

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

(803) 253-4160
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September 19, 2006

Mr. Richard Humphrey, Chief Financial Officer
Kershaw County Hospital
Box 7000
Camden, South Carolina 29020-7000

Re: AC# 3-ASK-J3 – A. Sam Karesh Long Term Care Nursing Facility

Dear Mr. Humphrey:

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, 2002 through September 30, 2003. That report was used to set the rate covering the contract period beginning October 1, 2004.

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.

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

A. SAM KARESH LONG TERM CARE NURSING FACILITY

CAMDEN, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2004
AC# 3-ASK-J3**

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 11, 2006

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 A. Sam Karesh Long Term Care Nursing Facility, for the contract period beginning October 1, 2004, and for the twelve month cost report period ended September 30, 2003, as set forth in the accompanying schedules. The management of 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 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 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 A. Sam Karesh Long Term Care Nursing Facility dated as of October 1, 2001, 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 11, 2006

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.", written in a cursive style.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

A. SAM KARESH LONG TERM CARE NURSING FACILITY

Computation of Rate Change
For the Contract Period
Beginning October 1, 2004
AC# 3-ASK-J3

10/01/04-
09/30/05

Interim Reimbursement Rate (1)	\$133.59
Adjusted Reimbursement Rate	<u>133.43</u>
Decrease in Reimbursement Rate	\$ <u><u>.16</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing as of March 1, 2006

A. SAM KARESH LONG TERM CARE NURSING FACILITY
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2004 Through September 30, 2005
 AC# 3-ASK-J3

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 78.19	\$ 70.36	
Dietary		15.05	12.42	
Laundry/Housekeeping/Maintenance		<u>12.94</u>	<u>11.28</u>	
Subtotal	\$ <u>-</u>	106.18	94.06	\$ 94.06
Administration & Medical Records	<u>\$2.67</u>	<u>11.98</u>	<u>14.65</u>	<u>11.98</u>
Subtotal		118.16	<u>\$108.71</u>	106.04
<u>Costs Not Subject to Standards:</u>				
Utilities		4.28		4.28
Special Services		-		-
Medical Supplies & Oxygen		7.16		7.16
Taxes and Insurance		.17		.17
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$129.77</u>		117.65
Inflation Factor (4.70%)				5.53
Cost of Capital				12.31
Cost of Capital Limitation				(3.81)
Profit Incentive (Maximum 3.5% of Allowable Cost)				2.67
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(.92)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$133.43</u>

A. SAM KARESH LONG TERM CARE NURSING FACILITY
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2003
 AC# 3-ASK-J3

<u>Expenses</u>	<u>Totals (From Schedule SC 13) as Adjusted by DH&HS</u>	<u>Adjustments</u> <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$2,109,222	\$376,151 (1)	\$ -	\$2,485,373
Dietary	560,374	-	82,116 (1)	478,258
Laundry	77,488	-	16,429 (1)	61,059
Housekeeping	179,453	-	37,152 (1)	142,301
Maintenance	203,648	4,183 (1)	-	207,831
Administration & Medical Records	724,547	-	343,711 (1)	380,836
Utilities	131,357	4,540 (1)	-	135,897
Special Services	828	-	828 (1)	-
Medical Supplies & Oxygen	172,580	55,148 (1)	-	227,728
Taxes and Insurance	37,300	-	32,006 (1)	5,294
Legal Fees	-	-	-	-
Cost of Capital	<u>270,198</u>	<u>126,553 (2)</u>	<u>5,290 (1)</u>	<u>391,461</u>
Subtotal	4,466,995	566,575	517,532	4,516,038

A. SAM KARESH LONG TERM CARE NURSING FACILITY
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2003
 AC# 3-ASK-J3

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Ancillary	322	-	322 (1)	-
Nonallowable	(2,360,074)	2,416,471 (1)	126,553 (2)	<u>(70,156)</u>
Total Operating Expenses	<u>\$2,107,243</u>	<u>\$2,983,046</u>	<u>\$644,407</u>	<u>\$4,445,882</u>
Total Patient Days	<u>31,788</u>	<u>-</u>	<u>-</u>	<u>31,788</u>
 Total Beds	 <u>88</u>			

A. SAM KARESH LONG TERM CARE NURSING FACILITY
Adjustment Report
Cost Report Period Ended September 30, 2003
AC# 3-ASK-J3

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	General Services	\$ 376,151	
	Maintenance	4,183	
	Utilities	4,540	
	Medical Supplies	55,148	
	Nonallowable	2,416,471	
	Dietary		\$ 82,116
	Laundry		16,429
	Housekeeping		37,152
	Administration & Medical Records		343,711
	Taxes and Insurance		32,006
	Special Services		828
	Cost of Capital		5,290
	Ancillary		322
	Other Equity		2,338,639
	To adjust cost centers to amounts per the as-filed Medicare cost report HIM-15-1, Section 2300		
2	Cost of Capital	126,553	
	Nonallowable		126,553
	To adjust capital return to allowable State Plan, Attachment 4.19D		
		\$2,983,046	\$2,983,046

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.

A. SAM KARESH LONG TERM CARE NURSING FACILITY
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2003
AC# 3-ASK-J3

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.63785</u>
Deemed Asset Value (Per Bed)	41,198
Number of Beds	<u>88</u>
Deemed Asset Value	3,625,424
Improvements Since 1981	1,058,087
Accumulated Depreciation at 9/30/03	<u>(1,967,937)</u>
Deemed Depreciated Value	2,715,574
Market Rate of Return	<u>.0531</u>
Total Annual Return	144,197
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	144,197
Depreciation Expense	264,854
Amortization Expense	-
Capital Related Income Offsets	(17,590)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	391,461
Total Patient Days (Actual)	<u>31,788</u>
Cost of Capital Per Diem	\$ <u><u>12.31</u></u>

A. SAM KARESH LONG TERM CARE NURSING FACILITY
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2003
AC# 3-ASK-J3

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>12.31</u>
Cost of Capital Per Diem Limitation	\$ <u>(3.81)</u>

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