

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

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August 13, 2009

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

Re: AC# 3-OKU-J6 – 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, 2005 through September 30, 2006. That report was used to set the rate covering the contract periods beginning October 1, 2007.

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

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

UNION, SOUTH CAROLINA**

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 2007
AC# 3-OKU-J6**

**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

June 12, 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 periods beginning October 1, 2007, and for the twelve month cost report period ended September 30, 2006, 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
June 12, 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 Periods
Beginning October 1, 2007
AC# 3-OKU-J6

	Beginning <u>10/01/07</u>
Interim Reimbursement Rate (1)	\$134.02
Adjusted Reimbursement Rate	<u>129.20</u>
Decrease in Reimbursement Rate	\$ <u><u>4.82</u></u>

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

OAKMONT OF UNION NURSING AND ICF
 Computation of Adjusted Reimbursement Rate
 For the Contract Periods Beginning October 1, 2007
 AC# 3-OKU-J6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 69.25	\$ 83.18	
Dietary		10.98	13.90	
Laundry/Housekeeping/Maintenance		<u>7.91</u>	<u>13.36</u>	
Subtotal	<u>\$7.73</u>	88.14	110.44	\$ 88.14
Administration & Medical Records	<u>\$.42</u>	<u>16.65</u>	<u>17.07</u>	<u>16.65</u>
Subtotal		104.79	<u>\$127.51</u>	104.79
<u>Costs Not Subject to Standards:</u>				
Utilities		2.84		2.84
Special Services		-		-
Medical Supplies & Oxygen		3.12		3.12
Taxes and Insurance		1.95		1.95
Legal Fees		<u>.02</u>		<u>.02</u>
TOTAL		<u>\$112.72</u>		112.72
Inflation Factor (4.60%)				5.19
Cost of Capital				9.85
Cost of Capital Limitation				(1.03)
Profit Incentive (Maximum 3.5% of Allowable Cost)				.42
Cost Incentive				7.73
Effect of \$1.75 Cap on Cost/Profit Incentives				(6.40)
Transportation Escort Add-On				<u>.72</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$129.20</u>

OAKMONT OF UNION NURSING AND ICF
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2006
 AC# 3-OKU-J6

<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	\$2,225,056	\$ 21,190 (5) 37,858 (5) 68 (7)	\$ 6,719 (2) 36,981 (3) 2,397 (3) 49,916 (6) 37,205 (6) 5,842 (7) 9,789 (8)	\$2,135,323
Dietary	341,493	135,822 (5)	3,778 (3) 134,354 (6) 490 (7)	338,693
Laundry	88,950	1,644 (3) 35,378 (5)	3,177 (4) 23,149 (6)	99,646
Housekeeping	74,621	49,197 (5)	52,108 (6)	71,710
Maintenance	84,279	1,005 (4) 55,002 (5)	15,140 (1) 3,532 (3) 46,022 (6) 2,914 (7)	72,678
Administration & Medical Records	632,493	2,147 (4) 107,466 (5) 16,397 (5)	69,747 (2) 24,114 (3) 117 (3) 48,561 (6) 16,375 (6) 86,049 (7)	513,540
Utilities	87,251	56,152 (5)	589 (4) 54,806 (6) 514 (7)	87,494
Special Services	-	2,690 (8)	2,690 (3)	-

OAKMONT OF UNION NURSING AND ICF
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2006
AC# 3-OKU-J6

<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	123,858	49,262 (5)	970 (3) 54,098 (6) 56 (7) 21,920 (8)	96,076
Taxes and Insurance	60,918	1,676 (4) 35,246 (5)	36,942 (6) 790 (7)	60,108
Legal Fees	4,900	969 (5)	103 (6) 5,286 (7)	480
Cost of Capital	271,965	2,187 (4) 100,511 (5) <u>45,417 (9)</u>	84,958 (1) 19,638 (6) <u>11,626 (7)</u>	303,858
Subtotal	3,995,784	757,284	973,462	3,779,606
Ancillary	384,336	805 (8)	-	385,141
Nonallowable	2,643,663	84,958 (1) 76,466 (2) 72,935 (3) 573,277 (6) 113,499 (7) 28,214 (8)	3,249 (4) 700,450 (5) 45,417 (9)	2,843,896
CNA Training and Testing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>\$7,023,783</u>	<u>\$1,707,438</u>	<u>\$1,722,578</u>	<u>\$7,008,643</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, 2006
AC# 3-OKU-J6

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
1	Accumulated Depreciation	\$635,049	
	Other Equity	769,055	
	Nonallowable	84,958	
	Fixed Assets		\$1,388,964
	Maintenance		15,140
	Cost of Capital		84,958
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	76,466	
	Nursing		6,719
	Administration		69,747
	To reclassify expense to the proper cost center HIM-15-1, Section 2102.3 DH&HS Expense Crosswalk		
3	Laundry	1,644	
	Nonallowable	72,935	
	Nursing		36,981
	Restorative		2,397
	Dietary		3,778
	Maintenance		3,532
	Administration		24,114
	Medical Records		117
	Medical Supplies		970
	Special Services		2,690
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Maintenance	1,005	
	Administration	2,147	
	Taxes and Insurance	1,676	
	Cost of Capital	2,187	
	Laundry		3,177
	Utilities		589
	Nonallowable		3,249
	To adjust shared service 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, 2006
AC# 3-OKU-J6

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nursing	21,190	
	Restorative	37,858	
	Dietary	135,822	
	Laundry	35,378	
	Housekeeping	49,197	
	Maintenance	55,002	
	Administration	107,466	
	Medical Records	16,397	
	Legal	969	
	Utilities	56,152	
	Taxes and Insurance	35,246	
	Medical Supplies	49,262	
	Cost of Capital	100,511	
	Nonallowable		700,450
	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		
6	Nonallowable	573,277	
	Nursing		49,916
	Restorative		37,205
	Dietary		134,354
	Laundry		23,149
	Housekeeping		52,108
	Maintenance		46,022
	Administration		48,561
	Medical Records		16,375
	Legal		103
	Utilities		54,806
	Taxes and Insurance		36,942
	Medical Supplies		54,098
	Cost of Capital		19,638
	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, 2006
AC# 3-OKU-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
7	Restorative	68	
	Nonallowable	113,499	
	Nursing		5,842
	Dietary		490
	Maintenance		2,914
	Administration		86,049
	Legal		5,286
	Utilities		514
	Taxes and Insurance		790
	Medical Supplies		56
	Cost of Capital		11,626
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Special Services	2,690	
	Ancillary	805	
	Nonallowable	28,214	
	Nursing		9,789
	Medical Supplies		21,920
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
9	Cost of Capital	45,417	
	Nonallowable		45,417
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$3,111,542	\$3,111,542

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, 2006
 AC# 3-OKU-J6

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.85382</u>
Deemed Asset Value (Per Bed)	44,571
Number of Beds	<u>88</u>
Deemed Asset Value	3,922,248
Improvements Since 1981	1,724,677
Accumulated Depreciation at 9/30/06	<u>(1,551,814)</u>
Deemed Depreciated Value	4,095,111
Market Rate of Return	<u>.0489</u>
Total Annual Return	200,251
Return Applicable to Non-Reimbursable Cost Centers	(24,021)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>2,936</u>
Allowable Annual Return	179,166
Depreciation Expense	151,031
Amortization Expense	-
Capital Related Income Offsets	(6,701)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(19,638)</u>
Allowable Cost of Capital Expense	303,858
Total Patient Days (Minimum 96% Occupancy)	<u>30,835</u>
Cost of Capital Per Diem	<u>\$ 9.85</u>

OAKMONT OF UNION NURSING AND ICF
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2006
AC# 3-OKU-J6

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	\$ 8.82
Cost of Capital Per Diem	<u>9.85</u>
Cost of Capital Per Diem Limitation	\$(<u>1.03</u>)

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