



**South Carolina
Office of the State Auditor**

**George L. Kennedy, III, CPA
State Auditor**

March 30, 2016

Mr. Gary Geise
Divisional Director of Reimbursement Services
HCR – Manor Care
Post Office Box 10086
Toledo, Ohio 43699-0086

Re: AC# 3-OKE-J1 – Oakmont East – Greenville SC, LLC d/b/a Oakmont East

Dear Mr. Geise:

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, 2010 through September 30, 2011. That report was used to set the rate covering the contract period beginning October 1, 2012.

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 blue ink that reads "George L. Kennedy, III".

George L. Kennedy, III, CPA
State Auditor

GLKIII/cwc

cc: Mr. Jeff Saxon
Ms. Melissa Simmons
Mr. Byron Roberts
Ms. Nicole Mitchell Threat
Ms. Brittany Sandifer
Ms. Chari Preacher

**OAKMONT EAST – GREENVILLE SC, LLC D/B/A
OAKMONT EAST**

GREENVILLE, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2012
AC# 3-OKE-J1**

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

October 27, 2015

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 Oakmont East – Greenville SC, LLC d/b/a Oakmont East, for the contract period beginning October 1, 2012, and for the twelve month cost report period ended September 30, 2011, as set forth in the accompanying schedules. The management of Oakmont East – Greenville SC, LLC d/b/a Oakmont East 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 Oakmont East – Greenville SC, LLC d/b/a Oakmont East, 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 Oakmont East – Greenville SC, LLC d/b/a Oakmont East 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
October 27, 2015

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.



George L. Kennedy, III, CPA
State Auditor

OAKMONT EAST
Computation of Rate Change
For the Contract Period
Beginning October 1, 2012
AC# 3-OKE-J1

	<u>10/01/12-</u> <u>09/30/13</u>
Interim Reimbursement Rate (1)	\$150.10
Adjusted Reimbursement Rate	<u>146.90</u>
Decrease in Reimbursement Rate	\$ <u><u>3.20</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 12, 2015.

OAKMONT EAST
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2012 Through September 30, 2013
 AC# 3-OKE-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 81.60	\$101.11	
Dietary		15.07	17.37	
Laundry/Housekeeping/Maintenance		<u>13.15</u>	<u>15.73</u>	
Subtotal	<u>\$9.39</u>	109.82	134.21	\$109.82
Administration & Medical Records	<u>\$2.17</u>	<u>20.78</u>	<u>22.95</u>	<u>20.78</u>
Subtotal		130.60	<u>\$157.16</u>	130.60
<u>Costs Not Subject to Standards:</u>				
Utilities		3.50		3.50
Special Services		1.35		1.35
Medical Supplies & Oxygen		5.37		5.37
Taxes and Insurance		2.28		2.28
Legal Fees		<u>.01</u>		<u>.01</u>
TOTAL		<u>\$143.11</u>		143.11
Inflation Factor (N/A)				-
Cost of Capital				11.21
Cost of Capital Limitation				(3.36)
Profit Incentive (Maximum 3.5% of Allowable Cost)				2.17
Cost Incentive				9.39
Effect of \$1.75 Cap on Cost/Profit Incentives				(9.81)
Budget Neutrality Adjustment (3.805%)				<u>(5.81)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$146.90</u>

OAKMONT EAST
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2011
 AC# 3-OKE-J1

<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	\$3,645,485	\$ 1 (5) 622 (6) 4,564 (6)	\$33,755 (2) 8 (4) 2 (5)	\$3,616,907
Dietary	672,908	246 (5) 1,268 (6)	6,364 (4)	668,058
Laundry	157,542	-	-	157,542
Housekeeping	234,075	1,686 (7)	1,723 (8)	234,038
Maintenance	223,923	559 (5) 1,586 (7)	20,830 (1) 7,200 (3) 4,483 (4) 1,390 (8) 797 (9)	191,368
Administration & Medical Records	958,418	3,361 (7)	35 (4) 6,720 (5) 1 (5) 29,951 (6) 3,298 (8) 878 (9)	920,896
Utilities	155,088	28 (6) 1,099 (7)	1,123 (8)	155,092
Special Services	59,625	3 (6)	2 (9)	59,626
Medical Supplies & Oxygen	288,845	-	1,083 (4) 49,903 (9)	237,859

OAKMONT EAST
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2011
AC# 3-OKE-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments		Adjusted Totals
		<u>Debit</u>	<u>Credit</u>	
Taxes and Insurance	94,617	6,559 (5) 134 (6) 657 (7)	711 (8)	101,256
Legal Fees	416	1 (7)	2 (8)	415
Cost of Capital	347,956	2,710 (7) 232,778 (10)	77,812 (1) 1,295 (5) 3,599 (6) 2,163 (8) <u>1,869 (9)</u>	496,706
Subtotal	6,838,898	257,862	256,997	6,839,763
Ancillary	321,898	13,947 (9)	-	335,845
Nonallowable	2,248,446	80,012 (1) 33,755 (2) 7,200 (3) 653 (5) 26,931 (6) 10,410 (8) 39,502 (9)	11,100 (7) 232,778 (10)	2,203,031
CNA Training and Testing	<u>1,007</u>	-	-	<u>1,007</u>
Total Operating Expenses	<u>\$9,410,249</u>	<u>\$470,272</u>	<u>\$500,875</u>	<u>\$9,379,646</u>
Total Patient Days	<u>44,326</u>	-	-	<u>44,326</u>
Total Beds	<u>132</u>			

OAKMONT EAST
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-OKE-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$76,750	
	Other Equity	33,638	
	Nonallowable	80,012	
	Fixed Assets		\$91,758
	Maintenance		20,830
	Cost of Capital		77,812
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	33,755	
	Nursing		33,755
	To reclassify expense to the proper cost center HIM-15-1, Section 2106.1 DH&HS Expense Crosswalk		
3	Nonallowable	7,200	
	Maintenance		7,200
	To reclassify expense to the proper cost center HIM-15-1, Section 2106.1 DH&HS Expense Crosswalk		
4	Retained Earnings	11,973	
	Nursing		8
	Dietary		6,364
	Maintenance		4,483
	Administration		35
	Medical Supplies		1,083
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1		

OAKMONT EAST
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-OKE-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>	
5	Nursing	1		
	Dietary	246		
	Maintenance	559		
	Taxes and Insurance	6,559		
	Nonallowable	653		
	Restorative		2	
	Administration		6,720	
	Medical Records		1	
	Cost of Capital		1,295	
		To adjust shared service allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
6	Nursing	622		
	Restorative	4,564		
	Dietary	1,268		
	Utilities	28		
	Taxes and Insurance	134		
	Special Services	3		
	Nonallowable	26,931		
	Administration		29,951	
	Cost of Capital		3,599	
		To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Housekeeping	1,686		
	Maintenance	1,586		
	Administration	3,361		
	Legal	1		
	Utilities	1,099		
	Taxes and Insurance	657		
	Cost of Capital	2,710		
	Nonallowable		11,100	
		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		

OAKMONT EAST
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-OKE-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Nonallowable	10,410	
	Housekeeping		1,723
	Maintenance		1,390
	Administration		3,298
	Legal		2
	Utilities		1,123
	Taxes and Insurance		711
	Cost of Capital		2,163
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
9	Ancillary	13,947	
	Nonallowable	39,502	
	Maintenance		797
	Administration		878
	Medical Supplies		49,903
	Special Services		2
	Cost of Capital		1,869
	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	232,778	
	Nonallowable		232,778
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$592,633</u>	<u>\$592,633</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.

OAKMONT EAST
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2011
 AC# 3-OKE-J1

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>3.1821</u>
Deemed Asset Value (Per Bed)	49,698
Number of Beds	<u>132</u>
Deemed Asset Value	6,560,136
Improvements Since 1981	4,406,656
Accumulated Depreciation at 9/30/11	<u>(4,713,387)</u>
Deemed Depreciated Value	6,253,405
Market Rate of Return	<u>.0408</u>
Total Annual Return	255,139
Return Applicable to Non-Reimbursable Cost Centers	(1,777)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>443</u>
Allowable Annual Return	253,805
Depreciation Expense	249,012
Amortization Expense	-
Capital Related Income Offsets	(3,948)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(2,163)</u>
Allowable Cost of Capital Expense	496,706
Total Patient Days (Minimum 92% Occupancy)	<u>44,326</u>
Cost of Capital Per Diem	<u>\$ 11.21</u>

OAKMONT EAST
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2011
AC# 3-OKE-J1

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 3.86
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>7.85</u>
Reimbursable Cost of Capital Per Diem	\$ 7.85
Cost of Capital Per Diem	<u>11.21</u>
Cost of Capital Per Diem Limitation	\$ <u>(3.36)</u>

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