

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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August 31, 2004

Ms. Carol W. Disbro, Director of Reimbursement  
Trans Healthcare, Inc.  
The Highlands  
910 Ridgebrook Road  
Sparks, Maryland 21152

Re: AC# 3-MMM-J1 – 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, 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/kss

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mrs. Kathleen C. Snider

**MAGNOLIA MANOR – MONCKS CORNER, INC.  
MONCKS CORNER, SOUTH CAROLINA**

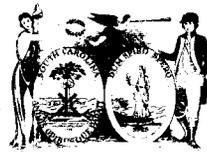
**CONTRACT PERIOD  
BEGINNING JANUARY 1, 2003  
AC# 3-MMM-J1**

**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

July 26, 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 Magnolia Manor – Moncks Corner, Inc., 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 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 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.

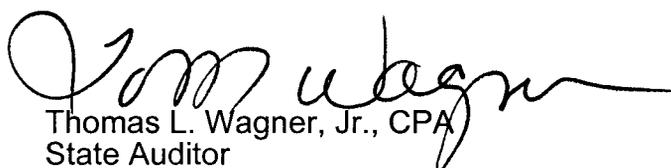
The procedures and the associated findings are as follows:

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 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 South Carolina 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  
July 26, 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

**MAGNOLIA MANOR – MONCKS CORNER, INC.**

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

01/01/03-  
09/30/03

Interim Reimbursement Rate (1)	\$94.93
Adjusted Reimbursement Rate	<u>91.82</u>
Decrease in Reimbursement Rate	\$ <u><u>3.11</u></u>

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

**MAGNOLIA MANOR – MONCK'S CORNER, INC.**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period January 1, 2003 Through September 30, 2003  
 AC# 3-MMM-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$46.74	\$62.89	
Dietary		8.59	11.21	
Laundry/Housekeeping/Maintenance		<u>8.00</u>	<u>9.67</u>	
Subtotal	\$ <u>5.86</u>	63.33	83.77	\$63.33
Administration & Medical Records	\$ <u>2.96</u>	<u>9.81</u>	<u>12.77</u>	<u>9.81</u>
Subtotal		73.14	<u>\$96.54</u>	73.14
<u>Costs Not Subject to Standards:</u>				
Utilities		2.29		2.29
Special Services		.09		.09
Medical Supplies & Oxygen		2.75		2.75
Taxes and Insurance		1.35		1.35
Legal Fees		<u>.01</u>		<u>.01</u>
<b>TOTAL</b>		<u>\$79.63</u>		79.63
Inflation Factor (3.70%)				2.95
Cost of Capital				7.49
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				2.79
Cost Incentive				5.86
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(6.90)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$91.82</u>

**MAGNOLIA MANOR – MONCKS CORNER, INC.**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2001  
 AC# 3-MMM-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$2,217,094	\$ 826 (5)	\$17,913 (3) 28,051 (3) 4,493 (4) 5,540 (4)	\$2,161,923
Dietary	398,007	-	164 (4) 470 (5)	397,373
Laundry	105,119	-	-	105,119
Housekeeping	162,604	-	-	162,604
Maintenance	102,122	-	15 (4)	102,107
Administration & Medical Records	496,033	28,051 (3) 5,579 (4) 9,468 (6)	38,391 (2) 6 (4) 47,114 (5)	453,620
Utilities	106,082	-	-	106,082
Special Services	4,174	20 (4) 95 (7)	-	4,289
Medical Supplies & Oxygen	106,128	17,913 (3) 3,647 (4)	522 (7)	127,166
Taxes and Insurance	63,117	-	877 (5)	62,240
Legal Fees	334	-	-	334

**MAGNOLIA MANOR – MONCKS CORNER, INC.**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2001  
 AC# 3-MMM-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
Cost of Capital	410,750	1,457 (6)	24,406 (1) 37,041 (5) <u>4,490 (8)</u>	346,270
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Subtotal	4,171,564	67,056	209,493	4,029,127
Ancillary	86,096	-	-	86,096
Nonallowable	(21,253)	24,406 (1) 38,391 (2) 972 (4) 84,676 (5) 427 (7) <u>4,490 (8)</u>	10,925 (6)	121,184
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Operating Expenses	<u>\$4,236,407</u>	<u>\$220,418</u>	<u>\$220,418</u>	<u>\$4,236,407</u>
Total Patient Days	* <u>46,253</u>	<u>-</u>	<u>-</u>	<u>46,253</u>
* Adjusted to 96% occupancy				
Total Beds	<u>132</u>			

**MAGNOLIA MANOR – MONCKS CORNER, INC.**  
Adjustment Report  
Cost Report Period Ended September 30, 2001  
AC# 3-MMM-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$49,445	
	Nonallowable	24,406	
	Accumulated Depreciation		\$46,534
	Cost of Capital		24,406
	Other Equity		2,911
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	38,391	
	Administration		38,391
	To remove rental payments on a capital lease HIM-15-1, Section 110B		
3	Administration	28,051	
	Medical Supplies & Oxygen	17,913	
	Nursing		17,913
	Restorative		28,051
	To reclassify salaries to the proper cost centers DH&HS Expense Checklist		
4	Administration	5,579	
	Medical Supplies & Oxygen	3,647	
	Therapy	20	
	Nonallowable	972	
	Nursing		4,493
	Restorative		5,540
	Dietary		164
	Maintenance		15
	Medical Records		6
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

**MAGNOLIA MANOR – MONCKS CORNER, INC.**  
Adjustment Report  
Cost Report Period Ended September 30, 2001  
AC# 3-MMM-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nursing	826	
	Nonallowable	84,676	
	Dietary		470
	Administration		47,114
	Taxes, Licenses & Insurance		877
	Cost of Capital		37,041
	To adjust the IHS home office allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
6	Administration	9,468	
	Cost of Capital	1,457	
	Nonallowable		10,925
	To adjust central account office home office allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Therapy	95	
	Nonallowable	427	
	Medical Supplies & Oxygen		522
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
8	Nonallowable	4,490	
	Cost of Capital		4,490
	To adjust capital return State Plan, Attachment 4.19D		
		\$269,863	\$269,863
	TOTAL ADJUSTMENTS		

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, 2001  
 AC# 3-MMM-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>132</u>
Deemed Asset Value	5,072,892
Improvements Since 1981	510,901
Accumulated Depreciation at 9/30/01	<u>(1,127,201)</u>
Deemed Depreciated Value	4,456,592
Market Rate of Return	<u>0.0577</u>
Total Annual Return	257,145
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	257,145
Depreciation Expense	99,095
Amortization Expense	-
Capital Related Income Offsets	(9,970)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	346,270
Total Patient Days (Minimum 96% occupancy)	<u>46,253</u>
Cost of Capital Per Diem	\$ <u><u>7.49</u></u>

**MAGNOLIA MANOR – MONCKS CORNER, INC.**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 2001  
AC# 3-MMM-J1

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><u>\$11.51</u></u>
Reimbursable Cost of Capital Per Diem	\$ 7.49
Cost of Capital Per Diem	<u>7.49</u>
Cost of Capital Per Diem Limitation	<u><u>\$ -</u></u>

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