



**South Carolina
Office of the State Auditor**

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

February 18, 2016

Ms. Susan O. Weesner, Chief Financial Officer
Wilson Senior Care, Inc.
Post Office Box 510
Darlington, South Carolina 29540

Re: AC# 3-OKH-J2 – Oakhaven Nursing Center, LLC

Dear Ms. Weesner:

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/cwc

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

**OAKHAVEN NURSING CENTER, LLC
DARLINGTON, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2013
AC# 3-OKH-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

November 18, 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 Oakhaven Nursing Center, LLC, 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 Oakhaven Nursing Center, LLC 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 Oakhaven Nursing Center, LLC, 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 Oakhaven Nursing Center, LLC 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 18, 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

OAKHAVEN NURSING CENTER, LLC
Computation of Rate Change
For the Contract Period
Beginning October 1, 2013
AC# 3-OKH-J2

	10/01/13- <u>09/30/14</u>
Interim Reimbursement Rate (1)	\$179.32
Adjusted Reimbursement Rate	<u>177.98</u>
Decrease in Reimbursement Rate	\$ <u><u>1.34</u></u>

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

OAKHAVEN NURSING CENTER, LLC
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2013 Through September 30, 2014
 AC# 3-OKH-J2

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 94.62	\$101.89	
Dietary		19.00	17.41	
Laundry/Housekeeping/Maintenance		<u>15.74</u>	<u>16.17</u>	
Subtotal	<u>\$6.11</u>	129.36	135.47	\$129.36
Administration & Medical Records	<u>\$.50</u>	<u>23.21</u>	<u>23.71</u>	<u>23.21</u>
Subtotal		152.57	<u>\$159.18</u>	152.57
<u>Costs Not Subject to Standards:</u>				
Utilities		3.20		3.20
Special Services		.05		.05
Medical Supplies & Oxygen		8.30		8.30
Taxes and Insurance		3.48		3.48
Legal Fees		<u>.31</u>		<u>.31</u>
TOTAL		<u>\$167.91</u>		167.91
Inflation Factor (3.60%)				6.04
Cost of Capital				7.64
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				.50
Cost Incentive				6.11
Effect of \$1.75 Cap on Cost/Profit Incentives				(4.86)
Budget Neutrality Adjustment (2.9241%)				<u>(5.36)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$177.98</u>

OAKHAVEN NURSING CENTER, LLC
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2012
 AC# 3-OKH-J2

<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	\$2,850,017	\$ 291 (1)	\$ 22,094 (3) 1,009 (3) 670 (4)	\$2,826,535
Dietary	552,488	558,588 (6)	543,468 (5)	567,608
Laundry	84,369	-	-	84,369
Housekeeping	171,630	5,544 (6)	885 (3) 5,455 (5)	170,834
Maintenance	215,235	7,305 (6)	420 (3) 115 (4) 6,925 (5)	215,080
Administration & Medical Records	785,500	59,205 (6)	646 (3) 311 (3) 84,864 (4) 65,455 (5)	693,429
Utilities	95,565	2 (4) 5,161 (6)	5,031 (5)	95,697
Special Services	1,389	-	-	1,389
Medical Supplies & Oxygen	248,175	-	315 (4)	247,860
Taxes and Insurance	103,853	5 (4) 2,586 (6)	2,586 (5)	103,858

OAKHAVEN NURSING CENTER, LLC
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2012
AC# 3-OKH-J2

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments		Adjusted Totals
		<u>Debit</u>	<u>Credit</u>	
Legal Fees	15,997	695 (6)	2,616 (2) 3,430 (4) 1,340 (5)	9,306
Cost of Capital	236,257	120 (1) 2,461 (6)	2,110 (4) 3,294 (5) 5,239 (7)	228,195
Subtotal	5,360,475	641,963	758,278	5,244,160
Ancillary	130,502	-	-	130,502
Nonallowable	307,859	2,616 (2) 25,365 (3) 91,497 (4) 633,554 (5) 5,239 (7)	411 (1) 641,545 (6)	424,174
CNA Training and Testing	<u>2,047</u>	<u>-</u>	<u>-</u>	<u>2,047</u>
Total Operating Expenses	<u>\$5,800,883</u>	<u>\$1,400,234</u>	<u>\$1,400,234</u>	<u>\$5,800,883</u>
Total Patient Days	<u>29,872</u>	<u>-</u>	<u>-</u>	<u>29,872</u>
Total Beds	<u>88</u>			

OAKHAVEN NURSING CENTER, LLC
Adjustment Report
Cost Report Period Ended September 30, 2012
AC# 3-OKH-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$255,852	
	Restorative	291	
	Cost of Capital	120	
	Accumulated Depreciation		\$252,135
	Other Equity		3,717
	Nonallowable		411
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	2,616	
	Legal		2,616
	To disallow expense not related to patient care HIM-15-1, Section 2102.3		
3	Nonallowable	25,365	
	Nursing		22,094
	Restorative		1,009
	Housekeeping		885
	Maintenance		420
	Administration		646
	Medical Records		311
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Utilities	2	
	Taxes and Insurance	5	
	Nonallowable	91,497	
	Nursing		670
	Maintenance		115
	Administration		84,864
	Legal		3,430
	Medical Supplies		315
	Cost of Capital		2,110
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

OAKHAVEN NURSING CENTER, LLC
Adjustment Report
Cost Report Period Ended September 30, 2012
AC# 3-OKH-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable	633,554	
	Dietary		543,468
	Housekeeping		5,455
	Maintenance		6,925
	Administration		65,455
	Legal		1,340
	Utilities		5,031
	Taxes and Insurance		2,586
	Cost of Capital		3,294
	To reverse provider dietary cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
6	Dietary	558,588	
	Housekeeping	5,544	
	Maintenance	7,305	
	Administration	59,205	
	Legal	695	
	Utilities	5,161	
	Taxes and Insurance	2,586	
	Cost of Capital	2,461	
	Nonallowable		641,545
	To record dietary cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Nonallowable	5,239	
	Cost of Capital		5,239
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$1,656,086	\$1,656,086

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.

OAKHAVEN NURSING CENTER, LLC
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2012
 AC# 3-OKH-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>88</u>
Deemed Asset Value	4,419,624
Improvements Since 1981	1,063,367
Accumulated Depreciation at 9/30/12	<u>(1,460,788)</u>
Deemed Depreciated Value	4,022,203
Market Rate of Return	<u>.0369</u>
Total Annual Return	148,419
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	148,419
Depreciation Expense	81,904
Amortization Expense	-
Capital Related Income Offsets	(2,128)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	228,195
Total Patient Days (Actual)	<u>29,872</u>
Cost of Capital Per Diem	<u><u>\$ 7.64</u></u>

OAKHAVEN NURSING CENTER, LLC
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2012
AC# 3-OKH-J2

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$3.97
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$7.96</u>
Reimbursable Cost of Capital Per Diem	\$7.64
Cost of Capital Per Diem	<u>7.64</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

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