

# 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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August 28, 2009

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

Re: AC# 3-OKE-J5 – 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, 2004 through September 30, 2005. That report was used to set the rate covering the contract period beginning October 1, 2006.

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

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

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2006  
AC# 3-OKE-J5**

**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 29, 2009

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, 2006, and for the twelve month cost report period ended September 30, 2005, 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, 2006, 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 29, 2009

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, 2006  
AC# 3-OKE-J5

	10/01/06- <u>09/30/07</u>
Interim Reimbursement Rate (1)	\$133.34
Adjusted Reimbursement Rate	<u>131.09</u>
Decrease in Reimbursement Rate	\$ <u><u>2.25</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated February 13, 2008.

**OAKMONT EAST NURSING CENTER**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2006 Through September 30, 2007  
 AC# 3-OKE-J5

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 65.45	\$ 79.77	
Dietary		12.37	13.46	
Laundry/Housekeeping/Maintenance		<u>9.86</u>	<u>12.03</u>	
Subtotal	<u>\$7.37</u>	87.68	105.26	\$ 87.68
Administration & Medical Records	<u>\$ -</u>	<u>17.73</u>	<u>16.87</u>	<u>16.87</u>
Subtotal		105.41	<u>\$122.13</u>	104.55
<u>Costs Not Subject to Standards:</u>				
Utilities		3.00		3.00
Special Services		.18		.18
Medical Supplies & Oxygen		5.35		5.35
Taxes and Insurance		3.05		3.05
Legal Fees		<u>.02</u>		<u>.02</u>
<b>TOTAL</b>		<u>\$117.01</u>		116.15
Inflation Factor (4.60%)				5.34
Cost of Capital				7.85
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				7.37
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(5.62)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$131.09</u>

**OAKMONT EAST NURSING CENTER**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2005  
 AC# 3-OKE-J5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$3,109,297	\$ 1,701 (2)	\$62,360 (1) 1,379 (1) 20,094 (2)	\$3,027,165
Dietary	580,926	161 (2)	6,622 (1) 2,332 (3)	572,133
Laundry	118,228	3,539 (1)	-	121,767
Housekeeping	187,880	-	4,204 (1)	183,676
Maintenance	148,586	2,216 (1)	192 (3)	150,610
Administration & Medical Records	794,743	4,741 (1) 1,344 (1) 19,351 (2)	-	820,179
Utilities	138,766	-	20 (2)	138,746
Special Services	8,698	15,096 (3)	15,296 (1)	8,498
Medical Supplies & Oxygen	250,486	462 (1)	137 (2) 3,206 (3)	247,605
Taxes and Insurance	141,471	-	335 (2)	141,136
Legal Fees	6,954	-	5,838 (2)	1,116
Cost of Capital	<u>363,086</u>	<u>-</u>	<u>-</u>	<u>363,086</u>
Subtotal	5,849,121	48,611	122,015	5,775,717

**OAKMONT EAST NURSING CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2005  
AC# 3-OKE-J5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	384,479	7,626 (3)	-	392,105
Nonallowable	1,512,843	77,559 (1) 5,211 (2)	16,992 (3)	1,578,621
CNA Training and Testing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>\$7,746,443</u>	<u>\$139,007</u>	<u>\$139,007</u>	<u>\$7,746,443</u>
Total Patient Days	<u>46,253</u>	<u>-</u>	<u>-</u>	<u>46,253</u>
Total Beds	<u>132</u>			

**OAKMONT EAST NURSING CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2005  
AC# 3-OKE-J5

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Laundry	\$ 3,539	
	Maintenance	2,216	
	Administration	4,741	
	Medical Records	1,344	
	Medical Supplies	462	
	Nonallowable	77,559	
	Nursing		\$62,360
	Restorative		1,379
	Dietary		6,622
	Housekeeping		4,204
	Special Services		15,296
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Restorative	1,701	
	Dietary	161	
	Administration	19,351	
	Nonallowable	5,211	
	Nursing		20,094
	Legal		5,838
	Utilities		20
	Taxes and Insurance		335
	Medical Supplies		137
	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, 2005  
AC# 3-OKE-J5

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
3	Special Services	15,096	
	Ancillary	7,626	
	Dietary		2,332
	Maintenance		192
	Medical Supplies		3,206
	Nonallowable		16,992
	To adjust special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
		\$139,007	\$139,007
	TOTAL ADJUSTMENTS	\$139,007	\$139,007

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.

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