

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

October 30, 2013

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

Re: AC# 3-MCL-J9 – 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, 2008 through September 30, 2009. That report was used to set the rate covering the contract periods beginning October 1, 2010.

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 PERIODS
BEGINNING OCTOBER 1, 2010
AC# 3-MCL-J9**

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

August 29, 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 periods beginning October 1, 2010, and for the twelve month cost report period ended September 30, 2009, 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 contracts 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, 2006 and October 1, 2011, as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
August 29, 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 Periods
Beginning October 1, 2010
AC# 3-MCL-J9

	<u>10/01/10-</u> <u>04/07/11</u>	<u>04/08/11-</u> <u>10/31/11</u>
Interim Reimbursement Rate (1)	\$142.89	\$138.60
Adjusted Reimbursement Rate	<u>140.24</u>	<u>136.03</u>
Decrease in Reimbursement Rate	\$ <u>2.65</u>	\$ <u>2.57</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 October 1, 2010 Through April 7, 2011
AC# 3-MCL-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 70.59	\$ 92.96	
Dietary		12.81	15.32	
Laundry/Housekeeping/Maintenance		<u>9.00</u>	<u>14.84</u>	
Subtotal	<u>\$8.62</u>	92.40	123.12	\$ 92.40
Administration & Medical Records	<u>\$ -</u>	<u>23.18</u>	<u>21.42</u>	<u>21.42</u>
Subtotal		115.58	<u>\$144.54</u>	113.82
<u>Costs Not Subject to Standards:</u>				
Utilities		5.49		5.49
Special Services		.29		.29
Medical Supplies & Oxygen		4.95		4.95
Taxes and Insurance		4.24		4.24
Legal Fees		<u>.37</u>		<u>.37</u>
TOTAL		<u>\$130.92</u>		129.16
Inflation Factor (2.00%)				2.58
Cost of Capital				6.75
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				8.62
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(6.87)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$140.24</u>

MAGNOLIA MANOR – COLUMBIA
 Computation of Adjusted Reimbursement Rate
 For the Contract Period April 8, 2011 Through October 31, 2011
 AC# 3-MCL-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 70.59	\$ 92.96	
Dietary		12.81	15.32	
Laundry/Housekeeping/Maintenance		<u>9.00</u>	<u>14.84</u>	
Subtotal	<u>\$8.62</u>	92.40	123.12	\$ 92.40
Administration & Medical Records	<u>\$ -</u>	<u>23.18</u>	<u>21.42</u>	<u>21.42</u>
Subtotal		115.58	<u>\$144.54</u>	113.82
<u>Costs Not Subject to Standards:</u>				
Utilities		5.49		5.49
Special Services		.29		.29
Medical Supplies & Oxygen		4.95		4.95
Taxes and Insurance		4.24		4.24
Legal Fees		<u>.37</u>		<u>.37</u>
TOTAL		<u>\$130.92</u>		129.16
Inflation Factor (2.00%)				2.58
Cost of Capital				6.75
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				8.62
Effect of \$1.75 Cap on Cost/Profit Incentives				(6.87)
Effect of 3% Rate Reduction				<u>(4.21)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$136.03</u>

MAGNOLIA MANOR - COLUMBIA
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2009
 AC# 3-MCL-J9

<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	\$2,203,777	\$ 787 (1)	\$ 2,156 (1) 19,387 (4) 1,270 (4) 5,046 (5)	\$2,176,705
Dietary	397,240	-	2,120 (4)	395,120
Laundry	49,735	-	-	49,735
Housekeeping	115,155	-	-	115,155
Maintenance	114,134	-	809 (1) 796 (4)	112,529
Administration & Medical Records	744,055	-	2,580 (4) 188 (4) 26,668 (5)	714,619
Utilities	169,157	-	-	169,157
Special Services	8,657	134 (5)	-	8,791
Medical Supplies & Oxygen	194,835	-	375 (4) 41,681 (6)	152,779
Taxes and Insurance	130,769	-	-	130,769
Legal Fees	11,558	-	-	11,558
Cost of Capital	215,612	13,532 (3)	2,445 (1) 17,593 (2) 1,095 (5)	208,011
Subtotal	4,354,684	14,453	124,209	4,244,928

MAGNOLIA MANOR - COLUMBIA
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2009
 AC# 3-MCL-J9

<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>	
Ancillary	68,800	62 (6)	-	68,862
Nonallowable	710,308	2,445 (1) 17,593 (2) 26,716 (4) 32,675 (5) 41,619 (6)	13,532 (3)	817,824
CNA Training and Testing	<u>486</u>	<u>-</u>	<u>-</u>	<u>486</u>
Total Operating Expenses	<u>\$5,134,278</u>	<u>\$135,563</u>	<u>\$137,741</u>	<u>\$5,132,100</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, 2009
AC# 3-MCL-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$11,680	
	Accumulated Depreciation	2,428	
	Retained Earnings	2,965	
	Nursing	787	
	Nonallowable	2,445	
	Accounts Payable		\$ 787
	Other Equity		14,108
	Restorative		2,156
	Maintenance		809
	Cost of Capital		2,445
	To adjust fixed assets and related depreciation, record expense to the current period and properly charge expense applicable to the prior period HIM-15-1, Sections 2302.1 and 2304 State Plan, Attachment 4.19D		
2	Nonallowable	17,593	
	Cost of Capital		17,593
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
3	Cost of Capital	13,532	
	Nonallowable		13,532
	To adjust capital return State Plan, Attachment 4.19D		
4	Nonallowable	26,716	
	Nursing		19,387
	Restorative		1,270
	Dietary		2,120
	Maintenance		796
	Administration		2,580
	Medical Records		188
	Medical Supplies		375
	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, 2009
AC# 3-MCL-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Special Services Nonallowable	134 32,675	
	Nursing		5,046
	Administration		26,668
	Cost of Capital		1,095
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
6	Ancillary Nonallowable	62 41,619	
	Medical Supplies		41,681
	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	\$152,636	\$152,636

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, 2009
 AC# 3-MCL-J9

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>3,10948</u>
Deemed Asset Value (Per Bed)	48,564
Number of Beds	<u>88</u>
Deemed Asset Value	4,273,632
Improvements Since 1981	341,255
Accumulated Depreciation at 9/30/09	<u>(1,385,640)</u>
Deemed Depreciated Value	3,229,247
Market Rate of Return	<u>.0440</u>
Total Annual Return	142,087
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	142,087
Depreciation Expense	67,019
Amortization Expense	-
Capital Related Income Offsets	(1,095)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	208,011
Total Patient Days (Minimum 96% Occupancy)	<u>30,835</u>
Cost of Capital Per Diem	<u><u>\$ 6.75</u></u>

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