

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

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December 15, 2003

Ms. Carol W. Disbro, Director of Reimbursement
Integrated Health Services, Inc.
The Highlands
910 Ridgebrook Road
Sparks, Maryland 21152

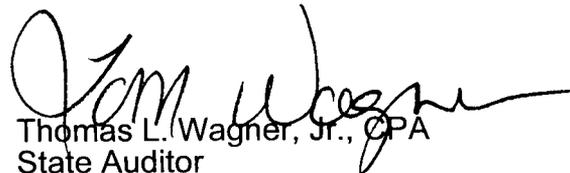
Re: AC# 3-MMM-J0 – Magnolia Manor – Moncks Corner, Inc.

Dear Ms. Disbro:

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, 1999 through September 30, 2000. That report was used to set the rate covering the contract period beginning October 1, 2001.

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 P. Hayes

MAGNOLIA MANOR – MONCKS CORNER, INC.

MONCKS CORNER, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2001
AC# 3-MMM-J0**

AGREED-UPON PROCEDURES REPORT

ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

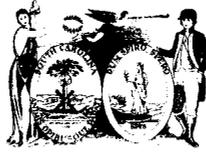
STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 27, 2003

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 – Moncks Corner, Inc., for the contract period beginning October 1, 2001 and for the twelve month cost report period ended September 30, 2000, as set forth in the accompanying schedules. The management of Magnolia Manor – Moncks Corner, Inc. 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.

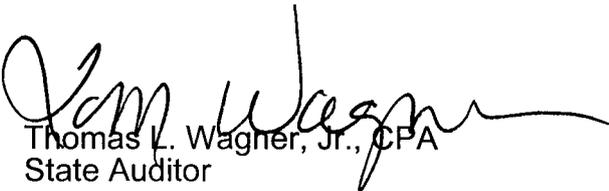
The procedures and the associated findings are as follows:

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 – Moncks Corner, Inc., 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 – Moncks Corner, Inc. 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
August 27, 2003

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 – MONCKS CORNER, INC.

Computation of Rate Change
For the Contract Period
Beginning October 1, 2001
AC# 3-MMM-J0

	<u>10/01/01-</u> <u>12/31/02</u>
Interim Reimbursement Rate (1)	\$90.68
Adjusted Reimbursement Rate	<u>89.60</u>
Decrease in Reimbursement Rate	\$ <u><u>1.08</u></u>

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

MAGNOLIA MANOR – MONCKS CORNER, INC.
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2001 Through December 31, 2002
 AC# 3-MMM-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$42.21	\$58.02	
Dietary		9.61	10.74	
Laundry/Housekeeping/Maintenance		<u>7.67</u>	<u>9.23</u>	
Subtotal	\$ <u>5.46</u>	59.49	77.99	\$59.49
Administration & Medical Records	\$ <u>1.49</u>	<u>9.98</u>	<u>11.47</u>	<u>9.98</u>
Subtotal		69.47	\$ <u>89.46</u>	69.47
<u>Costs Not Subject to Standards:</u>				
Utilities		2.18		2.18
Special Services		.06		.06
Medical Supplies & Oxygen		3.17		3.17
Taxes and Insurance		1.62		1.62
Legal Fees		<u>.01</u>		<u>.01</u>
TOTAL		\$ <u>76.51</u>		76.51
Inflation Factor (3.80%)				2.91
Cost of Capital				6.82
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				1.49
Cost Incentive				5.46
Effect of \$1.75 Cap on Cost/Profit Incentives				(5.20)
Nurse Aide Staffing Add-On 10/01/00				<u>1.61</u>
ADJUSTED REIMBURSEMENT RATE				\$ <u>89.60</u>

MAGNOLIA MANOR – MONCKS CORNER, INC.
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2000
 AC# 3-MMM-J0

<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>	
General Services	\$2,026,193	\$ -	\$ 6,728 (2) 16,829 (6) 25,762 (6) 3,327 (7) 5,187 (7) 10,838 (8)	\$1,957,522
Dietary	446,207	-	1 (7) 353 (8)	445,853
Laundry	77,869	-	-	77,869
Housekeeping	161,468	19,744 (3)	-	181,212
Maintenance	98,137	-	1,485 (5) 63 (7)	96,589
Administration & Medical Records	424,038	25,762 (6) 5,322 (7) 8 (7) 14,545 (8) 34,943 (9)	41,881 (4)	462,737
Utilities	101,053	-	57 (8)	100,996
Special Services	25,337	1,198 (8)	188 (7) 890 (10) 22,814 (11)	2,643
Medical Supplies & Oxygen	126,883	16,829 (6) 3,436 (7)	-	147,148

MAGNOLIA MANOR – MONCKS CORNER, INC.
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2000
 AC# 3-MMM-J0

<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>	
Taxes and Insurance	76,048	-	1,017 (8)	75,031
Legal Fees	350	-	-	350
Cost of Capital	350,213	10,374 (1)	51,373 (8)	316,199
		1,435 (9)		
	<u> </u>	<u>5,550 (12)</u>	<u> </u>	<u> </u>
Subtotal	3,913,796	139,146	188,793	3,864,149
Ancillary	56,303	288 (2)	-	56,591
Nonallowable	147,834	6,440 (2)	10,374 (1)	216,937
		41,881 (4)	36,378 (9)	
		1,485 (5)	5,550 (12)	
		47,895 (8)		
		890 (10)		
	<u> </u>	<u>22,814 (11)</u>	<u> </u>	<u> </u>
Total Operating Expenses	<u>\$4,117,933</u>	<u>\$260,839</u>	<u>\$241,095</u>	<u>\$4,137,677</u>
Total Patient Days	<u>46,380</u>	<u>-</u>	<u>-</u>	<u>46,380</u>
Total Beds	<u>132</u>			

MAGNOLIA MANOR – MONCKS CORNER, INC.
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-MMM-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$111,729	
	Cost of Capital	10,374	
	Accumulated Depreciation		\$70,942
	Nonallowable		10,374
	Other Equity		40,787
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	6,440	
	Ancillary	288	
	Nursing		6,728
	To reclassify expense to the proper cost center DH&HS Expense Checklist		
3	Housekeeping	19,744	
	Other Equity		19,744
	To record expense applicable to the current period HIM-15-1, Section 2302.1		
4	Nonallowable	41,881	
	Administration		41,881
	To remove rental payments on a capital lease HIM-15-1, Section 110B		
5	Nonallowable	1,485	
	Maintenance		1,485
	To disallow storage fees not related to patient care HIM-15-1, Section 2102.3		

MAGNOLIA MANOR – MONCKS CORNER, INC.
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-MMM-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Administration	25,762	
	Medical Supplies & Oxygen	16,829	
	Nursing		16,829
	Restorative		25,762
	To reclassify salaries to the proper cost center DH&HS Expense Checklist		
7	Administration	5,322	
	Medical Records	8	
	Medical Supplies & Oxygen	3,436	
	Nursing		3,327
	Restorative		5,187
	Dietary		1
	Maintenance		63
	Special Services		188
	To adjust fringe benefits and related allocations HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Administration	14,545	
	Special Services	1,198	
	Nonallowable	47,895	
	Nursing		10,838
	Dietary		353
	Utilities		57
	Taxes, Licenses & Insurance		1,017
	Cost of Capital		51,373
	To adjust IHS home office cost HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
9	Administration	34,943	
	Cost of Capital	1,435	
	Nonallowable		36,378
	To adjust CAO home office allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

MAGNOLIA MANOR – MONCKS CORNER, INC.
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-MMM-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Nonallowable Special Services	890	890
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
11	Nonallowable Special Services	22,814	22,814
	To adjust co-insurance for Medicare Part B services State Plan, Attachment 4.19D		
12	Cost of Capital Nonallowable	5,550	5,550
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$372,568</u>	<u>\$372,568</u>

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 – MONCKS CORNER, INC.
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2000
 AC# 3-MMM-J0

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3848</u>
Deemed Asset Value (Per Bed)	37,246
Number of Beds	<u>132</u>
Deemed Asset Value	4,916,472
Improvements Since 1981	418,614
Accumulated Depreciation at 9/30/00	(<u>1,047,423</u>)
Deemed Depreciated Value	4,287,663
Market Rate of Return	<u>.058</u>
Total Annual Return	248,684
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	248,684
Depreciation Expense	75,311
Amortization Expense	-
Capital Related Income Offsets	(7,796)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	316,199
Total Patient Days (Minimum 96% Occupancy)	<u>46,380</u>
Cost of Capital Per Diem	\$ <u><u>6.82</u></u>

MAGNOLIA MANOR – MONCKS CORNER, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2000
AC# 3-MMM-J0

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 7.52
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$11.51</u>
Reimbursable Cost of Capital Per Diem	\$ 6.82
Cost of Capital Per Diem	<u>6.82</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

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