



**South Carolina  
Office of the State Auditor**

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

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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-OKW-J1 – Oakmont West – Greenville SC, LLC d/b/a Oakmont West

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

**GREENVILLE, SOUTH CAROLINA**

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

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October 29, 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 West – Greenville SC, LLC d/b/a Oakmont West, 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 West – Greenville SC, LLC d/b/a Oakmont West 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 West – Greenville SC, LLC d/b/a Oakmont West, 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 West – Greenville SC, LLC d/b/a Oakmont West 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 29, 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 WEST**  
Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2012  
AC# 3-OKW-J1

	10/01/12- <u>09/30/13</u>
Interim Reimbursement Rate (1)	\$152.34
Adjusted Reimbursement Rate	<u>149.48</u>
Decrease in Reimbursement Rate	\$ <u><u>2.86</u></u>

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

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

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 83.71	\$101.11	
Dietary		15.97	17.37	
Laundry/Housekeeping/Maintenance		<u>14.18</u>	<u>15.73</u>	
Subtotal	<u>\$9.39</u>	113.86	134.21	\$113.86
Administration & Medical Records	<u>\$1.36</u>	<u>21.59</u>	<u>22.95</u>	<u>21.59</u>
Subtotal		135.45	<u>\$157.16</u>	135.45
<u>Costs Not Subject to Standards:</u>				
Utilities		3.28		3.28
Special Services		.61		.61
Medical Supplies & Oxygen		3.81		3.81
Taxes and Insurance		4.85		4.85
Legal Fees		<u>.08</u>		<u>.08</u>
<b>TOTAL</b>		<u>\$148.08</u>		148.08
Inflation Factor (N/A)				-
Cost of Capital				14.15
Cost of Capital Limitation				(8.59)
Profit Incentive (Maximum 3.5% of Allowable Cost)				1.36
Cost Incentive				9.39
Effect of \$1.75 Cap on Cost/Profit Incentives				(9.00)
Budget Neutrality Adjustment (3.805%)				<u>(5.91)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$149.48</u>

**OAKMONT WEST**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2011  
 AC# 3-OKW-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	\$3,530,825	\$ 2 (5) 666 (6) 4,878 (6)	\$ 1 (5)	\$3,536,370
Dietary	675,317	234 (5) 1,356 (6)	2,039 (3)	674,868
Laundry	158,676	771 (5)	-	159,447
Housekeeping	228,517	1,990 (7)	771 (5) 1,983 (8)	227,753
Maintenance	229,282	852 (5) 1,954 (7)	9,289 (1) 9,138 (3) 1,804 (8) 38 (9)	211,819
Administration & Medical Records	950,056	170 (3) 1 (5) 2,629 (7)	6,145 (5) 32,011 (6) 2,449 (8) 232 (9)	912,019
Utilities	142,064	30 (6) 1,210 (7)	3,546 (2) 1,180 (8)	138,578
Special Services	25,764	3 (6)	2 (9)	25,765
Medical Supplies & Oxygen	225,024	-	1,492 (3) 62,496 (9)	161,036

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

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Taxes and Insurance	213,263	6,824 (5) 156 (6) 1,722 (7)	15,573 (4) 1,652 (8)	204,740
Legal Fees	3,373	10 (7)	10 (8)	3,373
Cost of Capital	234,899	3,313 (7) 434,016 (10)	64,795 (1) 1,342 (5) 3,847 (6) 2,750 (8) 1,817 (9)	597,677
Subtotal	6,617,060	462,787	226,402	6,853,445
Ancillary	452,721	12,093 (9)	-	464,814
Nonallowable	2,792,319	64,795 (1) 28,769 (6) 11,828 (8) 52,492 (9)	425 (5) 12,828 (7) 434,016 (10)	2,502,934
CNA Training and Testing	<u>858</u>	-	-	<u>858</u>
Total Operating Expenses	<u>\$9,862,958</u>	<u>\$632,764</u>	<u>\$673,671</u>	<u>\$9,822,051</u>
Total Patient Days	<u>42,248</u>	-	-	<u>42,248</u>
Total Beds	<u>125</u>			

**OAKMONT WEST**  
Adjustment Report  
Cost Report Period Ended September 30, 2011  
AC# 3-OKW-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$17,860	
	Accumulated Depreciation	64,934	
	Nonallowable	64,795	
	Other Equity		\$73,505
	Maintenance		9,289
	Cost of Capital		64,795
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Accounts Payable	1,955	
	Retained Earnings	1,591	
	Utilities		3,546
	To properly charge expense applicable to prior and subsequent periods HIM-15-1, Section 2302.1		
3	Retained Earnings	12,499	
	Administration	170	
	Dietary		2,039
	Maintenance		9,138
	Medical Supplies		1,492
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1		
4	Intercompany	15,573	
	Taxes and Insurance		15,573
	To remove expense applicable to shared service laundry facility HIM-15-1, Section 2304		

**OAKMONT WEST**  
Adjustment Report  
Cost Report Period Ended September 30, 2011  
AC# 3-OKW-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Restorative	2	
	Dietary	234	
	Laundry	771	
	Maintenance	852	
	Medical Records	1	
	Taxes and Insurance	6,824	
	Nursing		1
	Housekeeping		771
	Administration		6,145
	Cost of Capital		1,342
	Nonallowable		425
	To adjust shared service allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
6	Nursing	666	
	Restorative	4,878	
	Dietary	1,356	
	Utilities	30	
	Taxes and Insurance	156	
	Special Services	3	
	Nonallowable	28,769	
	Administration		32,011
	Cost of Capital		3,847
	To adjust home office cost		
	allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
7	Housekeeping	1,990	
	Maintenance	1,954	
	Administration	2,629	
	Legal	10	
	Utilities	1,210	
	Taxes and Insurance	1,722	
	Cost of Capital	3,313	
	Nonallowable		12,828
	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 WEST**  
Adjustment Report  
Cost Report Period Ended September 30, 2011  
AC# 3-OKW-J1

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Nonallowable	11,828	
	Housekeeping		1,983
	Maintenance		1,804
	Administration		2,449
	Legal		10
	Utilities		1,180
	Taxes and Insurance		1,652
	Cost of Capital		2,750
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
9	Ancillary	12,093	
	Nonallowable	52,492	
	Maintenance		38
	Administration		232
	Medical Supplies		62,496
	Special Services		2
	Cost of Capital		1,817
	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	434,016	
	Nonallowable		434,016
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$747,176	\$747,176

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 WEST**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2011  
 AC# 3-OKW-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>125</u>
Deemed Asset Value	6,212,250
Improvements Since 1981	5,607,654
Accumulated Depreciation at 9/30/11	<u>(4,776,442)</u>
Deemed Depreciated Value	7,043,462
Market Rate of Return	<u>.0408</u>
Total Annual Return	287,373
Return Applicable to Non-Reimbursable Cost Centers	(2,301)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>212</u>
Allowable Annual Return	285,284
Depreciation Expense	319,488
Amortization Expense	-
Capital Related Income Offsets	(4,345)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(2,750)</u>
Allowable Cost of Capital Expense	597,677
Total Patient Days (Actual)	<u>42,248</u>
Cost of Capital Per Diem	<u>\$ 14.15</u>

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

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 1.57
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>5.56</u>
Reimbursable Cost of Capital Per Diem	\$ 5.56
Cost of Capital Per Diem	<u>14.15</u>
Cost of Capital Per Diem Limitation	\$ <u>(8.59)</u>

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