



**South Carolina
Office of the State Auditor**

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

October 11, 2016

Ms. Robin Matthews, COO
Clarendon Health System
Long Term Care Division
Post Office Box 57
203 East Boyce Street
Manning, South Carolina 29102

Re: AC# 3-LKM-J2 – Clarendon Hospital District d/b/a Lake Moultrie Nursing Facility

Dear Ms. Matthews:

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/cwc

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

**CLARENDON HOSPITAL DISTRICT D/B/A
LAKE MOULTRIE NURSING FACILITY**

ST. STEPHENS, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2013
AC# 3-LKM-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 28, 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 Clarendon Hospital District d/b/a Lake Moultrie Nursing Facility, 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 Clarendon Hospital District d/b/a Lake Moultrie Nursing Facility 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 Clarendon Hospital District d/b/a Lake Moultrie Nursing Facility 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 Clarendon Hospital District d/b/a Lake Moultrie Nursing Facility 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 28, 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

LAKE MOULTRIE NURSING FACILITY
Computation of Rate Change
For the Contract Period
Beginning October 1, 2013
AC# 3-LKM-J2

	10/01/13- <u>09/30/14</u>
Interim Reimbursement Rate (1)	\$148.04
Adjusted Reimbursement Rate	<u>144.56</u>
Decrease in Reimbursement Rate	\$ <u><u>3.48</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated June 8, 2016.

LAKE MOULTRIE NURSING FACILITY
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2013 Through September 30, 2014
 AC# 3-LKM-J2

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 78.74	\$ 88.60	
Dietary		14.78	17.41	
Laundry/Housekeeping/Maintenance		<u>13.89</u>	<u>16.17</u>	
Subtotal	<u>\$8.55</u>	107.41	122.18	\$107.41
Administration & Medical Records	<u>\$5.31</u>	<u>18.40</u>	<u>23.71</u>	<u>18.40</u>
Subtotal		125.81	<u>\$145.89</u>	125.81
<u>Costs Not Subject to Standards:</u>				
Utilities		4.37		4.37
Special Services		.12		.12
Medical Supplies & Oxygen		3.72		3.72
Taxes and Insurance		1.06		1.06
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$135.08</u>		135.08
Inflation Factor (3.60%)				4.86
Cost of Capital				7.22
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				4.73
Cost Incentive				8.55
Effect of \$1.75 Cap on Cost/Profit Incentives				(11.53)
Budget Neutrality Adjustment (2.9241%)				<u>(4.35)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$144.56</u>

LAKE MOULTRIE NURSING FACILITY
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2012
 AC# 3-LKM-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>	
General Services	\$2,210,436	\$ -	\$ 3,428 (1) 44,050 (3) 1,344 (3) 6,037 (6)	\$2,155,577
Dietary	408,237	-	3,525 (3)	404,712
Laundry	54,143	-	901 (3)	53,242
Housekeeping	166,784	-	3,094 (3)	163,690
Maintenance	164,431	-	1,049 (3)	163,382
Administration & Medical Records	520,212	-	2,348 (3) 528 (3) 13,698 (6)	503,638
Utilities	119,692	-	10 (6)	119,682
Special Services	3,320	-	-	3,320
Medical Supplies & Oxygen	116,592	3,428 (1)	7,266 (2) 5,187 (4) 5,316 (5) 420 (6)	101,831
Taxes and Insurance	28,928	-	-	28,928
Legal Fees	(13)	-	98 (6)	(111)
Cost of Capital	<u>197,718</u>	<u>-</u>	<u>-</u>	<u>197,718</u>
Subtotal	3,990,480	3,428	98,299	3,895,609

LAKE MOULTRIE NURSING FACILITY
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2012
AC# 3-LKM-J2

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
Ancillary	105,041	5,905 (2)	-	110,946
Nonallowable	462,791	1,361 (2) 56,839 (3) 5,187 (4) 5,316 (5) 20,263 (6)	-	551,757
CNA Training and Testing	<u>504</u>	<u>-</u>	<u>-</u>	<u>504</u>
Total Operating Expenses	<u>\$4,558,816</u>	<u>\$98,299</u>	<u>\$98,299</u>	<u>\$4,558,816</u>
Total Patient Days	<u>27,377</u>	<u>-</u>	<u>-</u>	<u>27,377</u>
Total Beds	<u>88</u>			

LAKE MOULTRIE NURSING FACILITY
Adjustment Report
Cost Report Period Ended September 30, 2012
AC# 3-LKM-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Medical Supplies & Oxygen Nursing	\$ 3,428	\$ 3,428
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
2	Ancillary Nonallowable Medical Supplies & Oxygen	5,905 1,361	7,266
	To reclassify expense to the proper cost center and to remove duplicate expense posting HIM-15-1, Section 2304 DH&HS Expense Crosswalk		
3	Nonallowable Nursing Restorative Dietary Laundry Housekeeping Maintenance Administration Medical Records	56,839	44,050 1,344 3,525 901 3,094 1,049 2,348 528
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Nonallowable Medical Supplies & Oxygen	5,187	5,187
	To remove mark-up costs associated with related party transactions HIM-15-1, Section 1005 State Plan, Attachment 4.19D		
5	Nonallowable Medical Supplies & Oxygen	5,316	5,316
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		

LAKE MOULTRIE NURSING FACILITY
Adjustment Report
Cost Report Period Ended September 30, 2012
AC# 3-LKM-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable	20,263	
	Nursing		6,037
	Administration		13,698
	Legal		98
	Utilities		10
	Medical Supplies & Oxygen		420
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$98,299	\$98,299

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.

LAKE MOULTRIE NURSING FACILITY
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2012
 AC# 3-LKM-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	168,708	168,708	
Accumulated Depreciation at 9/30/12	<u>(682,372)</u>	<u>(682,372)</u>	
Deemed Depreciated Value	1,696,148	1,696,148	
Market Rate of Return	<u>.0369</u>	<u>.0369</u>	
Total Annual Return	62,588	62,588	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	62,588	62,588	
Depreciation Expense	37,503	37,503	
Home Office Depreciation Expense	-	-	
Amortization Expense	-	-	
Capital Related Income Offsets	(1,232)	(1,232)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	98,859	98,859	\$197,718
Total Patient Days (Minimum 85% Occupancy)	<u>13,688</u>	<u>13,689</u>	<u>27,377</u>
Cost of Capital Per Diem	<u>\$ 7.22</u>	<u>\$ 7.22</u>	<u>\$ 7.22</u>

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