South Carolina
Office of the State Auditor

George L. Kennedy, III, CPA
State Auditor

August 16, 2016

Mr. Charles Commander, Administrator
Southland Health Care Center
722 South Dargan Street
Florence, South Carolina 29506

Re: AC# 3-SHC-J2 – Commander Health Care Facilities, Inc. d/b/a
Southland Health Care Center

Dear Mr. Commander:

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,

George L. Kennedy, III

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State Auditor

GLKIII/sag

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

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COMMANDER HEALTH CARE FACILITIES, INC. D/B/A
SOUTHLAND HEALTH CARE CENTER

FLORENCE, SOUTH CAROLINA

CONTRACT PERIOD
BEGINNING OCTOBER 1, 2013
AC# 3-SHC-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

July 18, 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 Commander Health Care Facilities, Inc. d/b/a Southland Health Care 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 Commander Health Care Facilities, Inc. d/b/a Southland Health Care 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 Commander Health Care Facilities, Inc. d/b/a Southland Health Care 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 Commander Health Care Facilities, Inc. d/b/a Southland Health Care 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
July 18, 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

SOUTHLAND HEALTH CARE CENTER
Computation of Rate Change
For the Contract Period
Beginning October 1, 2013
AC# 3-SHC-J2

	10/01/13- 09/30/14
Interim Reimbursement Rate (1)	$150.27
Adjusted Reimbursement Rate	149.90
Decrease in Reimbursement Rate	$ .37

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

SOUTHLAND HEALTH CARE CENTER

Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2013 Through September 30, 2014
AC# 3-SHC-J2

	Incentives	Allowable Cost	Cost Standard	Computed Rate
Costs Subject to Standards:				
General Services		$ 78.42	$ 95.25	
Dietary		21.53	17.41	
Laundry/Housekeeping/Maintenance		14.46	16.17	
Subtotal	$ 9.02	114.41	128.83	$114.41
Administration & Medical Records	$11.00	12.71	23.71	12.71
Subtotal		127.12	$152.54	127.12
Costs Not Subject to Standards:				
Utilities		3.84		3.84
Special Services		-		-
Medical Supplies & Oxygen		6.07		6.07
Taxes and Insurance		3.02		3.02
Legal Fees		-		-
TOTAL		$140.05		140.05
Inflation Factor (3.60%)				5.04
Cost of Capital				7.58
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				4.90
Cost Incentive				9.02
Effect of $1.75 Cap on Cost/Profit Incentives				(12.17)
Budget Neutrality Adjustment (2.9241%)				(4.52)
ADJUSTED REIMBURSEMENT RATE				$149.90

SOUTHLAND HEALTH CARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2012
AC# 3-SHC-J2

Expenses	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments Debit	Adjustments Credit	Adjusted Totals
General Services	$2,418,922	$ -	$ -	$2,418,922
Dietary	664,020	-	-	664,020
Laundry	64,923	-	-	64,923
Housekeeping	170,193	-	-	170,193
Maintenance	210,867	-	-	210,867
Administration & Medical Records	392,082	-	-	392,082
Utilities	118,429	-	-	118,429
Special Services	-	-	-	-
Medical Supplies & Oxygen	187,296	-	-	187,296
Taxes and Insurance	93,085	-	-	93,085
Legal Fees	-	-	-	-
Cost of Capital	245,563	3,000 (2)	14,798 (1)	233,765
Subtotal	4,565,380	3,000	14,798	4,553,582
Ancillary	69,821	-	-	69,821

SOUTHLAND HEALTH CARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2012
AC# 3-SHC-J2

Expenses	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments Debit	Adjustments Credit	Adjusted Totals
Nonallowable	404,626	14,798 (1)	3,000 (2)	416,424
CNA Training and Testing	504	-	-	504
Total Operating Expenses	$5,040,331	$17,798	$17,798	$5,040,331
Total Patient Days	30,846	-	-	30,846
Total Beds	88			

SOUTHLAND HEALTH CARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2012
AC# 3-SHC-J2

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
1	Accumulated Depreciation	$28,747	
	Nonallowable	14,798	
	Other Equity		$15,209
	Fixed Assets		13,538
	Cost of Capital		14,798
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Cost of Capital	3,000	
	Nonallowable		3,000
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	$46,545	$46,545

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.

SOUTHLAND HEALTH CARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2012
AC# 3-SHC-J2

Original Asset Cost (Per Bed)	$ 15,618
Inflation Adjustment	3.21571
Deemed Asset Value (Per Bed)	50,223
Number of Beds	88
Deemed Asset Value	4,419,624
Improvements Since 1981	1,806,799
Accumulated Depreciation at 9/30/12	(3,018,520)
Deemed Depreciated Value	3,207,903
Market Rate of Return	.0369
Total Annual Return	118,372
Return Applicable to Non-Reimbursable Cost Centers	(2,481)
Allocation of Interest to Non-Reimbursable Cost Centers	638
Allowable Annual Return	116,529
Depreciation Expense	120,786
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	(3,550)
Allowable Cost of Capital Expense	233,765
Total Patient Days (Actual)	30,846
Cost of Capital Per Diem	$ 7.58

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