

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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October 30, 2013

Ms. Autumn Grove, Senior Reimbursement Manager
Fundamental Administrative Services
920 Ridgebrook Road
Sparks, Maryland 21152

Re: AC# 3-MCL-J0 – THI of South Carolina at Columbia, LLC d/b/a
Magnolia Manor - Columbia

Dear Ms. Grove:

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, 2009 through September 30, 2010. That report was used to set the rate covering the contract period beginning November 1, 2011.

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.

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
Ms. Nicole Mitchell Threat
Ms. Melissa Simmons

**THI OF SOUTH CAROLINA AT COLUMBIA, LLC D/B/A
MAGNOLIA MANOR - COLUMBIA**

COLUMBIA, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING NOVEMBER 1, 2011
AC# 3-MCL-J0**

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

July 23, 2013

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 Columbia, LLC d/b/a Magnolia Manor - Columbia, for the contract period beginning November 1, 2011, and for the twelve month cost report period ended September 30, 2010, as set forth in the accompanying schedules. The management of THI of South Carolina at Columbia, LLC d/b/a Magnolia Manor - Columbia 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 THI of South Carolina at Columbia, LLC d/b/a Magnolia Manor - Columbia, 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 Columbia, LLC d/b/a Magnolia Manor - Columbia dated as of October 1, 2011, 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
July 23, 2013

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 MANOR - COLUMBIA
Computation of Rate Change
For the Contract Period
Beginning November 1, 2011
AC# 3-MCL-J0

	<u>11/01/11-</u> <u>09/30/12</u>
Interim Reimbursement Rate (1)	\$137.16
Adjusted Reimbursement Rate	<u>135.67</u>
Decrease in Reimbursement Rate	\$ <u><u>1.49</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated April 10, 2012.

MAGNOLIA MANOR - COLUMBIA

Computation of Adjusted Reimbursement Rate

For the Contract Period November 1, 2011 Through September 30, 2012
AC# 3-MCL-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 71.75	\$ 95.25	
Dietary		13.00	16.01	
Laundry/Housekeeping/Maintenance		<u>8.70</u>	<u>15.28</u>	
Subtotal	<u>\$8.86</u>	93.45	126.54	\$ 93.45
Administration & Medical Records	<u>\$ -</u>	<u>23.30</u>	<u>22.48</u>	<u>22.48</u>
Subtotal		116.75	<u>\$149.02</u>	115.93
<u>Costs Not Subject to Standards:</u>				
Utilities		5.31		5.31
Special Services		.20		.20
Medical Supplies & Oxygen		6.60		6.60
Taxes and Insurance		3.06		3.06
Legal Fees		<u>.39</u>		<u>.39</u>
TOTAL		<u>\$132.31</u>		131.49
Inflation Factor (N/A)				-
Cost of Capital				6.65
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				8.86
Effect of \$1.75 Cap on Cost/Profit Incentives				(7.11)
Budget Neutrality Adjustment (3.02%)				<u>(4.22)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$135.67</u>

MAGNOLIA MANOR - COLUMBIA
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2010
 AC# 3-MCL-J0

<u>Expenses</u>	<u>Totals (From Schedule SC 13) as Adjusted by DH&HS</u>	<u>Adjustments</u> <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$2,228,591	\$ -	\$ 787 (1) 11,617 (4) 505 (4) 3,397 (5)	\$2,212,285
Dietary	401,987	-	1,009 (4)	400,978
Laundry	50,409	-	-	50,409
Housekeeping	112,864	-	-	112,864
Maintenance	105,205	-	318 (4)	104,887
Administration & Medical Records	744,764	-	2,516 (4) 137 (4) 23,756 (5)	718,355
Utilities	163,775	-	-	163,775
Special Services	6,186	34 (5)	-	6,220
Medical Supplies & Oxygen	224,114	-	181 (4) 20,318 (6)	203,615
Taxes and Insurance	94,614	-	150 (6)	94,464
Legal Fees	12,209	-	185 (5)	12,024
Cost of Capital	213,834	13,273 (3)	3,439 (1) 18,111 (2) 389 (5)	205,168
Subtotal	4,358,552	13,307	86,815	4,285,044

MAGNOLIA MANOR - COLUMBIA
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2010
AC# 3-MCL-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments Debit	Credit	Adjusted Totals
Ancillary	97,458	240 (6)	-	97,698
Nonallowable	1,028,061	3,439 (1) 18,111 (2) 16,283 (4) 27,693 (5) 20,228 (6)	13,273 (3)	1,100,542
CNA Training and Testing	<u>337</u>	<u>-</u>	<u>-</u>	<u>337</u>
Total Operating Expenses	<u>\$5,484,408</u>	<u>\$99,301</u>	<u>\$100,088</u>	<u>\$5,483,621</u>
Total Patient Days	<u>30,835</u>	<u>-</u>	<u>-</u>	<u>30,835</u>
Total Beds	<u>88</u>			

MAGNOLIA MANOR - COLUMBIA
Adjustment Report
Cost Report Period Ended September 30, 2010
AC# 3-MCL-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 8,746	
	Retained Earnings	787	
	Nonallowable	3,439	
	Other Equity		\$ 8,746
	Nursing		787
	Cost of Capital		3,439
	To adjust fixed assets and related depreciation and properly charge expense applicable to the prior period HIM-15-1, Sections 2302.1 and 2304 State Plan, Attachment 4.19D		
2	Nonallowable	18,111	
	Cost of Capital		18,111
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
3	Cost of Capital	13,273	
	Nonallowable		13,273
	To adjust capital return State Plan, Attachment 4.19D		
4	Nonallowable	16,283	
	Nursing		11,617
	Restorative		505
	Dietary		1,009
	Maintenance		318
	Administration		2,516
	Medical Records		137
	Medical Supplies		181
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

MAGNOLIA MANOR - COLUMBIA
Adjustment Report
Cost Report Period Ended September 30, 2010
AC# 3-MCL-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Special Services	34	
	Nonallowable	27,693	
	Nursing		3,397
	Administration		23,756
	Legal		185
	Cost of Capital		389
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
6	Ancillary	240	
	Nonallowable	20,228	
	Taxes and Insurance		150
	Medical Supplies		20,318
	To remove special (ancillary) services reimbursed by Medicare and reclassify expense to the proper cost center State Plan, Attachment 4.19D DH&HS Expense Crosswalk		
	TOTAL ADJUSTMENTS	<u>\$108,834</u>	<u>\$108,834</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 MANOR - COLUMBIA
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2010
 AC# 3-MCL-J0

Original Asset Cost (Per Bed)	\$	15,618
Inflation Adjustment		<u>3,15264</u>
Deemed Asset Value (Per Bed)		49,238
Number of Beds		<u>88</u>
Deemed Asset Value		4,332,944
Improvements Since 1981		358,307
Accumulated Depreciation at 9/30/10		<u>(1,450,035)</u>
Deemed Depreciated Value		3,241,216
Market Rate of Return		<u>.0420</u>
Total Annual Return		136,131
Return Applicable to Non-Reimbursable Cost Centers		-
Allocation of Interest to Non-Reimbursable Cost Centers		<u>-</u>
Allowable Annual Return		136,131
Depreciation Expense		69,426
Amortization Expense		-
Capital Related Income Offsets		(389)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers		<u>-</u>
Allowable Cost of Capital Expense		205,168
Total Patient Days (Minimum 96% Occupancy)		<u>30,835</u>
Cost of Capital Per Diem	\$	<u><u>6.65</u></u>

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