

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
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September 27, 2006

Mr. Harold E. Tucker, Chief Financial Officer
Marion Regional Healthcare System
Post Office Box 1150
Marion, South Carolina 29571

Re: AC# 3-MUL-J1 – Marion County Hospital District d/b/a 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, 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.

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr." with a stylized flourish at the end.

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

RHGGr/ms

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

**MARION COUNTY HOSPITAL DISTRICT
D/B/A MULLINS NURSING CENTER**

MULLINS, SOUTH CAROLINA

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

August 24, 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 Marion County Hospital District d/b/a Mullins Nursing Center, 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 Marion County Hospital District d/b/a 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 Marion County Hospital District d/b/a 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 Summary of Costs and Total Patient Days, Adjustment Report, 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 Marion County Hospital District d/b/a Mullins Nursing 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
August 24, 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

MULLINS NURSING CENTER
Computation of Rate Change
For the Contract Period
Beginning January 1, 2003
AC# 3-MUL-J1

	01/01/03- <u>09/30/03</u>
Interim Reimbursement Rate (1)	\$123.19
Adjusted Reimbursement Rate	<u>122.64</u>
Decrease in Reimbursement Rate	\$ <u><u>.55</u></u>

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

MULLINS NURSING CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period January 1, 2003 Through September 30, 2003
 AC# 3-MUL-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 55.96	\$59.01	
Dietary		12.75	11.63	
Laundry/Housekeeping/Maintenance		<u>15.14</u>	<u>10.22</u>	
Subtotal	\$ <u>-</u>	83.85	80.86	\$ 80.86
Administration & Medical Records	\$ <u>-</u>	<u>13.39</u>	<u>12.63</u>	<u>12.63</u>
Subtotal		97.24	<u>\$93.49</u>	93.49
<u>Costs Not Subject to Standards:</u>				
Utilities		5.88		5.88
Special Services		-		-
Medical Supplies & Oxygen		4.69		4.69
Taxes and Insurance		.92		.92
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$108.73</u>		104.98
Inflation Factor (3.70%)				3.88
Cost of Capital				13.78
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>-</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$122.64</u>

MULLINS NURSING CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2001
 AC# 3-MUL-J1

<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	\$1,738,909	\$138,566 (1)	\$ -	\$1,877,475
Dietary	475,643	-	47,963 (1)	427,680
Laundry	164,249	-	7,442 (1)	156,807
Housekeeping	236,278	-	29,877 (1)	206,401
Maintenance	145,537	-	674 (1)	144,863
Administration & Medical Records	438,116	11,051 (1)	-	449,167
Utilities	190,857	6,407 (1)	-	197,264
Special Services	34,548	-	34,548 (1)	-
Medical Supplies & Oxygen	249,983	-	92,480 (1)	157,503
Taxes and Insurance	30,888	-	-	30,888
Legal Fees	-	-	-	-
Cost of Capital	<u>355,209</u>	<u>107,132</u> (1)	<u>-</u>	<u>462,341</u>
Subtotal	4,060,217	263,156	212,984	4,110,389

MULLINS NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2001
AC# 3-MUL-J1

<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>	
Ancillary	27,326	-	-	27,326
Nonallowable	<u>(208,756)</u>	<u>231,672</u> (1)	<u>-</u>	<u>22,916</u>
Total Operating Expenses	<u>\$3,878,787</u>	<u>\$494,828</u>	<u>\$212,984</u>	<u>\$4,160,631</u>
Total Patient Days	<u>33,552</u>	<u>-</u>	<u>-</u>	<u>33,552</u>
 Total Beds	 <u>92</u>			

MULLINS NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 2001
AC# 3-MUL-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	General Services	\$138,566	
	Administration & Medical Records	11,051	
	Utilities	6,407	
	Cost of Capital	107,132	
	Nonallowable	231,672	
	Dietary		\$ 47,963
	Laundry		7,442
	Housekeeping		29,877
	Maintenance		674
	Special Services		34,548
	Medical Supplies		92,480
	Other Equity		281,844
	To adjust cost centers to amounts per the as-filed Medicare cost report HIM-15-1, Section 2300		
		_____	_____
	TOTAL ADJUSTMENTS	\$ <u>494,828</u>	\$ <u>494,828</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, 2001
 AC# 3-MUL-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>92</u>
Deemed Asset Value	3,535,652
Improvements Since 1981	290,019
Accumulated Depreciation at 9/30/01	<u>(8,140,807)</u>
Deemed Depreciated Value	-
Market Rate of Return	<u>.0577</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	462,341
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	462,341
Total Patient Days (Actual)	<u>33,552</u>
Cost of Capital Per Diem	\$ <u><u>13.78</u></u>

2 copies of this document were published at an estimated printing cost of \$1.32 each, and a total printing cost of \$2.64. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.