

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-OKW-J5 – HCR Manor Care d/b/a Oakmont West Nursing Home

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/cwc

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

**HCR MANOR CARE
D/B/A OAKMONT WEST NURSING HOME
GREENVILLE, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2006
AC# 3-OKW-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 West Nursing Home, 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 West Nursing Home 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 West Nursing Home, 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 West Nursing Home 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 WEST NURSING HOME
Computation of Rate Change
For the Contract Period
Beginning October 1, 2006
AC# 3-OKW-J5

	10/01/06- <u>09/30/07</u>
Interim Reimbursement Rate (1)	\$128.42
Adjusted Reimbursement Rate	<u>126.74</u>
Decrease in Reimbursement Rate	\$ <u><u>1.68</u></u>

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

OAKMONT WEST NURSING HOME
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2006 Through September 30, 2007
 AC# 3-OKW-J5

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 62.35	\$ 79.77	
Dietary		12.89	13.46	
Laundry/Housekeeping/Maintenance		<u>11.29</u>	<u>12.03</u>	
Subtotal	<u>\$7.37</u>	86.53	105.26	\$ 86.53
Administration & Medical Records	<u>\$ -</u>	<u>16.98</u>	<u>16.87</u>	<u>16.87</u>
Subtotal		103.51	<u>\$122.13</u>	103.40
<u>Costs Not Subject to Standards:</u>				
Utilities		3.26		3.26
Special Services		.03		.03
Medical Supplies & Oxygen		4.26		4.26
Taxes and Insurance		3.23		3.23
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$114.29</u>		114.18
Inflation Factor (4.60%)				5.25
Cost of Capital				5.56
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>
ADJUSTED REIMBURSEMENT RATE				<u>\$126.74</u>

OAKMONT WEST NURSING HOME
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2005
 AC# 3-OKW-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	\$2,804,421	\$ 1,508 (2)	\$54,349 (1) 1,510 (1) 17,806 (2) 1,239 (3)	\$2,731,025
Dietary	570,169	142 (2)	5,642 (1)	564,669
Laundry	126,202	1,998 (1)	-	128,200
Housekeeping	206,491	-	-	206,491
Maintenance	158,639	1,226 (1) 1 (2)	175 (3)	159,691
Administration & Medical Records	723,384	2,491 (1) 658 (1) 17,130 (2)	79 (3)	743,584
Utilities	142,925	-	18 (2)	142,907
Special Services	1,334	9,801 (3)	9,810 (1)	1,325
Medical Supplies & Oxygen	189,922	226 (1)	121 (2) 3,324 (3)	186,703
Taxes and Insurance	141,907	-	295 (2)	141,612
Legal Fees	5,274	-	5,173 (2)	101
Cost of Capital	<u>243,528</u>	<u>-</u>	<u>-</u>	<u>243,528</u>
Subtotal	5,314,196	35,181	99,541	5,249,836

OAKMONT WEST NURSING HOME
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2005
AC# 3-OKW-J5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Ancillary	258,272	-	-	258,272
Nonallowable	1,029,088	64,712 (1) 4,632 (2)	4,984 (3)	1,093,448
CNA Training and Testing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>\$6,601,556</u>	<u>\$104,525</u>	<u>\$104,525</u>	<u>\$6,601,556</u>
Total Patient Days	<u>43,800</u>	<u>-</u>	<u>-</u>	<u>43,800</u>
Total Beds	<u>125</u>			

OAKMONT WEST NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 2005
AC# 3-OKW-J5

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Laundry	\$ 1,998	
	Maintenance	1,226	
	Administration	2,491	
	Medical Records	658	
	Medical Supplies	226	
	Nonallowable	64,712	
	Nursing		\$54,349
	Restorative		1,510
	Dietary		5,642
	Special Services		9,810
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Restorative	1,508	
	Dietary	142	
	Maintenance	1	
	Administration	17,130	
	Nonallowable	4,632	
	Nursing		17,806
	Legal		5,173
	Utilities		18
	Taxes and Insurance		295
	Medical Supplies		121
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

OAKMONT WEST NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 2005
AC# 3-OKW-J5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
3	Special Services	9,801	
	Nursing		1,239
	Maintenance		175
	Administration		79
	Medical Supplies		3,324
	Nonallowable		4,984
	To adjust special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
		\$104,525	\$104,525
	TOTAL ADJUSTMENTS		

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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