**

LAKE CITY, SOUTH CAROLINA

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

September 23, 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 Healthcare Panascope, Inc. d/b/a Dr. Ronald E. McNair Nursing and Rehabilitation 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 Healthcare Panascope, Inc. d/b/a Dr. Ronald E. McNair Nursing and Rehabilitation 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 Healthcare Panascope, Inc. d/b/a Dr. Ronald E. McNair Nursing and Rehabilitation 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 Healthcare Panascope, Inc. d/b/a Dr. Ronald E. McNair Nursing and Rehabilitation 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
September 23, 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.



George L. Kennedy, III, CPA
State Auditor

DR. RONALD E. MCNAIR NURSING AND REHABILITATION CENTER

Computation of Rate Change
For the Contract Period
Beginning October 1, 2013
AC# 3-RMM-J2

10/01/13-
09/30/14

Interim Reimbursement Rate (1)	\$143.45
Adjusted Reimbursement Rate (2)	<u>-</u>
Decrease in Reimbursement Rate	<u>\$143.45</u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 12, 2015.
- (2) As provided under Article IV, Section E of the Provider's contract dated October 1, 2011 as amended, "The Provider agrees that the rate charged to SCDHHS for service to a Recipient under this Contract shall never be greater than that charged for a similar service to a private pay patient..." No documentation has been received to support the rate charged and collected from the semi-private/private pay residents. Accordingly, the reimbursement rate is limited.

DR. RONALD E. MCNAIR NURSING AND REHABILITATION CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2013 Through September 30, 2014
 AC# 3-RMM-J2

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 65.94	\$ 95.25	
Dietary		15.36	17.41	
Laundry/Housekeeping/Maintenance		<u>13.43</u>	<u>16.17</u>	
Subtotal	<u>\$9.02</u>	94.73	128.83	\$ 94.73
Administration & Medical Records	<u>\$1.79</u>	<u>21.92</u>	<u>23.71</u>	<u>21.92</u>
Subtotal		116.65	<u>\$152.54</u>	116.65
<u>Costs Not Subject to Standards:</u>				
Utilities		4.78		4.78
Special Services		-		-
Medical Supplies & Oxygen		6.75		6.75
Taxes and Insurance		4.02		4.02
Legal Fees		<u>.50</u>		<u>.50</u>
TOTAL		<u>\$132.70</u>		132.70
Inflation Factor (3.60%)				4.78
Cost of Capital				5.80
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				1.79
Cost Incentive				9.02
Effect of \$1.75 Cap on Cost/Profit Incentives				(9.06)
Budget Neutrality Adjustment (2.9241%)				<u>(4.24)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$140.79</u>

DR. RONALD E. MCNAIR NURSING AND REHABILITATION CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2012
 AC# 3-RMM-J2

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$2,012,261	\$ 5,176 (3) 6,248 (3)	\$ 3,255 (7) 38,481 (8) 2,530 (8)	\$1,979,419
Dietary	432,598	32,379 (3)	4,018 (8)	460,959
Laundry	76,279	-	1,224 (8)	75,055
Housekeeping	167,469	-	2,562 (8)	164,907
Maintenance	165,264	-	2,128 (8)	163,136
Administration & Medical Records	666,160	-	1,728 (7) 5,245 (8) 1,233 (8)	657,954
Utilities	149,044	-	5,292 (2) 158 (7)	143,594
Special Services	-	-	-	-
Medical Supplies & Oxygen	256,364	479 (3) 11,674 (3) 3,263 (3)	55,760 (3) 4,504 (3) 30 (3) 8,296 (4) 408 (8)	202,782
Taxes and Insurance	121,254	-	537 (7)	120,717

DR. RONALD E. MCNAIR NURSING AND REHABILITATION CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2012
 AC# 3-RMM-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>	
Legal Fees	15,000	-	-	15,000
Cost of Capital	175,780	103 (5)	733 (1)	174,257
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Subtotal	4,237,473	59,322	139,015	4,157,780
Ancillary	136,516	1,075 (3)	-	137,591
Nonallowable	604,525	733 (1)	103 (5)	672,173
		8,296 (4)		
		893 (6)		
		57,829 (8)		
CNA Training and Testing	<u> 476</u>	<u> </u>	<u> </u>	<u> 476</u>
Total Operating Expenses	<u>\$4,978,990</u>	<u>\$128,148</u>	<u>\$139,118</u>	<u>\$4,968,020</u>
Total Patient Days	<u> 30,020</u>	<u> </u>	<u> </u>	<u> 30,020</u>
Total Beds	<u> 88</u>			

DR. RONALD E. MCNAIR NURSING AND REHABILITATION CENTER
Adjustment Report
Cost Report Period Ended September 30, 2012
AC# 3-RMM-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 8,611	
	Nonallowable	733	
	Other Equity		\$ 8,611
	Cost of Capital		733
	To adjust fixed assets and related depreciation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
2	Retained Earnings	5,292	
	Utilities		5,292
	To properly charge expense applicable to the prior period		
	HIM-15-1, Section 2302.1		
3	Nursing	5,176	
	Restorative	6,248	
	Dietary	32,379	
	Medical Supplies & Oxygen -		
	Medical Supplies Other	479	
	Medical Supplies & Oxygen -		
	PEN Therapy	11,674	
	Medical Supplies & Oxygen -		
	Disposable Diapers	3,263	
	Ancillary	1,075	
	Medical Supplies & Oxygen -		
	Nursing Supplies Nonbillable		55,760
	Medical Supplies & Oxygen -		
	Medical Supplies Billable		4,504
	Medical Supplies & Oxygen - Oxygen		30
	To properly classify expenses		
	DH&HS Expense Crosswalk		
	State Plan, Attachment 4.19D		

DR. RONALD E. MCNAIR NURSING AND REHABILITATION CENTER
Adjustment Report
Cost Report Period Ended September 30, 2012
AC# 3-RMM-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
4	Nonallowable Medical Supplies & Oxygen	8,296	8,296
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
5	Cost of Capital Nowallowable	103	103
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
6	Nonallowable Cost of Capital	893	893
	To adjust capital return State Plan, Attachment 4.19D		
7	A/R - MCR Part A	3,510	
	A/R - MCR Part B	598	
	A/R - Private	875	
	Due To/From MCR Pvt - Coins	158	
	Prepaid Insurance	537	
	Nursing		3,255
	Administration		1,728
	Utilities		158
	Taxes and Insurance		537
	To properly offset revenue HIM-15-1, Sections 800, 2102.3 and 2328 State Plan, Attachment 4.19D		

DR. RONALD E. MCNAIR NURSING AND REHABILITATION CENTER
Adjustment Report
Cost Report Period Ended September 30, 2012
AC# 3-RMM-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Nonallowable	57,829	
	Nursing		38,481
	Restorative		2,530
	Dietary		4,018
	Laundry		1,224
	Housekeeping		2,562
	Maintenance		2,128
	Administration		5,245
	Medical Records		1,233
	Medical Supplies & Oxygen		408
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
		\$147,729	\$147,729
	TOTAL ADJUSTMENTS	\$147,729	\$147,729

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.

DR. RONALD E. MCNAIR NURSING AND REHABILITATION CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2012
 AC# 3-RMM-J2

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>3.21571</u>	<u>3.21571</u>	
Deemed Asset Value (Per Bed)	50,223	50,223	
Number of Beds	<u>44</u>	<u>44</u>	
Deemed Asset Value	2,209,812	2,209,812	
Improvements Since 1981	89,956	94,455	
Accumulated Depreciation at 9/30/12	<u>(708,398)</u>	<u>(743,817)</u>	
Deemed Depreciated Value	1,591,370	1,560,450	
Market Rate of Return	<u>.0369</u>	<u>.0369</u>	
Total Annual Return	58,722	57,581	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	58,722	57,581	
Depreciation Expense	30,189	31,698	
Amortization Expense	-	-	
Capital Related Income Offsets	(1,967)	(1,966)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	86,944	87,313	\$174,257
Total Patient Days (Actual)	<u>15,013</u>	<u>15,007</u>	<u>30,020</u>
Cost of Capital Per Diem	\$ <u>5.79</u>	\$ <u>5.82</u>	\$ <u>5.80</u>

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