

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

January 26, 2010

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

Re: AC# 3-MEP-J6 – 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, 2005 through September 30, 2006. That report was used to set the rate covering the contract period beginning October 1, 2007.

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

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

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2007
AC# 3-MEP-J6**

**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 28, 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, 2007, and for the twelve month cost report period ended September 30, 2006, 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 contract between the South Carolina Department of Health and Human Services and Medford Nursing Center, LLC dated as of 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
September 28, 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, 2007
AC# 3-MEP-J6

	<u>10/01/07-</u> <u>09/30/08</u>
Interim Reimbursement Rate (1)	\$157.68
Adjusted Reimbursement Rate	<u>151.73</u>
Decrease in Reimbursement Rate	\$ <u><u>5.95</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, 2007 Through September 30, 2008
 AC# 3-MEP-J6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 76.18	\$ 83.18	
Dietary		12.55	13.90	
Laundry/Housekeeping/Maintenance		<u>11.37</u>	<u>13.36</u>	
Subtotal	<u>\$7.73</u>	100.10	110.44	\$100.10
Administration & Medical Records	<u>\$.02</u>	<u>17.05</u>	<u>17.07</u>	<u>17.05</u>
Subtotal		117.15	<u>\$127.51</u>	117.15
<u>Costs Not Subject to Standards:</u>				
Utilities		5.22		5.22
Special Services		.04		.04
Medical Supplies & Oxygen		7.35		7.35
Taxes and Insurance		4.72		4.72
Legal Fees		<u>.74</u>		<u>.74</u>
TOTAL		<u>\$135.22</u>		135.22
Inflation Factor (4.60%)				6.22
Cost of Capital				7.56
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				.02
Cost Incentive				7.73
Effect of \$1.75 Cap on Cost/Profit Incentives				(6.00)
Transportation Escort Add-On				<u>.98</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$151.73</u>

MEDFORD NURSING CENTER, LLC
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2006
 AC# 3-MEP-J6

<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	\$2,473,750	\$ -	\$ 782 (1) 69,227 (5) 3,072 (5) 2,503 (6) 5,932 (9) 734 (9)	\$2,391,500
Dietary	393,934	397,133 (7)	397,134 (8)	393,933
Laundry	64,313	-	-	64,313
Housekeeping	138,255	3,985 (7)	11,309 (8) 1 (9)	130,930
Maintenance	213,423	5,865 (7) 2,064 (9)	43,875 (3) 1,422 (5) 14,393 (8)	161,662
Administration & Medical Records	595,448	49,298 (7)	2,819 (2) 2,886 (5) 1,166 (5) 45,902 (8) 56,825 (9)	535,148
Utilities	176,934	4,118 (7)	3,526 (4) 13,738 (8) 4 (9)	163,784
Special Services	1,209	-	-	1,209
Medical Supplies & Oxygen	232,901	-	869 (9) 1,416 (10)	230,616

MEDFORD NURSING CENTER, LLC
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2006
AC# 3-MEP-J6

<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>	
Taxes and Insurance	154,640	3,664 (7)	10,142 (8) 24 (9)	148,138
Legal Fees	23,240	2,454 (7)	2,577 (8)	23,117
Cost of Capital	252,704	1,542 (1) 4,164 (3) 2,775 (7)	5,807 (8) 2,252 (9) 2,534 (11) <u>13,275 (12)</u>	237,317
Subtotal	<u>4,720,751</u>	<u>477,062</u>	<u>716,146</u>	<u>4,481,667</u>
Ancillary	87,427	-	-	87,427
Nonallowable	1,001,458	2,819 (2) 3,526 (4) 81,110 (5) 501,002 (8) 64,577 (9) 1,416 (10) 2,534 (11) 13,275 (12)	469,292 (7)	1,202,425
CNA Training and Testing	12,387	1,211 (5) <u>2,503 (6)</u>	-	16,101
Total Operating Expenses	<u>\$5,822,023</u>	<u>\$1,151,035</u>	<u>\$1,185,438</u>	<u>\$5,787,620</u>
Total Patient Days	<u>31,393</u>	<u>-</u>	<u>-</u>	<u>31,393</u>

Total Beds 88

MEDFORD NURSING CENTER, LLC
Adjustment Report
Cost Report Period Ended September 30, 2006
AC# 3-MEP-J6

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$118,501	
	Cost of Capital	1,542	
	Accumulated Depreciation		\$91,605
	Other Equity		27,656
	Restorative		782
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	2,819	
	Administration		2,819
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
3	Fixed Assets	43,875	
	Cost of Capital	4,164	
	Accumulated Depreciation		4,164
	Maintenance		43,875
	To properly capitalize building improvements HIM-15-1, Section 108.2		
4	Nonallowable	3,526	
	Utilities		3,526
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		

MEDFORD NURSING CENTER, LLC
Adjustment Report
Cost Report Period Ended September 30, 2006
AC# 3-MEP-J6

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Intercompany - Oakhaven	296	
	Nonallowable	81,110	
	CNA Training and Testing	1,211	
	Intercompany - Wilson Senior Care		3,220
	Intercompany - Morrell		1,624
	Nursing		69,227
	Restorative		3,072
	Maintenance		1,422
	Administration		2,886
	Medical Records		1,166
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
6	CNA Training and Testing	2,503	
	Nursing		2,503
	To reclassify expense due to lack of adequate documentation HIM-15-1, Section 2304		
7	Dietary	397,133	
	Housekeeping	3,985	
	Maintenance	5,865	
	Administration	49,298	
	Legal	2,454	
	Utilities	4,118	
	Taxes and Insurance	3,664	
	Cost of Capital	2,775	
	Nonallowable		469,292
	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		

MEDFORD NURSING CENTER, LLC
Adjustment Report
Cost Report Period Ended September 30, 2006
AC# 3-MEP-J6

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Nonallowable	501,002	
	Dietary		397,134
	Housekeeping		11,309
	Maintenance		14,393
	Administration		45,902
	Legal		2,577
	Utilities		13,738
	Taxes and Insurance		10,142
	Cost of Capital		5,807
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
9	Maintenance	2,064	
	Nonallowable	64,577	
	Nursing		5,932
	Restorative		734
	Housekeeping		1
	Administration		56,825
	Utilities		4
	Taxes and Insurance		24
	Medical Supplies		869
	Cost of Capital		2,252
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
10	Nonallowable	1,416	
	Medical Supplies		1,416
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
11	Nonallowable	2,534	
	Cost of Capital		2,534
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		

MEDFORD NURSING CENTER, LLC
Adjustment Report
Cost Report Period Ended September 30, 2006
AC# 3-MEP-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
12	Nonallowable Cost of Capital	13,275	13,275
	To adjust capital return State Plan, Attachment 4.19D		
		\$1,313,707	\$1,313,707
	TOTAL ADJUSTMENTS	\$1,313,707	\$1,313,707

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, 2006
 AC# 3-MEP-J6

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.85382</u>
Deemed Asset Value (Per Bed)	44,571
Number of Beds	<u>88</u>
Deemed Asset Value	3,922,248
Improvements since 1981	675,532
Accumulated Depreciation at 9/30/06	<u>(1,265,805)</u>
Deemed Depreciated Value	3,331,975
Market Rate of Return	<u>.0489</u>
Total Annual Return	162,934
Return Applicable to Non-Reimbursable Cost Centers	(10,440)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	152,494
Depreciation Expense	108,002
Amortization Expense	-
Capital Related Income Offsets	(17,372)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(5,807)</u>
Allowable Cost of Capital Expense	237,317
Total Patient Days (Actual)	<u>31,393</u>
Cost of Capital Per Diem	\$ <u><u>7.56</u></u>

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