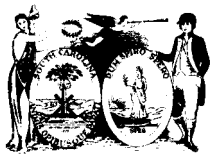
State of South Carolina



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

July 10, 2002

Ms. Sybil B. Neaves, Director of Reimbursement
Integrated Health Services, Inc.
The Highlands
910 Ridgebrook Road
Sparks, Maryland 21152

Re: AC# 3-MCP-J9 – Magnolia Manor – Inman, Inc. d/b/a Camp Care

Dear Ms. Neaves:

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 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/kss

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

MAGNOLIA MANOR – INMAN, INC.
D/B/A CAMP CARE

INMAN, SOUTH CAROLINA

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

AGREED-UPON PROCEDURES REPORT

ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

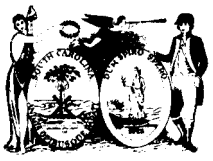
STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

CONTENTS

	EXHIBIT OR SCHEDULE	PAGE
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	10

State of South Carolina



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

December 7, 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 Magnolia Manor – Inman, Inc. d/b/a Camp Care, 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 Magnolia Manor – Inman, Inc. d/b/a Camp Care 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 Magnolia Manor – Inman, Inc. d/b/a Camp Care, 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 Department of Health and Human Services and Magnolia Manor – Inman, Inc. d/b/a Camp Care 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
December 7, 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

MAGNOLIA MANOR – INMAN, INC. D/B/A CAMP CARE
Computation of Rate Change
For the Contract Period
Beginning October 1, 2000
AC# 3-MCP-J9

	10/01/00-09/30/01
Interim reimbursement rate (1)	$98.12
Adjusted reimbursement rate	96.34
Decrease in reimbursement rate	$ 1.78

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

MAGNOLIA MANOR – INMAN, INC. D/B/A CAMP CARE

Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2000 Through September 30, 2001
AC# 3-MCP-J9

	Incentives	Allowable Cost	Cost Standard	Computed Rate
Costs Subject to Standards:				
General Services		$47.61	$50.22	
Dietary		9.92	10.56	
Laundry/Housekeeping/Maint.		7.96	9.12	
Subtotal	$4.41	65.49	69.90	$65.49
Administration & Med. Rec.	$ -	12.94	11.20	11.20
Subtotal		78.43	$81.10	76.69
Costs Not Subject to Standards:				
Utilities		2.41		2.41
Special Services		.31		.31
Medical Supplies & Oxygen		3.27		3.27
Taxes and Insurance		1.13		1.13
Legal Fees		-		-
TOTAL		$85.55		83.81
Inflation Factor (3.20%)				2.68
Cost of Capital				6.03
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				4.41
Effect of $1.75 Cap on Cost/Profit Incentives				(2.66)
Nurse Aide Staffing Add-On 10/01/00				.85
Nurse Aide Staffing Add-on 10/01/99				1.22
ADJUSTED REIMBURSEMENT RATE				$96.34

MAGNOLIA MANOR – INMAN, INC. D/B/A CAMP CARE
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
AC# 3-MCP-J9

Expenses	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments Debit	Adjustments Credit	Adjusted Totals
General Services	$1,566,645	$30,845 (5) 1,249 (8)	$10,113 (2) 15,492 (3) 5,690 (4) 27,528 (6) 9,608 (6) 24,992 (7) 1,427 (7)	$1,503,889
Dietary	317,279	-	574 (3) 3,162 (6) 145 (7)	313,398
Laundry	82,764	-	2,922 (10)	79,842
Housekeeping	85,454	-	-	85,454
Maintenance	86,110	-	16 (7)	86,094
Administration & Medical Records	311,847	9,463 (6) 23,385 (6) 3,292 (7) 61,134 (8) 1,803 (9)	1,550 (3) 613 (7)	408,761
Utilities	76,177	-	-	76,177
Special Services	13,983	4,267 (8)	867 (7) 4,204 (11) 3,517 (12)	9,662
Medical Supplies & Oxygen	95,211	7,450 (6) 1,050 (7)	155 (3) 418 (11)	103,138
Taxes and Insurance	35,779	-	-	35,779
Legal Fees	-	-	-	-

MAGNOLIA MANOR – INMAN, INC. D/B/A CAMP CARE

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
AC# 3-MCP-J9

Expenses	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments Debit	Adjustments Credit	Adjusted Totals
Cost of Capital	222,232	1,437 (10) 4,114 (13)	1,010 (1) 35,998 (8) 210 (9)	190,565
Subtotal	2,893,481	149,489	150,211	2,892,759
Ancillary	42,900	-	-	42,900
Non-Allowable	117,514	1,010 (1) 17,771 (3) 5,690 (4) 23,718 (7) 1,485 (10) 4,622 (11) 3,517 (12)	30,845 (5) 30,652 (8) 1,593 (9) 4,114 (13)	108,123
Total Operating Expenses	$3,053,895	$207,302	$217,415	$3,043,782
Total Patient Days	31,586	-	-	31,586
Total Beds	88			

MAGNOLIA MANOR – INMAN, INC. D/B/A CAMP CARE

Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-MCP-J9

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
1	Fixed Assets	$20,026	
	Nonallowable	1,010	
	Cost of Capital		$ 1,010
	Accumulated Depreciation		7,354
	Other Equity		12,672
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Other Equity	10,113	
	Nursing		10,113
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1		
3	Nonallowable	17,771	
	Nursing		15,492
	Dietary		574
	Medical Records		1,550
	Medical Supply & Oxygen		155
	To remove excess cost due to invoices which were improperly coded more than once HIM-15-1, Section 2304		
4	Nonallowable	5,690	
	Nursing		5,690
	To disallow expense not adequately documented HIM-15-1, Section 2304		
5	Nursing	30,845	
	Nonallowable		30,845
	To reverse provider journal entry to capitalize transition cost HIM-15-1, Section 2304		

MAGNOLIA MANOR – INMAN, INC. D/B/A CAMP CARE
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-MCP-J9

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
6	Administration	9,463	
	Medical Records	23,385	
	Medical Supplies & Oxygen	7,450	
	Nursing		27,528
	Restorative		9,608
	Dietary		3,162
	To reclassify salaries to the proper cost center HIM-15-1, Sections 2304 and 2313.2 DH&HS Expense Checklist		
7	Medical Records	3,292	
	Medical Supplies & Oxygen	1,050	
	Nonallowable	23,718	
	Nursing		24,992
	Restorative		1,427
	Dietary		145
	Maintenance		16
	Administration		613
	Special Services		867
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Nursing	1,249	
	Administration	61,134	
	Therapy	4,267	
	Nonallowable		30,652
	Cost of Capital – Depreciation Expense		34,957
	Cost of Capital – Interest Revenue		1,041
	To adjust IHS home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
9	Administration	1,803	
	Cost of Capital		210
	Nonallowable		1,593
	To adjust home office CAO allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

MAGNOLIA MANOR – INMAN, INC. D/B/A CAMP CARE

Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-MCP-J9

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
10	Nonallowable	1,485	
	Cost of Capital	1,437	
	Laundry		2,922
	To adjust home office Laundry allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
11	Nonallowable	4,622	
	Medical Supplies & Oxygen		418
	Therapy		4,204
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
12	Nonallowable	3,517	
	Therapy		3,517
	To adjust co-insurance for Medicare Part B services State Plan, Attachment 4.19D		
13	Cost of Capital	4,114	
	Nonallowable		4,114
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	$237,441	$237,441

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.

MAGNOLIA MANOR – INMAN, INC. D/B/A CAMP CARE
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-MCP-J9

Original Asset Cost (Per Bed)	$ 15,618
Inflation Adjustment	2.3156
Deemed Asset Value (Per Bed)	36,165
Number of Beds	88
Deemed Asset Value	3,182,520
Improvements Since 1981	308,908
Accumulated Depreciation at 09/30/99	(940,955)
Deemed Depreciated Value	2,550,473
Market Rate of Return	.060
Total Annual Return	153,028
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	-
Allowable Annual Return	153,028
Depreciation Expense	38,584
Amortization Expense	-
Capital Related Income Offsets	(1,047)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	-
Allowable Cost of Capital Expense	190,565
Total Patient Days (Actual)	31,586
Cost of Capital Per Diem	$ 6.03

MAGNOLIA MANOR – INMAN, INC. D/B/A CAMP CARE
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-MCP-J9

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	$4.38
Adjustment for Maximum Increase	3.99
Maximum Cost of Capital Per Diem	$8.37
Reimbursable Cost of Capital Per Diem	$6.03
Cost of Capital Per Diem	6.03
Cost of Capital Per Diem Limitation	$ -

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