

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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April 18, 2007

Mr. John Barber, Executive Vice President and CFO
White Oak Management Inc.
Post Office Box 3347
Spartanburg, South Carolina 29304-3347

Re: AC# 3-WOC-J4 – White Oak Manor - Columbia

Dear Mr. Barber:

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, 2003 through September 30, 2004. That report was used to set the rate covering the contract period beginning October 1, 2005.

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/sag

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

**WHITE OAK MANOR - COLUMBIA
COLUMBIA, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2005
AC# 3-WOC-J4**

**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

March 23, 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 White Oak Manor - Columbia, for the contract period beginning October 1, 2005, and for the twelve month cost report period ended September 30, 2004, as set forth in the accompanying schedules. The management of White Oak Manor - Columbia 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 White Oak Manor - Columbia, 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 White Oak Manor - Columbia 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
March 23, 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.", with a stylized flourish at the end.

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

WHITE OAK MANOR - COLUMBIA
Computation of Rate Change
For the Contract Period
Beginning October 1, 2005
AC# 3-WOC-J4

	<u>10/01/05-</u> <u>09/30/06</u>
Interim Reimbursement Rate (1)	\$136.76
Adjusted Reimbursement Rate	<u>135.63</u>
Decrease in Reimbursement Rate	\$ <u><u>1.13</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing as of March 1, 2006

WHITE OAK MANOR - COLUMBIA
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2005 Through September 30, 2006
 AC# 3-WOC-J4

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 75.03	\$ 80.35	
Dietary		11.16	12.63	
Laundry/Housekeeping/Maintenance		<u>10.52</u>	<u>10.97</u>	
Subtotal	<u>\$7.24</u>	96.71	103.95	\$ 96.71
Administration & Medical Records	<u>\$2.73</u>	<u>13.40</u>	<u>16.13</u>	<u>13.40</u>
Subtotal		110.11	<u>\$120.08</u>	110.11
<u>Costs Not Subject to Standards:</u>				
Utilities		3.26		3.26
Special Services		.07		.07
Medical Supplies & Oxygen		5.44		5.44
Taxes and Insurance		2.89		2.89
Legal Fees		<u>.06</u>		<u>.06</u>
TOTAL		<u>\$121.83</u>		121.83
Inflation Factor (4.70%)				5.73
Cost of Capital				6.96
Cost of Capital Limitation				(.64)
Profit Incentive (Maximum 3.5% of Allowable Cost)				2.73
Cost Incentive				7.24
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(8.22)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$135.63</u>

WHITE OAK MANOR - COLUMBIA
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2004
 AC# 3-WOC-J4

<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	\$3,271,242	\$ -	\$ 46,315 (1)	\$3,224,927
Dietary	479,505	-	-	479,505
Laundry	106,908	-	-	106,908
Housekeeping	201,483	-	-	201,483
Maintenance	143,868	-	-	143,868
Administration & Medical Records	575,801	-	-	575,801
Utilities	140,095	-	-	140,095
Special Services	2,993	-	-	2,993
Medical Supplies & Oxygen	233,961	-	-	233,961
Taxes and Insurance	124,147	-	-	124,147
Legal Fees	2,590	-	-	2,590
Cost of Capital	<u>271,646</u>	<u>30,741</u> (3)	<u>3,089</u> (2)	<u>299,298</u>
Subtotal	5,554,239	30,741	49,404	5,535,576

WHITE OAK MANOR - COLUMBIA
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2004
AC# 3-WOC-J4

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	Adjusted <u>Totals</u>
Ancillary	87,322	-	-	87,322
Nonallowable	582,620	46,315 (1)	30,741 (3)	601,283
	<u> </u>	<u>3,089 (2)</u>	<u> </u>	<u> </u>
Total Operating Expenses	<u>\$6,224,181</u>	<u>\$80,145</u>	<u>\$80,145</u>	<u>\$6,224,181</u>
Total Patient Days	<u>42,982</u>	<u>-</u>	<u>-</u>	<u>42,982</u>
 Total Beds	 <u>120</u>			

WHITE OAK MANOR - COLUMBIA
Adjustment Report
Cost Report Period Ended September 30, 2004
AC# 3-WOC-J4

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Nursing	\$46,315	\$46,315
	To adjust duplicate expense HIM-15-1, Section 2304		
2	Fixed Assets Nonallowable Other Equity Cost of Capital Accumulated Depreciation	1,351 3,089	563 3,089 788
	To adjust fixed assets and related depreciation HIM-15-1, Section 100		
3	Cost of Capital Nonallowable	30,741	30,741
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<hr style="width: 100%; border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> <u>\$81,496</u>	<hr style="width: 100%; border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> <u>\$81,496</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.

WHITE OAK MANOR - COLUMBIA
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2004
AC# 3-WOC-J4

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.7149</u>
Deemed Asset Value (Per Bed)	42,402
Number of Beds	<u>120</u>
Deemed Asset Value	5,088,240
Improvements Since 1981	1,009,873
Accumulated Depreciation at 9/30/04	<u>(1,755,691)</u>
Deemed Depreciated Value	4,342,422
Market Rate of Return	<u>.0516</u>
Total Annual Return	224,069
Return Applicable to Non-Reimbursable Cost Centers	(207)
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>4</u>
Allowable Annual Return	223,866
Depreciation Expense	75,998
Amortization Expense	-
Capital Related Income Offsets	(490)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(76)</u>
Allowable Cost of Capital Expense	299,298
Total Patient Days (Minimum 96% Occupancy)	<u>42,982</u>
Cost of Capital Per Diem	\$ <u><u>6.96</u></u>

WHITE OAK MANOR - COLUMBIA
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2004
AC# 3-WOC-J4

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$2.33
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$6.32</u>
Reimbursable Cost of Capital Per Diem	\$6.32
Cost of Capital Per Diem	<u>6.96</u>
Cost of Capital Per Diem Limitation	<u>\$(.64)</u>

2 copies of this document were published at an estimated printing cost of \$1.35 each, and a total printing cost of \$2.70. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.