

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
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September 29, 2004

Mr. Harold E. Tucker, Chief Financial Officer
Marion County Hospital District
Post Office Box 1150
Marion, South Carolina 29571

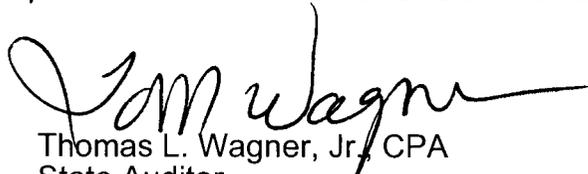
Re: AC# 3-MUL-J9 – Mullins Nursing Center

Dear Mr. Tucker:

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 period 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/sag

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

MULLINS NURSING CENTER

MULLINS, SOUTH CAROLINA

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

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

September 23, 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 Mullins Nursing Center, 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 Mullins Nursing Center 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 Mullins Nursing Center, 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 Mullins Nursing Center dated as of September 15, 1998 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
September 23, 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

MULLINS NURSING CENTER
Computation of Rate Change
For the Contract Period
Beginning October 1, 2000
AC# 3-MUL-J9

	<u>10/01/00-</u> <u>09/30/01</u>
Interim Reimbursement Rate (1)	\$115.57
Adjusted Reimbursement Rate	<u>104.68</u>
Decrease in Reimbursement Rate	\$ <u><u>10.89</u></u>

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

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 47.20	\$53.99	
Dietary		14.14	10.56	
Laundry/Housekeeping/Maintenance		<u>12.99</u>	<u>9.12</u>	
Subtotal	\$ <u>-</u>	74.33	73.67	\$ 73.67
Administration & Medical Records	\$ <u>-</u>	<u>23.69</u>	<u>11.20</u>	<u>11.20</u>
Subtotal		98.02	<u>\$84.87</u>	84.87
<u>Costs Not Subject to Standards:</u>				
Utilities		5.36		5.36
Special Services		-		-
Medical Supplies & Oxygen		5.99		5.99
Taxes and Insurance		2.14		2.14
Legal Fees		<u>.35</u>		<u>.35</u>
TOTAL		<u>\$111.86</u>		98.71
Inflation Factor (3.20%)				3.16
Cost of Capital				2.16
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Nurse Aide Staffing Add-On 10/01/99				.23
Nurse Aide Staffing Add-On 10/01/00				<u>.42</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$104.68</u>

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

<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	\$1,623,893	\$ -	\$ 47,480 (1)	\$1,576,413
Dietary	518,983	-	46,668 (1)	472,315
Laundry	108,194	-	8,044 (1)	100,150
Housekeeping	227,517	-	32,786 (1)	194,731
Maintenance	134,614	4,337 (1)	-	138,951
Administration & Medical Records	747,477	43,726 (1)	-	791,203
Utilities	178,896	-	-	178,896
Special Services	-	-	-	-
Medical Supplies & Oxygen	196,403	3,511 (1)	-	199,914
Taxes and Insurance	79,696	-	8,174 (1)	71,522
Legal Fees	-	11,575 (1)	-	11,575
Cost of Capital	<u>443,188</u>	<u>-</u>	<u>371,063 (1)</u>	<u>72,125</u>
Subtotal	4,258,861	63,149	514,215	3,807,795
Ancillary	58,311	-	57,286 (1)	1,025

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

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Nonallowable	<u>(482,369)</u>	<u>512,808</u> (1)	<u>-</u>	<u>30,439</u>
Total Operating Expenses	<u>\$3,834,803</u>	<u>\$575,957</u>	<u>\$571,501</u>	<u>\$3,839,259</u>
Total Patient Days	<u>33,396</u>	<u>-</u>	<u>-</u>	<u>33,396</u>
Total Beds	<u>92</u>			

MULLINS NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-MUL-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Maintenance	\$ 4,337	
	Administration & Medical Records	43,726	
	Medical Supplies & Oxygen	3,511	
	Legal	11,575	
	Nonallowable	512,808	
	General Services		\$ 47,480
	Dietary		46,668
	Laundry		8,044
	Housekeeping		32,786
	Taxes and Insurance		8,174
	Ancillary		57,286
	Cost of Capital		371,063
	Other Equity		4,456
	To adjust cost centers to amounts per the as-filed Medicare cost report HIM-15-1, Section 2300		
		_____	_____
	TOTAL ADJUSTMENTS	\$ <u>575,957</u>	\$ <u>575,957</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.

MULLINS NURSING CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-MUL-J9

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3156</u>
Deemed Asset Value (Per Bed)	36,165
Number of Beds	<u>92</u>
Deemed Asset Value	3,327,180
Improvements Since 1981	255,484
Accumulated Depreciation at 9/30/99	<u>(7,445,359)</u>
Deemed Depreciated Value	-
Market Rate of Return	<u>.060</u>
Total Annual Return	-
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	-
Depreciation Expense	61,428
Amortization Expense	10,697
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	72,125
Total Patient Days	<u>33,396</u>
Cost of Capital Per Diem	<u>\$ 2.16</u>

MULLINS NURSING CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-MUL-J9

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$N/A
Adjustment for Maximum Increase	<u>N/A</u>
Maximum Cost of Capital Per Diem	\$ <u>-</u>
Reimbursable Cost of Capital Per Diem	\$2.16
Cost of Capital Per Diem	<u>2.16</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>

2 copies of this document were published at an estimated printing cost of \$1.34 each, and a total printing cost of \$2.68. The FY 2004-05 Appropriation Act requires that this information on printing costs be added to the document.