



**South Carolina
Office of the State Auditor**

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

April 19, 2016

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

Re: AC# 3-OKE-J2 – 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, 2011 through September 30, 2012. That report was used to set the rate covering the contract period beginning October 1, 2013.

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/sag

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, 2013
AC# 3-OKE-J2**

**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

January 28, 2016

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, 2013, and for the twelve month cost report period ended September 30, 2012, 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
January 28, 2016

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, 2013
AC# 3-OKE-J2

10/01/13-
09/30/14

Interim Reimbursement Rate (1)	\$147.61
Adjusted Reimbursement Rate	<u>145.14</u>
Decrease in Reimbursement Rate	\$ <u><u>2.47</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, 2013 Through September 30, 2014
 AC# 3-OKE-J2

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 76.68	\$ 99.52	
Dietary		14.65	17.31	
Laundry/Housekeeping/Maintenance		<u>12.97</u>	<u>15.32</u>	
Subtotal	<u>\$9.25</u>	104.30	132.15	\$104.30
Administration & Medical Records	<u>\$2.96</u>	<u>19.33</u>	<u>22.29</u>	<u>19.33</u>
Subtotal		123.63	<u>\$154.44</u>	123.63
<u>Costs Not Subject to Standards:</u>				
Utilities		4.16		4.16
Special Services		.67		.67
Medical Supplies & Oxygen		4.57		4.57
Taxes and Insurance		2.02		2.02
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$135.05</u>		135.05
Inflation Factor (3.60%)				4.86
Cost of Capital				10.69
Cost of Capital Limitation				(2.84)
Profit Incentive (Maximum 3.5% of Allowable Cost)				2.96
Cost Incentive				9.25
Effect of \$1.75 Cap on Cost/Profit Incentives				(10.46)
Budget Neutrality Adjustment (2.9241%)				<u>(4.37)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$145.14</u>

OAKMONT EAST
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2012
 AC# 3-OKE-J2

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$3,464,497	\$ -	\$53,838 (2) 2,380 (2)	\$3,408,279
Dietary	655,844	-	4,765 (2)	651,079
Laundry	135,834	714 (2)	-	136,548
Housekeeping	226,311	1,630 (3)	3,271 (2) 1,642 (4)	223,028
Maintenance	220,926	1,564 (3)	3,303 (1) 769 (2) 1,569 (4)	216,849
Administration & Medical Records	864,183	2,168 (3)	3,443 (2) 837 (2) 2,353 (4) 455 (5)	859,263
Utilities	185,129	1,311 (3)	1,340 (4)	185,100
Special Services	30,379	12,982 (5)	13,469 (2)	29,892
Medical Supplies & Oxygen	238,476	120 (2)	35,305 (5)	203,291
Taxes and Insurance	89,699	620 (3)	623 (4)	89,696
Legal Fees	-	-	-	-

OAKMONT EAST
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2012
AC# 3-OKE-J2

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Cost of Capital	348,909	2,692 (3) 173,008 (6)	43,856 (1) 2,409 (4) <u>3,164 (5)</u>	475,180
Subtotal	6,460,187	196,809	178,791	6,478,205
Ancillary	257,824	133 (2) 6,492 (5)	-	264,449
Nonallowable	4,984,300	43,856 (1) 81,805 (2) 9,936 (4) 19,450 (5)	9,985 (3) 173,008 (6)	4,956,354
CNA Training and Testing	<u>392</u>	<u>-</u>	<u>-</u>	<u>392</u>
Total Operating Expenses	<u>\$11,702,703</u>	<u>\$358,481</u>	<u>\$361,784</u>	<u>\$11,699,400</u>
Total Patient Days	<u>44,447</u>	<u>-</u>	<u>-</u>	<u>44,447</u>
Total Beds	<u>132</u>			

OAKMONT EAST
Adjustment Report
Cost Report Period Ended September 30, 2012
AC# 3-OKE-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$121,178	
	Nonallowable	43,856	
	Fixed Assets		\$103,213
	Other Equity		14,662
	Maintenance		3,303
	Cost of Capital		43,856
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Laundry	714	
	Medical Supplies	120	
	Ancillary	133	
	Nonallowable	81,805	
	Nursing		53,838
	Restorative		2,380
	Dietary		4,765
	Housekeeping		3,271
	Maintenance		769
	Administration		3,443
	Medical Records		837
	Special Services		13,469
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Housekeeping	1,630	
	Maintenance	1,564	
	Administration	2,168	
	Utilities	1,311	
	Taxes and Insurance	620	
	Cost of Capital	2,692	
	Nonallowable		9,985
	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, 2012
AC# 3-OKE-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
4	Nonallowable	9,936	
	Housekeeping		1,642
	Maintenance		1,569
	Administration		2,353
	Utilities		1,340
	Taxes and Insurance		623
	Cost of Capital		2,409
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
5	Special Services	12,982	
	Ancillary	6,492	
	Nonallowable	19,450	
	Administration		455
	Medical Supplies		35,305
	Cost of Capital		3,164
	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		
6	Cost of Capital	173,008	
	Nonallowable		173,008
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$479,659	\$479,659

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, 2012
 AC# 3-OKE-J2

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>3.21571</u>
Deemed Asset Value (Per Bed)	50,223
Number of Beds	<u>132</u>
Deemed Asset Value	6,629,436
Improvements Since 1981	4,465,635
Accumulated Depreciation at 9/30/12	<u>(4,947,649)</u>
Deemed Depreciated Value	6,147,422
Market Rate of Return	<u>.0369</u>
Total Annual Return	226,840
Return Applicable to Non-Reimbursable Cost Centers	(1,566)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>650</u>
Allowable Annual Return	225,924
Depreciation Expense	250,525
Amortization Expense	1,627
Capital Related Income Offsets	(487)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(2,409)</u>
Allowable Cost of Capital Expense	475,180
Total Patient Days (Minimum 92% Occupancy)	<u>44,447</u>
Cost of Capital Per Diem	\$ <u><u>10.69</u></u>

OAKMONT EAST
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2012
AC# 3-OKE-J2

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>10.69</u>
Cost of Capital Per Diem Limitation	\$ <u>(2.84)</u>

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