

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-OKU-J5 – 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, 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

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

UNION, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2006
AC# 3-OKU-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 30, 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 Health Care & Retirement Corporation of America d/b/a Oakmont of Union Nursing and ICF, 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 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, 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 30, 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 OF UNION NURSING AND ICF
Computation of Rate Change
For the Contract Period
Beginning October 1, 2006
AC# 3-OKU-J5

	10/01/06- <u>09/30/07</u>
Interim Reimbursement Rate (1)	\$129.29
Adjusted Reimbursement Rate	<u>126.66</u>
Decrease in Reimbursement Rate	\$ <u><u>2.63</u></u>

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

OAKMONT OF UNION NURSING AND ICF
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2006 Through September 30, 2007
 AC# 3-OKU-J5

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 66.52	\$ 79.89	
Dietary		11.35	13.72	
Laundry/Housekeeping/Maintenance		<u>8.37</u>	<u>12.61</u>	
Subtotal	<u>\$7.44</u>	86.24	106.22	\$ 86.24
Administration & Medical Records	<u>\$.45</u>	<u>15.86</u>	<u>16.31</u>	<u>15.86</u>
Subtotal		102.10	<u>\$122.53</u>	102.10
<u>Costs Not Subject to Standards:</u>				
Utilities		2.54		2.54
Special Services		.02		.02
Medical Supplies & Oxygen		4.41		4.41
Taxes and Insurance		1.98		1.98
Legal Fees		<u>.01</u>		<u>.01</u>
TOTAL		<u>\$111.06</u>		111.06
Inflation Factor (4.60%)				5.11
Cost of Capital				8.74
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				.45
Cost Incentive				7.44
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(6.14)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$126.66</u>

OAKMONT OF UNION NURSING AND ICF
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2005
 AC# 3-OKU-J5

<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	\$2,147,058	\$19,035 (4) 35,120 (4) 955 (6)	\$ 35 (1) 10,524 (2) 1,061 (2) 36,946 (3) 3,248 (3) 42,529 (5) 33,775 (5) 18,006 (6) 4,785 (7)	\$2,051,259
Dietary	352,718	121,135 (4)	3,894 (3) 119,723 (5) 327 (6)	349,909
Laundry	102,994	380 (3) 35,371 (4)	35,468 (5)	103,277
Housekeeping	75,939	49,350 (4)	51,838 (5)	73,451
Maintenance	86,311	55,115 (4)	6,000 (1) 984 (3) 49,753 (5) 3,219 (6)	81,470
Administration & Medical Records	488,451	92,037 (4) 10,668 (4)	5,461 (3) 221 (3) 45,140 (5) 10,612 (5) 40,738 (6)	488,984
Utilities	80,633	50,914 (4)	52,702 (5) 419 (6)	78,426
Special Services	721	-	1 (7)	720

OAKMONT OF UNION NURSING AND ICF
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2005
AC# 3-OKU-J5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Medical Supplies & Oxygen	139,592	47,940 (4) 426 (7)	559 (3) 51,306 (5) 77 (6)	136,016
Taxes and Insurance	62,987	36,185 (4)	37,475 (5) 771 (6)	60,926
Legal Fees	3,955	847 (4)	72 (5) 4,402 (6)	328
Cost of Capital	228,847	81,508 (4) 36,367 (8)	51,921 (1) 15,730 (5) 9,615 (6)	269,456
Subtotal	<u>3,770,206</u>	<u>673,353</u>	<u>749,337</u>	<u>3,694,222</u>
Ancillary	320,786	2,848 (7)	-	323,634
Nonallowable	2,555,256	51,956 (1) 11,585 (2) 50,933 (3) 546,123 (5) 76,619 (6) 1,512 (7)	635,225 (4) 36,367 (8)	2,622,392
CNA Training and Testing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>\$6,646,248</u>	<u>\$1,414,929</u>	<u>\$1,420,929</u>	<u>\$6,640,248</u>
Total Patient Days	<u>30,835</u>	<u>-</u>	<u>-</u>	<u>30,835</u>

OAKMONT OF UNION NURSING AND ICF
Adjustment Report
Cost Report Period Ended September 30, 2005
AC# 3-OKU-J5

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$668,315	
	Other Equity	473,320	
	Nonallowable	51,956	
	Fixed Assets		\$1,135,635
	Restorative		35
	Maintenance		6,000
	Cost of Capital		51,921
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	11,585	
	Nursing		10,524
	Restorative		1,061
	To reclassify expense to the proper cost center HIM-15-1, Section 2102.3 DH&HS Expense Crosswalk		
3	Laundry	380	
	Nonallowable	50,933	
	Nursing		36,946
	Restorative		3,248
	Dietary		3,894
	Maintenance		984
	Administration		5,461
	Medical Records		221
	Medical Supplies		559
	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, 2005
AC# 3-OKU-J5

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
4	Nursing	19,035	
	Restorative	35,120	
	Dietary	121,135	
	Laundry	35,371	
	Housekeeping	49,350	
	Maintenance	55,115	
	Administration	92,037	
	Medical Records	10,668	
	Legal	847	
	Utilities	50,914	
	Taxes and Insurance	36,185	
	Medical Supplies	47,940	
	Cost of Capital	81,508	
	Nonallowable		635,225
	To reverse Provider/DH&HS adjustments to remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
5	Nonallowable	546,123	
	Nursing		42,529
	Restorative		33,775
	Dietary		119,723
	Laundry		35,468
	Housekeeping		51,838
	Maintenance		49,753
	Administration		45,140
	Medical Records		10,612
	Legal		72
	Utilities		52,702
	Taxes and Insurance		37,475
	Medical Supplies		51,306
	Cost of Capital		15,730
	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, 2005
AC# 3-OKU-J5

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Restorative Nonallowable	955 76,619	
	Nursing		18,006
	Dietary		327
	Maintenance		3,219
	Administration		40,738
	Legal		4,402
	Utilities		419
	Taxes and Insurance		771
	Medical Supplies		77
	Cost of Capital		9,615
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Medical Supplies Ancillary Nonallowable	426 2,848 1,512	
	Nursing		4,785
	Special Services		1
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
8	Cost of Capital Nonallowable	36,367	
			36,367
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$2,556,564	\$2,556,564

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, 2005
 AC# 3-OKU-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	1,278,473
Accumulated Depreciation at 9/30/05	<u>(1,412,577)</u>
Deemed Depreciated Value	3,685,008
Market Rate of Return	<u>.0490</u>
Total Annual Return	180,565
Return Applicable to Non-Reimbursable Cost Centers	(19,903)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>2,698</u>
Allowable Annual Return	163,360
Depreciation Expense	126,306
Amortization Expense	-
Capital Related Income Offsets	(4,480)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(15,730)</u>
Allowable Cost of Capital Expense	269,456
Total Patient Days (Minimum 96% Occupancy)	<u>30,835</u>
Cost of Capital Per Diem	\$ <u><u>8.74</u></u>

OAKMONT OF UNION NURSING AND ICF
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2005
AC# 3-OKU-J5

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	\$8.74
Cost of Capital Per Diem	<u>8.74</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

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