

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-MRH-J0 – THI of South Carolina at Rock Hill, LLC d/b/a
Magnolia Manor – Rock Hill

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/sag

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

**THE STATE OF SOUTH CAROLINA AT ROCK HILL, LLC D/B/A
MAGNOLIA MANOR – ROCK HILL
ROCK HILL, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING NOVEMBER 1, 2011
AC# 3-MRH-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 24, 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 Rock Hill, LLC d/b/a Magnolia Manor - Rock Hill, 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 Rock Hill, LLC d/b/a Magnolia Manor - Rock Hill 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 Rock Hill, LLC d/b/a Magnolia Manor - Rock Hill, 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 Rock Hill, LLC d/b/a Magnolia Manor - Rock Hill 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 24, 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 - ROCK HILL
Computation of Rate Change
For the Contract Period
Beginning November 1, 2011
AC# 3-MRH-J0

11/01/11-
09/30/12

Interim Reimbursement Rate (1)	\$135.84
Adjusted Reimbursement Rate	<u>133.78</u>
Decrease in Reimbursement Rate	\$ <u><u>2.06</u></u>

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

MAGNOLIA MANOR - ROCK HILL
 Computation of Adjusted Reimbursement Rate
 For the Contract Period November 1, 2011 Through September 30, 2012
 AC# 3-MRH-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 75.22	\$ 88.50	
Dietary		13.95	15.92	
Laundry/Housekeeping/Maintenance		<u>9.50</u>	<u>14.77</u>	
Subtotal	<u>\$8.34</u>	98.67	119.19	\$ 98.67
Administration & Medical Records	<u>\$ -</u>	<u>22.23</u>	<u>20.62</u>	<u>20.62</u>
Subtotal		120.90	<u>\$139.81</u>	119.29
<u>Costs Not Subject to Standards:</u>				
Utilities		3.29		3.29
Special Services		.29		.29
Medical Supplies & Oxygen		4.57		4.57
Taxes and Insurance		2.16		2.16
Legal Fees		<u>.13</u>		<u>.13</u>
TOTAL		<u>\$131.34</u>		129.73
Inflation Factor (N/A)				-
Cost of Capital				6.47
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>(4.17)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$133.78</u>

MAGNOLIA MANOR - ROCK HILL
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2010
 AC# 3-MRH-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	\$2,829,263	\$ -	\$18,941 (2) 1,140 (2) 4,118 (3) 11,330 (4)	\$2,793,734
Dietary	520,096	-	2,080 (2)	518,016
Laundry	72,711	-	-	72,711
Housekeeping	122,188	-	-	122,188
Maintenance	159,574	-	908 (1) 542 (2)	158,124
Administration & Medical Records	908,329	-	1,671 (2) 244 (2) 80,641 (3)	825,773
Utilities	122,321	-	-	122,321
Special Services	10,654	64 (3)	-	10,718
Medical Supplies & Oxygen	199,472	-	227 (2) 29,335 (4)	169,910
Taxes and Insurance	80,397	-	-	80,397
Legal Fees	4,975	-	224 (3)	4,751
Cost of Capital	250,629	4,348 (5)	14,036 (1) 472 (3)	240,469
Subtotal	5,280,609	4,412	165,909	5,119,112

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

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Ancillary	103,023	91 (4)	-	103,114
Nonallowable	1,135,696	14,036 (1) 24,845 (2) 85,391 (3) 40,574 (4)	4,348 (5)	1,296,194
CNA Training and Testing	<u>392</u>	<u>-</u>	<u>-</u>	<u>392</u>
Total Operating Expenses	<u>\$6,519,720</u>	<u>\$169,349</u>	<u>\$170,257</u>	<u>\$6,518,812</u>
Total Patient Days	<u>37,142</u>	<u>-</u>	<u>-</u>	<u>37,142</u>
Total Beds	<u>106</u>			

MAGNOLIA MANOR - ROCK HILL
Adjustment Report
Cost Report Period Ended September 30, 2010
AC# 3-MRH-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$23,969	
	Retained Earnings	908	
	Nonallowable	14,036	
	Fixed Assets		\$ 1
	Other Equity		23,968
	Maintenance		908
	Cost of Capital		14,036
	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	24,845	
	Nursing		18,941
	Restorative		1,140
	Dietary		2,080
	Maintenance		542
	Administration		1,671
	Medical Records		244
	Medical Supplies		227
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Special Services	64	
	Nonallowable	85,391	
	Nursing		4,118
	Administration		80,641
	Legal		224
	Cost of Capital		472
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

MAGNOLIA MANOR - ROCK HILL
Adjustment Report
Cost Report Period Ended September 30, 2010
AC# 3-MRH-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
4	Ancillary Nonallowable Nursing Medical Supplies	91 40,574	 11,330 29,335
	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		
5	Cost of Capital Nonallowable	4,348	 4,348
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<hr style="width: 100%; border: 0; border-top: 1px solid black;"/> <u>\$194,226</u>	<hr style="width: 100%; border: 0; border-top: 1px solid black;"/> <u>\$194,226</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 - ROCK HILL
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2010
 AC# 3-MRH-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>106</u>
Deemed Asset Value	5,219,228
Improvements Since 1981	978,034
Accumulated Depreciation at 9/30/10	<u>(1,778,641)</u>
Deemed Depreciated Value	4,418,621
Market Rate of Return	<u>.0420</u>
Total Annual Return	185,582
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	185,582
Depreciation Expense	55,359
Amortization Expense	-
Capital Related Income Offsets	(472)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	240,469
Total Patient Days (Minimum 96% Occupancy)	<u>37,142</u>
Cost of Capital Per Diem	\$ <u><u>6.47</u></u>

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

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 6.53
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$10.52</u>
Reimbursable Cost of Capital Per Diem	\$ 6.47
Cost of Capital Per Diem	<u>6.47</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

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