

State of South Carolina



Office of the State Auditor

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

RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

(803) 253-4160
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June 19, 2007

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

Re: AC# 3-OKE-J2 – 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, 2001 through September 30, 2002. That report was used to set the rate covering the contract period beginning October 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.

Yours very truly,

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

RHGjr/cwc

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

**HCR MANOR CARE
D/B/A OAKMONT EAST NURSING CENTER
GREENVILLE, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2003
AC# 3-OKE-J2**

**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

May 9, 2007

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 HCR Manor Care d/b/a Oakmont East Nursing Center, for the contract period beginning October 1, 2003, and for the twelve month cost report period ended September 30, 2002, 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.

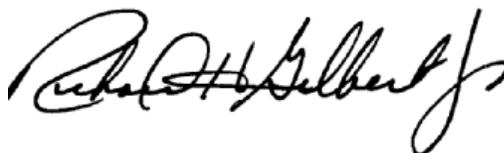
The procedures and the associated findings are as follows:

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 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 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
May 9, 2007

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.

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

OAKMONT EAST NURSING CENTER
Computation of Rate Change
For the Contract Period
Beginning October 1, 2003
AC# 3-OKE-J2

	10/01/03- <u>09/30/04</u>
Interim Reimbursement Rate (1)	\$129.39
Adjusted Reimbursement Rate	<u>120.33</u>
Decrease in Reimbursement Rate	\$ <u><u>9.06</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 24, 2007

OAKMONT EAST NURSING CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2003 Through September 30, 2004
 AC# 3-OKE-J2

<u>Costs Subject to Standards:</u>	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
General Services		\$ 59.07	\$61.80	
Dietary		10.94	11.55	
Laundry/Housekeeping/Maintenance		<u>9.13</u>	<u>9.83</u>	
Subtotal	<u>\$4.04</u>	79.14	83.18	\$ 79.14
Administration & Medical Records	<u>\$ -</u>	<u>14.00</u>	<u>13.46</u>	<u>13.46</u>
Subtotal		93.14	<u>\$96.64</u>	92.60
 <u>Costs Not Subject to Standards:</u>				
Utilities		2.30		2.30
Special Services		-		-
Medical Supplies & Oxygen		3.62		3.62
Taxes and Insurance		7.24		7.24
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$106.30</u>		105.76
Inflation Factor (4.70%)				4.97
Cost of Capital				7.85
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				4.04
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(2.29)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$120.33</u>

OAKMONT EAST NURSING CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2002
 AC# 3-OKE-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	\$2,860,990	\$ 656 (4)	\$87,252 (2) 4,600 (2) 4,306 (4)	\$2,765,488
Dietary	520,839	270 (4)	8,853 (2)	512,256
Laundry	119,861	-	-	119,861
Housekeeping	189,880	1,369 (5)	5,215 (2) 1,361 (6)	184,673
Maintenance	122,844	870 (5)	66 (4) 887 (6)	122,761
Administration & Medical Records	687,372	4,518 (5)	5,174 (2) 26,153 (4) 5,213 (6)	655,350
Utilities	107,791	763 (5)	7 (4) 780 (6)	107,767
Special Services	-	-	-	-
Medical Supplies & Oxygen	169,524	6 (4)	-	169,530
Taxes and Insurance	618,567	13,976 (3) 3,802 (4) 4,369 (5)	299,492 (1) 2,468 (6)	338,754

OAKMONT EAST NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2002
AC# 3-OKE-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	4,916	36 (5)	4,952 (4)	-
Cost of Capital	<u>363,086</u>	<u>-</u>	<u>-</u>	<u>363,086</u>
Subtotal	5,765,670	30,635	456,779	5,339,526
Ancillary	265,314	-	-	265,314
Nonallowable	497,277	299,492 (1) 111,094 (2) 30,750 (4) <u>10,709 (6)</u>	11,925 (5)	937,397
Total Operating Expenses	<u>\$6,528,261</u>	<u>\$482,680</u>	<u>\$468,704</u>	<u>\$6,542,237</u>
Total Patient Days	<u>46,253</u>	<u>564 (7)</u>	<u>-</u>	<u>46,817</u>
			Cost of Capital Patient Days	<u>46,253</u>
Total Beds	<u>132</u>			

OAKMONT EAST NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 2002
AC# 3-OKE-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Taxes and Insurance	\$299,492	\$299,492
	To adjust liability insurance expense HIM-15-1, Section 2304		
2	Nonallowable Nursing Restorative Dietary Housekeeping Administration	111,094	87,252 4,600 8,853 5,215 5,174
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Taxes and Insurance Intercompany Payable	13,976	13,976
	To record shared service expense allocation HIM-15-1, Section 2304		
4	Restorative Dietary Taxes and Insurance Medical Supplies Nonallowable Nursing Maintenance Administration Legal Utilities	656 270 3,802 6 30,750	4,306 66 26,153 4,952 7
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

OAKMONT EAST NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 2002
AC# 3-OKE-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Housekeeping	1,369	
	Maintenance	870	
	Administration	4,518	
	Legal	36	
	Utilities	763	
	Taxes and Insurance	4,369	
	Nonallowable		11,925
	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		
6	Nonallowable	10,709	
	Housekeeping		1,361
	Maintenance		887
	Administration		5,213
	Utilities		780
	Taxes and Insurance		2,468
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
7	<u>Memo Adjustment:</u>		
	To increase total patient days by 564 to 46,817		
	TOTAL ADJUSTMENTS	\$482,680	\$482,680

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 \$1.03 each, and a total printing cost of \$2.06. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.