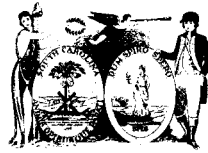


State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

August 3, 2004

Mr. Tim Durden, Controller
Kershaw County Hospital
Box 7000
Camden, South Carolina 29020-7000

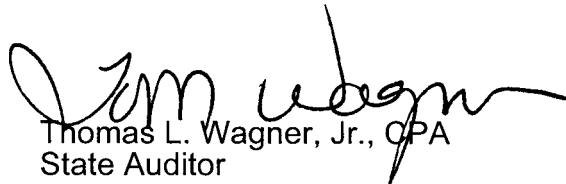
Re: AC# 3-ASK-J9 – Kershaw County Medical Center
d/b/a A. Sam Karesh Long Term Care Nursing Facility

Dear Mr. Durden:

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, 1998 through September 30, 1999. That report was used to set the rate covering the contract period beginning October 1, 2000.

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.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph Hayes

**KERSHAW COUNTY MEDICAL CENTER
D/B/A A. SAM KARESH LONG TERM
CARE NURSING FACILITY**

CAMDEN, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2000
AC# 3-ASK-J9**

AGREED-UPON PROCEDURES REPORT

ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

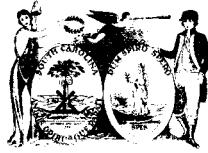
STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 2000	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2000 THROUGH SEPTEMBER 30, 2001	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 1999	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	8

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

June 30, 2004

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 Kershaw County Medical Center d/b/a A. Sam Karesh Long Term Care Nursing Facility, for the contract period beginning October 1, 2000, and for the twelve month cost report period ended September 30, 1999, as set forth in the accompanying schedules. The management of Kershaw County Medical Center d/b/a A. Sam Karesh Long Term Care 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.

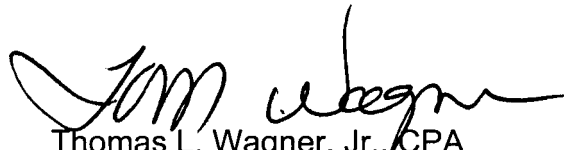
The procedures and the associated findings are as follows:

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 Kershaw County Medical Center d/b/a A. Sam Karesh Long Term Care 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 Adjustment Report, Summary of Costs and Total Patient Days, 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 Kershaw County Medical Center d/b/a A. Sam Karesh Long Term Care Nursing Facility dated as of October 1, 1994 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
June 30, 2004

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.



Thomas L. Wagner, Jr., CPA
State Auditor

**KERSHAW COUNTY MEDICAL CENTER
D/B/A A. SAM KARESH LONG TERM CARE NURSING FACILITY**

Computation of Rate Change
For the Contract Period
Beginning October 1, 2000
AC# 3-ASK-J9

	10/01/00- <u>09/30/01</u>
Interim Reimbursement Rate (1)	\$109.67
Adjusted Reimbursement Rate (2)	<u>102.68</u>
Decrease in Reimbursement Rate	\$ <u><u>6.99</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated May 8, 2003

- (2) As provided under Article IV, Section E of the Provider's contract dated as October 1, 1994 as amended, "The Provider agrees that the rate charged to SCDHHS for service to an eligible Medicaid recipient under this contract will not be greater than that charged for a similar service to a private pay patient." Accordingly, the reimbursement rate is limited to the customary charges to private pay clients.

KERSHAW COUNTY MEDICAL CENTER
D/B/A A. SAM KARESH LONG TERM CARE NURSING FACILITY
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2000 Through September 30, 2001
 AC# 3-ASK-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$53.78	\$53.99	
Dietary		13.44	10.56	
Laundry/Housekeeping/Maintenance		<u>9.96</u>	<u>9.12</u>	
Subtotal	\$ <u>-</u>	77.18	73.67	\$ 73.67
Administration & Medical Records	\$ <u>-</u>	<u>11.95</u>	<u>11.20</u>	<u>11.20</u>
Subtotal		89.13	<u>\$84.87</u>	84.87
<u>Costs Not Subject to Standards:</u>				
Utilities		2.95		2.95
Special Services		-		-
Medical Supplies & Oxygen		5.88		5.88
Taxes and Insurance		.46		.46
Legal Fees		<u>.05</u>		<u>.05</u>
TOTAL		<u>\$98.47</u>		94.21
Inflation Factor (3.20%)				3.01
Cost of Capital				11.42
Cost of Capital Limitation				(2.92)
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Nurse Aide Staffing Add-On 10/01/00				1.56
Nurse Aide Staffing Add-On 10/01/99				<u>1.45</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$108.73</u>

KERSHAW COUNTY MEDICAL CENTER
D/B/A A. SAM KARESH LONG TERM CARE NURSING FACILITY
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 1999
 AC# 3-ASK-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$1,570,494	\$147,003 (1)	\$ -	\$1,717,497
Dietary	504,403	-	75,115 (1)	429,288
Laundry	49,233	-	7,396 (1)	41,837
Housekeeping	157,099	-	34,750 (1)	122,349
Maintenance	135,201	18,677 (1)	-	153,878
Administration & Medical Records	638,252	-	256,561 (1)	381,691
Utilities	117,851	-	23,667 (1)	94,184
Special Services	-	-	-	-
Medical Supplies & Oxygen	185,806	1,895 (1)	-	187,701
Taxes and Insurance	23,754	-	9,045 (1)	14,709
Legal Fees	-	1,655 (1)	-	1,655
Cost of Capital	<u>392,099</u>	<u>129,899</u> (2)	<u>157,123</u> (1)	<u>364,875</u>
Subtotal	3,774,192	299,129	563,657	3,509,664

KERSHAW COUNTY MEDICAL CENTER
D/B/A A. SAM KARESH LONG TERM CARE NURSING FACILITY
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
AC# 3-ASK-J9

<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>	
Ancillary	397	87,381 (1)	-	87,778
Nonallowable	<u>(1,694,770)</u>	<u>1,812,527</u> (1)	<u>129,899</u> (2)	<u>(12,142)</u>
Total Operating Expenses	\$ <u>2,079,819</u>	\$ <u>2,199,037</u>	\$ <u>693,556</u>	\$ <u>3,585,300</u>
Total Patient Days	<u>31,938</u>	<u>-</u>	<u>-</u>	<u>31,938</u>
Total Beds	<u>88</u>			

KERSHAW COUNTY MEDICAL CENTER
D/B/A A. SAM KARESH LONG TERM CARE NURSING FACILITY
 Adjustment Report
 Cost Report Period Ended September 30, 1999
 AC# 3-ASK-J9

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	General Services	\$ 147,003	
	Maintenance	18,677	
	Medical Supplies	1,895	
	Legal	1,655	
	Ancillary	87,381	
	Nonallowable	1,812,527	
	Dietary		\$ 75,115
	Laundry		7,396
	Housekeeping		34,750
	Administration & Medical Records		256,561
	Utilities		23,667
	Taxes and Insurance		9,045
	Cost of Capital		157,123
	Other Equity		1,505,481
	To adjust cost centers to amounts per the Medicare cost report HIM-15-1, Section 2300		
2	Cost of Capital	129,899	
	Nonallowable		129,899
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$2,199,037</u>	<u>\$2,199,037</u>

Due to the nature of audit 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.

KERSHAW COUNTY MEDICAL CENTER
D/B/A A. SAM KARESH LONG TERM CARE NURSING FACILITY
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 1999
 AC# 3-ASK-J9

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3156</u>
Deemed Asset Value (Per Bed)	36,165
Number of Beds	<u>88</u>
Deemed Asset Value	3,182,520
Improvements Since 1981	1,058,087
Accumulated Depreciation at 9/30/99	<u>(1,677,847)</u>
Deemed Depreciated Value	2,562,760
Market Rate of Return	<u>.060</u>
Total Annual Return	153,766
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	153,766
Depreciation Expense	229,927
Amortization Expense	-
Capital Related Income Offsets	(18,818)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	364,875
Total Patient Days (Minimum 96% Occupancy)	<u>31,938</u>
Cost of Capital Per Diem	<u>\$ 11.42</u>

KERSHAW COUNTY MEDICAL CENTER
D/B/A A. SAM KARESH LONG TERM CARE NURSING FACILITY
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-ASK-J9

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 4.51
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>8.50</u>
Reimbursable Cost of Capital Per Diem	\$ 8.50
Cost of Capital Per Diem	<u>11.42</u>
Cost of Capital Per Diem Limitation	\$ <u>(2.92)</u>

2 copies of this document were published at an estimated printing cost of \$1.38 each, and a total printing cost of \$2.76. The FY 2004-05 Appropriation Act requires that this information on printing costs be added to the document.