

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

May 28, 2004

Mr. Craig G. DeKany, Reimbursement Manager
HCR – Manor Care
Post Office Box 10086
Toledo, Ohio 43699-0086

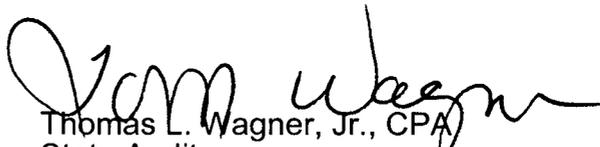
Re: AC# 3-OKE-J1 – HCR Manor Care d/b/a Oakmont East Nursing Center

Dear Mr. DeKany:

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, 2000 through September 30, 2001. That report was used to set the rate covering the contract period beginning January 1, 2003.

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.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph Hayes

**HCR MANOR CARE
D/B/A OAKMONT EAST NURSING CENTER**

GREENVILLE, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING JANUARY 1, 2003
AC# 3-OKE-J1**

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 JANUARY 1, 2003	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD JANUARY 1, 2003 THROUGH SEPTEMBER 30, 2003	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2001	C	5
ADJUSTMENT REPORT	1	7

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

April 26, 2004

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 determine the reimbursement rate to be used by the Department in determining the reimbursement settlement with HCR Manor Care d/b/a Oakmont East Nursing Center, for the contract period beginning January 1, 2003, and for the twelve month cost report period ended September 30, 2001, as set forth in the accompanying schedules. The management of HCR Manor Care d/b/a Oakmont East Nursing Center 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.

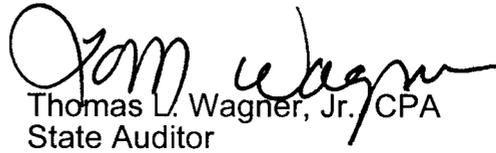
The procedures and the associated findings are as follows:

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 HCR Manor Care d/b/a Oakmont East Nursing Center, 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 Adjustment Report and Summary of Costs and Total Patient Days 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 HCR Manor Care d/b/a Oakmont East Nursing Center dated as of October 1, 2001 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
April 26, 2004

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.


Thomas L. Wagner, Jr. CPA
State Auditor

OAKMONT EAST NURSING CENTER

Computation of Rate Change
For the Contract Period
Beginning January 1, 2003
AC# 3-OKE-J1

01/01/03-
09/30/03

Interim Reimbursement Rate (1)	\$118.79
Adjusted Reimbursement Rate	<u>111.65</u>
Decrease in Reimbursement Rate	\$ <u><u>7.14</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated May 8, 2003

OAKMONT EAST NURSING CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period January 1, 2003 Through September 30, 2003
 AC# 3-OKE-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 56.89	\$62.89	
Dietary		11.30	11.21	
Laundry/Housekeeping/Maintenance		<u>9.19</u>	<u>9.67</u>	
Subtotal	\$ <u>5.86</u>	77.38	83.77	\$ 77.38
Administration & Medical Records	\$ <u>-</u>	<u>16.74</u>	<u>12.77</u>	<u>12.77</u>
Subtotal		94.12	\$ <u>96.54</u>	90.15
<u>Costs Not Subject to Standards:</u>				
Utilities		2.45		2.45
Special Services		.03		.03
Medical Supplies & Oxygen		4.33		4.33
Taxes and Insurance		1.37		1.37
Legal Fees		<u>.08</u>		<u>.08</u>
TOTAL		<u>\$102.38</u>		98.41
Inflation Factor (3.70%)				3.64
Cost of Capital				7.85
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				5.86
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(4.11)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$111.65</u>

OAKMONT EAST NURSING CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2001
 AC# 3-OKE-J1

<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	\$2,740,563	\$ -	\$99,052 (2) 4,908 (2)	\$2,636,603
Dietary	533,521	-	9,979 (2)	523,542
Laundry	106,567	-	-	106,567
Housekeeping	204,096	1,483 (3)	6,543 (2) 1,455 (4)	197,581
Maintenance	121,897	870 (3)	881 (4)	121,886
Administration & Medical Records	774,476	1,521 (2) 5,483 (3)	5,656 (4)	775,824
Utilities	113,588	810 (3)	822 (4)	113,576
Special Services	1,479	-	-	1,479
Medical Supplies & Oxygen	200,796	-	-	200,796
Taxes and Insurance	261,974	1,869 (3)	200,107 (1) 459 (4)	63,277
Legal Fees	3,921	31 (3)	32 (4)	3,920
Cost of Capital	<u>363,793</u>	<u>2,430</u> (3)	<u>2,430</u> (4)	<u>363,793</u>
Subtotal	5,426,671	14,497	332,324	5,108,844
Ancillary	238,339	-	-	238,339

OAKMONT EAST NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2001
AC# 3-OKE-J1

<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>	
Nonallowable	494,894	200,107 (1) 118,961 (2) <u>11,735 (4)</u>	12,976 (3)	812,721
Total Operating Expenses	<u>\$6,159,904</u>	<u>\$345,300</u>	<u>\$345,300</u>	<u>\$6,159,904</u>
Total Patient Days	<u>46,343</u>	<u>-</u>	<u>-</u>	<u>46,343</u>
Total Beds	<u>132</u>			

OAKMONT EAST NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 2001
AC# 3-OKE-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Taxes and Insurance	\$200,107	\$200,107
	To adjust liability insurance expense HIM-15-1, Section 2304		
2	Administration Nonallowable Nursing Restorative Dietary Housekeeping	1,521 118,961	99,052 4,908 9,979 6,543
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Housekeeping Maintenance Administration Legal Utilities Taxes and Insurance Cost of Capital Nonallowable	1,483 870 5,483 31 810 1,869 2,430	12,976
	To reverse DH&HS adjustment to remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

OAKMONT EAST NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 2001
AC# 3-OKE-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
4	Nonallowable	11,735	
	Housekeeping		1,455
	Maintenance		881
	Administration		5,656
	Legal		32
	Utilities		822
	Taxes and Insurance		459
	Cost of Capital		2,430
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
		\$345,300	\$345,300
	TOTAL ADJUSTMENTS	\$345,300	\$345,300

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 \$1.32 each, and a total printing cost of \$2.64. The FY 2003-04 Appropriation Act requires that this information on printing costs be added to the document.