

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-MPG-J0 – THI of South Carolina at Magnolia Place at Greenville, LLC d/b/a
Magnolia Place - Greenville

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 payable for amounts underpaid 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/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Ms. Kathleen C. Snider
Ms. Nicole Mitchell Threat
Ms. Melissa Simmons

**THE UNIVERSITY OF SOUTH CAROLINA AT MAGNOLIA PLACE AT GREENVILLE, LLC
D/B/A MAGNOLIA PLACE - GREENVILLE**

GREENVILLE, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING NOVEMBER 1, 2011
AC# 3-MPG-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 25, 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 Magnolia Place at Greenville, LLC d/b/a Magnolia Place - Greenville, 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 Magnolia Place at Greenville, LLC d/b/a Magnolia Place - Greenville 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 Magnolia Place at Greenville, LLC d/b/a Magnolia Place - Greenville, 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 Magnolia Place at Greenville, LLC d/b/a Magnolia Place - Greenville 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 25, 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.", with a stylized flourish at the end.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

MAGNOLIA PLACE - GREENVILLE
Computation of Rate Change
For the Contract Period
Beginning November 1, 2011
AC# 3-MPG-J0

11/01/11-
09/30/12

Adjusted Reimbursement Rate	\$148.85
Interim Reimbursement Rate (1)	<u>148.52</u>
Increase in Reimbursement Rate	\$ <u><u>.33</u></u>

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

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 80.77	\$ 88.50	
Dietary		15.51	15.92	
Laundry/Housekeeping/Maintenance		<u>11.63</u>	<u>14.77</u>	
Subtotal	<u>\$8.34</u>	107.91	119.19	\$107.91
Administration & Medical Records	<u>\$ -</u>	<u>21.77</u>	<u>20.62</u>	<u>20.62</u>
Subtotal		129.68	<u>\$139.81</u>	128.53
<u>Costs Not Subject to Standards:</u>				
Utilities		3.93		3.93
Special Services		.18		.18
Medical Supplies & Oxygen		6.91		6.91
Taxes and Insurance		4.28		4.28
Legal Fees		<u>.13</u>		<u>.13</u>
TOTAL		<u>\$145.11</u>		143.96
Inflation Factor (N/A)				-
Cost of Capital				7.78
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				8.34
Effect of \$1.75 Cap on Cost/Profit Incentives				(6.59)
Budget Neutrality Adjustment (3.02%)				<u>(4.64)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$148.85</u>

MAGNOLIA PLACE - GREENVILLE
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2010
 AC# 3-MPG-J0

<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>	
General Services	\$3,375,506	\$ 464 (3) 23,810 (5) 1,468 (5)	\$ 4,833 (6)	\$3,396,415
Dietary	649,206	159 (3) 2,871 (5)	-	652,236
Laundry	130,198	-	-	130,198
Housekeeping	187,205	-	15,209 (3)	171,996
Maintenance	186,628	340 (3) 947 (5)	1,100 (1)	186,815
Administration & Medical Records	942,203	2,098 (3) 4,319 (5) 421 (5)	33,791 (6)	915,250
Utilities	165,382	-	1 (6)	165,381
Special Services	7,459	51 (6)	-	7,510
Medical Supplies & Oxygen	291,496	241 (5)	1,095 (7)	290,642
Taxes and Insurance	179,911	-	-	179,911
Legal Fees	5,876	-	263 (6)	5,613
Cost of Capital	320,046	8,178 (1) 507 (4)	1,068 (2) 554 (6)	327,109
Subtotal	6,441,116	45,874	57,914	6,429,076

MAGNOLIA PLACE - GREENVILLE
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2010
AC# 3-MPG-J0

<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>	
Ancillary	130,762	2,486 (7)	-	133,248
Nonallowable	1,033,308	1,068 (2) 12,148 (3) 39,391 (6)	8,178 (1) 507 (4) 34,077 (5) 1,391 (7)	1,041,762
CNA Training and Testing	<u>420</u>	<u>-</u>	<u>-</u>	<u>420</u>
Total Operating Expenses	<u>\$7,605,606</u>	<u>\$100,967</u>	<u>\$102,067</u>	<u>\$7,604,506</u>
Total Patient Days	<u>42,048</u>	<u>-</u>	<u>-</u>	<u>42,048</u>
Total Beds	<u>120</u>			

MAGNOLIA PLACE - GREENVILLE
Adjustment Report
Cost Report Period Ended September 30, 2010
AC# 3-MPG-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$44,588	
	Retained Earnings	1,100	
	Cost of Capital	8,178	
	Fixed Assets		\$ 3
	Other Equity		44,585
	Maintenance		1,100
	Nonallowable		8,178
	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	1,068	
	Cost of Capital		1,068
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
3	Nursing	464	
	Dietary	159	
	Maintenance	340	
	Administration	2,098	
	Nonallowable	12,148	
	Housekeeping		15,209
	To disallow unnecessary expense and reclassify expense to the proper cost center HIM-15-1, Sections 2102 and 2304 DH&HS Expense Crosswalk		

MAGNOLIA PLACE - GREENVILLE
Adjustment Report
Cost Report Period Ended September 30, 2010
AC# 3-MPG-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
4	Cost of Capital Nonallowable	507	507
	To adjust capital return State Plan, Attachment 4.19D		
5	Nursing	23,810	
	Restorative	1,468	
	Dietary	2,871	
	Maintenance	947	
	Administration	4,319	
	Medical Records	421	
	Medical Supplies	241	
	Nonallowable		34,077
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
6	Special Services	51	
	Nonallowable	39,391	
	Nursing		4,833
	Administration		33,791
	Legal		263
	Utilities		1
	Cost of Capital		554
	To adjust home office cost of allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

MAGNOLIA PLACE - GREENVILLE
Adjustment Report
Cost Report Period Ended September 30, 2010
AC# 3-MPG-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
7	Ancillary	2,486	
	Medical Supplies		1,095
	Nonallowable		1,391
	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		
		\$146,655	\$146,655
	TOTAL ADJUSTMENTS		

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 PLACE - GREENVILLE
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2010
 AC# 3-MPG-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>120</u>
Deemed Asset Value	5,908,560
Improvements Since 1981	178,353
Accumulated Depreciation at 9/30/10	<u>(1,456,416)</u>
Deemed Depreciated Value	4,630,497
Market Rate of Return	<u>.0420</u>
Total Annual Return	194,481
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	194,481
Depreciation Expense	133,182
Amortization Expense	-
Capital Related Income Offsets	(554)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	327,109
Total Patient Days (Minimum 96% Occupancy)	<u>42,048</u>
Cost of Capital Per Diem	\$ <u><u>7.78</u></u>

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