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
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September 26, 2001

Mr. Richard C. Cooke
Cooke Management Company, Inc.
Post Office Box 808
Lake View, South Carolina 29563

Re: AC# 3-MHC-F9 – McCormick Health Care Center

Dear Mr. Cooke:

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 July 1, 1998 through June 30, 1999. That report was used to set the rate covering the contract periods 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/cwc

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

MCCORMICK HEALTH CARE CENTER

MCCORMICK, SOUTH CAROLINA

CONTRACT PERIOD
BEGINNING OCTOBER 1, 2000
AC# 3-MHC-F9

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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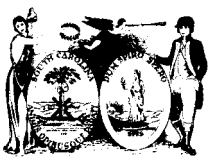
State of South Carolina



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 24, 2001

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described 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 McCormick Health Care Center, for the contract period beginning October 1, 2000, and for the twelve month cost report period ended June 30, 1999, as set forth in the accompanying schedules. The management of McCormick 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 performed 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 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 tested 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 McCormick 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 Adjustment Report and Summary of Costs and Total Patient Days 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 Department of Health and Human Services and McCormick Health Care Center 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
August 24, 2001

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is 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

MCCORMICK HEALTH CARE CENTER
Computation of Rate Change
For the Contract Period
Beginning October 1, 2000
AC# 3-MHC-F9

Interim reimbursement rate (1)	$96.51
Adjusted reimbursement rate	94.26
Decrease in reimbursement rate	$ 2.25

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 2000

MCCORMICK HEALTH CARE CENTER

Computation of Adjusted Reimbursement Rate
For the Contract Period Beginning October 1, 2000
AC# 3-MHC-F9

	Incentives	Allowable Cost	Cost Standard	Computed Rate
Costs Subject to Standards:				
General Services		$45.15	$54.01	
Dietary		9.29	10.12	
Laundry/Housekeeping/Maint.		6.89	8.88	
Subtotal	$5.11	61.33	73.01	$61.33
Administration & Med. Rec.	$1.18	9.37	10.55	9.37
Subtotal		70.70	$83.56	70.70
Costs Not Subject to Standards:				
Utilities		2.56		2.56
Special Services		1.05		1.05
Medical Supplies & Oxygen		5.76		5.76
Taxes and Insurance		.48		.48
Legal Fees		-		-
TOTAL		$80.55		80.55
Inflation Factor (3.20%)				2.58
Cost of Capital				7.37
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				1.18
Cost Incentive				5.11
Effect of $1.75 Cap on Cost/Profit Incentives				(4.54)
Nurse Aide Staffing Add-On 10/01/00				.60
Nurse Aide Staffing Add-On 10/01/99				1.41
ADJUSTED REIMBURSEMENT RATE				$94.26

MCCORMICK HEALTH CARE CENTER

Summary of Costs and Total Patient Days
For the Cost Report Period Ended June 30, 1999
AC# 3-MHC-F9

Expenses	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments Debit	Adjustments Credit	Adjusted Totals
General Services	$1,997,782	$ -	$ 7,999 (1) 57,457 (2) 3,325 (2)	$1,929,001
Dietary	402,229	-	5,176 (2)	397,053
Laundry	68,815	-	1,569 (2)	67,246
Housekeeping	155,916	-	4,272 (2)	151,644
Maintenance	76,969	-	1,312 (2)	75,657
Administration & Medical Records	405,251	-	4,241 (2) 720 (2)	400,290
Utilities	115,833	-	6,278 (1)	109,555
Special Services	45,064	-	-	45,064
Medical Supplies & Oxygen	246,113	-	-	246,113
Taxes & Insurance	20,446	-	-	20,446
Legal Fees	-	-	-	-
Cost of Capital	314,847	-	-	314,847
Subtotal	3,849,265	-	92,349	3,756,916

MCCORMICK HEALTH CARE CENTER

Summary of Costs and Total Patient Days
For the Cost Report Period Ended June 30, 1999
AC# 3-MHC-F9

Expenses	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments Debit	Adjustments Credit	Adjusted Totals
Ancillary	66,086	-	-	66,086
Non-Allowable	318,550	14,277 (1) 78,072 (2)	-	410,899
Total Operating Expenses	$4,233,901	$92,349	$92,349	$4,233,901
Total Patient Days	42,720	-	-	42,720
TOTAL BEDS	120			

MCCORMICK HEALTH CARE CENTER
Adjustment Report
Cost Report Period Ended June 30, 1999
AC# 3-MHC-F9

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
1	Nonallowable	$14,277	
	Nursing		$ 7,999
	Utilities		6,278
	To adjust nursing purchased services and disallow cable t.v. expense HIM-15-1, Sections 1000 and 2106.1		
2	Nonallowable	78,072	
	Nursing		57,457
	Restorative		3,325
	Dietary		5,176
	Laundry		1,569
	Housekeeping		4,272
	Maintenance		1,312
	Administration		4,241
	Medical Records		720
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	$92,349	$92,349

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.

2 copies of this document were published at an estimated printing cost of $1.29 each, and a total printing cost of $2.58. The FY 2001-02 Appropriation Act requires that this information on printing costs be added to the document.