

State of South Carolina



Office of the State Auditor

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

RICHARD H. GILBERT, JR., CPA
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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-OKU-J2 – Health Care & Retirement Corporation of America
d/b/a Oakmont of Union Nursing and ICF

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/ms

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

**HEALTH CARE & RETIREMENT
CORPORATION OF AMERICA
D/B/A OAKMONT OF UNION NURSING AND ICF
UNION, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2003
AC# 3-OKU-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 2, 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 Health Care & Retirement Corporation of America d/b/a Oakmont of Union Nursing and ICF, 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 Health Care & Retirement Corporation of America d/b/a Oakmont of Union Nursing and ICF 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 Health Care & Retirement Corporation of America d/b/a Oakmont of Union Nursing and ICF, 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 Health Care & Retirement Corporation of America d/b/a Oakmont of Union Nursing and ICF 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 2, 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 OF UNION NURSING AND ICF
Computation of Rate Change
For the Contract Period
Beginning October 1, 2003
AC# 3-OKU-J2

	<u>10/01/03-</u> <u>09/30/04</u>
Interim Reimbursement Rate (1)	\$127.68
Adjustment Reimbursement Rate	<u>113.11</u>
Decrease in Reimbursement Rate	\$ <u><u>14.57</u></u>

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

OAKMONT OF UNION NURSING AND ICF
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2003 Through September 30, 2004
 AC# 3-OKU-J2

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$61.85	\$63.18	
Dietary		9.12	11.76	
Laundry/Housekeeping/Maintenance		<u>6.00</u>	<u>10.49</u>	
Subtotal	\$ <u>5.98</u>	76.97	85.43	\$ 76.97
Administration & Medical Records	\$ <u>.22</u>	<u>13.03</u>	<u>13.25</u>	<u>13.03</u>
Subtotal		90.00	<u>\$98.68</u>	90.00
<u>Costs Not Subject to Standards:</u>				
Utilities		2.51		2.51
Special Services		.04		.04
Medical Supplies & Oxygen		4.00		4.00
Taxes and Insurance		1.68		1.68
Legal Fees		<u>.46</u>		<u>.46</u>
TOTAL		<u>\$98.69</u>		98.69
Inflation Factor (4.70%)				4.64
Cost of Capital				8.03
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				.22
Cost Incentive				5.98
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(4.45)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$113.11</u>

OAKMONT OF UNION NURSING AND ICF
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2002
 AC# 3-OKU-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	\$2,306,039	\$ 878 (1) 423 (6) 30,158 (7)	\$155,414 (3) 136,245 (4) 4,160 (4) 5,080 (6) 52,263 (8) 29,156 (8)	\$1,955,180
Dietary	295,154	129,554 (7)	10,253 (4) 134 (6) 126,153 (8)	288,168
Laundry	60,310	26,474 (7)	1,473 (4) 26,023 (8)	59,288
Housekeeping	69,044	46,654 (7)	4,402 (4) 47,569 (8)	63,727
Maintenance	70,227	47,523 (7)	3,058 (4) 1,633 (6) 46,319 (8)	66,740
Administration & Medical Records	526,141	86,559 (7) 13,916 (7)	25,755 (3) 21,350 (4) 894 (4) 87,086 (6) 66,118 (8) 13,644 (8)	411,769
Utilities	82,528	54,219 (7)	477 (6) 56,937 (8)	79,333
Special Services	1,299	-	-	1,299

OAKMONT OF UNION NURSING AND ICF
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2002
AC# 3-OKU-J2

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
Medical Supplies & Oxygen	126,935	4 (6) 56,348 (7)	496 (4) 56,195 (8)	126,596
Taxes and Insurance	280,131	5,360 (5) 1,453 (6) 164,776 (7)	391,655 (2) 6,902 (8)	53,163
Legal Fees	18,467	3,481 (7)	3,738 (6) 3,723 (8)	14,487
Cost of Capital	220,370	69,046 (7) 38,963 (9)	46,644 (1) 14,829 (6) 13,148 (8)	253,758
Subtotal	4,056,645	775,789	1,458,926	3,373,508
Ancillary	98,952	-	-	98,952
Nonallowable	1,033,198	45,766 (1) 391,655 (2) 181,169 (3) 182,331 (4) 111,097 (6) 544,150 (8)	728,708 (7) 38,963 (9)	1,721,695
Total Operating Expenses	<u>\$5,188,795</u>	<u>\$2,231,957</u>	<u>\$2,226,597</u>	<u>\$5,194,155</u>
Total Patient Days	<u>30,931</u>	<u>680</u> (10)	<u>-</u>	<u>31,611</u>

Total Beds 88

OAKMONT OF UNION NURSING AND ICF
Adjustment Report
Cost Report Period Ended September 30, 2002
AC# 3-OKU-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$506,218	
	Other Equity	482,590	
	Restorative	878	
	Nonallowable	45,766	
	Fixed Assets		\$988,808
	Cost of Capital		46,644
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	391,655	
	Taxes and Insurance		391,655
	To adjust liability insurance expense HIM-15-1, Section 2304		
3	Nonallowable	181,169	
	Nursing		155,414
	Administration		25,755
	To reclassify salaries to the proper cost center HIM-15-1, Section 2102.3 DH&HS Expense Crosswalk		
4	Nonallowable	182,331	
	Nursing		136,245
	Restorative		4,160
	Dietary		10,253
	Laundry		1,473
	Housekeeping		4,402
	Maintenance		3,058
	Administration		21,350
	Medical Records		894
	Medical Supplies		496
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

OAKMONT OF UNION NURSING AND ICF
Adjustment Report
Cost Report Period Ended September 30, 2002
AC# 3-OKU-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Taxes and Insurance Intercompany Payable	5,360	5,360
	To record shared service expense allocation HIM-15-1, Section 2304		
6	Restorative Taxes and Insurance Medical Supplies Nonallowable Nursing Dietary Maintenance Administration Legal Utilities Cost of Capital	423 1,453 4 111,097	5,080 134 1,633 87,086 3,738 477 14,829
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Restorative Dietary Laundry Housekeeping Maintenance Administration Medical Records Legal Utilities Taxes and Insurance Medical Supplies Cost of Capital Nonallowable	30,158 129,554 26,474 46,654 47,523 86,559 13,916 3,481 54,219 164,776 56,348 69,046	728,708
	To reverse DH&HS adjustment to remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

OAKMONT OF UNION NURSING AND ICF
Adjustment Report
Cost Report Period Ended September 30, 2002
AC# 3-OKU-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Nonallowable	544,150	
	Nursing		52,263
	Restorative		29,156
	Dietary		126,153
	Laundry		26,023
	Housekeeping		47,569
	Maintenance		46,319
	Administration		66,118
	Medical Records		13,644
	Legal		3,723
	Utilities		56,937
	Taxes and Insurance		6,902
	Medical Supplies		56,195
	Cost of Capital		13,148
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
9	Cost of Capital	38,963	
	Nonallowable		38,963
	To adjust capital return State Plan, Attachment 4.19D		
10	<u>Memo Adjustment:</u>		
	To increase total patient days by 680 to 31,611		
	TOTAL ADJUSTMENTS	<u>\$3,220,765</u>	<u>\$3,220,765</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.

OAKMONT OF UNION NURSING AND ICF
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2002
AC# 3-OKU-J2

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.55013</u>
Deemed Asset Value (Per Bed)	39,828
Number of Beds	<u>88</u>
Deemed Asset Value	3,504,864
Improvements Since 1981	933,096
Accumulated Depreciation at 9/30/02	<u>(1,106,960)</u>
Deemed Depreciated Value	3,331,000
Market Rate of Return	<u>.0561</u>
Total Annual Return	186,869
Return Applicable to Non-Reimbursable Cost Centers	(24,701)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>1,555</u>
Allowable Annual Return	163,723
Depreciation Expense	105,966
Amortization Expense	-
Capital Related Income Offsets	(2,783)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(13,148)</u>
Allowable Cost of Capital Expense	253,758
Total Patient Days (Actual)	<u>31,611</u>
Cost of Capital Per Diem	\$ <u><u>8.03</u></u>

OAKMONT OF UNION NURSING AND ICF
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2002
AC# 3-OKU-J2

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$4.83
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$8.82</u>
Reimbursable Cost of Capital Per Diem	\$8.03
Cost of Capital Per Diem	<u>8.03</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

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