



**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-MMC-J2 – Morrell 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, 2011 through September 30, 2012. That report was used to set the rate covering the contract period beginning October 1, 2013.

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/cwc

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

**MORRELL NURSING CENTER, LLC
HARTSVILLE, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2013
AC# 3-MMC-J2**

**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, 2013	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2013 THROUGH SEPTEMBER 30, 2014	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2012	C	5
ADJUSTMENT REPORT	1	7



**South Carolina
Office of the State Auditor**

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

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

November 17, 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 Morrell Nursing Center, LLC, for the contract period beginning October 1, 2013, and for the twelve month cost report period ended September 30, 2012, as set forth in the accompanying schedules. The management of Morrell 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 Morrell 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 and Adjustment Report 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 Morrell Nursing Center, LLC 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
November 17, 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

MORRELL NURSING CENTER, LLC
Computation of Rate Change
For the Contract Period
Beginning October 1, 2013
AC# 3-MMC-J2

	10/01/13- <u>09/30/14</u>
Interim Reimbursement Rate (1)	\$171.46
Adjusted Reimbursement Rate	<u>169.61</u>
Decrease in Reimbursement Rate	\$ <u><u>1.85</u></u>

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

MORRELL NURSING CENTER, LLC
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2013 Through September 30, 2014
 AC# 3-MMC-J2

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 92.50	\$ 99.52	
Dietary		16.53	17.31	
Laundry/Housekeeping/Maintenance		<u>14.03</u>	<u>15.32</u>	
Subtotal	\$ <u>9.09</u>	123.06	132.15	\$123.06
Administration & Medical Records	\$ <u>.64</u>	<u>21.65</u>	<u>22.29</u>	<u>21.65</u>
Subtotal		144.71	<u>\$154.44</u>	144.71
<u>Costs Not Subject to Standards:</u>				
Utilities		3.96		3.96
Special Services		.09		.09
Medical Supplies & Oxygen		7.37		7.37
Taxes and Insurance		3.06		3.06
Legal Fees		<u>.25</u>		<u>.25</u>
TOTAL		<u>\$159.44</u>		159.44
Inflation Factor (3.60%)				5.74
Cost of Capital				7.79
Profit Incentive (Maximum 3.5% of Allowable Cost)				.64
Cost Incentive				9.09
Effect of \$1.75 Cap on Cost/Profit Incentives				(7.98)
Budget Neutrality Adjustment (2.9241%)				<u>(5.11)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$169.61</u>

MORRELL NURSING CENTER, LLC
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2012
AC# 3-MMC-J2

<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	\$4,841,082	\$ -	\$ 41,383 (2) 2,082 (2) 1,117 (3)	\$4,796,500
Dietary	861,263	-	3,991 (2)	857,272
Laundry	144,909	-	-	144,909
Housekeeping	288,552	-	2,220 (2)	286,332
Maintenance	297,779	-	1,317 (2) 191 (3)	296,271
Administration & Medical Records	1,267,692	-	1,923 (2) 1,682 (2) 141,507 (3)	1,122,580
Utilities	205,416	4 (3)	-	205,420
Special Services	4,552	-	-	4,552
Medical Supplies & Oxygen	383,416	-	624 (2) 526 (3)	382,266
Taxes and Insurance	158,855	12 (3)	-	158,867

MORRELL NURSING CENTER, LLC
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2012
AC# 3-MMC-J2

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Legal Fees	21,098	-	2,616 (1) 5,720 (3)	12,762
Cost of Capital	<u>403,950</u>	<u>-</u>	<u>-</u>	<u>403,950</u>
Subtotal	8,878,564	16	206,899	8,671,681
Ancillary	364,939	-	-	364,939
Nonallowable	1,049,734	2,616 (1) 55,435 (2) 149,045 (3)	-	1,256,830
CNA Training and Testing	<u>25,258</u>	<u>-</u>	<u>213 (2)</u>	<u>25,045</u>
Total Operating Expenses	<u>\$10,318,495</u>	<u>\$207,112</u>	<u>\$207,112</u>	<u>\$10,318,495</u>
Total Patient Days	<u>51,855</u>	<u>-</u>	<u>-</u>	<u>51,855</u>
Total Beds	<u>154</u>			

MORRELL NURSING CENTER, LLC
Adjustment Report
Cost Report Period Ended September 30, 2012
AC# 3-MMC-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Legal	\$ 2,616	\$ 2,616
	To disallow expense not related to patient care HIM-15-1, Section 2102.3		
2	Nonallowable	55,435	
	Nursing		41,383
	Restorative		2,082
	Dietary		3,991
	Housekeeping		2,220
	Maintenance		1,317
	Administration		1,923
	Medical Records		1,682
	Medical Supplies		624
	CNA Training and Testing		213
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Utilities	4	
	Taxes and Insurance	12	
	Nonallowable	149,045	
	Nursing		1,117
	Maintenance		191
	Administration		141,507
	Legal		5,720
	Medical Supplies		526
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$207,112</u>	<u>\$207,112</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.

2 copies of this document were published at an estimated printing cost of \$1.29 each, and a total printing cost of \$2.58. Section 1-11-425 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.