

**REPORT  
ON THE  
COST REPORT REVIEW**

**NEWPORT SPECIALTY HOSPITAL  
TUSTIN, CALIFORNIA  
NATIONAL PROVIDER IDENTIFIERS:  
1689743601 AND 1043385982**

**FISCAL PERIOD ENDED  
AUGUST 31, 2011**

**Audits Section—Santa Ana  
Financial Audits Branch  
Audits and Investigations  
Department of Health Care Services**

**Section Chief: Margaret A. Varho  
Audit Supervisor: Felipe Avila  
Auditor: Favio Arrieta**



TOBY DOUGLAS  
DIRECTOR

State of California—Health and Human Services Agency  
Department of Health Care Services



EDMUND G. BROWN JR.  
GOVERNOR

Date: March 27, 2013

Mariano Patacsil  
Reimbursement Specialist  
Pacific Health Corporation  
14642 Newport Avenue  
Tustin, CA 92780

NEWPORT SPECIALTY HOSPITAL  
NATIONAL PROVIDER IDENTIFIERS (NPI) 1689743601 AND 1043385982  
FISCAL PERIOD ENDED AUGUST 31, 2011

We have examined the provider's Medi-Cal Cost Report for the above-referenced fiscal period. Our examination was made under the authority of Section 14170 of the Welfare and Institutions Code and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the data presented in the Summary of Findings represents a proper determination of the allowable costs for the above fiscal period in accordance with Medi-Cal reimbursement principles.

This audit report includes the:

1. Summary of Findings
2. Computation of Medi-Cal Contract Cost (CONTRACT Schedules)
3. Computation of Subacute Per Diem (PEDIATRIC SUBACUTE Schedules)
4. Audit Adjustments Schedule

Future long-term care prospective rates may be affected by this examination. The extent of the rate changes will be determined by the Department's Medi-Cal Benefits, Waiver Analysis and Rates Division.

Notwithstanding this audit report, overpayments to the provider are subject to recovery pursuant to Section 51458.1, Article 6 of Division 3, Title 22, California Code of Regulations.

Mariano Patacsil  
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If you disagree with the decision of the Department, you may appeal by writing to:

Chief  
Department of Health Care Services  
Office of Administrative Hearings and Appeals  
1029 J Street, Suite 200  
Sacramento, CA 95814  
(916) 322-5603

The written notice of disagreement must be received by the Department within 60 calendar days from the day you receive this letter. A copy of this notice should be sent to:

**United States Postal Service (USPS)**

Assistant Chief Counsel  
Department of Health Care Services  
Office of Legal Services  
MS 0010  
PO Box 997413  
Sacramento, CA 95899

**Courier (UPS, FedEx, etc.)**

Assistant Chief Counsel  
Department of Health Care Services  
Office of Legal Services  
MS 0010  
1501 Capitol Avenue, Suite 71.5001  
Sacramento, CA 95814  
(916) 440-7700

The procedures that govern an appeal are contained in Welfare and Institutions Code, Section 14171, and California Code of Regulations, Title 22, Section 51016, et seq.

If you have questions regarding this report, you may call the Audits Section— Santa Ana at (714) 558-4434.

***(Original signed by Margaret Varho)***

Margaret A. Varho, Chief  
Audits Section—Santa Ana  
Financial Audits Branch

Certified

**SUMMARY OF FINDINGS**

**Provider Name:**  
NEWPORT SPECIALTY HOSPITAL

**Fiscal Period Ended:**  
AUGUST 31, 2011

	SETTLEMENT	COST
<b>1. Medi-Cal Noncontract Settlement (SCHEDULE 1)</b>		
<b>Provider NPI:</b>		
Reported	\$ 0	
Net Change	\$ 0	
Audited Amount Due Provider (State)	\$ 0	
<b>2. Subprovider I (SCHEDULE 1-1)</b>		
<b>Provider NPI:</b>		
Reported	\$ 0	
Net Change	\$ 0	
Audited Amount Due Provider (State)	\$ 0	
<b>3. Subprovider II (SCHEDULE 1-2)</b>		
<b>Provider NPI:</b>		
Reported	\$ 0	
Net Change	\$ 0	
Audited Amount Due Provider (State)	\$ 0	
<b>4. Medi-Cal Contract Cost (CONTRACT SCH 1)</b>		
<b>Provider NPI: 1689743601</b>		
Reported		\$ 124,592
Net Change		\$ 2,025
Audited Cost		\$ 126,617
Audited Amount Due Provider (State)	\$ 0	
<b>5. Distinct Part Nursing Facility (DPNF SCH 1)</b>		
<b>Provider NPI:</b>		
Reported		\$ 0.00
Net Change		\$ 0.00
Audited Cost Per Day		\$ 0.00
Audited Amount Due Provider (State)	\$ 0	
<b>6. Distinct Part Nursing Facility (DPNF SCH 1-1)</b>		
<b>Provider NPI:</b>		
Reported		\$ 0.00
Net Change		\$ 0.00
Audited Cost Per Day		\$ 0.00
Audited Amount Due Provider (State)	\$ 0	
<b>7. Adult Subacute (ADULT SUBACUTE SCH 1)</b>		
<b>Provider NPI:</b>		
Reported		\$ 0.00
Net Change		\$ 0.00
Audited Cost Per Day		\$ 0.00
Audited Amount Due Provider (State)	\$ 0	
<b>8. Total Medi-Cal Settlement Due Provider (State) - (Lines 1 through 7)</b>	\$ 0	
<b>9. Total Medi-Cal Cost</b>		\$ 126,617

**SUMMARY OF FINDINGS**

**Provider Name:**  
**NEWPORT SPECIALTY HOSPITAL**

**Fiscal Period Ended:**  
**AUGUST 31, 2011**

		SETTLEMENT	COST
<b>10. Subacute (SUBACUTE SCH 1-1)</b> <b>Provider NPI: 1043385982</b>	Reported		\$ 740.03
	Net Change		\$ 161.73
	Audited Cost Per Day		\$ 901.76
	Audited Amount Due Provider (State)	\$ 0	
<b>11. Rural Health Clinic (RHC SCH 1)</b> <b>Provider NPI:</b>	Reported	\$ 0	
	Net Change	\$ 0	
	Audited Amount Due Provider (State)	\$ 0	
<b>12. Rural Health Clinic (RHC 95-210 SCH 1)</b> <b>Provider NPI:</b>	Reported	\$ 0	
	Net Change	\$ 0	
	Audited Amount Due Provider (State)	\$ 0	
<b>13. Rural Health Clinic (RHC 95-210 SCH 1-1)</b> <b>Provider NPI:</b>	Reported	\$ 0	
	Net Change	\$ 0	
	Audited Amount Due Provider (State)	\$ 0	
<b>14. County Medical Services Program (CMSP SCH 1)</b> <b>Provider NPI:</b>	Reported	\$ 0	
	Net Change	\$ 0	
	Audited Amount Due Provider (State)	\$ 0	
<b>15. Transitional Care (TC SCH 1)</b> <b>Provider NPI:</b>	Reported		\$ 0.00
	Net Change		\$ 0.00
	Audited Cost Per Day		\$ 0.00
	Audited Amount Due Provider (State)	\$ 0	
<b>16. Total Other Settlement Due Provider - (Lines 10 through 15)</b>	\$ 0		
<b>17. Total Combined Audited Settlement Due Provider (State/CMSP/RHC) - (Line 8 + Line 16)</b>	\$ 0		

## COMPUTATION OF MEDI-CAL CONTRACT COST

Provider Name:  
NEWPORT SPECIALTY HOSPITAL

Fiscal Period Ended:  
AUGUST 31, 2011

Provider NPI:  
1689743601

			REPORTED	AUDITED
1.	Net Cost of Covered Services Rendered to Medi-Cal Patients (Contract Sch 3)		\$ 124,592	\$ 126,617
2.	Excess Reasonable Cost Over Charges (Contract Sch 2)		\$ 0	\$ 0
3.	Medi-Cal Inpatient Hospital Based Physician Services		\$ 0	N/A
4.		\$ \$	0	0
5.	Subtotal (Sum of Lines 1 through 4)		\$ 124,592	\$ 126,617
6.		\$ \$	0	0
7.		\$ \$	0	0
8.	Total Medi-Cal Cost (Sum of Lines 5 through 7)		\$ 124,592	\$ 126,617
			(To Summary of Findings)	
9.	Medi-Cal Overpayments (Adj )		\$ 0	\$ 0
10.	Medi-Cal Credit Balances (Adj )		\$ 0	\$ 0
11.		\$ \$	0	0
12.		\$ \$	0	0
13.	TOTAL MEDI-CAL SETTLEMENT Due Provider (State)		\$ 0	\$ 0
			(To Summary of Findings)	

**COMPUTATION OF LESSER OF  
MEDI-CAL REASONABLE COST OR CUSTOMARY CHARGES**

**Provider Name:**  
**NEWPORT SPECIALTY HOSPITAL**

**Fiscal Period Ended:**  
**AUGUST 31, 2011**

**Provider NPI:**  
**1689743601**

	REPORTED	AUDITED
<b>REASONABLE COST OF MEDI-CAL INPATIENT SERVICES</b>		
1. Cost of Covered Services (Contract Sch 3)	\$ <u>124,592</u>	\$ <u>126,617</u>
<b>CHARGES FOR MEDI-CAL INPATIENT SERVICES</b>		
2. Inpatient Routine Service Charges (Adj 15)	\$ <u>0</u>	\$ <u>159,834</u>
3. Inpatient Ancillary Service Charges (Adj 15)	\$ <u>664,969</u>	\$ <u>669,721</u>
4. Total Charges - Medi-Cal Inpatient Services	\$ <u>664,969</u>	\$ <u>829,555</u>
5. Excess of Customary Charges Over Reasonable Cost (Line 4 minus Line 1) *	\$ <u>540,377</u>	\$ <u>702,938</u>
6. Excess of Reasonable Cost Over Customary Charges (Line 1 minus Line 4)	\$ <u>0</u>	\$ <u>0</u>
	(To Contract Sch 1)	

\* If charges exceed reasonable cost, no further calculation necessary for this schedule.



**COMPUTATION OF  
MEDI-CAL INPATIENT ROUTINE SERVICE COST**

**Provider Name:**  
**NEWPORT SPECIALTY HOSPITAL**

**Fiscal Period Ended:**  
**AUGUST 31, 2011**

**Provider NPI:**  
**1689743601**

**GENERAL SERVICE UNIT NET OF SWING-BEDS COSTS****INPATIENT DAYS**

	<b>REPORTED</b>	<b>AUDITED</b>
1. Total Inpatient Days (include private & swing-bed) (Adj )	6,726	6,726
2. Inpatient Days (include private, exclude swing-bed)	6,726	6,726
3. Private Room Days (exclude swing-bed private room) (Adj )	0	0
4. Semi-Private Room Days (exclude swing-bed) (Adj )	6,726	6,726
5. Medicare NF Swing-Bed Days through Dec 31 (Adj )	0	0
6. Medicare NF Swing-Bed Days after Dec 31 (Adj )	0	0
7. Medi-Cal NF Swing-Bed Days through July 31 (Adj )	0	0
8. Medi-Cal NF Swing-Bed Days after July 31 (Adj )	0	0
9. Medi-Cal Days (excluding swing-bed) (Adj 13)	0	3

**SWING-BED ADJUSTMENT**

17. Medicare NF Swing-Bed Rates through Dec 31 (Adj )	\$ 0.00	\$ 0.00
18. Medicare NF Swing-Bed Rates after Dec 31 (Adj )	\$ 0.00	\$ 0.00
19. Medi-Cal NF Swing-Bed Rates through July 31 (Adj )	\$ 0.00	\$ 0.00
20. Medi-Cal NF Swing-Bed Rates after July 31 (Adj )	\$ 0.00	\$ 0.00
21. Total Routine Serv Cost (Sch 8, Line 30, Col 27)	\$ 9,201,218	\$ 8,448,901
22. Medicare NF Swing-Bed Cost through Dec 31 (L 5 x L 17)	\$ 0	\$ 0
23. Medicare NF Swing-Bed Cost after Dec 31 (L 6 x L 18)	\$ 0	\$ 0
24. Medi-Cal NF Swing-Bed Cost through July 31 (L 7 x L 19)	\$ 0	\$ 0
25. Medi-Cal NF Swing-Bed Cost after July 31 (L 8 x L 20)	\$ 0	\$ 0
26. Total Swing-Bed Cost (Sum of Lines 22 to 25)	\$ 0	\$ 0
27. Inpatient Routine Cost Net of Swing-Bed (L 21 minus L 26)	\$ 9,201,218	\$ 8,448,901

**PRIVATE ROOM DIFFERENTIAL ADJUSTMENT**

28. Gen Inpatient Routine Serv Charges (excl swing-bed charges) (Adj )	\$ 31,982,536	\$ 31,982,536
29. Private Room Charges (excluding swing-bed charges) (Adj )	\$ 0	\$ 0
30. Semi-Private Room Charges (excluding swing-bed charges) (Adj )	\$ 0	\$ 0
31. Gen Inpatient Routine Service Cost/Charge Ratio (L 27 ÷ L 28)	\$ 0.287695	\$ 0.264172
32. Average Private Room Per Diem Charge (L 29 ÷ L 3)	\$ 0.00	\$ 0.00
33. Average Semi-Private Room Per Diem Charge (L 30 ÷ L 4)	\$ 0.00	\$ 0.00
34. Avg Per Diem Prvt Room Charge Differential (L 32 minus L 33)	\$ 0.00	\$ 0.00
35. Average Per Diem Private Room Cost Differential (L 31 x L 34)	\$ 0.00	\$ 0.00
36. Private Room Cost Differential Adjustment (L 35 x L 3)	\$ 0	\$ 0
37. Inpatient Rout Cost Net of Swing-Bed & Prvt Rm (L 27 minus L 36)	\$ 9,201,218	\$ 8,448,901

**PROGRAM INPATIENT OPERATING COST**

38. Adjusted General Inpatient Routine Cost Per Diem (L 37 ÷ L 2)	\$ 1,368.01	\$ 1,256.16
39. Program General Inpatient Routine Service Cost (L 9 x L 38)	\$ 0	\$ 3,768
40. Cost Applicable to Medi-Cal (Contract Sch 4A)	\$ 60,174	\$ 58,117
41. Cost Applicable to Medi-Cal (Contract Sch 4B)	\$ 0	\$ 0
42. TOTAL MEDI-CAL ROUTINE COST (Sum of Lines 39, 40 & 41)	\$ 60,174	\$ 61,885

(To Contract Sch 3)

**COMPUTATION OF  
MEDI-CAL INPATIENT ROUTINE SERVICE COST**

**Provider Name:**  
**NEWPORT SPECIALTY HOSPITAL**

**Fiscal Period Ended:**  
**AUGUST 31, 2011**

**Provider NPI:**  
**1689743601**

<b>SPECIAL CARE AND/OR NURSERY UNITS</b>	<b>REPORTED</b>	<b>AUDITED</b>
<b>NURSERY</b>		
1. Total Inpatient Routine Cost (Sch 8, Line 43, Col 27)	\$ 0	\$ 0
2. Total Inpatient Days (Adj )	0	0
3. Average Per Diem Cost	\$ 0.00	\$ 0.00
4. Medi-Cal Inpatient Days (Adj )	0	0
5. Cost Applicable to Medi-Cal	\$ 0	\$ 0
<b>INTENSIVE CARE UNIT</b>		
6. Total Inpatient Routine Cost (Sch 8, Line 31, Col 27)	\$ 2,842,815	\$ 2,745,610
7. Total Inpatient Days (Adj )	1,748	1,748
3. Average Per Diem Cost	\$ 1,626.32	\$ 1,570.72
4. Medi-Cal Inpatient Days (Adj )	37	37
5. Cost Applicable to Medi-Cal	\$ 60,174	\$ 58,117
<b>CORONARY CARE UNIT</b>		
11. Total Inpatient Routine Cost (Sch 8, Line 32, Col 27)	\$ 0	\$ 0
12. Total Inpatient Days (Adj )	0	0
8. Average Per Diem Cost	\$ 0.00	\$ 0.00
9. Medi-Cal Inpatient Days (Adj )	0	0
10. Cost Applicable to Medi-Cal	\$ 0	\$ 0
<b>BURN INTENSIVE CARE UNIT</b>		
16. Total Inpatient Routine Cost (Sch 8, Line 33, Col 27)	\$ 0	\$ 0
17. Total Inpatient Days (Adj )	0	0
13. Average Per Diem Cost	\$ 0.00	\$ 0.00
14. Medi-Cal Inpatient Days (Adj )	0	0
15. Cost Applicable to Medi-Cal	\$ 0	\$ 0
<b>SURGICAL INTENSIVE CARE UNIT</b>		
21. Total Inpatient Routine Cost (Sch 8, Line 34, Col 27)	\$ 0	\$ 0
22. Total Inpatient Days (Adj )	0	0
18. Average Per Diem Cost	\$ 0.00	\$ 0.00
19. Medi-Cal Inpatient Days (Adj )	0	0
20. Cost Applicable to Medi-Cal	\$ 0	\$ 0
<b>OTHER SPECIAL CARE (SPECIFY)</b>		
26. Total Inpatient Routine Cost (Sch 8, Line 35, Col 27)	\$ 0	\$ 0
27. Total Inpatient Days (Adj )	0	0
23. Average Per Diem Cost	\$ 0.00	\$ 0.00
24. Medi-Cal Inpatient Days (Adj )	0	0
25. Cost Applicable to Medi-Cal	\$ 0	\$ 0
31. Medi-Cal Routine Cost (Sum of Lines 5,10,15,20,25,30)	\$ 60,174	\$ 58,117

(To Contract Sch 4)

COMPUTATION OF  
MEDI-CAL INPATIENT ROUTINE SERVICE COST

Provider Name:  
NEWPORT SPECIALTY HOSPITAL

Fiscal Period Ended:  
AUGUST 31, 2011

Provider NPI:  
1689743601

SPECIAL CARE UNITS	REPORTED	AUDITED
1. Total Inpatient Routine Cost (Sch 8, Line ____, Col 27)	\$ 0	\$ 0
2. Total Inpatient Days (Adj )	0	0
3. Average Per Diem Cost	\$ 0.00	\$ 0.00
4. Medi-Cal Inpatient Days (Adj )	0	0
5. Cost Applicable to Medi-Cal	\$ 0	\$ 0
6. Total Inpatient Routine Cost (Sch 8, Line ____, Col 27)	\$ 0	\$ 0
7. Total Inpatient Days (Adj )	0	0
8. Average Per Diem Cost	\$ 0.00	\$ 0.00
9. Medi-Cal Inpatient Days (Adj )	0	0
10. Cost Applicable to Medi-Cal	\$ 0	\$ 0
11. Total Inpatient Routine Cost (Sch 8, Line ____, Col 27)	\$ 0	\$ 0
12. Total Inpatient Days (Adj )	0	0
13. Average Per Diem Cost	\$ 0.00	\$ 0.00
14. Medi-Cal Inpatient Days (Adj )	0	0
15. Cost Applicable to Medi-Cal	\$ 0	\$ 0
16. Total Inpatient Routine Cost (Sch 8, Line ____, Col 27)	\$ 0	\$ 0
17. Total Inpatient Days (Adj )	0	0
18. Average Per Diem Cost	\$ 0.00	\$ 0.00
19. Medi-Cal Inpatient Days (Adj )	0	0
20. Cost Applicable to Medi-Cal	\$ 0	\$ 0
21. Total Inpatient Routine Cost (Sch 8, Line ____, Col 27)	\$ 0	\$ 0
22. Total Inpatient Days (Adj )	0	0
23. Average Per Diem Cost	\$ 0.00	\$ 0.00
24. Medi-Cal Inpatient Days (Adj )	0	0
25. Cost Applicable to Medi-Cal	\$ 0	\$ 0
25. Total Inpatient Routine Cost (Sch 8, Line ____, Col 27)	\$ 0	\$ 0
26. Total Inpatient Days (Adj )	0	0
28. Average Per Diem Cost	\$ 0.00	\$ 0.00
29. Medi-Cal Inpatient Days (Adj )	0	0
30. Cost Applicable to Medi-Cal	\$ 0	\$ 0
31. Medi-Cal Routine Cost (Sum of Lines 5,10,15,20,25,30)	\$ 0	\$ 0

(To Contract Sch 4)

## SCHEDULE OF MEDI-CAL ANCILLARY COSTS

Provider Name:  
NEWPORT SPECIALTY HOSPITAL

Fiscal Period Ended:  
AUGUST 31, 2011

Provider NPI:  
1689743601

	TOTAL ANCILLARY COST*	TOTAL ANCILLARY CHARGES (Adj)	RATIO COST TO CHARGES	MEDI-CAL CHARGES (Contract Sch 6)	MEDI-CAL COST
<b>ANCILLARY COST CENTERS</b>					
50.00 Operating Room	\$ 1,211,945	\$ 1,344,453	0.901441	\$ 5,295	\$ 4,773
51.00 Recovery Room	0	0	0.000000	0	0
52.00 Labor Room and Delivery Room	0	0	0.000000	0	0
53.00 Anesthesiology	0	0	0.000000	0	0
54.00 Radiology-Diagnostic	731,169	1,455,906	0.502209	9,696	4,869
55.00 Radiology-Therapeutic	0	0	0.000000	0	0
56.00 Radioisotope	0	0	0.000000	0	0
57.00 Computed Tomography (CT) Scan	0	0	0.000000	0	0
58.00 Magnetic Resonance Imaging (MRI)	0	0	0.000000	0	0
59.00 Cardiac Catheterization	0	0	0.000000	0	0
60.00 Laboratory	1,126,617	3,029,166	0.371923	43,779	16,282
61.00 PBP Clinical Laboratory Services-Program Only	0	0	0.000000	0	0
62.00 Whole Blood & Packed Red Blood Cells	0	0	0.000000	0	0
63.00 Blood Storing, Processing, & Trans.	0	0	0.000000	0	0
64.00 Intravenous Therapy	0	0	0.000000	0	0
65.00 Respiratory Therapy	3,205,931	67,750,607	0.047320	144,534	6,839
66.00 Physical Therapy	694,712	2,648,137	0.262340	2,894	759
67.00 Occupational Therapy	0	0	0.000000	0	0
68.00 Speech Pathology	0	0	0.000000	0	0
69.00 Electrocardiology	17,129	423,595	0.040437	6,157	249
70.00 Electroencephalography	0	0	0.000000	0	0
71.00 Medical Supplies Charged to Patients	749,072	31,164,938	0.024036	256,993	6,177
72.00 Implantable Devices Charged to Patients	0	0	0.000000	0	0
73.00 Drugs Charged to Patients	1,636,584	23,114,147	0.070804	152,073	10,767
74.00 Renal Dialysis	389,177	1,341,060	0.290201	48,300	14,017
75.00 ASC (Non-Distinct Part)	0	0	0.000000	0	0
76.00 Other Ancillary (specify)	0	0	0.000000	0	0
77.00	0	0	0.000000	0	0
78.00	0	0	0.000000	0	0
79.00	0	0	0.000000	0	0
80.00	0	0	0.000000	0	0
81.00	0	0	0.000000	0	0
82.00	0	0	0.000000	0	0
83.00	0	0	0.000000	0	0
84.00	0	0	0.000000	0	0
85.00	0	0	0.000000	0	0
86.00	0	0	0.000000	0	0
87.00	0	0	0.000000	0	0
87.01	0	0	0.000000	0	0
88.00 Rural Health Clinic (RHC)	0	0	0.000000	0	0
89.00 Federally Qualified Health Center (FQHC)	0	0	0.000000	0	0
90.00 Clinic	47,183	31,410	1.502174	0	0
91.00 Emergency	0	0	0.000000	0	0
92.00 Observation Beds	0	0	0.000000	0	0
93.00 Other Outpatient Services (Specify)	0	0	0.000000	0	0
93.01	0	0	0.000000	0	0
93.02	0	0	0.000000	0	0
93.03	0	0	0.000000	0	0
93.04	0	0	0.000000	0	0
93.05	0	0	0.000000	0	0
TOTAL	\$ 9,809,520	\$ 132,303,419		\$ 669,721	\$ 64,732

(To Contract Sch 3)

\* From Schedule 8, Column 26

## ADJUSTMENTS TO MEDI-CAL CHARGES

Provider Name:  
NEWPORT SPECIALTY HOSPITAL

Fiscal Period Ended:  
AUGUST 31, 2011

Provider NPI:  
1689743601

ANCILLARY CHARGES		REPORTED	ADJUSTMENTS (Adj 14)	AUDITED
50.00	Operating Room	\$ 5,295	\$	\$ 5,295
51.00	Recovery Room			0
52.00	Labor Room and Delivery Room			0
53.00	Anesthesiology			0
54.00	Radiology-Diagnostic	9,696		9,696
55.00	Radiology-Therapeutic			0
56.00	Radioisotope			0
57.00	Computed Tomography (CT) Scan			0
58.00	Magnetic Resonance Imaging (MRI)			0
59.00	Cardiac Catheterization			0
60.00	Laboratory	42,300	1,479	43,779
61.00	PBP Clinical Laboratory Services-Program Only			0
62.00	Whole Blood & Packed Red Blood Cells			0
63.00	Blood Storing, Processing, & Trans.			0
64.00	Intravenous Therapy			0
65.00	Respiratory Therapy	143,140	1,394	144,534
66.00	Physical Therapy	2,601	293	2,894
67.00	Occupational Therapy			0
68.00	Speech Pathology			0
69.00	Electrocardiology	6,157		6,157
70.00	Electroencephalography			0
71.00	Medical Supplies Charged to Patients	256,464	529	256,993
72.00	Implantable Devices Charged to Patients			0
73.00	Drugs Charged to Patients	151,016	1,057	152,073
74.00	Renal Dialysis	48,300		48,300
75.00	ASC (Non-Distinct Part)			0
76.00	Other Ancillary (specify)			0
77.00				0
78.00				0
79.00				0
80.00				0
81.00				0
82.00				0
83.00				0
84.00				0
85.00				0
86.00				0
87.00				0
87.01				0
88.00	Rural Health Clinic (RHC)			0
89.00	Federally Qualified Health Center (FQHC)			0
90.00	Clinic			0
91.00	Emergency			0
92.00	Observation Beds			0
93.00	Other Outpatient Services (Specify)			0
93.01				0
93.02				0
93.03				0
93.04				0
93.05				0
TOTAL MEDI-CAL ANCILLARY CHARGES		\$ 664,969	\$ 4,752	\$ 669,721

(To Contract Sch 5)



## COMPUTATION OF SUBACUTE PER DIEM

Provider Name:  
NEWPORT SPECIALTY HOSPITAL

Fiscal Period Ended:  
AUGUST 31, 2011

Provider NPI:  
1043385982

	REPORTED	AUDITED	DIFFERENCE
<b>COMPUTATION OF SUBACUTE PER DIEM</b>			
1. Subacute Ancillary Cost (Subacute Sch 3-1)	\$ 599,971	\$ 2,633,513	\$ 2,033,542
2. Subacute Routine Cost (Subacute Sch 2-1)	\$ 6,821,756	\$ 6,411,153	\$ (410,603)
3. Total Subacute Facility Cost (Lines 1 & 2)	\$ 7,421,727	\$ 9,044,666	\$ 1,622,939
4. Total Subacute Patient Days (Adj 12)	10,029	10,030	1
5. Average Subacute Per Diem Cost (L3 ÷ L4)	\$ 740.03	\$ 901.76	\$ 161.73

**SUBACUTE OVERPAYMENT & OVERBILLINGS**

6. Medi-Cal Overpayments (Adj )	\$ 0	\$ 0	\$ 0
7. Medi-Cal Credit Balances (Adj )	\$ 0	\$ 0	\$ 0
8. MEDI-CAL SETTLEMENT Due Provider (State)	\$ 0	\$ 0	\$ 0
		(To Summary of Findings)	

**GENERAL INFORMATION**

9. Contracted Number of Subacute Beds (Adj 18)	0	37	37
10. Total Licensed Nursing Facility Beds (Adj )	42	42	0
11. Total Licensed Capacity (All levels of care)(Adj )	177	177	0
12. Total Medi-Cal Subacute Patient Days (Adj 16)	1,496	1,406	(90)

**CAPITAL RELATED COST**

13. Direct Capital Related Cost	N/A	\$ 0	N/A
14. Indirect Capital Related Cost (Subacute Sch 5-1)	N/A	\$ 98,458	N/A
15. Total Capital Related Cost (Lines 13 & 14)	N/A	\$ 98,458	N/A

**TOTAL SALARY & BENEFITS**

16. Direct Salary & Benefits Expenses	N/A	\$ 3,021,698	N/A
17. Allocated Salary & Benefits Expenses (Subacute Sch 5-1)	N/A	\$ 824,634	N/A
18. Total Salary & Benefits Expenses (Lines 16 & 17)	N/A	\$ 3,846,332	N/A

**AUDITED ADULT SUBACUTE COST-VENTILATOR AND NONVENTILATOR**

	AUDITED COSTS (Adj 20)	AUDITED TOTAL DAYS (Adj 19)	AUDITED MEDI-CAL DAYS (Adj 16)
19. Ventilator (Equipment Cost Only)	\$ 19,739	3,204	659
20. Nonventilator	N/A	6,826	N/A
21. TOTAL	N/A	10,030	N/A

## SUMMARY OF SUBACUTE FACILITY EXPENSES

Provider Name:  
NEWPORT SPECIALTY HOSPITAL

Fiscal Period Ended:  
AUGUST 31, 2011

Provider NPI:  
1043385982

	COST CENTER	REPORTED	AUDITED *	DIFFERENCE
COL.	DIRECT AND ALLOCATED EXPENSE			
0.00	Subacute	\$ 3,792,428	\$ 3,787,890	\$ (4,538)
1.00	Capital Related Costs-Buildings and Fixtures		712	712
2.00	Capital Related Costs-Movable Equipment	87,990	63,562	(24,428)
3.00	Other Capital Related Costs		0	0
3.01			0	0
3.02			0	0
3.03			0	0
3.04			0	0
3.05			0	0
3.06			0	0
3.07			0	0
3.08			0	0
3.09			0	0
4.00	Employee Benefits	21,992	21,948	(44)
5.01			0	0
5.02			0	0
5.03			0	0
5.04			0	0
5.05			0	0
5.06			0	0
5.07			0	0
5.08			0	0
5.00	Administrative and General	1,164,468	1,175,288	10,820
6.00	Maintenance and Repairs	124,884	89,716	(35,168)
7.00	Operation of Plant	160,032	113,934	(46,098)
8.00	Laundry and Linen Service	204,240	212,875	8,635
9.00	Housekeeping	86,587	61,702	(24,885)
10.00	Dietary	646,865	276,288	(370,577)
11.00	Cafeteria		90,867	90,867
12.00	Maintenance of Personnel		0	0
13.00	Nursing Administration	309,105	310,461	1,356
14.00	Central Services and Supply	27,854	11,818	(16,036)
15.00	Pharmacy	148,328	148,163	(165)
16.00	Medical Records & Library	20,585	18,718	(1,867)
17.00	Social Service	26,399	27,211	812
18.00	Other General Service (specify)		0	0
19.00	Nonphysician Anesthetists		0	0
20.00	Nursing School		0	0
21.00	Intern & Res. Service-Salary & Fringes (Approved)		0	0
22.00	Intern & Res. Other Program Costs (Approved)		0	0
23.00	Paramedical Ed. Program (specify)		0	0
23.01			0	0
23.02			0	0
101.00	TOTAL DIRECT AND ALLOCATED EXPENSES	\$ 6,821,756	\$ 6,411,153	\$ (410,603)

(To Subacute Sch 1-1)





**ALLOCATION OF INDIRECT EXPENSES  
SUBACUTE**

**Provider Name:**  
**NEWPORT SPECIALTY HOSPITAL**

**Fiscal Period Ended:**  
**AUGUST 31, 2011**

**Provider NPI:**  
**1043385982**

COL.	COST CENTER ALLOCATED EXPENSES	AUDITED CAP RELATED (COL 1)	AUDITED SAL & EMP BENEFITS (COL 2)
1.00	Capital Related Costs-Buildings and Fixtures	\$ 712	\$ N/A
2.00	Capital Related Costs-Movable Equipment	63,562	N/A
3.00	Other Capital Related Costs	0	N/A
3.01		0	N/A
3.02		0	N/A
3.03		0	N/A
3.04		0	N/A
3.05		0	N/A
3.06		0	N/A
3.07		0	N/A
3.08		0	N/A
3.09		0	N/A
4.00	Employee Benefits	118	21,830
5.01		0	0
5.02		0	0
5.03		0	0
5.04		0	0
5.05		0	0
5.06		0	0
5.07		0	0
5.08		0	0
5.00	Administrative and General	10,665	188,287
6.00	Maintenance and Repairs	1,970	27,657
7.00	Operation of Plant	1,507	46,507
8.00	Laundry and Linen Service	2,078	9,548
9.00	Housekeeping	387	36,876
10.00	Dietary	6,495	150,714
11.00	Cafeteria	5,670	45,083
12.00	Maintenance of Personnel	0	0
13.00	Nursing Administration	1,824	184,415
14.00	Central Services and Supply	1,653	2,878
15.00	Pharmacy	1,241	80,418
16.00	Medical Records & Library	474	11,256
17.00	Social Service	101	19,165
18.00	Other General Service (specify)	0	0
19.00	Nonphysician Anesthetists	0	0
20.00	Nursing School	0	0
21.00	Intern & Res. Service-Salary & Fringes (Approved)	0	0
22.00	Intern & Res. Other Program Costs (Approved)	0	0
23.00	Paramedical Ed. Program (specify)	0	0
23.01		0	0
23.02		0	0
101.00	<b>TOTAL ALLOCATED INDIRECT EXPENSES</b>	<b>\$ 98,458</b>	<b>\$ 824,634</b>

(To Subacute Sch 1-1)

Provider Name							Fiscal Period			Provider NPI		Adjustments
NEWPORT SPECIALTY HOSPITAL							SEPTEMBER 1, 2010 THROUGH AUGUST 31, 2011			1689743601		20
Report References							Explanation of Audit Adjustments			As Reported	Increase (Decrease)	As Adjusted
Adj. No.	Audit Report	Cost Report										
		Work Sheet	Part	Title	Line	Col.						
1							<p style="text-align: center;"><u>MEMORANDUM ADJUSTMENT</u></p> <p>The subacute data reported in the cost report in Skilled Nursing Facility, Line 44, has been reclassified to Other Long Term Care, Line 46, for proper cost determination. This is done in accordance with 42 CFR 413.20 and 413.24 / CMS Pub.15-1, Sections 2300 and 2304.</p>					

Provider Name			Fiscal Period				Provider NPI		Adjustments	
NEWPORT SPECIALTY HOSPITAL			SEPTEMBER 1, 2010 THROUGH AUGUST 31, 2011				1689743601		20	
Report References							Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
Adj. No.	Audit Report	Cost Report								
		Work Sheet	Part	Title	Line	Col.				
<b>ADJUSTMENTS TO REPORTED COSTS</b>										
2	10A	A			2.00	7	New Capital Related Costs - Movable Equipment To adjust depreciation to agree with the provider's detailed depreciation schedules. 42 CFR 413.20, 413.24, 413.50, and 413.134 CMS Pub. 15-1, Sections 102, 2300, 2302.4, and 2304	\$718,247	(\$19,547)	\$698,700
3	10A	A			5.00	7	Administrative and General To eliminate legal fees expense due to insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	\$6,741,128	(\$3,462)	\$6,737,666 *
4	10A	A			5.00	7	Administrative and General	* \$6,737,666	(\$139,913)	\$6,597,753 *
	10A	A			10.00	7	Dietary	737,058	(231,143)	505,915
	10A	A			16.00	7	Medical Records and Library To abate miscellaneous revenue against related costs. 42 CFR 413.5 and 413.9 / CMS Pub. 15-1, Section 2328 CMS Pub. 15-2, Section 3613	167,993	(3,571)	164,422
5	10A	A			1.00	7	New Capital Related Costs - Buildings and Fixtures	\$0	\$7,827	\$7,827
	10A	A			5.00	7	Administrative and General To adjust reported home office costs to agree with the Pacific Health Corporation Home Office Cost Reports for fiscal periods ended April 30, 2011 and April 30, 2012. 42 CFR 413.17 / CMS Pub. 15-1, Sections 2150.2 and 2304	* 6,597,753	196,540	6,794,293
6	10A	A			46.00	7	Other Long Term Care To eliminate professional fees expense due to insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	\$3,792,428	(\$4,538)	\$3,787,890

\*Balance carried forward from prior/to subsequent adjustments

Provider Name				Fiscal Period				Provider NPI		Adjustments
NEWPORT SPECIALTY HOSPITAL				SEPTEMBER 1, 2010 THROUGH AUGUST 31, 2011				1689743601		20
Report References				Explanation of Audit Adjustments				As Reported	Increase (Decrease)	As Adjusted
Adj. No.	Audit Report	Cost Report								
		Work Sheet	Part	Title	Line	Col.				
<b>ADJUSTMENTS TO REPORTED STATISTICS</b>										
7	9	Not Reported			194.00	1,2,6,7,9	Medical Office Building (Square Feet)	0	30,000	30,000
	9	B-1			1,2	1,2	Total - Square Feet	88,469	30,000	118,469 *
	9	B-1			6.00	6	Total - Square Feet	76,306	30,000	106,306 *
	9	B-1			7.00	7	Total - Square Feet	74,321	30,000	104,321 *
	9	B-1			9.00	9	Total - Square Feet	73,471	30,000	103,471 *
To establish a nonreimbursable cost center for the square footage pertaining to the medical office building which is not being used for direct care. 42 CFR 413.9 (c)(3) / CMS Pub. 15-1, Section 2102.3										
8	9	B-1			10.00	1,2,6,7,9	Dietary (Square Feet)	5,201	(493)	4,708 *
	9	B-1			194.03	1,2,6,7,9	Nonpatient Meals	0	493	493
To reclassify physicians' dining room square footage to a nonreimbursable cost center. 42 CFR 413.24 / CMS Pub. 15-1, Sections 2328 and 2304										
9	9	B-1			5.00	1,2	Administrative and General (Square Feet)	9,139	1,357	10,496
	9	B-1			10.00	1,2,6,7,9	Dietary	* 4,708	(2,149)	2,559
	9	B-1			11.00	1,2,6,7,9	Cafeteria	0	2,149	2,149
	9	B-1			14.00	1,2,6,7,9	Central Services and Supply	2,602	(1,357)	1,245
	9	B-1			30.00	1,2,6,7,9	Adults and Pediatrics	24,804	(8,448)	16,356
	9	B-1			54.00	1,2,6,7,9	Radiology - Diagnostic	1,730	667	2,397
	9	B-1			90.00	1,2,6,7,9	Clinic	3,718	(3,394)	324
	9	B-1			194.01	1,2,6,7,9	Other Nonreimbursable Cost Centers	7,688	11,842	19,530
	9	B-1			1,2	1,2	Total - Square Feet	* 118,469	667	119,136
	9	B-1			6.00	6	Total - Square Feet	* 106,306	(690)	105,616
	9	B-1			7.00	7	Total - Square Feet	* 104,321	(690)	103,631
	9	B-1			9.00	9	Total - Square Feet	* 103,471	(690)	102,781
To adjust square footage statistics to agree with the provider's square footage schedule and expense groupings. 42 CFR 413.24 and 413.50 / CMS Pub. 15-1, Sections 2304 and 2306										

\*Balance carried forward from prior/to subsequent adjustments

Provider Name							Fiscal Period		Provider NPI		Adjustments
NEWPORT SPECIALTY HOSPITAL							SEPTEMBER 1, 2010 THROUGH AUGUST 31, 2011		1689743601		20
Report References							Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted	
Adj. No.	Audit Report	Cost Report									
		Work Sheet	Part	Title	Line	Col.					
<b>ADJUSTMENTS TO REPORTED STATISTICS</b>											
10	9	B-1			10.00	8	Dietary (Pounds of Laundry)	0	1,546	1,546	
	9	B-1			30.00	8	Adults and Pediatrics	115,414	(27,754)	87,660	
	9	B-1			31.00	8	Intensive Care Unit	29,995	(7,907)	22,088	
	9	B-1			46.00	8	Other Long Term Care	172,092	8,891	180,983	
	9	B-1			50.00	8	Operating Room	0	1,873	1,873	
	9	B-1			54.00	8	Radiology - Diagnostic	0	4,203	4,203	
	9	B-1			66.00	8	Physical Therapy	0	86	86	
	9	B-1			90.00	8	Clinic	0	19,062	19,062	
							To adjust laundry and linen statistics to agree with the provider's records. 42 CFR 413.24 and 413.50 / CMS Pub. 15-I, Section 2304				
11	9	B-1			11.00	10	Cafeteria (Meals Served)	0	26,396	26,396	
	9	B-1			10.00	10	Total - Meals Served	56,712	26,396	83,108	
							To adjust dietary statistics to agree with the provider's records. 42 CFR 413.24 and 413.50 / CMS Pub. 15-I, Section 2304				

Provider Name							Fiscal Period		Provider NPI		Adjustments
NEWPORT SPECIALTY HOSPITAL							SEPTEMBER 1, 2010 THROUGH AUGUST 31, 2011		1689743601		20
Report References							Explanation of Audit Adjustments		As Reported	Increase (Decrease)	As Adjusted
Adj. No.	Audit Report	Cost Report									
		Work Sheet	Part	Title	Line	Col.					
<b><u>ADJUSTMENT TO REPORTED PATIENT DAYS</u></b>											
12	Subacute 1-1	D-1	I	XIX	4.00	1	Total Pediatric Subacute Days To adjust total patient days to agree with the provider's patient census reports. 42 CFR 413.20, 413.24, and 413.50 CMS Pub. 15-1, Sections 2205, 2300, and 2304		10,029	1	10,030

Provider Name							Fiscal Period		Provider NPI		Adjustments
NEWPORT SPECIALTY HOSPITAL							SEPTEMBER 1, 2010 THROUGH AUGUST 31, 2011		1689743601		20
Report References							Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted	
Adj. No.	Audit Report	Cost Report									
		Work Sheet	Part	Title	Line	Col.					
<b>ADJUSTMENTS TO REPORTED MEDI-CAL SETTLEMENT DATA - CONTRACT</b>											
13	Contract 4	D-1	I	XIX	9.00	1	Medi-Cal Days - Adults and Pediatrics	0	3	3	
14	Contract 6	D-3		XIX	60.00	2	Medi-Cal Ancillary Charges - Laboratory	\$42,300	\$1,479	\$43,779	
	Contract 6	D-3		XIX	65.00	2	Medi-Cal Ancillary Charges - Respiratory Therapy	143,140	1,394	144,534	
	Contract 6	D-3		XIX	66.00	2	Medi-Cal Ancillary Charges - Physical Therapy	2,601	293	2,894	
	Contract 6	D-3		XIX	71.00	2	Medi-Cal Ancillary Charges - Medical Supplies Charged To Patients	256,464	529	256,993	
	Contract 6	D-3		XIX	73.00	2	Medi-Cal Ancillary Charges - Drugs Charged To Patients	151,016	1,057	152,073	
	Contract 6	D-3		XIX	200.00	2	Medi-Cal Ancillary Charges - Total	664,969	4,752	669,721	
15	Contract 2	E-3	VII	XIX	8.00	1	Medi-Cal Routine Services	\$0	\$159,834	\$159,834	
	Contract 2	E-3	VII	XIX	9.00	1	Medi-Cal Ancillary Services	664,969	4,752	669,721	
<p style="text-align: center;">To adjust Medi-Cal Settlement Data to agree with the following Fiscal Intermediary Payment Data:                      Service Period: September 1, 2010 through August 31, 2011                      Payment Period: September 1, 2010 through January 14, 2013                      Report Date: January 15, 2013                      42 CFR 413.20, 413.24, 413.53, and 433.139                      CMS Pub. 15-1, Sections 2304, 2404, and 2408                      CCR, Title 22, Section 51541</p>											

Provider Name			Fiscal Period				Provider NPI		Adjustments	
NEWPORT SPECIALTY HOSPITAL			SEPTEMBER 1, 2010 THROUGH AUGUST 31, 2011				1689743601		20	
Report References										
Adj. No.	Audit Report	Cost Report					Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
		Work Sheet	Part	Title	Line	Col.				
<b>ADJUSTMENTS TO REPORTED MEDI-CAL SETTLEMENT DATA - SUBACUTE</b>										
16	Subacute 1-1	Not Reported					Medi-Cal Pediatric Subacute Days - Ventilator	0	659	659
	Subacute 1-1	S-3	I	XIX	19.00	7	Medi-Cal Pediatric Subacute Days - Total	1,496	(90)	1,406
To reflect total Medi-Cal patient days and ventilator Medi-Cal patient days based on the following Fiscal Intermediary Payment Data: Service Period: September 1, 2010 through August 31, 2011 Payment Period: September 1, 2010 through January 14, 2013 Report Date: January 15, 2013 42 CFR 413.20, 413.24, 413.50, 413.53, 413.60, 413.64, and 433.139 CMS Pub. 15-1, Sections 2300, 2304, 2404, and 2408 CCR, Title 22, Section 51541 Medi-Cal Adult Subacute Contract No. 06-03-40006										
17	Subacute 4-1	Not Reported					Pediatric Subacute Ancillary Charges - Radiology - Diagnostic	\$0	\$32,594	\$32,594
	Subacute 4-1	Not Reported					Pediatric Subacute Ancillary Charges - Respiratory Therapy	0	44,227,974	44,227,974
	Subacute 4-1	Not Reported					Pediatric Subacute Ancillary Charges - Physical Therapy	0	550,542	550,542
	Subacute 4-1	Not Reported					Pediatric Subacute Ancillary Charges - Medical Supplies Charged To Patients	0	14,224,471	14,224,471
	Subacute 4-1	Not Reported					Pediatric Subacute Ancillary Charges - Drugs Charged To Patients	0	536,250	536,250
	Subacute 4-1	Not Reported					Pediatric Subacute Ancillary Charges - Total	0	59,571,831	59,571,831
To include ancillary charges for subacute services, which are included in the Medi-Cal rate. CMS Pub. 15-1, Sections 2304 and 2408 CCR, Title 22, Section 51511.6										

Provider Name			Fiscal Period				Provider NPI		Adjustments	
NEWPORT SPECIALTY HOSPITAL			SEPTEMBER 1, 2010 THROUGH AUGUST 31, 2011				1689743601		20	
Report References			Explanation of Audit Adjustments				As Reported	Increase (Decrease)	As Adjusted	
Adj. No.	Audit Report	Work Sheet								Cost Report
		Part	Title	Line	Col.					
<b><u>ADJUSTMENTS TO OTHER MATTERS</u></b>										
18	Subacute 1-1	Not Reported		Contracted Number of Subacute Beds			0	37	37	
				To include the number of contracted subacute beds in the audit report. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304						
19	Subacute 1-1	Not Reported		Total Pediatric Subacute Days - Ventilator			0	3,204	3,204	
	Subacute 1-1	Not Reported		Total Pediatric Subacute Days - Nonventilator			0	6,826	6,826	
				To reflect total pediatric subacute patient days, and to include total ventilator and nonventilator patient days in the audit report lines 19, 20 and 21. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304 Medi-Cal Adult Subacute Contract No. 06-03-40006						
20	Subacute 1-1	Not Reported		Ventilator Equipment Cost			\$0	\$19,739	\$19,739	
				To reflect adult subacute ventilator equipment cost in the audit report. 42 CFR 413.24 and 413.24 / CMS Pub. 15-1, Section 2300 and 2304 Medi-Cal Adult Subacute Contract No. 06-03-40006						