



**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-OKU-J2 – 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, 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 OF UNION SC, LLC D/B/A
OAKMONT OF UNION**

UNION, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2013
AC# 3-OKU-J2**

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 2013	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2013 THROUGH SEPTEMBER 30, 2014	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2012	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	10



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

February 19, 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 of Union SC, LLC d/b/a Oakmont of Union, 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 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
February 19, 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 OF UNION
Computation of Rate Change
For the Contract Period
Beginning October 1, 2013
AC# 3-OKU-J2

	<u>10/01/13-</u> <u>09/30/14</u>
Interim Reimbursement Rate (1)	\$150.50
Adjusted Reimbursement Rate	<u>146.10</u>
Decrease in Reimbursement Rate	\$ <u><u>4.40</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, 2013 Through September 30, 2014
 AC# 3-OKU-J2

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 82.64	\$ 95.25	
Dietary		13.10	17.41	
Laundry/Housekeeping/Maintenance		<u>9.24</u>	<u>16.17</u>	
Subtotal	<u>\$9.02</u>	104.98	128.83	\$104.98
Administration & Medical Records	<u>\$4.35</u>	<u>19.36</u>	<u>23.71</u>	<u>19.36</u>
Subtotal		124.34	<u>\$152.54</u>	124.34
<u>Costs Not Subject to Standards:</u>				
Utilities		3.49		3.49
Special Services		.03		.03
Medical Supplies & Oxygen		4.28		4.28
Taxes and Insurance		2.93		2.93
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$135.07</u>		135.07
Inflation Factor (3.60%)				4.86
Cost of Capital				12.35
Cost of Capital Limitation				(3.53)
Profit Incentive (Maximum 3.5% of Allowable Cost)				4.35
Cost Incentive				9.02
Effect of \$1.75 Cap on Cost/Profit Incentives				(11.62)
Budget Neutrality Adjustment (2.9241%)				<u>(4.40)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$146.10</u>

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

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$2,500,660	\$28,461 (2) 2,057 (2) 61,213 (4)	\$ 79,449 (5) 61,819 (5) 2,520 (6)	\$2,448,603
Dietary	386,100	2,900 (2) 161,131 (4)	161,984 (5)	388,147
Laundry	71,108	1,185 (2) 47,501 (4)	35,274 (5)	84,520
Housekeeping	85,419	53,774 (4)	57,462 (5)	81,731
Maintenance	113,307	616 (2) 70,855 (4)	5,752 (1) 59 (3) 66,377 (5) 4,900 (6) 141 (7)	107,549
Administration & Medical Records	639,998	4,606 (2) 298 (2) 110,380 (4) 16,021 (4)	194 (3) 111,359 (5) 16,109 (5) 69,385 (6) 466 (7)	573,790
Utilities	107,399	66,183 (4)	69,638 (5) 572 (6)	103,372
Special Services	855	12,587 (2) 377,417 (7)	389,998 (3)	861
Medical Supplies & Oxygen	136,478	532 (2) 56,956 (4)	37,480 (3) 22,387 (5) 7,390 (7)	126,709

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

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Taxes and Insurance	90,476	50,704 (4)	53,885 (5) 621 (6)	86,674
Legal Fees	-	-	-	-
Cost of Capital	261,345	143,397 (4) 116,407 (8)	117,243 (1) 28,487 (5) 3,880 (6) 5,647 (7)	365,892
Subtotal	4,393,145	1,385,181	1,410,478	4,367,848
Ancillary	341,730	432 (2) 1,326 (7)	-	343,488
Nonallowable	5,204,935	117,243 (1) 427,731 (3) 764,230 (5) 81,878 (6)	53,674 (2) 838,115 (4) 365,099 (7) 116,407 (8)	5,222,722
CNA Training and Testing	<u>560</u>	<u>-</u>	<u>-</u>	<u>560</u>
Total Operating Expenses	<u>\$9,940,370</u>	<u>\$2,778,021</u>	<u>\$2,783,773</u>	<u>\$9,934,618</u>
Total Patient Days	<u>29,631</u>	<u>-</u>	<u>-</u>	<u>29,631</u>
Total Beds	<u>88</u>			

OAKMONT OF UNION
Adjustment Report
Cost Report Period Ended September 30, 2012
AC# 3-OKU-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$1,230,976	
	Other Equity	633,314	
	Nonallowable	117,243	
	Fixed Assets		\$1,858,538
	Maintenance		5,752
	Cost of Capital		117,243
	To adjust fixed assets and related depreciation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
2	Nursing	28,461	
	Restorative	2,057	
	Dietary	2,900	
	Laundry	1,185	
	Maintenance	616	
	Administration	4,606	
	Medical Records	298	
	Medical Supplies	532	
	Special Services	12,587	
	Ancillary	432	
	Nonallowable		53,674
	To adjust fringe benefits and related allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
3	Nonallowable	427,731	
	Maintenance		59
	Administration		194
	Medical Supplies		37,480
	Special Services		389,998
	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, 2012
AC# 3-OKU-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
4	Restorative	61,213	
	Dietary	161,131	
	Laundry	47,501	
	Housekeeping	53,774	
	Maintenance	70,855	
	Administration	110,380	
	Medical Records	16,021	
	Utilities	66,183	
	Taxes and Insurance	50,704	
	Medical Supplies	56,956	
	Cost of Capital	143,397	
	Nonallowable		838,115
	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		
5	Nonallowable	764,230	
	Nursing		79,449
	Restorative		61,819
	Dietary		161,984
	Laundry		35,274
	Housekeeping		57,462
	Maintenance		66,377
	Administration		111,359
	Medical Records		16,109
	Utilities		69,638
	Taxes and Insurance		53,885
	Medical Supplies		22,387
	Cost of Capital		28,487
	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, 2012
AC# 3-OKU-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable	81,878	
	Nursing		2,520
	Maintenance		4,900
	Administration		69,385
	Utilities		572
	Taxes and Insurance		621
	Cost of Capital		3,880
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Special Services	377,417	
	Ancillary	1,326	
	Maintenance		141
	Administration		466
	Medical Supplies		7,390
	Cost of Capital		5,647
	Nonallowable		365,099
	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		
8	Cost of Capital	116,407	
	Nonallowable		116,407
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$4,642,311	\$4,642,311

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, 2012
 AC# 3-OKU-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	3,171,780
Accumulated Depreciation at 9/30/12	<u>(2,763,731)</u>
Deemed Depreciated Value	4,827,673
Market Rate of Return	<u>.0369</u>
Total Annual Return	178,141
Return Applicable to Non-Reimbursable Cost Centers	(21,657)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>3,204</u>
Allowable Annual Return	159,688
Depreciation Expense	234,127
Amortization Expense	1,151
Capital Related Income Offsets	(587)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(28,487)</u>
Allowable Cost of Capital Expense	365,892
Total Patient Days (Minimum 92% Occupancy)	<u>29,631</u>
Cost of Capital Per Diem	\$ <u><u>12.35</u></u>

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

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>12.35</u>
Cost of Capital Per Diem Limitation	\$ <u>(3.53)</u>

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