

**REPORT
ON THE
RATE SETTING AUDIT**

**FELIZ HEALTH CARE CENTER I
CERRITOS, CALIFORNIA
NATIONAL PROVIDER IDENTIFIER: 1255415006**

**FISCAL PERIOD ENDED
SEPTEMBER 30, 2011**

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

**Section Chief: Margaret A. Varho
Audit Supervisor: Claudia Arrieta
Auditor: Stan Van Arsdale**



TOBY DOUGLAS
DIRECTOR

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



EDMUND G. BROWN JR.
GOVERNOR

Date: July 11, 2013

Josefina Kautzman, Administrator
Feliz Health Care Center I
28632 Mt. Rushmore Road
Rancho Palos Verdes, CA 90275

FELIZ HEALTH CARE CENTER I
NATIONAL PROVIDER IDENTIFIER (NPI) 1255415006
FISCAL PERIOD ENDED SEPTEMBER 30, 2011

We have examined the facility's financial records/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 accompanying audit report schedules represent a proper determination of the allowable costs, and patient days for the above fiscal period in accordance with Medi-Cal reimbursement principles. The results of our examination are as follows:

| <u>COST AND COST PER DAY</u> | | <u>COST</u> | <u>COST PER DAY</u> |
|------------------------------|----|----------------|---------------------|
| Reported Cost/Cost Per Day | \$ | 316,329 | \$ 154.76 |
| Net Audit Adjustment | | (34,850) | (26.23) |
| Audited Cost/Cost Per Day | \$ | <u>281,479</u> | \$ <u>128.53</u> |

This audit report includes the:

1. Audit Report Schedules 1 and 2
2. Audit Adjustments Schedule

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

Josefina Kautzman
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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.

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 AUDITED FACILITY CENSUS
AND AUDITED CLIENT COST PER DAY**

Provider:
FELIZ HEALTH CARE CENTER I

Fiscal Period:
OCTOBER 1, 2010 THROUGH SEPTEMBER 30, 2011

Provider NPI:
1255415006

**SUMMARY OF AUDITED FACILITY CENSUS
AND AUDITED CLIENT COST PER DAY**

| | AS REPORTED | AS AUDITED |
|--|------------------------|-----------------------|
| 1. Medi-Cal Client Days (Adj 15) | 2,044 | 2,190 |
| 2. Medi-Cal Managed Care Days (Adj) | 0 | 0 |
| 3. Other Client Days (Adj) | 0 | 0 |
| 4. Total Client Days | <u>2,044</u> | <u>2,190</u> |
| 5. Total Client Care Expenses (From Sch. 2) | \$ <u>316,329</u> | \$ <u>281,479</u> |
| 6. AVERAGE CLIENT COST PER DAY (Line 4 / Line 3) | \$ <u>154.76</u> | \$ <u>128.53</u> |

SHARE OF COST

| | | |
|--|--------------|-------------|
| 1. Share of Cost Audit Adjustment (Adj) | \$ <u>NA</u> | \$ <u>0</u> |
|--|--------------|-------------|

OVERPAYMENTS

| | | |
|------------------------------|-------------|-------------|
| 1. Duplicate Payments (Adj) | \$ <u>0</u> | \$ <u>0</u> |
| 2. Credit Balances (Adj) | \$ <u>0</u> | \$ <u>0</u> |
| 3. Total Overpayments | \$ <u>0</u> | \$ <u>0</u> |

SUMMARY OF AUDITED FACILITY EXPENSES

Provider:
FELIZ HEALTH CARE CENTER I

Fiscal Period:
OCTOBER 1, 2010 THROUGH SEPTEMBER 30, 2011

Provider NPI:
1255415006

| Line No. | DESCRIPTION | ADJ NO. | AS REPORTED Col. 1 | AUDIT ADJUSTMENT Col. 2 | AS AUDITED Col. 3 |
|----------|---|-----------|--------------------|-------------------------|-------------------|
| | EXPENSES: CLIENT SERVICES | | | | |
| | Basic Facility Cost - Property Expenses | | | | |
| 045 | Depreciation and Amortization | | \$ | \$ | \$ 0 |
| 050 | Leases and Rentals | 1,2,3 | 48,750 | (21,497) | 27,253 |
| 055 | Real Property Taxes | | | | 0 |
| 060 | Personal Property Taxes | | | | 0 |
| 065 | Mortgage Interest | | | | 0 |
| 070 | Property Insurance | 4 | 3,425 | (518) | 2,907 |
| 075 | TOTAL PROPERTY EXPENSES (Lines 045 through 070) | | \$ 52,175 | \$ (22,015) | \$ 30,160 |
| | Basic Facility Cost - General Home Expenses | | | | |
| 080 | Home Operations and Maintenance | | \$ 6,415 | \$ | \$ 6,415 |
| 085 | Utilities | | 3,617 | | 3,617 |
| 090 | Client Transportation (excluding Adult Day Services) | 5,6,7,8,9 | 6,257 | (4,181) | 2,076 |
| 095 | Dietary | | 8,189 | | 8,189 |
| 100 | Personal Care and Laundry | 10 | 969 | (215) | 754 |
| 105 | TOTAL GENERAL HOME EXPENSES (Lines 080 through 100) | | \$ 25,447 | \$ (4,396) | \$ 21,051 |
| 110 | TOTAL BASIC FACILITY COST (Lines 075 plus 105) | | \$ 77,622 | \$ (26,411) | \$ 51,211 |
| | EXPENSES: DIRECT CARE STAFF COSTS | | | | |
| 115 | QMRP Salaries | 11 | \$ 13,360 | \$ (3,280) | \$ 10,080 |
| 120 | QMRP Fringe Benefits | | | | 0 |
| 125 | Lead Salaries | | 57,453 | | 57,453 |
| 130 | Lead Fringe Benefits | | 90 | | 90 |
| 135 | Aides Salaries | | 91,959 | | 91,959 |
| 140 | Aides Fringe Benefits | | 2,119 | | 2,119 |
| 145 | Other Salaries | | | | 0 |
| 150 | Other Fringe Benefits | | | | 0 |
| 155 | TOTAL DIRECT CARE STAFF COSTS (Lines 115 through 150) | | \$ 164,981 | \$ (3,280) | \$ 161,701 |

SUMMARY OF AUDITED FACILITY EXPENSES

Provider:
FELIZ HEALTH CARE CENTER I

Fiscal Period:
OCTOBER 1, 2010 THROUGH SEPTEMBER 30, 2011

Provider NPI:
1255415006

| Line No. | DESCRIPTION | ADJ NO. | AS REPORTED Col. 1 | AUDIT ADJUSTMENT Col. 2 | AS AUDITED Col. 3 |
|----------|---|---------|--------------------|-------------------------|-------------------|
| | EXPENSES: CONSULTANT COSTS | | | | |
| 160 | Dietician Consultant | | \$ 540 | \$ | \$ 540 |
| 165 | Speech Pathology Consultant | | 1,268 | | 1,268 |
| 170 | Physical Therapy Consultant | | 630 | | 630 |
| 175 | Occupational Therapy Consultant | | | | 0 |
| 180 | Pharmacist Consultant | | | | 0 |
| 185 | Nurse Consultant | | 8,826 | | 8,826 |
| 190 | Psychologist Consultant | | 1,050 | | 1,050 |
| 195 | Physician Consultant | | | | 0 |
| 200 | Recreational Consultant | | 523 | | 523 |
| 205 | Social Service Consultant | | | | 0 |
| 210 | Other Consultant | | 852 | | 852 |
| 215 | TOTAL CONSULTANT COST (Lines 160 through 210) | | \$ 13,689 | \$ 0 | \$ 13,689 |
| | EXPENSES: ADMINISTRATIVE COSTS | | | | |
| 220 | Administrative Salaries ** | | \$ 26,149 | \$ | \$ 26,149 |
| 225 | Administrative Fringe Benefits | | 9,526 | | 9,526 |
| 226 | Quality Assurance Fees (excluding Adult Day Services) | 12 | 2,123 | (2,123) | 0 |
| 230 | Other General and Administrative*** (Excluding Adult Day Services) | 13,14 | 22,239 | (3,036) | 19,203 |
| 235 | TOTAL ADMINISTRATIVE COST (Lines 220 through 230) | | \$ 60,037 | \$ (5,159) | \$ 54,878 |
| | TOTAL COSTS RELATED TO CLIENT CARE (Lines 110, 155, 215 and 235) | | \$ 316,329 | \$ (34,850) | \$ 281,479 |
| | NON-CLIENT CARE EXPENSES | | (To Sch. 1) | | (To Sch. 1) |
| 240 | Non-Program Services | | \$ | \$ | \$ 0 |
| 241 | Adult Day Services and Related Transportation | | | | 0 |
| 245 | TOTAL FACILITY EXPENSES (Lines 110, 155, 215, 235, 240 and 241) | | \$ 316,329 | \$ (34,850) | \$ 281,479 |

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** List only direct administrative salaries incurred at the facility level

*** List allocated administrative costs on Line 230

| Provider Name | | | | | | | Fiscal Period | Provider NPI | | Adjustments |
|---|--------------------------|------|--------------|------|------|-----|--|--------------|---------------------|-------------|
| FELIZ HEALTH CARE CENTER I | | | | | | | OCTOBER 1, 2010 THROUGH SEPTEMBER 30, 2011 | 1255415006 | | 15 |
| Report References | | | | | | | Explanation of Audit Adjustments | As Reported | Increase (Decrease) | As Adjusted |
| Cost Report | | | Audit Report | | | | | | | |
| Adj. No. | DHS 3076 Page or Exhibit | Line | Col. | Sch. | Line | Col | | | | |
| <u>ADJUSTMENTS TO REPORTED COSTS</u> | | | | | | | | | | |
| 1 | 4 | 050 | 4 | 2 | 050 | 3 | Leases and Rentals To eliminate lease expense reported twice in the cost report 42 CFR 413.9(c)(3) / CMS Pub. 15-1, Sections 2102.3 and 2105 | \$48,750 | (\$10,000) | \$38,750 * |
| 2 | 4 | 050 | 4 | 2 | 050 | 3 | Leases and Rentals To eliminate rental/lease expenses paid to a related party. 42 CFR 413.17, 413.134(h), 413.20 and 413.24 CMS Pub. 15-1, Sections 1005, 1011.4, 1011.5, 2300 and 2304 | * \$38,750 | (\$12,350) | \$26,400 * |
| 3 | 4 | 050 | 4 | 2 | 050 | 3 | Leases and Rentals To include cost of ownership in lieu of related party lease expenses. 42 CFR 413.17, 413.134(h), 413.20 and 413.24 CMS Pub. 15-1, Sections 1005, 1011.4, 1011.5, 2300 and 2304 | * \$26,400 | \$853 | \$27,253 |
| 4 | 4 | 070 | 4 | 2 | 070 | 3 | Property Insurance To adjust liability insurance expense to agree with expense applicable to the audit period. 42 CFR 413.5 and 413.24 CMS Pub. 15-1, Sections 2300, 2302.1, 2304 and 2306 | \$3,425 | (\$518) | \$2,907 |
| 5 | 4 | 090 | 4 | 2 | 090 | 3 | Client Transportation To eliminate leased car expense not related to patient care. 42 CFR 413.9(c)(3) / CMS Pub. 15-1, Sections 2102.3 and 2105 | \$6,257 | (\$1,198) | \$5,059 * |
| 6 | 4 | 090 | 4 | 2 | 090 | 3 | Client Transportation To eliminate gas expense not related to patient care. 42 CFR 413.9(c)(3) / CMS Pub. 15-1, Sections 2102.3 and 2105 | * \$5,059 | (\$1,175) | \$3,884 * |
| 7 | 4 | 090 | 4 | 2 | 090 | 3 | Client Transportation To eliminate auto insurance expense not related to patient care. 42 CFR 413.9(c)(3) / CMS Pub. 15-1, Sections 2102.3 and 2105 | * \$3,884 | (\$1,090) | \$2,794 * |

*Balance carried forward from prior/to subsequent adjustments

| Provider Name | | | | | | | Fiscal Period | Provider NPI | | Adjustments | |
|---|--------------------------|------|------|--------------|------|------|--|--------------|---------------------|-------------|------------|
| FELIZ HEALTH CARE CENTER I | | | | | | | OCTOBER 1, 2010 THROUGH SEPTEMBER 30, 2011 | 1255415006 | | 15 | |
| Report References | | | | | | | Explanation of Audit Adjustments | As Reported | Increase (Decrease) | As Adjusted | |
| Adj. No. | Cost Report | | | Audit Report | | | | | | | |
| | DHS 3076 Page or Exhibit | Line | Col. | Sch. | Line | Col. | | | | | |
| <u>ADJUSTMENTS TO REPORTED COSTS</u> | | | | | | | | | | | |
| 8 | 4 | 090 | 4 | 2 | 090 | 3 | Client Transportation To eliminate auto registration expense not related to patient care. 42 CFR 413.9(c)(3) / CMS Pub. 15-1, Sections 2102.3 and 2105 | * | \$2,794 | (\$356) | \$2,438 * |
| 9 | 4 | 090 | 4 | 2 | 090 | 3 | Client Transportation To eliminate auto registration expense not related to patient care. 42 CFR 413.9(c)(3) / CMS Pub. 15-1, Sections 2102.3 and 2105 | * | \$2,438 | (\$362) | \$2,076 |
| 10 | 4 | 100 | 4 | 2 | 100 | 3 | Personal Care and Laundry To eliminate personal care and laundry expenses due to lack of documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304 W&I Code 14124.2(b) | | \$969 | (\$215) | \$754 |
| 11 | 4.1 | 115 | 4 | 2 | 115 | 3 | QMRP Salaries To adjust salaries to agree with the provider's QMRP contract. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304 | | \$13,360 | (\$3,280) | \$10,080 |
| 12 | 4.1 | 226 | 4 | 2 | 226 | 3 | Quality Assurance Fees To reconcile the reported expenses to agree with the provider's general ledger. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304 | | \$2,123 | (\$2,123) | \$0 |
| 13 | 4.1 | 230 | 4 | 2 | 230 | 3 | Other General and Administrative To eliminate telephone expenses not related to patient care. 42 CFR 413.9(c)(3) / CMS Pub. 15-1, Sections 2102.3 and 2105 | | \$22,239 | (\$2,226) | \$20,013 * |
| 14 | 4.1 | 230 | 4 | 2 | 230 | 3 | Other General and Administrative To eliminate nonsufficient funds expense not related to patient care. 42 CFR 413.9(c)(3) / CMS Pub. 15-1, Sections 2102.3 and 2105 | * | \$20,013 | (\$810) | \$19,203 |

*Balance carried forward from prior/to subsequent adjustments

| Provider Name | | | | | | | Fiscal Period | | Provider NPI | | Adjustments |
|--|--------------------------|------|--------------|------|------|-----|--|---------------------|--------------|-------|-------------|
| FELIZ HEALTH CARE CENTER I | | | | | | | OCTOBER 1, 2010 THROUGH SEPTEMBER 30, 2011 | | 1255415006 | | 15 |
| Report References | | | | | | | Explanation of Audit Adjustments | | | | |
| Cost Report | | | Audit Report | | | | | | | | |
| Adj. No. | DHS 3076 Page or Exhibit | Line | Col. | Sch. | Line | Col | As Reported | Increase (Decrease) | As Adjusted | | |
| <u>ADJUSTMENT TO REPORTED PATIENT DAYS</u> | | | | | | | | | | | |
| 15 | 2 | 3 | 2 | 1 | 1 | N/A | Medi-Cal Client Days | 2,044 | 146 | 2,190 | |
| | 2 | 3 | 5 | 1 | 4 | N/A | Total Client Days | 2,044 | 146 | 2,190 | |
| | | | | | | | To adjust 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 | | | | |