

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-MGW-J0 – THI of South Carolina at Greenwood, LLC d/b/a
Magnolia Manor - Greenwood

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 GREENWOOD, LLC D/B/A
MAGNOLIA MANOR - GREENWOOD**

GREENWOOD, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING NOVEMBER 1, 2011
AC# 3-MGW-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 Greenwood, LLC d/b/a Magnolia Manor - Greenwood, 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 Greenwood, LLC d/b/a Magnolia Manor - Greenwood 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 Greenwood, LLC d/b/a Magnolia Manor - Greenwood, 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 Greenwood, LLC d/b/a Magnolia Manor - Greenwood 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 - GREENWOOD
Computation of Rate Change
For the Contract Period
Beginning November 1, 2011
AC# 3-MGW-J0

	<u>11/01/11-</u> <u>09/30/12</u>
Interim Reimbursement Rate (1)	\$149.33
Adjusted Reimbursement Rate	<u>147.89</u>
Decrease in Reimbursement Rate	\$ <u><u>1.44</u></u>

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

MAGNOLIA MANOR - GREENWOOD

Computation of Adjusted Reimbursement Rate
 For the Contract Period November 1, 2011 Through September 30, 2012
 AC# 3-MGW-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 83.42	\$ 95.25	
Dietary		15.68	16.01	
Laundry/Housekeeping/Maintenance		<u>9.21</u>	<u>15.28</u>	
Subtotal	<u>\$8.86</u>	108.31	126.54	\$108.31
Administration & Medical Records	<u>\$.54</u>	<u>21.94</u>	<u>22.48</u>	<u>21.94</u>
Subtotal		130.25	<u>\$149.02</u>	130.25
<u>Costs Not Subject to Standards:</u>				
Utilities		3.03		3.03
Special Services		-		-
Medical Supplies & Oxygen		6.67		6.67
Taxes and Insurance		4.18		4.18
Legal Fees		<u>.13</u>		<u>.13</u>
TOTAL		<u>\$144.26</u>		144.26
Inflation Factor (N/A)				-
Cost of Capital				6.49
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				.54
Cost Incentive				8.86
Effect of \$1.75 Cap on Cost/Profit Incentives				(7.65)
Budget Neutrality Adjustment (3.02%)				<u>(4.61)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$147.89</u>

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

<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	\$2,635,531	\$ -	\$ 4,565 (3) 132 (3) 3,516 (4)	\$2,627,318
Dietary	494,215	-	385 (3)	493,830
Laundry	51,373	-	-	51,373
Housekeeping	122,867	-	-	122,867
Maintenance	119,298	-	3,437 (1) 68 (3)	115,793
Administration & Medical Records	756,810	3,018 (3)	47 (3) 68,832 (4)	690,949
Utilities	95,506	-	-	95,506
Special Services	-	-	-	-
Medical Supplies & Oxygen	214,589	-	37 (3) 4,352 (5)	210,200
Taxes and Insurance	131,702	-	-	131,702
Legal Fees	4,360	-	191 (4)	4,169
Cost of Capital	217,199	6,753 (2)	19,163 (1) 403 (4)	204,386
Subtotal	4,843,450	9,771	105,128	4,748,093

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

<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>
Ancillary	113,853	-	-	113,853
Nonallowable	560,662	19,163 (1) 2,216 (3) 72,942 (4) 4,352 (5)	6,753 (2)	652,582
CNA Training and Testing	<u>473</u>	<u>-</u>	<u>-</u>	<u>473</u>
Total Operating Expenses	<u>\$5,518,438</u>	<u>\$108,444</u>	<u>\$111,881</u>	<u>\$5,515,001</u>
Total Patient Days	<u>31,495</u>	<u>-</u>	<u>-</u>	<u>31,495</u>
Total Beds	<u>88</u>			

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

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$31,689	
	Retained Earnings	3,437	
	Nonallowable	19,163	
	Other Equity		\$31,689
	Maintenance		3,437
	Cost of Capital		19,163
	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	Cost of Capital	6,753	
	Nonallowable		6,753
	To adjust capital return State Plan, Attachment 4.19D		
3	Administration	3,018	
	Nonallowable	2,216	
	Nursing		4,565
	Restorative		132
	Dietary		385
	Maintenance		68
	Medical Records		47
	Medical Supplies		37
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Nonallowable	72,942	
	Nursing		3,516
	Administration		68,832
	Legal		191
	Cost of Capital		403
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

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

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable Medical Supplies	4,352	4,352
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
	<u>TOTAL ADJUSTMENTS</u>	<u>\$143,570</u>	<u>\$143,570</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 - GREENWOOD
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2010
 AC# 3-MGW-J0

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>3.15264</u>	<u>3.15264</u>	
Deemed Asset Value (Per Bed)	49,238	49,238	
Number of Beds	<u>44</u>	<u>44</u>	
Deemed Asset Value	2,166,472	2,166,472	
Improvements Since 1981	270,746	270,745	
Accumulated Depreciation at 9/30/10	<u>(946,119)</u>	<u>(914,763)</u>	
Deemed Depreciated Value	1,491,099	1,522,454	
Market Rate of Return	<u>.0420</u>	<u>.0420</u>	
Total Annual Return	62,626	63,943	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	62,626	63,943	
Depreciation Expense	39,011	39,209	
Amortization Expense	-	-	
Capital Related Income Offsets	(202)	(201)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	101,435	102,951	\$204,386
Total Patient Days (Actual)	<u>15,748</u>	<u>15,747</u>	<u>31,495</u>
Cost of Capital Per Diem	\$ <u><u>6.44</u></u>	\$ <u><u>6.54</u></u>	\$ <u><u>6.49</u></u>

MAGNOLIA MANOR - GREENWOOD
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2010
AC# 3-MGW-J0

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 8.15	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$12.14</u>	<u>\$6.54</u>
Reimbursable Cost of Capital Per Diem		\$6.49
Cost of Capital Per Diem		<u>6.49</u>
Cost of Capital Per Diem Limitation		<u>\$ -</u>

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