

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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November 22, 2011

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

Re: AC# 3-OKB-J7 – 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 October 1, 2006 through September 30, 2007. That report was used to set the rate covering the contract period beginning October 1, 2008.

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/sag

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 PERIOD
BEGINNING OCTOBER 1, 2008
AC# 3-OKB-J7**

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, 2008	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2008 THROUGH SEPTEMBER 30, 2009	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2007	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

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 period beginning October 1, 2008, and for the twelve month cost report period ended September 30, 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 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 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 Computation 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.", written in a cursive style.

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

OAKBROOK HEALTH AND REHABILITATION CENTER

Computation of Rate Change
For the Contract Period
Beginning October 1, 2008
AC# 3-OKB-J7

10/01/08-
09/30/09

Interim Reimbursement Rate (1)	\$161.34
Adjusted Reimbursement Rate	<u>150.04</u>
Decrease in Reimbursement Rate	\$ <u>11.30</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 October 1, 2008 Through September 30, 2009
 AC# 3-OKB-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 77.28	\$ 79.06	
Dietary		13.96	14.42	
Laundry/Housekeeping/Maintenance		<u>11.46</u>	<u>13.38</u>	
Subtotal	\$ <u>4.16</u>	102.70	106.86	\$102.70
Administration & Medical Records	\$ <u>-</u>	<u>24.00</u>	<u>19.41</u>	<u>19.41</u>
Subtotal		126.70	<u>\$126.27</u>	122.11
<u>Costs Not Subject to Standards:</u>				
Utilities		3.29		3.29
Special Services		-		-
Medical Supplies & Oxygen		5.66		5.66
Taxes and Insurance		3.19		3.19
Legal Fees		<u>.12</u>		<u>.12</u>
TOTAL		<u>\$138.96</u>		134.37
Inflation Factor (4.80%)				6.45
Cost of Capital				6.74
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				4.16
Effect of \$1.75 Cap on Cost/Profit Incentives				(2.41)
Transportation Escort Add-On				<u>.73</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$150.04</u>

OAKBROOK HEALTH AND REHABILITATION CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2007
 AC# 3-OKB-J7

<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	\$2,400,905	\$ 42 (8)	\$ 7,413 (5) 367 (5) 5,691 (6) 283 (6) 4,123 (8)	\$2,383,070
Dietary	432,006	-	832 (5) 600 (6)	430,574
Laundry	48,919	-	125 (5) 103 (6)	48,691
Housekeeping	156,190	-	571 (5) 366 (6)	155,253
Maintenance	153,729	2,077 (7)	5,750 (3) 298 (5) 184 (6)	149,574
Administration & Medical Records	774,464	-	603 (5) 116 (5) 823 (6) 80 (6) 27,694 (7) 3,994 (8) 1,199 (9)	739,955
Utilities	100,518	796 (7)	-	101,314
Special Services	179	4,643 (9)	2,701 (5) 2,121 (6)	-

OAKBROOK HEALTH AND REHABILITATION CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2007
AC# 3-OKB-J7

<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>	
Medical Supplies & Oxygen	218,692	6 (5)	22 (6) 44,081 (9)	174,595
Taxes and Insurance	363,283	-	264,783 (4) 273 (7) 1 (8)	98,226
Legal Fees	3,450	109 (7)	6 (8)	3,553
Cost of Capital	207,266	1,244 (7)	715 (1) 22 (2)	207,773
Subtotal	4,859,601	8,917	375,940	4,492,578
Ancillary	244,798	-	-	244,798
Nonallowable	986,888	715 (1) 22 (2) 4,750 (3) 264,783 (4) 10,273 (6) 23,741 (7) 8,082 (8) 40,637 (9)	-	1,339,891
CNA Training and Testing	<u>425</u>	<u>-</u>	<u>-</u>	<u>425</u>
Total Operating Expenses	<u>\$6,091,712</u>	<u>\$361,920</u>	<u>\$375,940</u>	<u>\$6,077,692</u>
Total Patient Days	<u>30,835</u>	<u>-</u>	<u>-</u>	<u>30,835</u>

Total Beds 88

OAKBROOK HEALTH AND REHABILITATION CENTER
Adjustment Report
Cost Report Period Ended September 30, 2007
AC# 3-OKB-J7

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 22,271	
	Nonallowable	715	
	Accumulated Depreciation		\$ 19,333
	Other Equity		2,938
	Cost of Capital		715
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	22	
	Cost of Capital		22
	To adjust capital return State Plan, Attachment 4.19D		
3	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		
4	Nonallowable	264,783	
	Taxes and Insurance		264,783
	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 September 30, 2007
AC# 3-OKB-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Retained Earnings	15,912	
	Medical Supplies	6	
	Accrued Salaries		2,892
	Nursing		7,413
	Restorative		367
	Dietary		832
	Laundry		125
	Housekeeping		571
	Maintenance		298
	Administration		603
	Medical Records		116
	Special Services		2,701
	To properly charge salaries applicable to prior and current periods HIM-15-1, Section 2302.1		
6	Nonallowable	10,273	
	Nursing		5,691
	Restorative		283
	Dietary		600
	Laundry		103
	Housekeeping		366
	Maintenance		184
	Administration		823
	Medical Records		80
	Medical Supplies		22
	Special Services		2,121
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

OAKBROOK HEALTH AND REHABILITATION CENTER
Adjustment Report
Cost Report Period Ended September 30, 2007
AC# 3-OKB-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
7	Maintenance	2,077	
	Utilities	796	
	Legal	109	
	Cost of Capital	1,244	
	Nonallowable	23,741	
	Administration		27,694
	Taxes and Insurance		273
	To adjust related party expense HIM-15-1, Sections 1005 and 2304		
8	Restorative	42	
	Nonallowable	8,082	
	Nursing		4,123
	Administration		3,994
	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	4,643	
	Nonallowable	40,637	
	Administration		1,199
	Medical Supplies		44,081
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
		<u>\$401,103</u>	<u>\$401,103</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 September 30, 2007
AC# 3-OKB-J7

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.94141</u>
Deemed Asset Value (Per Bed)	45,939
Number of Beds	<u>88</u>
Deemed Asset Value	4,042,632
Improvements Since 1981	461,919
Accumulated Depreciation at 9/30/07	<u>(1,486,405)</u>
Deemed Depreciated Value	3,018,146
Market Rate of Return	<u>.0483</u>
Total Annual Return	145,776
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	145,776
Depreciation Expense	61,997
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	207,773
Total Patient Days (Minimum 96% Occupancy)	<u>30,835</u>
Cost of Capital Per Diem	\$ <u><u>6.74</u></u>

OAKBROOK HEALTH AND REHABILITATION CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2007
AC# 3-OKB-J7

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	\$ 6.74
Cost of Capital Per Diem	<u>6.74</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

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