

State of South Carolina



Office of the State Auditor

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THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

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May 28, 2004

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

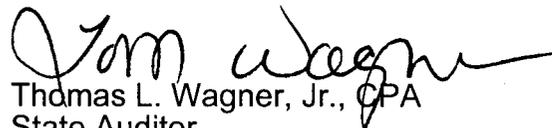
Re: AC# 3-OKW-J1 – HCR Manor Care d/b/a Oakmont West Nursing Home

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 WEST NURSING HOME  
GREENVILLE, SOUTH CAROLINA**

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

**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**

April 28, 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 West Nursing Home, 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 West Nursing Home 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 West Nursing Home, 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 West Nursing Home 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 28, 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 WEST NURSING HOME**  
Computation of Rate Change  
For the Contract Period  
Beginning January 1, 2003  
AC# 3-OKW-J1

	01/01/03- <u>09/30/03</u>
Interim Reimbursement Rate (1)	\$111.90
Adjusted Reimbursement Rate	<u>106.74</u>
Decrease in Reimbursement Rate	\$ <u><u>5.16</u></u>

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

**OAKMONT WEST NURSING HOME**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period January 1, 2003 Through September 30, 2003  
 AC# 3-OKW-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 52.70	\$58.50	
Dietary		11.13	11.21	
Laundry/Housekeeping/Maintenance		<u>9.41</u>	<u>9.67</u>	
Subtotal	\$ <u>5.56</u>	73.24	79.38	\$ 73.24
Administration & Medical Records	\$ <u>-</u>	<u>16.66</u>	<u>12.77</u>	<u>12.77</u>
Subtotal		89.90	\$ <u>92.15</u>	86.01
<u>Costs Not Subject to Standards:</u>				
Utilities		2.82		2.82
Special Services		.01		.01
Medical Supplies & Oxygen		2.71		2.71
Taxes and Insurance		4.26		4.26
Legal Fees		<u>.07</u>		<u>.07</u>
<b>TOTAL</b>		\$ <u>99.77</u>		95.88
Inflation Factor (3.70%)				3.55
Cost of Capital				5.56
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				5.56
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(3.81)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				\$ <u>106.74</u>

**OAKMONT WEST NURSING HOME**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2001  
 AC# 3-OKW-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$2,517,757	\$ -	\$186,281 (2) 14,178 (2)	\$2,317,298
Dietary	510,228	-	20,720 (2)	489,508
Laundry	117,675	-	-	117,675
Housekeeping	187,034	1,591 (3)	12,109 (2) 1,519 (4)	174,997
Maintenance	121,121	1,009 (3)	1,029 (4)	121,101
Administration & Medical Records	737,711	5,964 (3)	4,831 (2) 6,273 (4)	732,571
Utilities	124,050	1,034 (3)	1,054 (4)	124,030
Special Services	550	-	-	550
Medical Supplies & Oxygen	119,371	-	-	119,371
Taxes and Insurance	211,943	1,761 (3)	24,935 (1) 1,589 (4)	187,180
Legal Fees	3,144	28 (3)	29 (4)	3,143
Cost of Capital	<u>244,501</u>	<u>2,102 (3)</u>	<u>2,102 (4)</u>	<u>244,501</u>
Subtotal	4,895,085	13,489	276,649	4,631,925
Ancillary	111,032	-	-	111,032

**OAKMONT WEST NURSING HOME**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2001  
AC# 3-OKW-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Nonallowable	241,169	24,935 (1) 238,119 (2) <u>13,595 (4)</u>	13,489 (3)	504,329
Total Operating Expenses	<u>\$5,247,286</u>	<u>\$290,138</u>	<u>\$290,138</u>	<u>\$5,247,286</u>
Total Patient Days	<u>43,975</u>	<u>-</u>	<u>-</u>	<u>43,975</u>
Total Beds	<u>125</u>			

**OAKMONT WEST NURSING HOME**  
Adjustment Report  
Cost Report Period Ended September 30, 2001  
AC# 3-OKW-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Taxes and Insurance	\$ 24,935	\$ 24,935
	To adjust liability insurance expense HIM-15-1, Section 2304		
2	Nonallowable Nursing Restorative Dietary Housekeeping Administration	238,119	186,281 14,178 20,720 12,109 4,831
	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	1,591 1,009 5,964 28 1,034 1,761 2,102	13,489
	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 WEST NURSING HOME**  
Adjustment Report  
Cost Report Period Ended September 30, 2001  
AC# 3-OKW-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
4	Nonallowable	13,595	
	Housekeeping		1,519
	Maintenance		1,029
	Administration		6,273
	Legal		29
	Utilities		1,054
	Taxes and Insurance		1,589
	Cost of Capital		2,102
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
		\$ <u>290,138</u>	\$ <u>290,138</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.

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