

*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

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January 26, 2010

Ms. Susan Weesner, Chief Financial Officer  
Wilson Senior Care, Inc.  
116 Cashua Street  
Darlington, South Carolina 29532

Re: AC# 3-MEP-J5 – Medford Nursing Center, LLC

Dear Ms. Weesner:

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, 2004 through September 30, 2005. That report was used to set the rate covering the contract period beginning October 1, 2006.

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/cwc

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

**MEDFORD NURSING CENTER, LLC  
DARLINGTON, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2006  
AC# 3-MEP-J5**

**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 13, 2009

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 Medford Nursing Center, LLC, for the contract period beginning October 1, 2006, and for the twelve month cost report period ended September 30, 2005, as set forth in the accompanying schedules. The management of Medford Nursing Center, LLC 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 Medford Nursing Center, LLC, 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 contracts between the South Carolina Department of Health and Human Services and Medford Nursing Center, LLC dated as of October 1, 2001 and January 1, 2007, 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 13, 2009

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

**MEDFORD NURSING CENTER, LLC**  
Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2006  
AC# 3-MEP-J5

	<u>10/01/06-</u> <u>09/30/07</u>
Interim Reimbursement Rate (1)	\$149.39
Adjusted Reimbursement Rate	<u>146.03</u>
Decrease in Reimbursement Rate	\$ <u><u>3.36</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated June 8, 2009.

**MEDFORD NURSING CENTER, LLC**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2006 Through September 30, 2007  
 AC# 3-MEP-J5

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 73.03	\$ 79.89	
Dietary		12.59	13.72	
Laundry/Housekeeping/Maintenance		<u>14.04</u>	<u>12.61</u>	
Subtotal	\$ <u>6.56</u>	99.66	106.22	\$ 99.66
Administration & Medical Records	\$ <u>1.00</u>	<u>15.31</u>	<u>16.31</u>	<u>15.31</u>
Subtotal		114.97	<u>\$122.53</u>	114.97
<u>Costs Not Subject to Standards:</u>				
Utilities		4.52		4.52
Special Services		.01		.01
Medical Supplies & Oxygen		4.72		4.72
Taxes and Insurance		6.16		6.16
Legal Fees		<u>.17</u>		<u>.17</u>
<b>TOTAL</b>		<u>\$130.55</u>		130.55
Inflation Factor (4.60%)				6.01
Cost of Capital				7.72
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				1.00
Cost Incentive				6.56
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(5.81)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$146.03</u>

**MEDFORD NURSING CENTER, LLC**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2005  
 AC# 3-MEP-J5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$2,342,699	\$ -	\$ 37,290 (3) 1,712 (3) 1,016 (4)	\$2,302,681
Dietary	397,072	397,063 (6)	397,062 (7)	397,073
Laundry	66,908	-	-	66,908
Housekeeping	137,181	3,881 (6)	11,115 (7)	129,947
Maintenance	261,854	7,027 (6)	591 (3) 831 (4) 21,488 (7)	245,971
Administration & Medical Records	483,326	5,091 (3) 43,703 (6)	281 (3) 4,626 (4) 44,558 (7)	482,655
Utilities	153,966	8 (4) 3,638 (6)	3,380 (2) 11,788 (7)	142,444
Special Services	427	-	-	427
Medical Supplies & Oxygen	148,875	-	173 (4)	148,702
Taxes and Insurance	202,644	59 (4) 4,781 (6)	13,242 (7)	194,242
Legal Fees	5,339	1 (4) 573 (6)	593 (7)	5,320

**MEDFORD NURSING CENTER, LLC**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2005  
AC# 3-MEP-J5

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Cost of Capital	261,778	3,108 (1) 3,288 (6)	2,233 (4) 1,918 (5) 7,406 (7) <u>13,094 (8)</u>	243,523
Subtotal	<u>4,462,069</u>	<u>472,221</u>	<u>574,397</u>	<u>4,359,893</u>
Ancillary	107,486	-	-	107,486
Nonallowable	828,537	3,380 (2) 34,783 (3) 8,811 (4) 1,918 (5) 507,252 (7) 13,094 (8)	463,954 (6)	933,821
CNA Training and Testing	<u>8,458</u>	<u>-</u>	<u>-</u>	<u>8,458</u>
Total Operating Expenses	<u>\$5,406,550</u>	<u>\$1,041,459</u>	<u>\$1,038,351</u>	<u>\$5,409,658</u>
Total Patient Days	<u>31,530</u>	<u>-</u>	<u>-</u>	<u>31,530</u>
Total Beds	<u>88</u>			

**MEDFORD NURSING CENTER, LLC**  
Adjustment Report  
Cost Report Period Ended September 30, 2005  
AC# 3-MEP-J5

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$118,502	
	Cost of Capital	3,108	
	Accumulated Depreciation		\$90,063
	Other Equity		31,547
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	3,380	
	Utilities		3,380
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
3	Nonallowable	34,783	
	Administration	5,091	
	Nursing		37,290
	Restorative		1,712
	Maintenance		591
	Medical Records		281
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Legal	1	
	Utilities	8	
	Taxes and Insurance	59	
	Nonallowable	8,811	
	Restorative		1,016
	Maintenance		831
	Administration		4,626
	Medical Supplies		173
	Cost of Capital		2,233
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

**MEDFORD NURSING CENTER, LLC**  
Adjustment Report  
Cost Report Period Ended September 30, 2005  
AC# 3-MEP-J5

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable Cost of Capital	1,918	1,918
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
6	Dietary	397,063	
	Housekeeping	3,881	
	Maintenance	7,027	
	Administration	43,703	
	Legal	573	
	Utilities	3,638	
	Taxes and Insurance	4,781	
	Cost of Capital	3,288	
	Nonallowable		463,954
	To reverse DH&HS adjustment to remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
7	Nonallowable	507,252	
	Dietary		397,062
	Housekeeping		11,115
	Maintenance		21,488
	Administration		44,558
	Legal		593
	Utilities		11,788
	Taxes and Insurance		13,242
	Cost of Capital		7,406
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

**MEDFORD NURSING CENTER, LLC**  
Adjustment Report  
Cost Report Period Ended September 30, 2005  
AC# 3-MEP-J5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Nonallowable Cost of Capital	13,094	13,094
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$1,159,961	\$1,159,961

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.

**MEDFORD NURSING CENTER, LLC**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2005  
 AC# 3-MEP-J5

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.77878</u>
Deemed Asset Value (Per Bed)	43,399
Number of Beds	<u>88</u>
Deemed Asset Value	3,819,112
Improvements Since 1981	596,821
Accumulated Depreciation at 09/30/05	<u>(1,171,052)</u>
Deemed Depreciated Value	3,244,881
Market Rate of Return	<u>.0490</u>
Total Annual Return	158,999
Return Applicable to Non-Reimbursable Cost Centers	(10,147)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>953</u>
Allowable Annual Return	149,805
Depreciation Expense	108,343
Amortization Expense	-
Capital Related Income Offsets	(7,219)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(7,406)</u>
Allowable Cost of Capital Expense	243,523
Total Patient Days (Actual)	<u>31,530</u>
Cost of Capital Per Diem	\$ <u><u>7.72</u></u>

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