

State of South Carolina



Office of the State Auditor

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COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

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April 26, 2004

Ms. Earlene Jones, Administrator  
MPI Management, Inc. d/b/a Stroud Nursing Home  
Post Office Box 216  
Marietta, South Carolina 29661

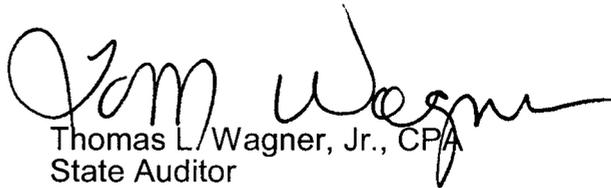
Re: AC# 3-STD-J1 – Stroud Nursing Home

Dear Ms. Jones:

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, 2000 through September 30, 2001. That report was used to set the rate covering the contract period beginning January 1, 2003.

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

**MPI MANAGEMENT, INC.  
D/B/A STROUD NURSING HOME  
MARIETTA, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING JANUARY 1, 2003  
AC# 3-STD-J1**

**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

February 5, 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 MPI Management, Inc. d/b/a Stroud Nursing Home, for the contract period beginning January 1, 2003, and for the twelve month cost report period ended September 30, 2001, as set forth in the accompanying schedules. The management of MPI Management, Inc. d/b/a Stroud Nursing Home 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.

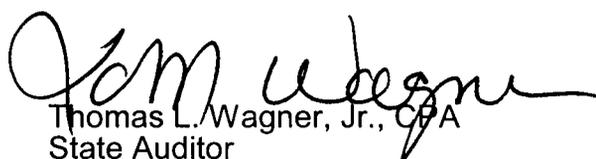
The procedures and the associated findings are as follows:

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 MPI Management, Inc. d/b/a Stroud Nursing Home, 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 MPI Management, Inc. d/b/a Stroud Nursing Home 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  
February 5, 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

**MPI MANAGEMENT, INC. D/B/A STROUD NURSING HOME**

Computation of Rate Change  
For the Contract Period  
Beginning January 1, 2003  
AC# 3-STD-J1

	01/01/03- <u>09/30/03</u>
Interim Reimbursement Rate (1)	\$119.51
Adjusted Reimbursement Rate	<u>115.82</u>
Decrease in Reimbursement Rate	\$ <u>3.69</u>

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

**MPI MANAGEMENT, INC. D/B/A STROUD NURSING HOME**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period January 1, 2003 Through September 30, 2003  
 AC# 3-STD-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 62.68	\$ 69.98	
Dietary		12.70	13.17	
Laundry/Housekeeping/Maintenance		<u>11.53</u>	<u>10.12</u>	
Subtotal	<u>\$6.36</u>	86.91	93.27	\$ 86.91
Administration & Medical Records	<u>\$3.99</u>	<u>9.95</u>	<u>13.94</u>	<u>9.95</u>
Subtotal		96.86	<u>\$107.21</u>	96.86
<u>Costs Not Subject to Standards:</u>				
Utilities		2.99		2.99
Special Services		-		-
Medical Supplies & Oxygen		3.35		3.35
Taxes and Insurance		1.66		1.66
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$104.86</u>		104.86
Inflation Factor (3.70%)				3.88
Cost of Capital				6.07
Cost of Capital Limitation				(.74)
Profit Incentive (Max. 3.5% of Allowable Cost)				3.67
Cost Incentive				6.36
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(8.28)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$115.82</u>

**MPI MANAGEMENT, INC. D/B/A STROUD NURSING HOME**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2001  
 AC# 3-STD-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,001,373	\$ -	\$ 445 (4) 2,662 (9) 676 (9)	\$ 997,590
Dietary	203,347	79,698 (10)	78 (4) 1,654 (9) 79,208 (11)	202,105
Laundry	51,424	3,436 (10)	1,395 (4) 473 (9) 3,190 (11)	49,802
Housekeeping	56,810	3,649 (10)	997 (4) 462 (9) 3,421 (11)	55,579
Maintenance	87,550	5,624 (10)	53 (4) 7,754 (7) 2,427 (9) 4,819 (11)	78,121
Administration & Medical Records	168,891	30,167 (10)	1,441 (3) 45 (4) 15,787 (8) 4,841 (9) 18,644 (11)	158,300
Utilities	43,911	6,093 (5) 2,788 (10)	2,340 (6) 2,893 (11)	47,559
Special Services	-	-	-	-
Medical Supplies & Oxygen	82,925	-	29,608 (4)	53,317

**MPI MANAGEMENT, INC. D/B/A STROUD NURSING HOME**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2001  
 AC# 3-STD-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Taxes and Insurance	29,231	13,784 (10)	4,055 (2) 12,511 (11)	26,449
Legal Fees	-	-	-	-
Cost of Capital	84,827	2,871 (3) 1,254 (10) <u>10,643 (12)</u>	1,329 (1) 1,624 (11)	96,642
Subtotal	1,810,289	160,007	204,832	1,765,464
Ancillary	8,030	-	467 (4)	7,563
Non-Allowable	398,660	5,726 (1) 4,055 (2) 33,088 (4) 2,340 (6) 7,754 (7) 15,787 (8) 9,567 (9) 3,628 (9) <u>126,310 (11)</u>	4,397 (1) 1,430 (3) 6,093 (5) 140,400 (10) 10,643 (12)	443,952
Total Operating Expenses	<u>\$2,216,979</u>	<u>\$368,262</u>	<u>\$368,262</u>	<u>\$2,216,979</u>
Total Patient Days	<u>15,915</u>	<u>-</u>	<u>-</u>	<u>15,915</u>
Total Beds	<u>44</u>			

**MPI MANAGEMENT, INC. D/B/A STROUD NURSING HOME**  
Adjustment Report  
Cost Report Period Ended September 30, 2001  
AC# 3-STD-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Other Equity	\$13,251	
	Nonallowable - Shelter Care	5,726	
	Fixed Assets		\$ 9,864
	Accumulated Depreciation		3,387
	Cost of Capital		1,329
	Nonallowable		4,397
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	4,055	
	Taxes, Insurance & Licenses		4,055
	To remove administration auto insurance State Plan, Attachment 4.19D		
3	Movable Equipment	28,715	
	Cost of Capital	2,871	
	Accumulated Depreciation		11,965
	Other Equity		16,750
	Administration		1,441
	Nonallowable		1,430
	To properly record a capital lease HIM-15-1, Section 110B		
4	Nonallowable	33,088	
	Nursing		445
	Dietary		78
	Laundry		1,395
	Housekeeping		997
	Maintenance		53
	Administration		45
	Medical Supplies & Oxygen		29,608
	Ancillary		467
	To remove expenses not paid within one year HIM-15-1, Section 2305		

**MPI MANAGEMENT, INC. D/B/A STROUD NURSING HOME**  
Adjustment Report  
Cost Report Period Ended September 30, 2001  
AC# 3-STD-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Utilities Nonallowable	6,093	6,093
	To properly offset vending income HIM-15-1, Section 2328		
6	Nonallowable - Shelter Care Utilities	2,340	2,340
	To allocate garbage expense to residential care HIM-15-1, Section 2102.3		
7	Nonallowable - Shelter Care Maintenance	7,754	7,754
	To allocate maintenance salaries to shelter care HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
8	Nonallowable - Shelter Care Administration	15,787	15,787
	To allocate administration salaries to shelter care HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
9	Nonallowable	9,567	
	Nonallowable - Shelter Care	3,628	
	Nursing		2,662
	Restorative		676
	Dietary		1,654
	Laundry		473
	Housekeeping		462
	Maintenance		2,427
	Administration		4,841
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

**MPI MANAGEMENT, INC. D/B/A STROUD NURSING HOME**  
Adjustment Report  
Cost Report Period Ended September 30, 2001  
AC# 3-STD-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Dietary	79,698	
	Laundry	3,436	
	Housekeeping	3,649	
	Maintenance	5,624	
	Administration	30,167	
	Utilities	2,788	
	Taxes, Insurance & Licenses	13,784	
	Cost of Capital	1,254	
	Nonallowable		140,400
	To reverse DH&HS adjustment to remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
11	Nonallowable	126,310	
	Dietary		79,208
	Laundry		3,190
	Housekeeping		3,421
	Maintenance		4,819
	Administration		18,644
	Utilities		2,893
	Taxes, Insurance & Licenses		12,511
	Cost of Capital		1,624
	To remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
12	Cost of Capital	10,643	
	Nonallowable		10,643
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$410,228</u>	<u>\$410,228</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.

**MPI MANAGEMENT, INC. D/B/A STROUD NURSING HOME**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2001  
 AC# 3-STD-J1

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.4607</u>
Deemed Asset Value (Per Bed)	38,431
Number of Beds	<u>44</u>
Deemed Asset Value	1,690,964
Improvements Since 1981	377,425
Accumulated Depreciation at 9/30/01	<u>(694,665)</u>
Deemed Depreciated Value	1,373,724
Market Rate of Return	<u>.0577</u>
Total Annual Return	79,264
Return Applicable to Non-Reimbursable Cost Centers	(4,633)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>258</u>
Allowable Annual Return	74,889
Depreciation Expense	23,596
Amortization Expense	-
Capital Related Income Offsets	(219)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(1,624)</u>
Allowable Cost of Capital Expense	96,642
Total Patient Days (Actual)	<u>15,915</u>
Cost of Capital Per Diem	\$ <u><u>6.07</u></u>

**MPI MANAGEMENT, INC. D/B/A STROUD NURSING HOME**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 2001  
AC# 3-STD-J1

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$1.34
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$5.33</u>
Reimbursable Cost of Capital Per Diem	\$5.33
Cost of Capital Per Diem	<u>6.07</u>
Cost of Capital Per Diem Limitation	<u>\$(.74)</u>

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