

# 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  
FAX (803) 343-0723

August 29, 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-WOY-J4 – White Oak Manor - York

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 - YORK  
YORK, SOUTH CAROLINA**

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

July 11, 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 - York, 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 - York is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed 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 - York, 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 - York 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  
July 11, 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

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

	<u>10/01/05-</u> <u>09/30/06</u>
Interim Reimbursement Rate (1)	\$139.18
Adjusted Reimbursement Rate (2)	<u>137.88</u>
Decrease in Reimbursement Rate	\$ <u><u>1.30</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing as of March 1, 2006
  
- (2) As provided under Article IV, Section E of the Provider's contract dated October 1, 2001 as amended, "The Provider agrees that the rate charged to SCDHHS for services to an eligible Medicaid recipient under this contract will not be greater than that charged for a similar service to a private pay patient." Accordingly, the reimbursement rate is limited to the customary charges to private pay clients.

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 74.17	\$ 80.35	
Dietary		13.50	12.63	
Laundry/Housekeeping/Maintenance		<u>11.32</u>	<u>10.97</u>	
Subtotal	<u>\$4.96</u>	98.99	103.95	\$ 98.99
Administration & Medical Records	<u>\$4.40</u>	<u>11.73</u>	<u>16.13</u>	<u>11.73</u>
Subtotal		110.72	<u>\$120.08</u>	110.72
<u>Costs Not Subject to Standards:</u>				
Utilities		3.61		3.61
Special Services		.05		.05
Medical Supplies & Oxygen		4.87		4.87
Taxes and Insurance		2.64		2.64
Legal Fees		<u>1.57</u>		<u>1.57</u>
<b>TOTAL</b>		<u>\$123.46</u>		123.46
Inflation Factor (4.70%)				5.80
Cost of Capital				8.81
Cost of Capital Limitation				(.67)
Profit Incentive (Maximum 3.5% of Allowable Cost)				4.32
Cost Incentive				4.96
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(7.53)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$139.15</u>

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

<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	\$2,841,001	\$ 94,038 (1)	\$ -	\$2,935,039
Dietary	534,351	-	-	534,351
Laundry	89,128	-	-	89,128
Housekeeping	191,717	-	-	191,717
Maintenance	166,950	-	-	166,950
Administration & Medical Records	464,142	-	-	464,142
Utilities	142,974	-	-	142,974
Special Services	2,109	-	-	2,109
Medical Supplies & Oxygen	286,737	-	94,038 (1)	192,699
Taxes and Insurance	164,423	-	59,888 (3)	104,535
Legal Fees	2,385	59,888 (3)	-	62,273
Cost of Capital	<u>323,239</u>	<u>29,317 (4)</u>	<u>4,112 (2)</u>	<u>348,444</u>
Subtotal	5,209,156	183,243	158,038	5,234,361
Ancillary	66,156	-	-	66,156

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

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Nonallowable	<u>175,108</u>	<u>4,112</u> (2)	<u>29,317</u> (4)	<u>149,903</u>
Total Operating Expenses	<u>\$5,450,420</u>	<u>\$187,355</u>	<u>\$187,355</u>	<u>\$5,450,420</u>
Total Patient Days	<u>39,573</u>	<u>-</u>	<u>-</u>	<u>39,573</u>
Total Beds	<u>109</u>			

**WHITE OAK MANOR - YORK**  
Adjustment Report  
Cost Report Period Ended September 30, 2004  
AC# 3-WOY-J4

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nursing Medical Supplies	\$ 94,038	\$ 94,038
	To reclassify expenses to the proper cost center HIM-15-1, Section 2302.1 State Plan Attachment 4.19D		
2	Accumulated Depreciation Nonallowable Other Equity Fixed Assets Cost of Capital	42,308 4,112 11,398	53,706 4,112
	To adjust fixed assets and related depreciation HIM-15-1, Section 100 State Plan, Attachment 4.19D		
3	Legal Taxes and Insurance	59,888	59,888
	To reclassify expenses to proper cost center HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Cost of Capital Nonallowable	29,317	29,317
	To adjust capital return State Plan, Attachment 4.19D		
	 <b>TOTAL ADJUSTMENTS</b>	 <b><u>\$241,061</u></b>	 <b><u>\$241,061</u></b>

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 - YORK**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2004  
 AC# 3-WOY-J4

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.71494</u>	<u>2.71494</u>	<u>2.71494</u>	
Deemed Asset Value (Per Bed)	42,402	42,402	42,402	
Number of Beds	<u>66</u>	<u>33</u>	<u>10</u>	
Deemed Asset Value	2,798,532	1,399,266	424,020	
Improvements Since 1981	947,013	80,655	57,594	
Accumulated Depreciation at 9/30/04	<u>(841,475)</u>	<u>(382,459)</u>	<u>(21,432)</u>	
Deemed Depreciated Value	2,904,070	1,097,462	460,182	
Market Rate of Return	<u>.0516</u>	<u>.0516</u>	<u>.0516</u>	
Total Annual Return	149,850	56,629	23,745	
Return Applicable to Non-Reimbursable Cost Centers	(113)	(43)	(18)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>2</u>	<u>1</u>	<u>-</u>	
Allowable Annual Return	149,739	56,587	23,727	
Depreciation Expense	63,047	49,967	6,449	
Amortization Expense	-	-	-	
Capital Related Income Offsets	(636)	(240)	(101)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(62)</u>	<u>(23)</u>	<u>(10)</u>	<u>Total</u>
Allowable Cost of Capital Expense	212,088	106,291	30,065	\$348,444
Total Patient Days	<u>23,961</u>	<u>11,980</u>	<u>3,632</u>	<u>39,573</u>
Cost of Capital Per Diem	\$ <u>8.85</u>	\$ <u>8.87</u>	\$ <u>8.28</u>	\$ <u>8.81</u>

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

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$3.77	\$ N/A	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$7.76</u>	<u>\$8.87</u>	<u>\$8.28</u>
Reimbursable Cost of Capital Per Diem*		\$8.14	
Cost of Capital Per Diem		<u>8.81</u>	
Cost of Capital Per Diem Limitation		<u>\$(.67)</u>	
*[(7.76 x 23,961) + 106,291 + 30,065]/39,573			

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