

**REPORT
ON THE AUDIT OF
RATE DEVELOPMENT SCHEDULES**

**VALLEY MEMORIAL HOSPITAL
LIVERMORE, CALIFORNIA
NATIONAL PROVIDER IDENTIFIER: 1144389941**

**FISCAL PERIOD ENDED
JUNE 30, 2011**

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

**Section Chief: Louise Wong
Audit Supervisor: Marisa Ho
Auditor: Ken Phelan**



TOBY DOUGLAS
DIRECTOR

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



EDMUND G. BROWN JR.
GOVERNOR

January 9, 2013

Kenneth A. Jensen
Vice President/Chief Financial Officer
ValleyCare Health System
1111 East Stanley Boulevard
Livermore, CA 94550

VALLEY MEMORIAL HOSPITAL
NATIONAL PROVIDER IDENTIFIER (NPI) 1144389941
FISCAL PERIOD ENDED JUNE 30, 2011

We have examined the Rate Development 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 Rate Development 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. Rate Development 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 the Fee-For-Service Rates Development Division pursuant to California Code of Regulations (CCR), Title 22, Sections 51545 through 51556. These regulations may be viewed at www.oal.ca.gov.

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

Kenneth A. Jensen
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John Melton, 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—Richmond at (510) 620-3100.

Original Signed by

Louise Wong, Chief
Audits Section—Richmond
Financial Audits Branch

Certified

RATE DEVELOPMENT SCHEDULES

PROVIDER NAME VALLEY MEMORIAL HOSPITAL
NPI 1144389941
FISCAL PERIOD JULY 1, 2010 THROUGH JUNE 30, 2011

	Noncontract Cost Services		Medi-Cal For Contract Services		Medi-Cal Total For Fiscal Period
<u>ACUTE CARE ONLY</u>					
A. Medi-Cal Net Cost of Covered Services Plus Hospital-Based Physician Costs, Excluding Return on Equity (Schedule 1, Line 1) (Adj 1)	\$ 8,343,623		\$ 0		\$ 8,343,623
B. Deductibles and Coinsurance (Third Party Liability) (Schedule 3, Lines 9 and 10) (Adj 2)	\$ 158,612		\$ 0		\$ 158,612
C. Medi-Cal Inpatient Days (Adjs 3 - 5) (Schedules 4 and 4A)					
1. Routine (Adults and Pediatrics)	1,857.25		0		1,857.25
2. ICU	366.50		0		366.50
3. CCU					
4. Nursery	799.50		0		799.50
5. NICU					
6. Other (Specify)					
a.					
b.					
D. Total Hospital Discharges	N/A		N/A		7,163
E. Total Medi-Cal Discharges (Adj 6)	626		0		626
F. Total Medi-Cal Inpatient Charges (Schedule 2, Line 4) (Adj 7)	\$ 38,462,253		\$ 0		\$ 38,462,253

RATE DEVELOPMENT SCHEDULES

PROVIDER NAME VALLEY MEMORIAL HOSPITAL
NPI 1144389941
FISCAL PERIOD JULY 1, 2010 THROUGH JUNE 30, 2011

	<u>REFERENCE</u>		
A. EXPENSE PASS-THROUGH DATA			
1. Depreciation Expense:	8810 - 8813, and/or .71, .72, .73 and .74	\$	8,437,529
2. Rent and Lease Expense:	8820-8822, and/or .75 and .76	\$	7,257,573
3. Interest Expense:	8860, 8870	\$	5,665,502
4. Property Taxes and License Fees:	8850 and/or .83	\$	815,147
5. Utility Expense:	.77, .78, .79, and .80	\$	2,999,610
6. Malpractice Insurance Expense:	8830 and/or .81	\$	863,213
B. GROSS OPERATING EXPENSES	Sch 10, line 101, col. 3	\$	226,460,783
C. STUDENT AND PHYSICIANS COMPENSATION			
1. Salaries and Wages (include benefits)	.07, 8210.09 - 8290.09	\$	0
2. Professional Fees	.20	\$	4,772,850
D. PHARMACY NONLABOR EXPENSE	8390.37 and 8390.38	\$	4,229,887
E. FOOD SERVICES NONLABOR EXPENSE	8320, 8330 and 8340 and/or .42 and .43	\$	968,808
F. DIRECT OPERATING COSTS			
1. Salaries and Wages	.00 - .09, .91, .95	\$	87,233,680
2. Employee Benefits	.10 - .19, .92, .96	\$	34,516,170
3. Other Professional Fees	.21 - .29	\$	4,616,355
4. Purchased Services (Adj 9)	.61 - .69	\$	22,829,580
5. Supplies (Adj 10)	.31 - .36, .39 - .41, .44 - .50, .93, .97	\$	29,894,338
6. Other Direct Operating Expense (Adj 11)	.85 - .90	\$	11,360,541

RATE DEVELOPMENT SCHEDULES

PROVIDER NAME VALLEY MEMORIAL HOSPITAL
NPI 1144389941
FISCAL PERIOD JULY 1, 2010 THROUGH JUNE 30, 2011

A. DIRECT PAYROLL COSTS (Totals)	<u>REFERENCE</u>		
1. Management and Supervision (Adjs 12, 13)			
a. Productive Salaries	.00	\$	16,608,177
b. Productive Hours			254,076
2. Technicians and Specialists (Adjs 14, 15)			
a. Productive Salaries	.01	\$	21,568,775
b. Productive Hours			563,042
3. Registered Nurses (Adjs 16, 17)			
a. Productive Salaries	.02	\$	30,232,955
b. Productive Hours			505,514
4. Licensed Vocational Nurses (Adjs 18, 19)			
a. Productive Salaries	.03	\$	580,702
b. Productive Hours			19,162
5. Aides and Orderlies (Adjs 20, 21)			
a. Productive Salaries	.04	\$	2,561,920
b. Productive Hours			121,279
6. Physicians (Salaried)			
a. Productive Salaries	.07	\$	0
b. Productive Hours			0
7. Nonphysician Medical Practitioners			
a. Productive Salaries	.08	\$	0
b. Productive Hours			0
8. Environmental and Food Services (Adjs 22, 23)			
a. Productive Salaries	.06	\$	3,748,254
b. Productive Hours			181,676
9. Clerical and Other Administrative (Adjs 24, 25)			
a. Productive Salaries	.05	\$	10,947,479
b. Productive Hours			480,082
10. Other Salaries and Wages			
a. Productive Salaries	.09	\$	0
b. Productive Hours			0
11. All Nonproductive Salaries and Wages (Adjs 26, 27)			
a. Nonproductive Salaries	Labor Distribution	\$	14,096,305
b. Nonproductive Hours	Report or Provider W/P		210,562
B. SUBTOTAL DIRECT PAYROLL COST			
1. Productive Salaries (lines A1a - A10a)		\$	<u>86,248,262</u>
2. Productive Hours (lines A1b - A10b)			<u>2,124,831</u>
C. TOTAL PRODUCTIVE AND NONPRODUCTIVE SALARIES (A11a + B1)		\$	<u>100,344,567</u>
D. TOTAL PRODUCTIVE AND NONPRODUCTIVE HOURS (A11b + B2)			<u>2,335,393</u>

Provider Name				Fiscal Period		NPI	Adjustments
VALLEY MEMORIAL HOSPITAL				JULY 1, 2010 THROUGH JUNE 30, 2011		1144389941	31
Report References				Explanation of Audit Adjustments	Reported	Increase (Decrease)	Adjusted
Adj. No.	Audit Report Page	RD Schedule					
		Page	Line				
	3	5	A 7 a	Nonphysician Medical Practitioners—Productive Salaries	\$	\$	\$
	3	5	A 7 b	Nonphysician Medical Practitioners—Productive Hours			
22	3	5	A 8 a	Environmental and Food Services—Productive Salaries	\$ 3,655,648	\$ 92,606	\$ 3,748,254
23	3	5	A 8 b	Environmental and Food Services—Productive Hours	177,187	4,489	181,676
24	3	5	A 9 a	Clerical and Other Administrative—Productive Salaries	\$ 10,677,004	\$ 270,475	\$ 10,947,479
25	3	5	A 9 b	Clerical and Other Administrative—Productive Hours	468,221	11,861	480,082
	3	5	A 10 a	Other Salaries and Wages—Productive Salaries	\$	\$	\$
	3	5	A 10 b	Other Salaries and Wages—Productive Hours			
26	3	5	A 11	Nonproductive Salaries and Wages	\$ 19,146,142	\$ (5,049,837)	\$ 14,096,305
27	3	5	A 11	Nonproductive Hours	285,994	(75,432)	210,562
28	3	5	B 1	Subtotal Productive Salaries	\$ 84,117,360	\$ 2,130,902	\$ 86,248,262
29	3	5	B 2	Subtotal Productive Hours	2,072,334	52,497	2,124,831
30	3	5	C	Total Productive and Nonproductive Salaries	\$ 103,263,502	\$ (2,918,935)	\$ 100,344,567
31	3	5	D	Total Productive and Nonproductive Hours	2,358,328	(22,935)	2,335,393
<p>To adjust the Rate Development Schedules to agree with audit adjustments and/or provider records. CCR, Title 22, Section 51536</p>							

Provider Name				Fiscal Period		NPI	Adjustments
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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	\$ 8,462,954	\$ (119,331)	\$ 8,343,623
	1	3	A	Medi-Cal Net Cost of Covered Services—Contract	\$	\$	\$
2	1	3	B	Deductibles and Coinsurance—Noncontract	\$ 153,555	\$ 5,057	\$ 158,612
	1	3	B	Deductibles and Coinsurance—Contract	\$	\$	\$
3	1	3	C 1	Medi-Cal Inpatient Days—Adults and Pediatrics—Noncontract	1,741.00	116.25	1,857.25
	1	3	C 1	Medi-Cal Inpatient Days—Adults and Pediatrics—Contract			
4	1	3	C 2	Medi-Cal Inpatient Days—ICU—Noncontract	348.00	18.50	366.50
	1	3	C 2	Medi-Cal Inpatient Days—ICU—Contract			
	1	3	C 3	Medi-Cal Inpatient Days—CCU—Noncontract			
	1	3	C 3	Medi-Cal Inpatient Days—CCU—Contract			
5	1	3	C 4	Medi-Cal Inpatient Days—Nursery—Noncontract	798.00	1.50	799.50
	1	3	C 4	Medi-Cal Inpatient Days—Nursery—Contract			
	1	3	C 5	Medi-Cal Inpatient Days—NICU—Noncontract			
	1	3	C 5	Medi-Cal Inpatient Days—NICU—Contract			
	1	3	C 6 a	Medi-Cal Inpatient Days—_____ Noncontract			
	1	3	C 6 a	Medi-Cal Inpatient Days—_____ Contract			
	1	3	C 6 b	Medi-Cal Inpatient Days—_____ Noncontract			
	1	3	C 6 b	Medi-Cal Inpatient Days—_____ Contract			

Provider Name				Fiscal Period	NPI	Adjustments	
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Report References				Explanation of Audit Adjustments	Reported	Increase (Decrease)	Adjusted
Adj. No.	Audit Report Page	RD Schedule Page Line					
	1	3	D	Total Hospital Discharges	7,163	0	7,163
6	1	3	E	Total Medi-Cal Discharges—Acute—Noncontract	575	51	626
	1	3	E	Total Medi-Cal Discharges—Acute—Contract			
7	1	3	F	Total Medi-Cal Inpatient Charges—Noncontract	\$ 36,070,603	\$ 2,391,650	\$ 38,462,253
	1	3	F	Total Medi-Cal Inpatient Charges—Contract	\$	\$	\$
	2	4	A 1	Depreciation Expense	\$ 8,437,529	\$ 0	\$ 8,437,529
	2	4	A 2	Rent and Lease Expense	\$ 7,257,573	\$ 0	\$ 7,257,573
	2	4	A 3	Interest Expense	\$ 5,665,502	\$ 0	\$ 5,665,502
	2	4	A 4	Property Taxes and License Fees	\$ 815,147	\$ 0	\$ 815,147
	2	4	A 5	Utility Expense	\$ 2,999,610	\$ 0	\$ 2,999,610
	2	4	A 6	Malpractice Insurance Expense	\$ 863,213	\$ 0	\$ 863,213
	2	4	B	Gross Operating Expenses	\$ 226,460,783	\$ 0	\$ 226,460,783
	2	4	C 1	Student and Physicians Compensation—Salaries and Wages	\$	\$	\$
	2	4	C 2	Student and Physicians Compensation—Professional Fees	\$ 4,772,850	\$ 0	\$ 4,772,850
	2	4	D	Pharmacy Nonlabor Expense	\$ 4,229,887	\$ 0	\$ 4,229,887

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Adj. No.	Audit Report Page	RD Schedule Page Line					
	2	4	E	Food Services Nonlabor Expense	\$ 968,808	\$ 0	\$ 968,808
8	2	4	F 1	Direct Operating—Salaries and Wages	\$ 87,080,553	\$ 153,127	\$ 87,233,680
	2	4	F 2	Direct Operating—Employee Benefits	\$ 34,516,170	\$ 0	\$ 34,516,170
	2	4	F 3	Direct Operating—Other Professional Fees	\$ 4,616,355	\$ 0	\$ 4,616,355
9	2	4	F 4	Direct Operating—Purchased Services	\$ 22,821,137	\$ 8,443	\$ 22,829,580
10	2	4	F 5	Direct Operating—Supplies	\$ 29,526,945	\$ 367,393	\$ 29,894,338
11	2	4	F 6	Direct Operating—Other Direct Operating Expense	\$ 0	\$ 11,360,541	\$ 11,360,541
12	3	5	A 1 a	Management and Supervision—Productive Salaries	\$ 16,197,845	\$ 410,332	\$ 16,608,177
13	3	5	A 1 b	Management and Supervision—Productive Hours	247,799	6,277	254,076
14	3	5	A 2 a	Technicians and Specialists—Productive Salaries	\$ 21,035,884	\$ 532,891	\$ 21,568,775
15	3	5	A 2 b	Technicians and Specialists—Productive Hours	549,132	13,910	563,042
16	3	5	A 3 a	Registered Nurses—Productive Salaries	\$ 29,486,001	\$ 746,954	\$ 30,232,955
17	3	5	A 3 b	Registered Nurses—Productive Hours	493,024	12,490	505,514
18	3	5	A 4 a	Licensed Vocational Nurses—Productive Salaries	\$ 566,355	\$ 14,347	\$ 580,702
19	3	5	A 4 b	Licensed Vocational Nurses—Productive Hours	18,689	473	19,162
20	3	5	A 5 a	Aides and Orderlies—Productive Salaries	\$ 2,498,624	\$ 63,296	\$ 2,561,920
21	3	5	A 5 b	Aides and Orderlies—Productive Hours	118,282	2,997	121,279

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	3	5	A 6 a	Physicians (Salaried)—Productive Salaries	\$	\$	\$
	3	5	A 6 b	Physicians (Salaried)—Productive Hours			
	3	5	A 7 a	Nonphysician Medical Practitioners—Productive Salaries	\$	\$	\$
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