



**REPORT
ON THE AUDIT OF
PEER GROUPING INPATIENT REIMBURSEMENT
LIMITATION (PIRL)
MERCY HOSPITAL OF BAKERSFIELD
BAKERSFIELD, CALIFORNIA
NATIONAL PROVIDER IDENTIFIER: 1104981661
FISCAL PERIOD ENDED
JUNE 30, 2011**

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

**Section Chief: Michael Harrold
Audit Supervisor: Kristina Nacino
Auditor: Lisa Merrill**



TOBY DOUGLAS
DIRECTOR

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



EDMUND G. BROWN JR.
GOVERNOR

June 19, 2014

Andrew Cantu, CFO
Mercy Hospital of Bakersfield
2215 Truxton Avenue
Bakersfield, CA 93302

MERCY HOSPITAL OF BAKERSFIELD
NATIONAL PROVIDER IDENTIFIER (NPI) 1104981661
FISCAL PERIOD ENDED JUNE 30, 2011

We have examined the Peer Grouping Inpatient Reimbursement Limitation (PIRL) Schedules for the above-referenced fiscal period. Our examination was made under the authority of Section 14170 of the Welfare and Institutions Code. The data for the schedules was obtained from provider records during a field audit.

In our opinion, the audited data presented in the PIRL Schedules represents a proper determination of audited cost, patient days, and direct labor cost in accordance with applicable programs.

This audit report includes the:

1. Peer Grouping Inpatient Reimbursement Limitation Schedules
2. Audit Adjustments Schedule

The results of this examination may be used to determine the Medi-Cal Peer Grouping Inpatient Reimbursement Limitation (PIRL) rate calculations. This will be determined by Safety Net Financing Division pursuant to California Code of Regulations (CCR), Title 22, Sections 51545 through 51556. These regulations may be viewed at www.oal.ca.gov.

Andrew Cantu, CFO
Page 2

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—Fresno at (559) 446-2458.

Original Signed by

Michael A. Harrold, Chief
Audits Section—Sacramento
Financial Audits Branch

Certified

RATE DEVELOPMENT SCHEDULES

PROVIDER NAME	MERCY HOSPITAL OF BAKERSFIELD
NPI	1104981661
FISCAL PERIOD	JULY 1, 2010 THROUGH JUNE 30, 2011
CONTRACT PERIOD	N/A

	<u>REFERENCE</u>		
A. EXPENSE PASS-THROUGH DATA			
1. Depreciation Expense: (Adj)	8810 - 8813, and/or .71, .72, .73 and .74	\$	7,152,881
2. Rent and Lease Expense: (Adj)	8820-8822, and/or .75 and .76	\$	2,438,833
3. Interest Expense: (Adj)	8860, 8870	\$	2,422,270
4. Property Taxes and License Fees: (Adj)	8850 and/or .83	\$	423,087
5. Utility Expense: (Adj)	.77, .78, .79, and .80	\$	2,756,640
6. Malpractice Insurance Expense: (Adj)	8830 and/or .81	\$	1,393,206
B. GROSS OPERATING EXPENSES (Adj)	Sch 10, line 101, col. 3	\$	242,497,812
C. STUDENT AND PHYSICIANS COMPENSATION			
1. Salaries and Wages (include benefits) (Adj)	.07, 8210.09 - 8290.09	\$	
2. Professional Fees (Adj)	.20	\$	3,197,064
D. PHARMACY NONLABOR EXPENSE (Adj)	8390.37 and 8390.38	\$	7,723,968
E. FOOD SERVICES NONLABOR EXPENSE (Adj)	8320, 8330 and 8340 and/or .42 and .43	\$	1,278,275
F. DIRECT OPERATING COSTS (Adj 10-13)			
1. Salaries and Wages	.00 - .09, .91, .95	\$	86,046,616
2. Employee Benefits	.10 - .19, .92, .96	\$	41,610,040
3. Other Professional Fees	.21 - .29	\$	1,801,248
4. Purchased Services	.61 - .69	\$	25,265,698
5. Supplies	.31 - .36, .39 - .41, .44 - .50, .93, .97	\$	28,270,343

RATE DEVELOPMENT SCHEDULES

PROVIDER NAME	MERCY HOSPITAL OF BAKERSFIELD
NPI	1104981661
FISCAL PERIOD	JULY 1, 2010 THROUGH JUNE 30, 2011
CONTRACT PERIOD	N/A

A. DIRECT PAYROLL COSTS (Totals)	<u>REFERENCE</u>		
1. Management and Supervision (Adj 14-15)			
a. Productive Salaries	.00	\$	9,755,328
b. Productive Hours			185,098.00
2. Technicians and Specialists (Adj)			
a. Productive Salaries	.01	\$	20,054,823
b. Productive Hours			576,879.00
3. Registered Nurses (Adj)			
a. Productive Salaries	.02	\$	36,970,796
b. Productive Hours			793,820.00
4. Licensed Vocational Nurses (Adj)			
a. Productive Salaries	.03	\$	571,175
b. Productive Hours			19,266.00
5. Aides and Orderlies (Adj)			
a. Productive Salaries	.04	\$	3,093,845
b. Productive Hours			152,790.00
6. Physicians (Salaried) (Adj)			
a. Productive Salaries	.07	\$	
b. Productive Hours			
7. Nonphysician Medical Practitioners (Adj)			
a. Productive Salaries	.08	\$	
b. Productive Hours			
8. Environmental and Food Services (Adj)			
a. Productive Salaries	.06	\$	3,208,361
b. Productive Hours			182,157.00
9. Clerical and Other Administrative (Adj)			
a. Productive Salaries	.05	\$	7,024,794
b. Productive Hours			340,841.00
10. Other Salaries and Wages (Adj)			
a. Productive Salaries	.09	\$	1,143,053
b. Productive Hours			53,897.00
11. All Nonproductive Salaries and Wages (Adj 16-17)			
a. Nonproductive Salaries	Labor Distribution	\$	12,912,560
b. Nonproductive Hours	Report or Provider W/P		364,094.00
B. SUBTOTAL DIRECT PAYROLL COST			
1. Productive Salaries (lines A1a - A10a) (Adj 18)		\$	81,822,175
2. Productive Hours (lines A1b - A10b) (Adj 19)			<u>2,304,748.00</u>
C. TOTAL PRODUCTIVE AND NONPRODUCTIVE SALARIES (A11a + B1) (Adj 20)		\$	<u>84,126,923</u>
D. TOTAL PRODUCTIVE AND NONPRODUCTIVE HOURS (A11b + B2) (Adj 21)			<u>2,668,842.00</u>

Provider Name				Fiscal Period		NPI	Adjustments
MERCY HOSPITAL OF BAKERSFIELD				JULY 1, 2010 THROUGH JUNE 30, 2011		1104981661	21
Report References				Explanation of Audit Adjustments	Reported	Increase (Decrease)	Adjusted
Adj. No.	Audit Report Page	RD Schedule Page Line					
<u>ADJUSTMENTS TO RATE DEVELOPMENT SCHEDULES</u>							
1	1	3	A	Medi-Cal Net Cost of Covered Services—Noncontract	\$ 13,224,686	\$ (436,064)	\$ 12,788,622
2	1	3	B	Deductibles and Coinsurance—Noncontract	\$ 242,234	\$ 30,955	\$ 273,189
3	1	3	C 1	Medi-Cal Inpatient Days—Adults and Pediatrics—Noncontract	4,075	145	4,220
4	1	3	C 2	Medi-Cal Inpatient Days—ICU—Noncontract	924	33	957
5	1	3	C 4	Medi-Cal Inpatient Days—Nursery—Noncontract	383	132	515
6	1	3	C 5	Medi-Cal Inpatient Days—NICU—Noncontract	181	(121)	60
7	1	3	D	Total Hospital Discharges	0	12,669	12,669
8	1	3	E	Total Medi-Cal Discharges	1,124	13	1,137
9	1	3	F	Total Medi-Cal Inpatient Charges—Noncontract	\$ 57,012,361	\$ 2,622,382	\$ 59,634,743
10	2	4	F 1	Direct Operating—Salaries and Wages	\$ 96,764,637	\$ (10,718,021)	\$ 86,046,616
11	2	4	F 2	Direct Operating—Employee Benefits	\$ 30,902,991	\$ 10,707,049	\$ 41,610,040

Provider Name				Fiscal Period		NPI	Adjustments
MERCY HOSPITAL OF BAKERSFIELD				JULY 1, 2010 THROUGH JUNE 30, 2011		1104981661	21
Report References				Explanation of Audit Adjustments	Reported	Increase (Decrease)	Adjusted
Adj. No.	Audit Report Page	RD Schedule Page Line					
12	2	4	F 4	Direct Operating—Purchased Services	\$ 14,190,000	\$ 11,075,698	\$ 25,265,698
13	2	4	F 5	Direct Operating—Supplies	\$ 27,872,752	\$ 397,591	\$ 28,270,343
14	3	5	A 1 a	Management and Supervision—Productive Salaries	\$ 10,236,491	\$ (481,163)	\$ 9,755,328
15	3	5	A 1 b	Management and Supervision—Productive Hours	178,882	6,216	185,098
16	3	5	A 11	Nonproductive Salaries and Wages	\$ 15,280,170	\$ (2,367,610)	\$ 12,912,560
17	3	5	A 11	Nonproductive Hours	383,417	(19,323)	364,094
18	3	5	B 1	Subtotal Productive Salaries	\$ 82,303,338	\$ (481,163)	\$ 81,822,175
19	3	5	B 2	Subtotal Productive Hours	2,298,532	6,216	2,304,748
20	3	5	C	Total Productive and Nonproductive Salaries	\$ 97,583,508	\$ (2,848,773)	\$ 94,734,735
21	3	5	D	Total Productive and Nonproductive Hours	2,681,949	(13,107)	2,668,842
				To adjust the Rate Development Schedules to agree with audit adjustments and/or provider records. CCR, Title 22, Section 51536			