



**South Carolina
Office of the State Auditor**

**George L. Kennedy, III, CPA
State Auditor**

February 18, 2016

Ms. Susan O. Weesner, Chief Financial Officer
Wilson Senior Care, Inc.
Post Office Box 510
Darlington, South Carolina 29540

Re: AC# 3-MEP-J3 – Medford Nursing Center, LLC

Dear Ms. Weesner:

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, 2012 through September 30, 2013. That report was used to set the rate covering the contract period beginning October 1, 2014.

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 blue ink that reads "George L. Kennedy, III".

George L. Kennedy, III, CPA
State Auditor

GLKIII/sag

cc: Mr. Jeff Saxon
Ms. Melissa Simmons
Mr. Byron Roberts
Ms. Nicole Mitchell Threat
Ms. Brittany Sandifer
Ms. Chari Preacher

**MEDFORD NURSING CENTER, LLC
DARLINGTON, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2014
AC# 3-MEP-J3**

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 2014	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2014 THROUGH SEPTEMBER 30, 2015	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2013	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	11



South Carolina
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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

November 18, 2015

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 Medford Nursing Center, LLC, for the contract period beginning October 1, 2014, and for the twelve month cost report period ended September 30, 2013, as set forth in the accompanying schedules. The management of Medford Nursing Center, LLC 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 Medford Nursing Center, LLC, 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 Medford Nursing Center, LLC dated as of October 1, 2014, 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
November 18, 2015

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.



George L. Kennedy, III, CPA
State Auditor

MEDFORD NURSING CENTER, LLC
Computation of Rate Change
For the Contract Period
Beginning October 1, 2014
AC# 3-MEP-J3

	<u>10/01/14-</u> <u>09/30/15</u>
Interim Reimbursement Rate (1)	\$187.60
Adjusted Reimbursement Rate	<u>181.95</u>
Decrease in Reimbursement Rate	\$ <u><u>5.65</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 12, 2015.

MEDFORD NURSING CENTER, LLC
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2014 Through September 30, 2015
 AC# 3-MEP-J3

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 90.53	\$ 97.34	
Dietary		18.56	17.36	
Laundry/Housekeeping/Maintenance		<u>16.04</u>	<u>15.17</u>	
Subtotal	<u>\$4.74</u>	125.13	129.87	\$125.13
Administration & Medical Records	<u>\$3.34</u>	<u>21.63</u>	<u>24.97</u>	<u>21.63</u>
Subtotal		146.76	<u>\$154.84</u>	146.76
<u>Costs Not Subject to Standards:</u>				
Utilities		5.90		5.90
Special Services		.08		.08
Medical Supplies & Oxygen		9.81		9.81
Taxes and Insurance		4.00		4.00
Legal Fees		<u>.14</u>		<u>.14</u>
TOTAL		<u>\$166.69</u>		166.69
Inflation Factor (3.30%)				5.50
Cost of Capital				8.01
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.34
Cost Incentive				4.74
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(6.33)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$181.95</u>

MEDFORD NURSING CENTER, LLC
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2013
 AC# 3-MEP-J3

<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>
General Services	\$2,728,975	\$ 1,000 (8)	\$ 3,525 (3) 25,292 (6) 1,366 (6) 739 (7)	\$2,699,053
Dietary	564,741	500 (8) 532,958 (9)	5,645 (6) 539,137 (10)	553,417
Laundry	74,862	-	1,907 (6)	72,955
Housekeeping	190,983	5,406 (9)	1,943 (6) 5,456 (10)	188,990
Maintenance	217,458	6,005 (9)	838 (6) 6,373 (10)	216,252
Administration & Medical Records	727,598	68,396 (9)	2,496 (4) 913 (6) 881 (6) 85,449 (7) 61,255 (10)	645,000
Utilities	178,733	4,919 (9)	2,834 (8) 4,955 (10)	175,863
Special Services	2,290	1 (11)	-	2,291
Medical Supplies & Oxygen	291,141	3,525 (3)	649 (7) 1,444 (11)	292,573
Taxes and Insurance	119,211	2 (7) 2,777 (9)	2,777 (10)	119,213

MEDFORD NURSING CENTER, LLC
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2013
AC# 3-MEP-J3

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Legal Fees	22,173	2,764 (9)	20,383 (5) 510 (10)	4,044
Cost of Capital	253,189	824 (2) 3,821 (9)	3,475 (1) 2,108 (7) 2,933 (10) 527 (11) 9,844 (12)	238,947
Subtotal	<u>5,371,354</u>	<u>632,898</u>	<u>795,654</u>	5,208,598
Ancillary	108,099	-	-	108,099
Nonallowable	1,214,850	3,475 (1) 20,383 (5) 38,785 (6) 88,943 (7) 623,396 (10) 1,970 (11) 9,844 (12)	824 (2) 627,046 (9)	1,373,776
CNA Training and Testing	<u>1,025</u>	<u>-</u>	<u>-</u>	<u>1,025</u>
Total Operating Expenses	<u>\$6,695,328</u>	<u>\$1,419,694</u>	<u>\$1,423,524</u>	<u>\$6,691,498</u>
Total Patient Days	<u>29,813</u>	<u>-</u>	<u>-</u>	<u>29,813</u>

Total Beds 88

MEDFORD NURSING CENTER, LLC
Adjustment Report
Cost Report Period Ended September 30, 2013
AC# 3-MEP-J3

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$195,060	
	Other Equity	5,802	
	Nonallowable	3,475	
	Accumulated Depreciation		\$200,862
	Cost of Capital		3,475
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Cost of Capital	824	
	Nonallowable		824
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
3	Medical Supplies	3,525	
	Nursing		3,525
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
4	Intercompany - Oakhaven	2,496	
	Administration		2,496
	To remove expense applicable to a related facility HIM-15-1, Section 2304		
5	Nonallowable	20,383	
	Legal		20,383
	To disallow expense not related to patient care HIM-15-1, Section 2102.3		

MEDFORD NURSING CENTER, LLC
Adjustment Report
Cost Report Period Ended September 30, 2013
AC# 3-MEP-J3

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable	38,785	
	Nursing		25,292
	Restorative		1,366
	Dietary		5,645
	Laundry		1,907
	Housekeeping		1,943
	Maintenance		838
	Administration		913
	Medical Records		881
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Taxes and Insurance	2	
	Nonallowance	88,943	
	Nursing		739
	Administration		85,449
	Medical Supplies		649
	Cost of Capital		2,108
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Nursing	1,000	
	Dietary	500	
	Intercompany - Wilson Senior Care	1,334	
	Utilities		2,834
	To record employee benefits and offset income against related expense HIM-15-1, Sections 2102.3 and 2304 State Plan Attachment 4.19D		

MEDFORD NURSING CENTER, LLC
Adjustment Report
Cost Report Period Ended September 30, 2013
AC# 3-MEP-J3

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Dietary	532,958	
	Housekeeping	5,406	
	Maintenance	6,005	
	Administration	68,396	
	Legal	2,764	
	Utilities	4,919	
	Taxes and Insurance	2,777	
	Cost of Capital	3,821	
	Nonallowable		627,046
	To reverse provider dietary cost allocation applicable to a related facility HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
10	Nonallowable	623,396	
	Dietary		539,137
	Housekeeping		5,456
	Maintenance		6,373
	Administration		61,255
	Legal		510
	Utilities		4,955
	Taxes and Insurance		2,777
	Cost of Capital		2,933
	To remove dietary cost allocation applicable to a related facility HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
11	Special Services	1	
	Nonallowable	1,970	
	Medical Supplies		1,444
	Cost of Capital		527
	To adjust special (ancillary) services cost State Plan, Attachment 4.19D		

MEDFORD NURSING CENTER, LLC
 Adjustment Report
 Cost Report Period Ended September 30, 2013
 AC# 3-MEP-J3

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
12	Nonallowable Cost of Capital	9,844	9,844
	To adjust capital return State Plan, Attachment 4.19D		
		-----	-----
	TOTAL ADJUSTMENTS	<u>\$1,624,386</u>	<u>\$1,624,386</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.

MEDFORD NURSING CENTER, LLC
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2013
AC# 3-MEP-J3

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>3.27359</u>
Deemed Asset Value (Per Bed)	51,127
Number of Beds	<u>88</u>
Deemed Asset Value	4,499,176
Improvements Since 1981	961,531
Accumulated Depreciation at 9/30/13	(<u>1,758,611</u>)
Deemed Depreciated Value	3,702,096
Market Rate of Return	<u>.0343</u>
Total Annual Return	126,982
Return Applicable to Non-Reimbursable Cost Centers	(2,890)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>246</u>
Allowable Annual Return	124,338
Depreciation Expense	119,654
Amortization Expense	-
Capital Related Income Offsets	(2,112)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(2,933)</u>
Allowable Cost of Capital Expense	238,947
Total Patient Days (Actual)	<u>29,813</u>
Cost of Capital Per Diem	<u>\$ 8.01</u>

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