



**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-OKW-J2 – 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, 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

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

**GREENVILLE, SOUTH CAROLINA**

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

February 8, 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 West – Greenville SC, LLC d/b/a Oakmont West 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 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  
February 8, 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 WEST**  
Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2013  
AC# 3-OKW-J2

	10/01/13- <u>09/30/14</u>
Interim Reimbursement Rate (1)	\$153.71
Adjusted Reimbursement Rate	<u>151.20</u>
Decrease in Reimbursement Rate	\$ <u><u>2.51</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, 2013 Through September 30, 2014  
 AC# 3-OKW-J2

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 82.14	\$ 99.52	
Dietary		15.62	17.31	
Laundry/Housekeeping/Maintenance		<u>12.70</u>	<u>15.32</u>	
Subtotal	<u>\$9.25</u>	110.46	132.15	\$110.46
Administration & Medical Records	<u>\$1.81</u>	<u>20.48</u>	<u>22.29</u>	<u>20.48</u>
Subtotal		130.94	<u>\$154.44</u>	130.94
<u>Costs Not Subject to Standards:</u>				
Utilities		3.67		3.67
Special Services		.23		.23
Medical Supplies & Oxygen		4.42		4.42
Taxes and Insurance		3.84		3.84
Legal Fees		<u>.18</u>		<u>.18</u>
<b>TOTAL</b>		<u>\$143.28</u>		143.28
Inflation Factor (3.60%)				5.16
Cost of Capital				12.05
Cost of Capital Limitation				(6.49)
Profit Incentive (Maximum 3.5% of Allowable Cost)				1.81
Cost Incentive				9.25
Effect of \$1.75 Cap on Cost/Profit Incentives				(9.31)
Budget Neutrality Adjustment (2.9241%)				<u>(4.55)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$151.20</u>

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

<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	\$3,516,508	\$ -	\$ 54,289 (3) 4,875 (3)	\$3,457,344
Dietary	663,041	-	5,389 (3)	657,652
Laundry	163,762	-	3,581 (3)	160,181
Housekeeping	223,682	1,947 (4)	1,948 (5)	223,681
Maintenance	153,939	1,311 (4)	2,389 (1) 805 (3) 1,284 (5)	150,772
Administration & Medical Records	867,572	1,899 (4)	4,586 (3) 602 (3) 2,193 (5)	862,090
Utilities	152,417	1,955 (2) 1,298 (4)	1,315 (5)	154,355
Special Services	10,004	20,615 (6)	20,792 (3)	9,827
Medical Supplies & Oxygen	216,081	200 (3)	30,271 (6)	186,010
Taxes and Insurance	161,831	1,302 (4)	1,305 (5)	161,828
Legal Fees	7,482	18 (4)	21 (5)	7,479
Cost of Capital	234,020	2,884 (4) 339,852 (7)	64,592 (1) 2,373 (5) 2,436 (6)	507,355
Subtotal	6,370,339	373,281	205,046	6,538,574

**OAKMONT WEST**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2012  
AC# 3-OKW-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>
Ancillary	477,675	26,627 (6)	525 (3)	503,777
Nonallowable	2,853,074	64,592 (1) 95,343 (3) 10,439 (5)	10,659 (4) 14,535 (6) 339,852 (7)	2,658,402
CNA Training and Testing	<u>3,361</u>	<u>-</u>	<u>99 (3)</u>	<u>3,262</u>
Total Operating Expenses	<u>\$9,704,449</u>	<u>\$570,282</u>	<u>\$570,716</u>	<u>\$9,704,015</u>
Total Patient Days	<u>42,090</u>	<u>-</u>	<u>-</u>	<u>42,090</u>
Total Beds	<u>125</u>			

**OAKMONT WEST**  
Adjustment Report  
Cost Report Period Ended September 30, 2012  
AC# 3-OKW-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 11,678	
	Accumulated Depreciation	130,314	
	Nonallowable	64,592	
	Other Equity		\$139,603
	Maintenance		2,389
	Cost of Capital		64,592
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Utilities	1,955	
	Retained Earnings		1,955
	To adjust utilities expense HIM-15-1, Section 2302.1		
3	Medical Supplies	200	
	Nonallowable	95,343	
	Nursing		54,289
	Restorative		4,875
	Dietary		5,389
	Laundry		3,581
	Maintenance		805
	Administration		4,586
	Medical Records		602
	Special Services		20,792
	Ancillary		525
	CNA Training and Testing		99
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

**OAKMONT WEST**  
Adjustment Report  
Cost Report Period Ended September 30, 2012  
AC# 3-OKW-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
4	Housekeeping	1,947	
	Maintenance	1,311	
	Administration	1,899	
	Legal	18	
	Utilities	1,298	
	Taxes and Insurance	1,302	
	Cost of Capital	2,884	
	Nonallowable		10,659
	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		
5	Nonallowable	10,439	
	Housekeeping		1,948
	Maintenance		1,284
	Administration		2,193
	Legal		21
	Utilities		1,315
	Taxes and Insurance		1,305
	Cost of Capital		2,373
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
6	Special Services	20,615	
	Ancillary	26,627	
	Medical Supplies		30,271
	Cost of Capital		2,436
	Nonallowable		14,535
	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		

**OAKMONT WEST**  
Adjustment Report  
Cost Report Period Ended September 30, 2012  
AC# 3-OKW-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
7	Cost of Capital Nonallowable	339,852	339,852
	To adjust capital return State Plan, Attachment 4.19D		
		_____	_____
	TOTAL ADJUSTMENTS	\$ <u>712,274</u>	\$ <u>712,274</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 WEST**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2012  
 AC# 3-OKW-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>125</u>
Deemed Asset Value	6,277,875
Improvements Since 1981	5,681,446
Accumulated Depreciation at 9/30/12	<u>(5,012,175)</u>
Deemed Depreciated Value	6,947,146
Market Rate of Return	<u>.0369</u>
Total Annual Return	256,350
Return Applicable to Non-Reimbursable Cost Centers	(2,049)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>314</u>
Allowable Annual Return	254,615
Depreciation Expense	254,222
Amortization Expense	1,630
Capital Related Income Offsets	(739)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(2,373)</u>
Allowable Cost of Capital Expense	507,355
Total Patient Days (Minimum 92% Occupancy)	<u>42,090</u>
Cost of Capital Per Diem	<u>\$ 12.05</u>

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

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>12.05</u>
Cost of Capital Per Diem Limitation	\$ <u>(6.49)</u>

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