

*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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January 26, 2010

Ms. Susan Weesner, Chief Financial Officer  
Wilson Senior Care, Inc.  
116 Cashua Street  
Darlington, South Carolina 29532

Re: AC# 3-OKH-J5 – Oakhaven Nursing Center, LLC

Dear Ms. Weesner:

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/cwc

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

**OAKHAVEN NURSING CENTER, LLC  
DARLINGTON, SOUTH CAROLINA**

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

**AGREED-UPON PROCEDURES REPORT  
ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

## CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 2006	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2006 THROUGH SEPTEMBER 30, 2007	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2005	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	10

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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

October 14, 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 Oakhaven Nursing Center, LLC, 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 Oakhaven Nursing Center, LLC 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 Oakhaven Nursing Center, LLC, 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 contracts between the South Carolina Department of Health and Human Services and Oakhaven Nursing Center, LLC dated as of October 1, 2001 and January 1, 2007, 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  
October 14, 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

**OAKHAVEN NURSING CENTER, LLC**  
Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2006  
AC# 3-OKH-J5

	10/01/06- <u>09/30/07</u>
Interim Reimbursement Rate (1)	\$148.21
Adjusted Reimbursement Rate	<u>147.29</u>
Decrease in Reimbursement Rate	\$ <u><u>.92</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated June 8, 2009.

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 75.33	\$ 79.89	
Dietary		13.03	13.72	
Laundry/Housekeeping/Maintenance		<u>13.73</u>	<u>12.61</u>	
Subtotal	\$ <u>4.13</u>	102.09	106.22	\$102.09
Administration & Medical Records	\$ <u>-</u>	<u>17.95</u>	<u>16.31</u>	<u>16.31</u>
Subtotal		120.04	<u>\$122.53</u>	118.40
<u>Costs Not Subject to Standards:</u>				
Utilities		2.84		2.84
Special Services		-		-
Medical Supplies & Oxygen		4.18		4.18
Taxes and Insurance		6.38		6.38
Legal Fees		<u>.03</u>		<u>.03</u>
<b>TOTAL</b>		<u>\$133.47</u>		131.83
Inflation Factor (4.60%)				6.06
Cost of Capital				7.65
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				4.13
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(2.38)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$147.29</u>

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

<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	\$2,420,110	\$ 1 (5)	\$ 41,654 (4) 2,440 (4) 1,017 (5)	\$2,375,000
Dietary	410,824	397,062 (7)	397,063 (6)	410,823
Laundry	67,426	-	-	67,426
Housekeeping	145,416	1 (5) 11,115 (7)	3,881 (6)	152,651
Maintenance	199,485	21,488 (7)	804 (4) 412 (5) 7,027 (6)	212,730
Administration & Medical Records	565,302	4,543 (4) 44,558 (7)	56 (4) 4,628 (5) 43,703 (6)	566,016
Utilities	82,270	9 (5) 11,788 (7)	1,028 (3) 3,638 (6)	89,401
Special Services	-	-	-	-
Medical Supplies & Oxygen	142,140	-	173 (5) 10,203 (8)	131,764
Taxes and Insurance	192,786	59 (5) 13,242 (7)	4,781 (6)	201,306

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

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Legal Fees	1,025	1 (5) 593 (7)	573 (6)	1,046
Cost of Capital	249,978	6,453 (7)	5,110 (1) 5,495 (2) 2,233 (5) <u>2,401 (6)</u>	241,192
Subtotal	<u>4,476,762</u>	<u>510,913</u>	538,320	4,449,355
Ancillary	75,773	-	-	75,773
Nonallowable	317,535	5,495 (2) 1,028 (3) 40,411 (4) 8,392 (5) 463,067 (6) 10,203 (8)	506,299 (7)	339,832
CNA Training and Testing	<u>7,232</u>	<u>-</u>	<u>-</u>	<u>7,232</u>
Total Operating Expenses	<u>\$4,877,302</u>	<u>\$1,039,509</u>	<u>\$1,044,619</u>	<u>\$4,872,192</u>
Total Patient Days	<u>31,529</u>	<u>-</u>	<u>-</u>	<u>31,529</u>
Total Beds	<u>88</u>			

**OAKHAVEN NURSING CENTER, LLC**  
Adjustment Report  
Cost Report Period Ended September 30, 2005  
AC# 3-OKH-J5

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$179,824	
	Accumulated Depreciation		\$169,197
	Other Equity		5,517
	Cost of Capital		5,110
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	5,495	
	Cost of Capital		5,495
	To adjust capital return State Plan, Attachment 4.19D		
3	Nonallowable	1,028	
	Utilities		1,028
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
4	Administration	4,543	
	Nonallowable	40,411	
	Nursing		41,654
	Restorative		2,440
	Maintenance		804
	Medical Records		56
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

**OAKHAVEN NURSING CENTER, LLC**  
Adjustment Report  
Cost Report Period Ended September 30, 2005  
AC# 3-OKH-J5

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nursing	1	
	Housekeeping	1	
	Legal	1	
	Utilities	9	
	Taxes and Insurance	59	
	Nonallowable	8,392	
	Restorative		1,017
	Maintenance		412
	Administration		4,628
	Medical Supplies		173
	Cost of Capital		2,233
	To adjust home office cost allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
6	Nonallowable	463,067	
	Dietary		397,063
	Housekeeping		3,881
	Maintenance		7,027
	Administration		43,703
	Legal		573
	Utilities		3,638
	Taxes and Insurance		4,781
	Cost of Capital		2,401
	To reverse DH&HS dietary cost allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
7	Dietary	397,062	
	Housekeeping	11,115	
	Maintenance	21,488	
	Administration	44,558	
	Legal	593	
	Utilities	11,788	
	Taxes and Insurance	13,242	
	Cost of Capital	6,453	
	Nonallowable		506,299
	To record dietary cost allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		

**OAKHAVEN NURSING CENTER, LLC**  
Adjustment Report  
Cost Report Period Ended September 30, 2005  
AC# 3-OKH-J5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Nonallowable Medical Supplies	10,203	10,203
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$1,219,333	\$1,219,333

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.

**OAKHAVEN NURSING CENTER, LLC**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2005  
 AC# 3-OKH-J5

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.77878</u>
Deemed Asset Value (Per Bed)	43,399
Number of Beds	<u>88</u>
Deemed Asset Value	3,819,112
Improvements Since 1981	689,755
Accumulated Depreciation at 09/30/05	<u>(1,147,774)</u>
Deemed Depreciated Value	3,361,093
Market Rate of Return	<u>.0490</u>
Total Annual Return	164,694
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	164,694
Depreciation Expense	83,717
Amortization Expense	-
Capital Related Income Offsets	(7,219)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	241,192
Total Patient Days (Actual)	<u>31,529</u>
Cost of Capital Per Diem	\$ <u><u>7.65</u></u>

**OAKHAVEN NURSING CENTER, LLC**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 2005  
AC# 3-OKH-J5

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$3.97
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$7.96</u>
Reimbursable Cost of Capital Per Diem	\$7.65
Cost of Capital Per Diem	<u>7.65</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

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