

*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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September 28, 2011

Mr. Fred Fauth, Controller  
Millennium Management, LLC  
10800 Biscayne Boulevard, Suite 600  
Miami, Florida 33161

Re: AC# 3-OKB-C7 – Palmetto Oakbrook Operating, LLC d/b/a  
Oakbrook Health and Rehabilitation Center

Dear Mr. Fauth:

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 September 29, 2006 through March 31, 2007. That report was used to set the rate covering the contract periods beginning April 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.

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  
Mr. Terry K. Schmoyer, Jr.

**PALMETTO OAKBROOK OPERATING, LLC D/B/A  
OAKBROOK HEALTH AND REHABILITATION CENTER**

**SUMMERVILLE, SOUTH CAROLINA**

**CONTRACT PERIODS  
BEGINNING APRIL 1, 2007  
AC# 3-OKB-C7**

**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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# State of South Carolina



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

February 22, 2011

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 Palmetto Oakbrook Operating, LLC d/b/a Oakbrook Health and Rehabilitation Center, for the contract periods beginning April 1, 2007, and for the six month cost report period ended March 31, 2007, as set forth in the accompanying schedules. The management of Palmetto Oakbrook Operating, LLC d/b/a Oakbrook Health and Rehabilitation 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 Palmetto Oakbrook Operating, LLC d/b/a Oakbrook Health and Rehabilitation 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 Summaries of Costs and Total Patient Days, Adjustment Report, and Cost of Capital Reimbursement Analyses 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 Palmetto Oakbrook Operating, LLC d/b/a Oakbrook Health and Rehabilitation Center dated as of April 1, 2007, as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
February 22, 2011

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.", with a stylized flourish at the end.

Richard H. Gilbert, Jr., CPA  
Deputy State Auditor

**OAKBROOK HEALTH AND REHABILITATION CENTER**

Computation of Rate Change  
For the Contract Periods  
Beginning April 1, 2007  
AC# 3-OKB-C7

	<u>04/01/07-</u> <u>09/30/07</u>	<u>10/01/07-</u> <u>09/30/08</u>
Interim Reimbursement Rate (1)	\$158.17	\$161.55
Adjusted Reimbursement Rate	<u>144.37</u>	<u>146.41</u>
Decrease in Reimbursement Rate	\$ <u>13.80</u>	\$ <u>15.14</u>

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

**OAKBROOK HEALTH AND REHABILITATION CENTER**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period April 1, 2007 Through September 30, 2007  
 AC# 3-OKB-C7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 80.27	\$ 79.89	
Dietary		13.62	13.72	
Laundry/Housekeeping/Maintenance		<u>10.94</u>	<u>12.61</u>	
Subtotal	\$ <u>1.39</u>	104.83	106.22	\$104.83
Administration & Medical Records	\$ <u>-</u>	<u>19.04</u>	<u>16.31</u>	<u>16.31</u>
Subtotal		123.87	<u>\$122.53</u>	121.14
<u>Costs Not Subject to Standards:</u>				
Utilities		3.31		3.31
Special Services		-		-
Medical Supplies & Oxygen		3.85		3.85
Taxes and Insurance		2.21		2.21
Legal Fees		<u>.18</u>		<u>.18</u>
<b>TOTAL</b>		<u>\$133.42</u>		130.69
Inflation Factor (4.60%)				6.01
Cost of Capital				6.28
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				1.39
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>-</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$144.37</u>

**OAKBROOK HEALTH AND REHABILITATION CENTER**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2007 Through September 30, 2008  
 AC# 3-OKB-C7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 80.27	\$ 83.18	
Dietary		13.62	13.90	
Laundry/Housekeeping/Maintenance		<u>10.94</u>	<u>13.36</u>	
Subtotal	\$ <u>5.61</u>	104.83	110.44	\$104.83
Administration & Medical Records	\$ <u>-</u>	<u>19.04</u>	<u>17.07</u>	<u>17.07</u>
Subtotal		123.87	<u>\$127.51</u>	121.90
<u>Costs Not Subject to Standards:</u>				
Utilities		3.31		3.31
Special Services		-		-
Medical Supplies & Oxygen		3.85		3.85
Taxes and Insurance		2.21		2.21
Legal Fees		<u>.18</u>		<u>.18</u>
<b>TOTAL</b>		<u>\$133.42</u>		131.45
Inflation Factor (4.60%)				6.05
Cost of Capital				6.43
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				5.61
Effect of \$1.75 Cap on Cost/Profit Incentives				(3.86)
Transportation Escort Add-On				<u>.73</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$146.41</u>

**OAKBROOK HEALTH AND REHABILITATION CENTER**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended March 31, 2007  
 For the Contract Period April 1, 2007 Through September 30, 2007  
 AC# 3-OKB-C7

<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	\$1,255,374	\$ -	\$ 6,200 (6) 303 (6) 1,094 (8) 62 (8)	\$1,247,715
Dietary	218,694	-	6,333 (3) 625 (6)	211,736
Laundry	26,078	-	127 (6)	25,951
Housekeeping	78,079	-	377 (6)	77,702
Maintenance	72,338	-	5,750 (4) 175 (6)	66,413
Administration & Medical Records	354,901	-	10,983 (2) 1,021 (6) 85 (6) 44,488 (7) 2,323 (8)	296,001
Utilities	51,449	-	-	51,449
Special Services	-	2,408 (9)	2,405 (6)	3
Medical Supplies & Oxygen	127,141	-	10,500 (3) 12 (6) 56,746 (9)	59,883
Taxes and Insurance	168,236	-	133,863 (5) 1 (8)	34,372

**OAKBROOK HEALTH AND REHABILITATION CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended March 31, 2007  
For the Contract Period April 1, 2007 Through September 30, 2007  
AC# 3-OKB-C7

<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	2,738	-	6 (8)	2,732
Cost of Capital	<u>100,670</u>	<u>343</u> (10)	<u>3,454</u> (1)	<u>97,559</u>
Subtotal	2,455,698	2,751	286,933	2,171,516
Ancillary	151,356	-	-	151,356
Nonallowable	488,792	3,454 (1) 10,983 (2) 4,750 (4) 133,863 (5) 11,330 (6) 44,488 (7) 3,486 (8) 54,338 (9)	343 (10)	755,141
CNA Training and Testing	<u>200</u>	<u>-</u>	<u>-</u>	<u>200</u>
Total Operating Expenses	<u>\$3,096,046</u>	<u>\$269,443</u>	<u>\$287,276</u>	<u>\$3,078,213</u>
Total Patient Days	<u>15,544</u>	<u>-</u>	<u>-</u>	<u>15,544</u>
Total Beds	<u>88</u>			

**OAKBROOK HEALTH AND REHABILITATION CENTER**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended March 31, 2007  
 For the Contract Period October 1, 2007 Through September 30, 2008  
 AC# 3-OKB-C7

<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	\$1,255,374	\$ -	\$ 6,200 (6) 303 (6) 1,094 (8) 62 (8)	\$1,247,715
Dietary	218,694	-	6,333 (3) 625 (6)	211,736
Laundry	26,078	-	127 (6)	25,951
Housekeeping	78,079	-	377 (6)	77,702
Maintenance	72,338	-	5,750 (4) 175 (6)	66,413
Administration & Medical Records	354,901	-	10,983 (2) 1,021 (6) 85 (6) 44,488 (7) 2,323 (8)	296,001
Utilities	51,449	-	-	51,449
Special Services	-	2,408 (9)	2,405 (6)	3
Medical Supplies & Oxygen	127,141	-	10,500 (3) 12 (6) 56,746 (9)	59,883
Taxes and Insurance	168,236	-	133,863 (5) 1 (8)	34,372

**OAKBROOK HEALTH AND REHABILITATION CENTER**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended March 31, 2007  
 For the Contract Period October 1, 2007 Through September 30, 2008  
 AC# 3-OKB-C7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Legal Fees	2,738	-	6 (8)	2,732
Cost of Capital	<u>103,048</u>	<u>371</u> (11)	<u>3,454</u> (1)	<u>99,965</u>
Subtotal	2,458,076	2,779	286,933	2,173,922
Ancillary	151,356	-	-	151,356
Nonallowable	486,414	3,454 (1) 10,983 (2) 4,750 (4) 133,863 (5) 11,330 (6) 44,488 (7) 3,486 (8) 54,338 (9)	371 (11)	752,735
CNA Training and Testing	<u>200</u>	<u>-</u>	<u>-</u>	<u>200</u>
Total Operating Expenses	<u>\$3,096,046</u>	<u>\$269,471</u>	<u>\$287,304</u>	<u>\$3,078,213</u>
Total Patient Days	<u>15,544</u>	<u>-</u>	<u>-</u>	<u>15,544</u>
Total Beds	<u>88</u>			

**OAKBROOK HEALTH AND REHABILITATION CENTER**  
Adjustment Report  
Cost Report Period Ended March 31, 2007  
AC# 3-OKB-C7

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 2,601	
	Other Equity	12,508	
	Nonallowable	3,454	
	Fixed Assets		\$ 15,109
	Cost of Capital		3,454
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	10,983	
	Administration		10,983
	To disallow interest expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Accounts Payable	16,833	
	Dietary		6,333
	Medical Supplies		10,500
	To properly charge expense applicable to subsequent period HIM-15-1, Section 2304		
4	Prepaid Expense	1,000	
	Nonallowable	4,750	
	Maintenance		5,750
	To properly charge expense applicable to subsequent period and disallow expense due to lack of documentation HIM-15-1, Sections 2302.1 and 2304		
5	Nonallowable	133,863	
	Taxes and Insurance		133,863
	To adjust liability insurance expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

**OAKBROOK HEALTH AND REHABILITATION CENTER**  
Adjustment Report  
Cost Report Period Ended March 31, 2007  
AC# 3-OKB-C7

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable	11,330	
	Nursing		6,200
	Restorative		303
	Dietary		625
	Laundry		127
	Housekeeping		377
	Maintenance		175
	Administration		1,021
	Medical Records		85
	Medical Supplies		12
	Special Services		2,405
	To adjust fringe benefits and related allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
7	Nonallowable	44,488	
	Administration		44,488
	To disallow related party expense		
	HIM-15-1, Sections 1005 and 2304		
8	Nonallowable	3,486	
	Nursing		1,094
	Restorative		62
	Administration		2,323
	Legal		6
	Taxes and Insurance		1
	To adjust home office cost allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
9	Special Services	2,408	
	Nonallowable	54,338	
	Medical Supplies		56,746
	To remove special (ancillary) services reimbursed by Medicare		
	State Plan, Attachment 4.19D		

**OAKBROOK HEALTH AND REHABILITATION CENTER**

Adjustment Report  
Cost Report Period Ended March 31, 2007  
AC# 3-OKB-C7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Cost of Capital Nonallowable	343	343
	To adjust capital return State Plan, Attachment 4.19D (This adjustment applies only to the contract period 4/1/07 - 9/30/07)		
11	Cost of Capital Nonallowable	371	371
	To adjust capital return State Plan, Attachment 4.19D (This adjustment applies only to the contract period 10/1/07 - 9/30/08)		
	TOTAL ADJUSTMENTS	<hr style="width: 100%;"/> <u>\$302,756</u>	<hr style="width: 100%;"/> <u>\$302,756</u>

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.

**OAKBROOK HEALTH AND REHABILITATION CENTER**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended March 31, 2007  
 For the Contract Period April 1, 2007 Through September 30, 2007  
 AC# 3-OKB-C7

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	365,043
Accumulated Depreciation at 3/31/07	<u>(1,458,057)</u>
Deemed Depreciated Value	2,726,098
Market Rate of Return	<u>.0490</u>
Total Annual Return	133,579
Number of Days in Period	<u>184/365</u>
Adjusted Annual Return	67,338
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	67,338
Depreciation Expense	30,221
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	97,559
Total Patient Days (Minimum 96% Occupancy)	<u>15,544</u>
Cost of Capital Per Diem	\$ <u><u>6.28</u></u>

**OAKBROOK HEALTH AND REHABILITATION CENTER**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended March 31, 2007  
For the Contract Period April 1, 2007 Through September 30, 2007  
AC# 3-OKB-C7

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 7.79
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$11.78</u>
Reimbursable Cost of Capital Per Diem	\$ 6.28
Cost of Capital Per Diem	<u>6.28</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

**OAKBROOK HEALTH AND REHABILITATION CENTER**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended March 31, 2007  
 For the Contract Period October 1, 2007 Through September 30, 2008  
 AC# 3-OKB-C7

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	365,043
Accumulated Depreciation at 3/31/07	<u>(1,458,057)</u>
Deemed Depreciated Value	2,829,234
Market Rate of Return	<u>.0489</u>
Total Annual Return	138,350
Number of Days in Period	<u>184/365</u>
Adjusted Annual Return	69,744
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	69,744
Depreciation Expense	30,221
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	99,965
Total Patient Days (Minimum 96% Occupancy)	<u>15,544</u>
Cost of Capital Per Diem	<u>\$ 6.43</u>

**OAKBROOK HEALTH AND REHABILITATION CENTER**

Cost of Capital Reimbursement Analysis

For the Cost Report Period Ended March 31, 2007

For the Contract Period October 1, 2007 Through September 30, 2008

AC# 3-OKB-C7

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 7.79
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u><u>\$11.78</u></u>
Reimbursable Cost of Capital Per Diem	\$ 6.43
Cost of Capital Per Diem	<u>6.43</u>
Cost of Capital Per Diem Limitation	<u><u>\$ -</u></u>

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