

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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March 13, 2014

Mr. Joey Haney, Vice President of Finance
White Oak Management, Inc.
Post Office Box 3347
Spartanburg, South Carolina 29304

Re: AC# 3-WOR-J0 – White Oak Manor, Inc. d/b/a White Oak Manor – Rock Hill

Dear Mr. Haney:

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, 2009 through September 30, 2010. That report was used to set the rate covering the contract period beginning November 1, 2011.

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
Ms. Nicole Mitchell Threat
Ms. Melissa Simmons

**WHITE OAK MANOR, INC. D/B/A
WHITE OAK MANOR – ROCK HILL**

ROCK HILL, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING NOVEMBER 1, 2011
AC# 3-WOR-J0**

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

November 21, 2013

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 White Oak Manor, Inc. d/b/a White Oak Manor – Rock Hill, for the contract period beginning November 1, 2011, and for the twelve month cost report period ended September 30, 2010, as set forth in the accompanying schedules. The management of White Oak Manor, Inc. d/b/a White Oak Manor – Rock Hill 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 White Oak Manor, Inc. d/b/a White Oak Manor – Rock Hill, 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 White Oak Manor, Inc. d/b/a White Oak Manor – Rock Hill dated as of October 1, 2011, 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
November 21, 2013

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

WHITE OAK MANOR – ROCK HILL
Computation of Rate Change
For the Contract Period
Beginning November 1, 2011
AC# 3-WOR-J0

	<u>11/01/11-</u> <u>09/30/12</u>
Interim Reimbursement Rate (1)	\$160.33
Adjusted Reimbursement Rate	<u>160.12</u>
Decrease in Reimbursement Rate	\$ <u><u>.21</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated April 10, 2012.

WHITE OAK MANOR – ROCK HILL

Computation of Adjusted Reimbursement Rate

For the Contract Period November 1, 2011 Through September 30, 2012
AC# 3-WOR-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 95.27	\$108.41	
Dietary		17.50	15.92	
Laundry/Housekeeping/Maintenance		<u>14.66</u>	<u>14.77</u>	
Subtotal	<u>\$9.74</u>	127.43	139.10	\$127.43
Administration & Medical Records	<u>\$1.97</u>	<u>18.65</u>	<u>20.62</u>	<u>18.65</u>
Subtotal		146.08	<u>\$159.72</u>	146.08
<u>Costs Not Subject to Standards:</u>				
Utilities		3.59		3.59
Special Services		-		-
Medical Supplies & Oxygen		5.21		5.21
Taxes and Insurance		1.86		1.86
Legal Fees		<u>.11</u>		<u>.11</u>
TOTAL		<u>\$156.85</u>		156.85
Inflation Factor (N/A)				-
Cost of Capital				6.51
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				1.97
Cost Incentive				9.74
Effect of \$1.75 Cap on Cost/Profit Incentives				(9.96)
Budget Neutrality Adjustment (3.02%)				<u>(4.99)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$160.12</u>

WHITE OAK MANOR – ROCK HILL
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2010
AC# 3-WOR-J0

<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	\$4,730,212	\$49,324 (4) 792 (4)	\$ 203 (5) 2,277 (5) 2,235 (6) 503 (6)	\$4,775,110
Dietary	872,091	1,777 (3) 3,437 (4)	325 (6)	876,980
Laundry	170,265	1,684 (4)	-	171,949
Housekeeping	331,443	3,288 (4) 338 (7)	66 (6) 341 (8)	334,662
Maintenance	255,761	256 (7)	26,431 (2) 101 (4) 1,243 (6) 228 (8)	228,014
Administration & Medical Records	964,982	623 (4) 539 (6) 110 (7)	12,156 (4) 18,080 (6) 1,232 (8)	934,786
Utilities	179,777	179 (7)	52 (6) 179 (8)	179,725
Special Services	-	-	-	-
Medical Supplies & Oxygen	269,735	2,733 (5)	4,773 (3) 6,631 (9)	261,064

WHITE OAK MANOR – ROCK HILL
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2010
AC# 3-WOR-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
Taxes and Insurance	93,670	92 (7)	204 (6) 93 (8)	93,465
Legal Fees	5,575	-	7 (8)	5,568
Cost of Capital	324,771	2,367 (2) 84 (7) <u>6,775 (10)</u>	7,180 (1) 355 (6) <u>80 (8)</u>	326,382
Subtotal	8,198,282	74,398	84,975	8,187,705
Ancillary	221,994	2,996 (3)	4,677 (5)	220,313
Nonallowable	735,439	7,180 (1) 2,763 (2) 4,424 (5) 22,524 (6) 2,160 (8) 6,631 (9)	46,891 (4) 1,059 (7) 6,775 (10)	726,396
CNA Training and Testing	<u>896</u>	<u>-</u>	<u>-</u>	<u>896</u>
Total Operating Expenses	<u>\$9,156,611</u>	<u>\$123,076</u>	<u>\$144,377</u>	<u>\$9,135,310</u>
Total Patient Days	<u>50,120</u>	<u>-</u>	<u>-</u>	<u>50,120</u>
Total Beds	<u>141</u>			

WHITE OAK MANOR – ROCK HILL
Adjustment Report
Cost Report Period Ended September 30, 2010
AC# 3-WOR-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$43,883	
	Nonallowable	7,180	
	Fixed Assets		\$40,296
	Other Equity		3,587
	Cost of Capital		7,180
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Fixed Assets	23,668	
	Cost of Capital	2,367	
	Nonallowable	2,763	
	Accumulated Depreciation		2,367
	Maintenance		26,431
	To capitalize building improvements and record related depreciation and disallow expense due to lack of adequate documentation HIM-15-1, Sections 108 and 2304		
3	Dietary	1,777	
	Ancillary	2,996	
	Medical Supplies		4,773
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
4	Nursing	49,324	
	Restorative	792	
	Dietary	3,437	
	Laundry	1,684	
	Housekeeping	3,288	
	Medical Records	623	
	Maintenance		101
	Administration		12,156
	Nonallowable		46,891
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

WHITE OAK MANOR – ROCK HILL
Adjustment Report
Cost Report Period Ended September 30, 2010
AC# 3-WOR-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Medical Supplies	2,733	
	Nonallowable	4,424	
	Nursing		203
	Restorative		2,277
	Ancillary		4,677
	To adjust related party cost		
	HIM-15-1, Section 1000		
6	Medical Records	539	
	Nonallowable	22,524	
	Nursing		2,235
	Restorative		503
	Dietary		325
	Housekeeping		66
	Maintenance		1,243
	Administration		18,080
	Utilities		52
	Taxes and Insurance		204
	Cost of Capital		355
	To adjust home office cost		
	allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
7	Housekeeping	338	
	Maintenance	256	
	Administration	110	
	Utilities	179	
	Taxes and Insurance	92	
	Cost of Capital	84	
	Nonallowable		1,059
	To reverse DH&HS adjustment to		
	remove indirect cost applicable		
	to a non-reimbursable cost center		
	HIM-15-1, Section 2102.3		
	State Plan, Attachment 4.19D		

WHITE OAK MANOR – ROCK HILL
Adjustment Report
Cost Report Period Ended September 30, 2010
AC# 3-WOR-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Nonallowable	2,160	
	Housekeeping		341
	Maintenance		228
	Administration		1,232
	Legal		7
	Utilities		179
	Taxes and Insurance		93
	Cost of Capital		80
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
9	Nonallowable	6,631	
	Medical Supplies		6,631
	To remove special (ancillary) services reimbursed by Medicare and reclassify expense to the proper cost center State Plan, Attachment 4.19D DH&HS Expense Crosswalk		
10	Cost of Capital	6,775	
	Nonallowable		6,775
	To adjust capital return State Plan, Attachment 4.19D		
	<u>TOTAL ADJUSTMENTS</u>	<u>\$190,627</u>	<u>\$190,627</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.

WHITE OAK MANOR – ROCK HILL
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2010
 AC# 3-WOR-J0

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>3.15264</u>
Deemed Asset Value (Per Bed)	49,238
Number of Beds	<u>141</u>
Deemed Asset Value	6,942,558
Improvements Since 1981	949,578
Accumulated Depreciation at 9/30/10	(<u>1,818,710</u>)
Deemed Depreciated Value	6,073,426
Market Rate of Return	<u>.0420</u>
Total Annual Return	255,084
Return Applicable to Non-Reimbursable Cost Centers	(256)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>8</u>
Allowable Annual Return	254,836
Depreciation Expense	71,647
Amortization Expense	-
Capital Related Income Offsets	(21)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(80)</u>
Allowable Cost of Capital Expense	326,382
Total Patient Days (Actual)	<u>50,120</u>
Cost of Capital Per Diem	\$ <u><u>6.51</u></u>

WHITE OAK MANOR – ROCK HILL
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2010
AC# 3-WOR-J0

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$3.24
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$7.23</u>
Reimbursable Cost of Capital Per Diem	\$6.51
Cost of Capital Per Diem	<u>6.51</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

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