

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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May 20, 2008

Ms. Carol W. Disbro, Vice President of Reimbursement
Fundamental Administrative Services
930 Ridgebrook Road
Sparks, Maryland 21152

Re: AC# 3-MPG-J4 – THI of South Carolina at Magnolia Place at Greenville, LLC d/b/a
Magnolia Place – Greenville, 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, 2003 through September 30, 2004. That report was used to set the rate covering the contract period beginning October 1, 2005.

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." with a stylized flourish at the end.

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

RHGjr/sag

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

**THI OF SOUTH CAROLINA AT MAGNOLIA PLACE
AT GREENVILLE, LLC D/B/A
MAGNOLIA PLACE – GREENVILLE, INC.**

GREENVILLE, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2005
AC# 3-MPG-J4**

**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

March 18, 2008

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 THI of South Carolina at Magnolia Place at Greenville, LLC d/b/a Magnolia Place – Greenville, Inc., for the contract period beginning October 1, 2005, and for the twelve month cost report period ended September 30, 2004, as set forth in the accompanying schedules. The management of THI of South Carolina at Magnolia Place at Greenville, LLC d/b/a Magnolia Place – Greenville, Inc. is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed 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 THI of South Carolina at Magnolia Place at Greenville, LLC d/b/a Magnolia Place – Greenville, 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 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 THI of South Carolina at Magnolia Place at Greenville, LLC d/b/a Magnolia Place – Greenville, 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
March 18, 2008

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

MAGNOLIA PLACE - GREENVILLE, INC.

Computation of Rate Change
For the Contract Period
Beginning October 1, 2005
AC# 3-MPG-J4

10/01/05-
09/30/06

Interim Reimbursement Rate (1)	\$137.69
Adjusted Reimbursement Rate	<u>132.48</u>
Decrease in Reimbursement Rate	\$ <u><u>5.21</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing as of February 13, 2008.

MAGNOLIA PLACE - GREENVILLE, INC.
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2005 Through September 30, 2006
AC# 3-MPG-J4

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 69.43	\$ 75.11	
Dietary		11.72	12.63	
Laundry/Housekeeping/Maintenance		<u>9.30</u>	<u>10.97</u>	
Subtotal	<u>\$6.91</u>	90.45	98.71	\$ 90.45
Administration & Medical Records	<u>\$1.64</u>	<u>14.49</u>	<u>16.13</u>	<u>14.49</u>
Subtotal		104.94	<u>\$114.84</u>	104.94
<u>Costs Not Subject to Standards:</u>				
Utilities		2.89		2.89
Special Services		.04		.04
Medical Supplies & Oxygen		5.67		5.67
Taxes and Insurance		2.81		2.81
Legal Fees		<u>.14</u>		<u>.14</u>
TOTAL		<u>\$116.49</u>		116.49
Inflation Factor (4.70%)				5.48
Cost of Capital				8.76
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				1.64
Cost Incentive				6.91
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(6.80)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$132.48</u>

MAGNOLIA PLACE - GREENVILLE, INC.
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2004
 AC# 3-MPG-J4

<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>	
General Services	\$3,006,279	\$ -	\$ -	\$3,006,279
Dietary	507,266	-	-	507,266
Laundry	105,454	-	-	105,454
Housekeeping	149,873	-	-	149,873
Maintenance	147,506	1 (2)	-	147,507
Administration & Medical Records	721,141	-	93,764 (2)	627,377
Utilities	125,311	-	-	125,311
Special Services	1,892	-	-	1,892
Medical Supplies & Oxygen	245,565	-	-	245,565
Taxes and Insurance	121,650	-	-	121,650
Legal Fees	6,146	-	1 (2)	6,145
Cost of Capital	530,686	224 (1) <u>3,273 (3)</u>	154,884 (2)	379,299
Subtotal	5,668,769	3,498	248,649	5,423,618
Ancillary	156,881	-	-	156,881

MAGNOLIA PLACE - GREENVILLE, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2004
AC# 3-MPG-J4

<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	591,871	248,648 (2)	224 (1) 3,273 (3)	837,022
Ancillary	<u>675</u>	<u>-</u>	<u>-</u>	<u>675</u>
Total Operating Expenses	<u>\$6,418,196</u>	<u>\$252,146</u>	<u>\$252,146</u>	<u>\$6,418,196</u>
Total Patient Days	<u>43,297</u>	<u>-</u>	<u>-</u>	<u>43,297</u>
Total Beds	<u>120</u>			

MAGNOLIA PLACE - GREENVILLE, INC.
Adjustment Report
Cost Report Period Ended September 30, 2004
AC# 3-MPG-J4

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 1,549	
	Accumulated Depreciation	52,495	
	Cost of Capital	224	
	Other Equity		\$ 54,044
	Nonallowable		224
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Maintenance	1	
	Nonallowable	248,648	
	Administration		93,764
	Cost of Capital		154,884
	Legal		1
	To adjust Integrated Health Services home office costs HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Cost of Capital	3,273	
	Nonallowable		3,273
	To adjust capital return State Plan, Attachment 4.19D		
	<u>TOTAL ADJUSTMENTS</u>	<u>\$306,190</u>	<u>\$306,190</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 - GREENVILLE, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2004
AC# 3-MPG-J4

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.71494</u>
Deemed Asset Value (Per Bed)	42,402
Number of Beds	<u>120</u>
Deemed Asset Value	5,088,240
Improvements Since 1981	49,135
Accumulated Depreciation at 9/30/04	<u>(700,064)</u>
Deemed Depreciated Value	4,437,311
Market Rate of Return	<u>.0516</u>
Total Annual Return	228,965
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	228,965
Depreciation Expense	150,334
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	379,299
Total Patient Days (Actual)	<u>43,297</u>
Cost of Capital Per Diem	\$ <u><u>8.76</u></u>

MAGNOLIA PLACE - GREENVILLE, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2004
AC# 3-MPG-J4

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	\$8.76
Cost of Capital Per Diem	<u>8.76</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>

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