

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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January 26, 2010

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

Re: AC# 3-MMC-J6 – Morrell 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/cwc

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

**MORRELL NURSING CENTER, LLC
HARTSVILLE, SOUTH CAROLINA**

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

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 2007	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2007 THROUGH SEPTEMBER 30, 2008	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2006	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	9

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

September 24, 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 Morrell 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 Morrell 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 Morrell 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 Morrell 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 24, 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

MORRELL NURSING CENTER, LLC
Computation of Rate Change
For the Contract Period
Beginning October 1, 2007
AC# 3-MMC-J6

	10/01/07- <u>09/30/08</u>
Interim Reimbursement Rate (1)	\$142.43
Adjusted Reimbursement Rate	<u>138.68</u>
Decrease in Reimbursement Rate	\$ <u><u>3.75</u></u>

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

MORRELL NURSING CENTER, LLC
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2007 Through September 30, 2008
 AC# 3-MMC-J6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 68.55	\$ 77.15	
Dietary		12.52	13.85	
Laundry/Housekeeping/Maintenance		<u>11.68</u>	<u>12.55</u>	
Subtotal	<u>\$7.25</u>	92.75	103.55	\$ 92.75
Administration & Medical Records	<u>\$3.64</u>	<u>14.58</u>	<u>18.22</u>	<u>14.58</u>
Subtotal		107.33	<u>\$121.77</u>	107.33
<u>Costs Not Subject to Standards:</u>				
Utilities		3.53		3.53
Special Services		-		-
Medical Supplies & Oxygen		7.37		7.37
Taxes and Insurance		4.36		4.36
Legal Fees		<u>.39</u>		<u>.39</u>
TOTAL		<u>\$122.98</u>		122.98
Inflation Factor (4.60%)				5.66
Cost of Capital				8.40
Cost of Capital Limitation				(.61)
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.64
Cost Incentive				7.25
Effect of \$1.75 Cap on Cost/Profit Incentives				(9.14)
Transportation Escort Add-On				<u>.50</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$138.68</u>

MORRELL NURSING CENTER, LLC
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2006
 AC# 3-MMC-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	\$3,751,520	\$ -	\$ 2,650 (1) 33,091 (5) 1,139 (5) 4,382 (6) 10,156 (7) 1,257 (7)	\$3,698,845
Dietary	675,434	-	-	675,434
Laundry	110,482	-	-	110,482
Housekeeping	269,143	-	-	269,143
Maintenance	269,553	-	16,784 (1) 817 (5) 1,555 (7)	250,397
Administration & Medical Records	888,070	-	2,530 (5) 509 (5) 97,303 (7) 1,000 (9)	786,728
Utilities	194,957	-	4,714 (3) 7 (7)	190,236
Special Services	-	-	-	-
Medical Supplies & Oxygen	411,205	-	396 (5) 1,488 (7) 11,459 (8)	397,862
Taxes and Insurance	238,335	-	2,946 (4) 39 (7)	235,350

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

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Legal Fees	20,884	-	-	20,884
Cost of Capital	420,364	3,048 (1)	3,857 (7)	453,515
	<u> </u>	<u>33,960 (2)</u>	<u> </u>	<u> </u>
Subtotal	7,249,947	37,008	198,079	7,088,876
Ancillary	171,706	-	-	171,706
Nonallowable	447,624	4,714 (3)	33,960 (2)	592,690
		2,946 (4)		
		43,245 (5)		
		115,662 (7)		
		11,459 (8)		
		1,000 (9)		
CNA Training and Testing	22,871	851 (5)	-	28,104
	<u> </u>	<u>4,382 (6)</u>	<u> </u>	<u> </u>
Total Operating Expenses	<u>\$7,892,148</u>	<u>\$221,267</u>	<u>\$232,039</u>	<u>\$7,881,376</u>
Total Patient Days	<u>53,962</u>	<u>-</u>	<u>-</u>	<u>53,962</u>
Total Beds	<u>154</u>			

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

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$78,209	
	Cost of Capital	3,048	
	Accumulated Depreciation		\$52,037
	Other Equity		9,786
	Restorative		2,650
	Maintenance		16,784
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Cost of Capital	33,960	
	Nonallowable		33,960
	To adjust capital return State Plan, Attachment 4.19D		
3	Nonallowable	4,714	
	Utilities		4,714
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
4	Nonallowable	2,946	
	Taxes and Insurance		2,946
	To adjust property and liability insurance expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
5	Intercompany - Medford	1,623	
	Nonallowable	43,245	
	CNA Training and Testing	851	
	Intercompany - Oakhaven		1,534
	Intercompany - Wilson Senior Care		5,703
	Nursing		33,091
	Restorative		1,139
	Maintenance		817
	Administration		2,530
	Medical Records		509
	Medical Supplies		396
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

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

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	CNA Training and Testing Nursing	4,382	4,382
	To reclassify expense due to lack of adequate documentation HIM-15-1, Section 2304		
7	Nonallowable	115,662	
	Nursing		10,156
	Restorative		1,257
	Maintenance		1,555
	Administration		97,303
	Utilities		7
	Taxes and Insurance		39
	Medical Supplies		1,488
	Cost of Capital		3,857
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Nonallowable	11,459	
	Medical Supplies		11,459
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
9	Nonallowable	1,000	
	Medical Records		1,000
	To adjust Medical Director expense HIM-15-1, Section 2304		
	TOTAL ADJUSTMENTS	\$301,099	\$301,099

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.

MORRELL NURSING CENTER, LLC
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2006
 AC# 3-MMC-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>154</u>
Deemed Asset Value	6,863,934
Improvements Since 1981	1,812,354
Accumulated Depreciation at 09/30/06	(<u>2,163,033</u>)
Deemed Depreciated Value	6,513,255
Market Rate of Return	<u>.0489</u>
Total Annual Return	318,498
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	318,498
Depreciation Expense	164,761
Amortization Expense	-
Capital Related Income Offsets	(29,744)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	453,515
Total Patient Days (Minimum 96% Occupancy)	<u>53,962</u>
Cost of Capital Per Diem	\$ <u><u>8.40</u></u>

MORRELL NURSING CENTER, LLC
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2006
AC# 3-MMC-J6

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$3.80
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$7.79</u>
Reimbursable Cost of Capital Per Diem	\$7.79
Cost of Capital Per Diem	<u>8.40</u>
Cost of Capital Per Diem Limitation	<u>\$(.61)</u>

2 copies of this document were published at an estimated printing cost of \$1.38 each, and a total printing cost of \$2.76. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.