



**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-OKU-J1 – Oakmont of Union SC, LLC d/b/a Oakmont of Union

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 OF UNION SC, LLC D/B/A  
OAKMONT OF UNION**

**UNION, SOUTH CAROLINA**

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

November 10, 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 of Union SC, LLC d/b/a Oakmont of Union, 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 of Union SC, LLC d/b/a Oakmont of Union 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 of Union SC, LLC d/b/a Oakmont of Union, 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 of Union SC, LLC d/b/a Oakmont of Union 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 10, 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 OF UNION**  
Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2012  
AC# 3-OKU-J1

	10/01/12- <u>09/30/13</u>
Interim Reimbursement Rate (1)	\$147.52
Adjusted Reimbursement Rate	<u>141.97</u>
Decrease in Reimbursement Rate	\$ <u><u>5.55</u></u>

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

**OAKMONT OF UNION**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2012 Through September 30, 2013  
 AC# 3-OKU-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 84.84	\$ 96.77	
Dietary		13.11	17.38	
Laundry/Housekeeping/Maintenance		<u>10.08</u>	<u>16.63</u>	
Subtotal	<u>\$9.15</u>	108.03	130.78	\$108.03
Administration & Medical Records	<u>\$4.76</u>	<u>18.85</u>	<u>23.61</u>	<u>18.85</u>
Subtotal		126.88	<u>\$154.39</u>	126.88
<u>Costs Not Subject to Standards:</u>				
Utilities		3.36		3.36
Special Services		.41		.41
Medical Supplies & Oxygen		4.23		4.23
Taxes and Insurance		2.06		2.06
Legal Fees		<u>.08</u>		<u>.08</u>
<b>TOTAL</b>		<u>\$137.02</u>		137.02
Inflation Factor (N/A)				-
Cost of Capital				12.07
Cost of Capital Limitation				(3.25)
Profit Incentive (Maximum 3.5% of Allowable Cost)				4.76
Cost Incentive				9.15
Effect of \$1.75 Cap on Cost/Profit Incentives				(12.16)
Budget Neutrality Adjustment (3.805%)				<u>(5.62)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$141.97</u>

**OAKMONT OF UNION**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2011  
 AC# 3-OKU-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$2,580,717	\$ 56,883 (5) 2,824 (7)	\$ 76,011 (6) 56,883 (6) 383 (7)	\$2,507,147
Dietary	386,927	162,004 (5)	238 (2) 480 (3) 160,066 (6) 849 (7)	387,298
Laundry	74,791	49,527 (5)	5,294 (3) 22,260 (6)	96,764
Housekeeping	87,359	54,944 (5)	60,509 (6)	81,794
Maintenance	127,048	79,185 (5)	2,282 (2) 1,448 (3) 79,242 (6) 3,941 (7)	119,320
Administration & Medical Records	648,257	11 (2) 1,067 (3) 108,342 (5) 14,690 (5)	50 (4) 115,409 (6) 14,691 (6) 85,058 (7) 89 (8)	557,070
Utilities	102,733	63,331 (5)	810 (3) 65,567 (6) 459 (7)	99,228
Special Services	12,035	2 (7) 404,158 (8)	404,158 (4)	12,037
Medical Supplies & Oxygen	134,051	56,081 (5)	1 (2) 35,046 (4) 29,020 (6) 1,001 (8)	125,064

**OAKMONT OF UNION**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2011  
AC# 3-OKU-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	62,567	1,952 (3) 35,067 (5)	38,592 (6) 135 (7)	60,859
Legal Fees	2,654	498 (5)	749 (6)	2,403
Cost of Capital	260,635	127,468 (5) 110,391 (9)	106,856 (1) 665 (3) 26,088 (6) 5,163 (7) 3,119 (8)	356,603
Subtotal	4,479,774	1,328,425	1,402,612	4,405,587
Ancillary	370,193	4,888 (8)	-	375,081
Nonallowable	4,794,257	106,856 (1) 5,678 (3) 439,254 (4) 745,087 (6) 93,162 (7)	808,020 (5) 404,837 (8) 110,391 (9)	4,861,046
CNA Training and Testing	675	-	-	675
Total Operating Expenses	<u>\$9,644,899</u>	<u>\$2,723,350</u>	<u>\$2,725,860</u>	<u>\$9,642,389</u>
Total Patient Days	<u>29,550</u>	<u>-</u>	<u>-</u>	<u>29,550</u>
Total Beds	<u>88</u>			

**OAKMONT OF UNION**  
Adjustment Report  
Cost Report Period Ended September 30, 2011  
AC# 3-OKU-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$1,141,193	
	Other Equity	556,123	
	Nonallowable	106,856	
	Fixed Assets		\$1,697,316
	Cost of Capital		106,856
	To adjust fixed assets and related depreciation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
2	Retained Earnings	2,510	
	Administration	11	
	Dietary		238
	Maintenance		2,282
	Medical Supplies		1
	To properly charge expense applicable to the prior period		
	HIM-15-1, Section 2302.1		
3	Administration	1,067	
	Taxes and Insurance	1,952	
	Nonallowable	5,678	
	Dietary		480
	Laundry		5,294
	Maintenance		1,448
	Utilities		810
	Cost of Capital		665
	To adjust shared service allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
4	Nonallowable	439,254	
	Administration		50
	Medical Supplies		35,046
	Special Services		404,158
	To reclassify ancillary service cost to a non-reimbursable cost center		
	HIM-15-1, Sections 2102.3 and 2304		
	State Plan, Attachment 4.19D		

**OAKMONT OF UNION**  
Adjustment Report  
Cost Report Period Ended September 30, 2011  
AC# 3-OKU-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Restorative	56,883	
	Dietary	162,004	
	Laundry	49,527	
	Housekeeping	54,944	
	Maintenance	79,185	
	Administration	108,342	
	Medical Records	14,690	
	Legal	498	
	Utilities	63,331	
	Taxes and Insurance	35,067	
	Medical Supplies	56,081	
	Cost of Capital	127,468	
	Nonallowable		808,020
	To reverse DH&HS adjustment to remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
6	Nonallowable	745,087	
	Nursing		76,011
	Restorative		56,883
	Dietary		160,066
	Laundry		22,260
	Housekeeping		60,509
	Maintenance		79,242
	Administration		115,409
	Medical Records		14,691
	Legal		749
	Utilities		65,567
	Taxes and Insurance		38,592
	Medical Supplies		29,020
	Cost of Capital		26,088
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

**OAKMONT OF UNION**  
Adjustment Report  
Cost Report Period Ended September 30, 2011  
AC# 3-OKU-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
7	Restorative	2,824	
	Special Services	2	
	Nonallowable	93,162	
	Nursing		383
	Dietary		849
	Maintenance		3,941
	Administration		85,058
	Utilities		459
	Taxes and Insurance		135
	Cost of Capital		5,163
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Special Services	404,158	
	Ancillary	4,888	
	Administration		89
	Medical Supplies		1,001
	Cost of Capital		3,119
	Nonallowable		404,837
	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		
9	Cost of Capital	110,391	
	Nonallowable		110,391
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$4,423,176</u>	<u>\$4,423,176</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 OF UNION**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2011  
 AC# 3-OKU-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>88</u>
Deemed Asset Value	4,373,424
Improvements Since 1981	2,819,437
Accumulated Depreciation at 9/30/11	<u>(2,506,006)</u>
Deemed Depreciated Value	4,686,855
Market Rate of Return	<u>.0408</u>
Total Annual Return	191,224
Return Applicable to Non-Reimbursable Cost Centers	(24,333)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>2,240</u>
Allowable Annual Return	169,131
Depreciation Expense	216,832
Amortization Expense	-
Capital Related Income Offsets	(3,272)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(26,088)</u>
Allowable Cost of Capital Expense	356,603
Total Patient Days (Minimum 92% Occupancy)	<u>29,550</u>
Cost of Capital Per Diem	<u>\$ 12.07</u>

**OAKMONT OF UNION**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 2011  
AC# 3-OKU-J1

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 4.83
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>8.82</u>
Reimbursable Cost of Capital Per Diem	\$ 8.82
Cost of Capital Per Diem	<u>12.07</u>
Cost of Capital Per Diem Limitation	\$ <u>(3.25)</u>

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