

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

March 5, 2007

Mr. Richard C. Cooke
Cooke Management Company, Inc.
Post Office Box 808
Lake View, South Carolina 29563

Re: AC# 3-MHC-F2 – McCormick Health Care Center

Dear Mr. Cooke:

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 July 1, 2001 through June 30, 2002. That report was used to set the rate covering the contract period beginning October 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.

Yours very truly,

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

RHGjr/sag

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

MCCORMICK HEALTH CARE CENTER

MCCORMICK, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2003
AC# 3-MHC-F2**

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

October 3, 2006

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 McCormick Health Care Center, for the contract period beginning October 1, 2003, and for the twelve month cost report period ended June 30, 2002, as set forth in the accompanying schedules. The management of McCormick Health Care 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 McCormick Health Care 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 Summary of Costs and Total Patient Days and Adjustment Report 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 McCormick Health Care Center 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
October 3, 2006

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.

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

MCCORMICK HEALTH CARE CENTER
Computation of Rate Change
For the Contract Period
Beginning October 1, 2003
AC# 3-MHC-F2

10/01/03-
09/30/04

Interim Reimbursement Rate (1)	\$105.93
Adjusted Reimbursement Rate	<u>104.27</u>
Decrease in Reimbursement Rate	\$ <u><u>1.66</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing as of March 1, 2006.

MCCORMICK HEALTH CARE CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2003 Through September 30, 2004
AC# 3-MHC-F2

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$51.22	\$61.80	
Dietary		10.51	11.55	
Laundry/Housekeeping/Maintenance		<u>8.00</u>	<u>9.83</u>	
Subtotal	<u>\$5.82</u>	69.73	83.18	\$ 69.73
Administration & Medical Records	<u>\$3.63</u>	<u>9.83</u>	<u>13.46</u>	<u>9.83</u>
Subtotal		79.56	<u>\$96.64</u>	79.56
<u>Costs Not Subject to Standards:</u>				
Utilities		2.35		2.35
Special Services		-		-
Medical Supplies & Oxygen		5.31		5.31
Taxes and Insurance		3.52		3.52
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$90.74</u>		90.74
Inflation Factor (4.70%)				4.26
Cost of Capital				7.52
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.18
Cost Incentive				5.82
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(7.25)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$104.27</u>

MCCORMICK HEALTH CARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended June 30, 2002
AC# 3-MHC-F2

<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	\$2,190,557	\$ -	\$18,451 (2)	\$2,172,106
Dietary	460,033	-	14,469 (4)	445,564
Laundry	74,711	-	-	74,711
Housekeeping	183,079	-	-	183,079
Maintenance	81,512	-	-	81,512
Administration & Medical Records	416,692	-	-	416,692
Utilities	105,856	-	6,278 (1)	99,578
Special Services	-	-	-	-
Medical Supplies & Oxygen	238,864	-	13,494 (3)	225,370
Taxes and Insurance	163,789	-	14,403 (5)	149,386
Legal Fees	-	-	-	-
Cost of Capital	<u>318,993</u>	<u>-</u>	<u>-</u>	<u>318,993</u>
Subtotal	4,234,086	-	67,095	4,166,991
Ancillary	-	-	-	-

MCCORMICK HEALTH CARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended June 30, 2002
AC# 3-MHC-F2

<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>	
Nonallowable	517,446	6,278 (1)	-	584,541
		18,451 (2)		
		13,494 (3)		
		14,469 (4)		
	_____	<u>14,403</u> (5)	_____	_____
Total Operating Expenses	<u>\$4,751,532</u>	<u>\$67,095</u>	<u>\$67,095</u>	<u>\$4,751,532</u>
Total Patient Days	<u>42,410</u>	<u>-</u>	<u>-</u>	<u>42,410</u>
Total Beds	<u>120</u>			

MCCORMICK HEALTH CARE CENTER
Adjustment Report
Cost Report Period Ended June 30, 2002
AC# 3-MHC-F2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Utilities	\$ 6,278	6,278
	To disallow cable television expense HIM-15-1, Section 2106.1		
2	Nonallowable Nursing	18,451	18,451
	To adjust nursing cost allocation HIM-15-1, Sections 1000 and 2304		
3	Nonallowable Medical Supplies	13,494	13,494
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
4	Nonallowable Dietary	14,469	14,469
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
5	Nonallowable Taxes and Insurance	14,403	14,403
	To adjust liability insurance expense HIM-15-1, Section 2304		
	TOTAL ADJUSTMENTS	\$67,095	\$67,095

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.

2 copies of this document were published at an estimated printing cost of \$1.29 each, and a total printing cost of \$2.58. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.