

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

August 31, 2004

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

Re: AC# 3-MMP-J0 – Magnolia Place, Inc. d/b/a Magnolia Place at Spartanburg

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/cwc

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

**MAGNOLIA PLACE, INC.
D/B/A MAGNOLIA PLACE AT SPARTANBURG
SPARTANBURG, SOUTH CAROLINA**

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

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
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, 2001 THROUGH DECEMBER 31, 2002	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2000	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	10

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

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

July 27, 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 Place, Inc. d/b/a Magnolia Place at Spartanburg, 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 Place, Inc. d/b/a Magnolia Place at Spartanburg 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.

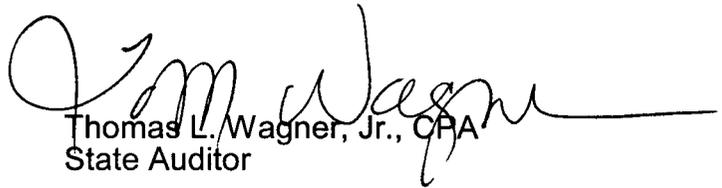
The procedures and the associated findings are as follows:

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 Place, Inc. d/b/a Magnolia Place at Spartanburg, 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 Place, Inc. d/b/a Magnolia Place at Spartanburg 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 27, 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 PLACE, INC. D/B/A MAGNOLIA PLACE AT SPARTANBURG

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

	10/01/01- <u>12/31/02</u>
Interim Reimbursement Rate (1)	\$104.78
Adjusted Reimbursement Rate	<u>102.43</u>
Decrease in Reimbursement Rate	\$ <u><u>2.35</u></u>

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

MAGNOLIA PLACE, INC. D/B/A MAGNOLIA PLACE AT SPARTANBURG
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2001 Through December 31, 2002
 AC# 3-MMP-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$50.24	\$54.59	
Dietary		10.02	11.36	
Laundry/Housekeeping/Maintenance		<u>9.28</u>	<u>9.21</u>	
Subtotal	\$ <u>5.26</u>	69.54	75.16	\$ 69.54
Administration & Medical Records	\$ <u>-</u>	<u>13.09</u>	<u>12.38</u>	<u>12.38</u>
Subtotal		82.63	<u>\$87.54</u>	81.92
<u>Costs Not Subject to Standards:</u>				
Utilities		1.99		1.99
Special Services		.01		.01
Medical Supplies & Oxygen		4.39		4.39
Taxes and Insurance		.74		.74
Legal Fees		<u>.01</u>		<u>.01</u>
TOTAL		<u>\$89.77</u>		89.06
Inflation Factor (3.80%)				3.38
Cost of Capital				7.17
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				5.26
Effect of \$1.75 Cap on Cost/Profit Incentives				(3.51)
Nurse Aide Staffing Add-On 10/01/00				<u>1.07</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$102.43</u>

MAGNOLIA PLACE, INC. D/B/A MAGNOLIA PLACE AT SPARTANBURG
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2000
 AC# 3-MMP-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	\$1,614,590	\$ -	\$ 23,251 (3) 151 (4) 3,446 (4) 8,440 (5)	\$1,579,302
Dietary	315,461	-	58 (4) 298 (5)	315,105
Laundry	58,056	42,351 (7)	-	100,407
Housekeeping	113,689	-	-	113,689
Maintenance	77,743	-	47 (4)	77,696
Administration & Medical Records	372,691	23,251 (3) 3,486 (4) 18,866 (5) 24,419 (6)	31,308 (2) 53 (4)	411,352
Utilities	62,480	1 (5)	-	62,481
Special Services	33,294	416 (5)	83 (4) 331 (8) 32,959 (9)	337
Medical Supplies & Oxygen	137,925	-	-	137,925
Taxes and Insurance	23,951	-	799 (5)	23,152

MAGNOLIA PLACE, INC. D/B/A MAGNOLIA PLACE AT SPARTANBURG
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2000
 AC# 3-MMP-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Legal Fees	350	-	-	350
Cost of Capital	287,605	1,003 (6) 596 (7) 4,018 (10) <u>38 (11)</u>	25,393 (1) 42,437 (5)	225,430
Subtotal	3,097,835	118,445	169,054	3,047,226
Ancillary	108,173	-	-	108,173
Nonallowable	314,392	25,393 (1) 31,308 (2) 352 (4) 32,691 (5) 331 (8) <u>32,959 (9)</u>	25,422 (6) 42,947 (7) 4,018 (10) 38 (11)	365,001
Total Operating Expenses	<u>\$3,520,400</u>	<u>\$241,479</u>	<u>\$241,479</u>	<u>\$3,520,400</u>
Total Patient Days	<u>31,436</u>	<u>-</u>	<u>-</u>	<u>31,436</u>
Total Beds	<u>88</u>			

MAGNOLIA PLACE, INC. D/B/A MAGNOLIA PLACE AT SPARTANBURG
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-MMP-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$273,639	
	Nonallowable	25,393	
	Fixed Assets		\$211,435
	Other Equity		62,204
	Cost of Capital		25,393
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	31,308	
	Administration		31,308
	To remove rental payments on a capital lease HIM-15-1, Section 110B		
3	Administration	23,251	
	Restorative		23,251
	To reclassify salaries to the proper cost center DH&HS Expense Checklist		
4	Nonallowable	352	
	Administration	3,486	
	Nursing		151
	Restorative		3,446
	Dietary		58
	Maintenance		47
	Medical Records		53
	Therapy		83
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

MAGNOLIA PLACE, INC. D/B/A MAGNOLIA PLACE AT SPARTANBURG
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-MMP-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Administration	18,866	
	Utilities	1	
	Therapy	416	
	Nonallowable	32,691	
	Nursing		8,440
	Dietary		298
	Taxes, Insurance & Licenses		799
	Cost of Capital		42,437
	To adjust the IHS home office allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
6	Administration	24,419	
	Cost of Capital	1,003	
	Nonallowable		25,422
	To adjust the CAO home office allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
7	Laundry	42,351	
	Cost of Capital	596	
	Nonallowable		42,947
	To adjust the Laundry home office allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
8	Nonallowable	331	
	Therapy		331
	To remove special (ancillary) services reimbursed by Medicare		
	State Plan, Attachment 4.19D		
9	Nonallowable	32,959	
	Therapy		32,959
	To adjust co-insurance for Medicare Part B services		
	State Plan, Attachment 4.19D		

MAGNOLIA PLACE, INC. D/B/A MAGNOLIA PLACE AT SPARTANBURG
 Adjustment Report
 Cost Report Period Ended September 30, 2000
 AC# 3-MMP-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Cost of Capital Nonallowable	4,018	4,018
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
11	Cost of Capital Nonallowable	38	38
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$515,118</u>	<u>\$515,118</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 PLACE, INC. D/B/A MAGNOLIA PLACE AT SPARTANBURG
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2000
 AC# 3-MMP-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>88</u>
Deemed Asset Value	3,277,648
Improvements Since 1981	175,123
Accumulated Depreciation at 9/30/00	<u>(696,219)</u>
Deemed Depreciated Value	2,756,552
Market Rate of Return	<u>0.058</u>
Total Annual Return	159,880
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	159,880
Depreciation Expense	72,241
Amortization Expense	-
Capital Related Income Offsets	(6,691)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	225,430
Total Patient Days (Actual)	<u>31,436</u>
Cost of Capital Per Diem	\$ <u><u>7.17</u></u>

2 copies of this document were published at an estimated printing cost of \$1.38 each, and a total printing cost of \$2.76. The FY 2004-05 Appropriation Act requires that this information on printing costs be added to the document.