



**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-J3 – 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, 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/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, 2014
AC# 3-MMC-J3**

**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

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, 2014, and for the twelve month cost report period ended September 30, 2013, 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, 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 Morrell 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 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, 2014
AC# 3-MMC-J3

	10/01/14- <u>09/30/15</u>
Interim Reimbursement Rate (1)	\$185.12
Adjusted Reimbursement Rate	<u>183.27</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, 2014 Through September 30, 2015
 AC# 3-MMC-J3

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 96.81	\$ 99.95	
Dietary		18.59	17.56	
Laundry/Housekeeping/Maintenance		<u>14.66</u>	<u>14.66</u>	
Subtotal	\$ <u>2.11</u>	130.06	132.17	\$130.06
Administration & Medical Records	\$ <u>-</u>	<u>23.85</u>	<u>23.03</u>	<u>23.03</u>
Subtotal		153.91	<u>\$155.20</u>	153.09
<u>Costs Not Subject to Standards:</u>				
Utilities		3.86		3.86
Special Services		.03		.03
Medical Supplies & Oxygen		7.81		7.81
Taxes and Insurance		3.37		3.37
Legal Fees		<u>.02</u>		<u>.02</u>
TOTAL		<u>\$169.00</u>		168.18
Inflation Factor (3.30%)				5.55
Cost of Capital				9.64
Cost of Capital Limitation				(1.85)
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				2.11
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(.36)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$183.27</u>

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

<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	\$5,052,515	\$4,575 (6)	\$ 47,194 (4) 2,181 (4) 1,242 (5)	\$5,006,473
Dietary	969,950	-	963 (1) 2,838 (2) 4,808 (4)	961,341
Laundry	126,775	-	-	126,775
Housekeeping	313,577	1 (5)	2,578 (4)	311,000
Maintenance	321,736	3 (5)	1,638 (4)	320,101
Administration & Medical Records	1,378,114	2,838 (2)	1,887 (4) 1,853 (4) 143,612 (5)	1,233,600
Utilities	204,070	-	4,575 (6)	199,495
Special Services	1,584	-	-	1,584
Medical Supplies & Oxygen	409,601	-	1,606 (4) 1,089 (5) 3,063 (7)	403,843
Taxes and Insurance	174,456	4 (5)	-	174,460

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

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments		Adjusted Totals
		<u>Debit</u>	<u>Credit</u>	
Legal Fees	63,581	-	62,369 (3)	1,212
Cost of Capital	402,844	159 (1)	3,544 (5)	498,629
	<u> </u>	<u>99,868 (8)</u>	<u> 698 (7)</u>	<u> </u>
Subtotal	9,418,803	107,448	287,738	9,238,513
Ancillary	396,514	-	-	396,514
Nonallowable	1,356,301	804 (1)	99,868 (8)	1,536,594
		62,369 (3)		
		63,748 (4)		
		149,479 (5)		
		3,761 (7)		
CNA Training and Testing	<u>2,306</u>	<u>-</u>	<u>3 (4)</u>	<u>2,303</u>
Total Operating Expenses	<u>\$11,173,924</u>	<u>\$387,609</u>	<u>\$387,609</u>	<u>\$11,173,924</u>
Total Patient Days	<u>51,713</u>	<u>-</u>	<u>-</u>	<u>51,713</u>
Total Beds	<u>154</u>			

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

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$127,504	
	Cost of Capital	159	
	Nonallowable	804	
	Accumulated Depreciation		\$115,983
	Other Equity		11,521
	Dietary		963
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Administration	2,838	
	Dietary		2,838
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
3	Nonallowable	62,369	
	Legal		62,369
	To disallow expense not related to patient care HIM-15-1, Section 2102.3		
4	Nonallowable	63,748	
	Nursing		47,194
	Restorative		2,181
	Dietary		4,808
	Housekeeping		2,578
	Maintenance		1,638
	Administration		1,887
	Medical Records		1,853
	Medical Supplies		1,606
	CNA Training and Testing		3
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

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

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Housekeeping	1	
	Maintenance	3	
	Taxes and Insurance	4	
	Nonallowable	149,479	
	Nursing		1,242
	Administration		143,612
	Medical Supplies		1,089
	Cost of Capital		3,544
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
6	Nursing	4,575	
	Utilities		4,575
	To record employee benefits and offset income against related expense HIM-15-1, Sections 2102.3 and 2304 State Plan, Attachment 4.19D		
7	Nonallowable	3,761	
	Medical Supplies		3,063
	Cost of Capital		698
	To adjust special (ancillary) services cost State Plan, Attachment 4.19D		
8	Cost of Capital	99,868	
	Nonallowable		99,868
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$515,113</u>	<u>\$515,113</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.

MORRELL NURSING CENTER, LLC
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2013
 AC# 3-MMC-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>154</u>
Deemed Asset Value	7,873,558
Improvements Since 1981	3,170,668
Accumulated Depreciation at 9/30/13	<u>(3,272,101)</u>
Deemed Depreciated Value	7,772,125
Market Rate of Return	<u>.0343</u>
Total Annual Return	266,584
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	266,584
Depreciation Expense	235,640
Amortization Expense	-
Capital Related Income Offsets	(3,595)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	498,629
Total Patient Days (Minimum 92% Occupancy)	<u>51,713</u>
Cost of Capital Per Diem	<u><u>\$ 9.64</u></u>

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

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 3.80
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>7.79</u>
Reimbursable Cost of Capital Per Diem	\$ 7.79
Cost of Capital Per Diem	<u>9.64</u>
Cost of Capital Per Diem Limitation	\$ <u>(1.85)</u>

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