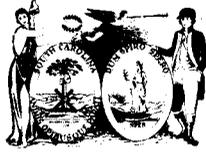


State of South Carolina



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

December 7, 2005

Ms. Linda A. Holtzscheiter, Reimbursement Manager  
Sava Senior Care  
5300 West Sam Houston Parkway North  
Houston, Texas 77041

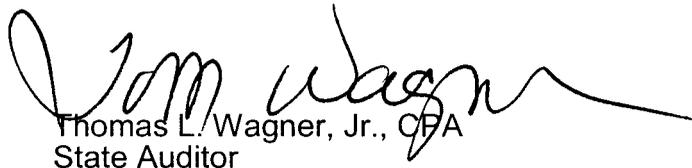
Re: AC# 3-OKB-J3 – GranCare South Carolina, Inc. d/b/a Oakbrook Healthcare Center

Dear Ms. Holtzscheiter:

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, 2002 through September 30, 2003. That report was used to set the rate covering the contract period beginning October 1, 2004.

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/cwc

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Ms. Kathleen C. Snider

**GRANCARE SOUTH CAROLINA, INC.  
D/B/A OAKBROOK HEALTHCARE CENTER  
SUMMERVILLE, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2004  
AC# 3-OKB-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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# State of South Carolina



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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 26, 2005

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 GranCare South Carolina, Inc. d/b/a Oakbrook Healthcare Center, for the contract period beginning October 1, 2004, and for the twelve month cost report period ended September 30, 2003, as set forth in the accompanying schedules. The management of GranCare South Carolina, Inc. d/b/a Oakbrook Healthcare 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 GranCare South Carolina, Inc. d/b/a Oakbrook Healthcare 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, Summary of Costs and Total Patient Days, 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 GranCare South Carolina, Inc. d/b/a Oakbrook Healthcare 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  
August 26, 2005

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

**OAKBROOK HEALTHCARE CENTER**  
Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2004  
AC# 3-OKB-J3

	Beginning <u>10/01/04</u>
Interim Reimbursement Rate (1)	\$120.09
Adjusted Reimbursement Rate	<u>117.06</u>
Decrease in Reimbursement Rate	\$ <u>3.03</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 6, 2004

**OAKBROOK HEALTHCARE CENTER**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period Beginning October 1, 2004  
 AC# 3-OKB-J3

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 57.83	\$ 65.45	
Dietary		12.08	12.42	
Laundry/Housekeeping/Maintenance		<u>8.62</u>	<u>11.28</u>	
Subtotal	<u>\$6.24</u>	78.53	89.15	\$ 78.53
Administration & Medical Records	<u>\$ -</u>	<u>16.25</u>	<u>14.65</u>	<u>14.65</u>
Subtotal		94.78	<u>\$103.80</u>	93.18
<u>Costs Not Subject to Standards:</u>				
Utilities		2.66		2.66
Special Services		.27		.27
Medical Supplies & Oxygen		3.85		3.85
Taxes and Insurance		3.49		3.49
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$105.05</u>		103.45
Inflation Factor (4.70%)				4.86
Cost of Capital				7.00
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				6.24
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(4.49)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$117.06</u>

**OAKBROOK HEALTHCARE CENTER**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2003  
 AC# 3-OKB-J3

<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	\$1,830,537	\$ -	\$ 521 (3) 8,949 (4) 544 (4) 9,904 (5) 1,344 (6) 25,964 (9)	\$1,783,311
Dietary	374,063	-	886 (4) 687 (9)	372,490
Laundry	74,885	-	-	74,885
Housekeeping	90,691	669 (7)	668 (8)	90,692
Maintenance	98,801	1,461 (6) 712 (7)	147 (4) 722 (8)	100,105
Administration & Medical Records	554,240	9,904 (5) 592 (7)	7,965 (3) 744 (4) 55 (4) 54,577 (6) 469 (8)	500,926
Utilities	82,156	591 (7)	4 (6) 591 (8)	82,152
Special Services	8,253	3,729 (6)	1,044 (4) 2,577 (9)	8,361
Medical Supplies & Oxygen	147,065	-	72 (4) 28,146 (9)	118,847

**OAKBROOK HEALTHCARE CENTER**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2003  
 AC# 3-OKB-J3

<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>	
Taxes and Insurance	114,557	98 (6) 805 (7)	7,174 (2) 756 (8)	107,530
Legal Fees	-	-	-	-
Cost of Capital	222,201	662 (7) 141 (10)	576 (1) 6,223 (6) 497 (8)	215,708
Subtotal	<u>3,597,449</u>	<u>19,364</u>	<u>161,806</u>	<u>3,455,007</u>
Ancillary	117,851	-	-	117,851
Nonallowable	190,389	576 (1) 7,174 (2) 8,486 (3) 12,441 (4) 56,860 (6) 3,703 (8) <u>57,374 (9)</u>	4,031 (7) 141 (10)	332,831
Total Operating Expenses	<u>\$3,905,689</u>	<u>\$165,978</u>	<u>\$165,978</u>	<u>\$3,905,689</u>
Total Patient Days	<u>30,835</u>	<u>-</u>	<u>-</u>	<u>30,835</u>
Total Beds	<u>88</u>			

**OAKBROOK HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2003  
AC# 3-OKB-J3

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation Nonallowable Other Equity Cost of Capital	\$ 3,148 576	  \$3,148 576
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable Taxes and Insurance	7,174	 7,174
	To adjust liability insurance expense HIM-15-1, Section 2304		
3	Nonallowable Restorative Administration	8,486	 521 7,965
	To reclassify expense to the proper cost center HIM-15-1, Sections 2102.3 and 2304 DH&HS Expense Crosswalk		
4	Nonallowable Nursing Restorative Dietary Maintenance Administration Medical Records Medical Supplies Special Services	12,441	 8,949 544 886 147 744 55 72 1,044
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
5	Administration Nursing	9,904	 9,904
	To reclassify expense to the proper cost center HIM-15-1, Section 2304 DH&HS Expense Crosswalk		

**OAKBROOK HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2003  
AC# 3-OKB-J3

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Maintenance	1,461	
	Taxes and Insurance	98	
	Special Services	3,729	
	Nonallowable	56,860	
	Nursing		1,344
	Administration		54,577
	Utilities		4
	Cost of Capital		6,223
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Housekeeping	669	
	Maintenance	712	
	Administration	592	
	Utilities	591	
	Taxes and Insurance	805	
	Cost of Capital	662	
	Nonallowable		4,031
	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		
8	Nonallowable	3,703	
	Housekeeping		668
	Maintenance		722
	Administration		469
	Utilities		591
	Taxes and Insurance		756
	Cost of Capital		497
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

**OAKBROOK HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2003  
AC# 3-OKB-J3

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Nonallowable	57,374	
	Nursing		25,964
	Dietary		687
	Medical Supplies		28,146
	Special Services		2,577
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
10	Cost of Capital	141	
	Nonallowable		141
	To adjust capital return State Plan, Attachment 4.19D		
		_____	_____
	TOTAL ADJUSTMENTS	<u>\$169,126</u>	<u>\$169,126</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.

**OAKBROOK HEALTHCARE CENTER**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2003  
 AC# 3-OKB-J3

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.63785</u>
Deemed Asset Value (Per Bed)	41,198
Number of Beds	<u>88</u>
Deemed Asset Value	3,625,424
Improvements Since 1981	460,050
Accumulated Depreciation at 9/30/03	<u>(1,335,284)</u>
Deemed Depreciated Value	2,750,190
Market Rate of Return	<u>.0531</u>
Total Annual Return	146,035
Return Applicable to Non-Reimbursable Cost Centers	(1,020)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	145,015
Depreciation Expense	73,879
Amortization Expense	190
Capital Related Income Offsets	(2,879)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(497)</u>
Allowable Cost of Capital Expense	215,708
Total Patient Days (Minimum 96% Occupancy)	<u>30,835</u>
Cost of Capital Per Diem	\$ <u><u>7.00</u></u>

**OAKBROOK HEALTHCARE CENTER**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 2003  
AC# 3-OKB-J3

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 7.79
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$11.78</u>
Reimbursable Cost of Capital Per Diem	\$ 7.00
Cost of Capital Per Diem	<u>7.00</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

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