

**REPORT
ON THE
RATE SETTING AUDIT**

**AYER HOUSE
GILROY, CALIFORNIA
NATIONAL PROVIDER IDENTIFIER: 1275700239**

**FISCAL PERIOD ENDED
DECEMBER 31, 2011**

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

**Section Chief: Louise Wong
Audit Supervisor: Ken Phelan
Auditor: Tyler Zeng**



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



EDMUND G. BROWN JR.
GOVERNOR

June 8, 2013

Carla McCormack, CEO
Terra Bella Communities
5810 Obata Way, Suite 1
Gilroy, CA 95020-7039

AYER HOUSE
NATIONAL PROVIDER IDENTIFIER (NPI) 1275700239
FISCAL PERIOD ENDED DECEMBER 31, 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	\$	403,867	\$	185.01
Net Audit Adjustment		<u>(69,445)</u>		<u>(31.82)</u>
Audited Cost/Cost Per Day	\$	<u>334,422</u>	\$	<u>153.19</u>

This audit report includes the:

1. Audit Report Schedules 1 and 2
2. Audit Adjustments that include a summary of the total due the State in the amount of \$1,968, which resulted from Medi-Cal overpayments

The audit settlement will be incorporated into a Statement of Account Status, which may reflect tentative retroactive adjustment determinations, payments from the provider, and other financial transactions initiated by the Department. The Statement of Account

Status will be forwarded to the provider by the State's fiscal intermediary. Instructions regarding payment will be included with the Statement of Account Status. 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 Fee-For-Service Rates Development 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.

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

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.

Carla McCormack
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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

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

Provider:
AYER HOUSE

Fiscal Period:
JANUARY 1, 2011 THROUGH DECEMBER 31, 2011

Provider NPI:
1275700239

SUMMARY OF AUDITED FACILITY CENSUS AND AUDITED CLIENT COST PER DAY	AS REPORTED	AS AUDITED
1. Medi-Cal Client Days (Adj)	2,183	2,183
2. Medi-Cal Managed Care Days (Adj)	0	0
3. Other Client Days (Adj)	0	0
4. Total Client Days	<u>2,183</u>	<u>2,183</u>
5. Total Client Care Expenses (From Sch. 2)	\$ <u>403,867</u>	\$ <u>334,422</u>
6. AVERAGE CLIENT COST PER DAY (Line 5 / Line 4)	\$ <u>185.01</u>	\$ <u>153.19</u>
SHARE OF COST		
1. Share of Cost Audit Adjustment (Adj)	\$ <u>NA</u>	\$ <u>0</u>
OVERPAYMENTS		
1. Medi-Cal Overpayment (Adj 14)	\$ <u>0</u>	\$ <u>(1,968)</u>
2. Credit Balances (Adj)	\$ <u>0</u>	\$ <u>0</u>
3. Total Overpayments	\$ <u>0</u>	\$ <u>(1,968)</u>

SUMMARY OF AUDITED FACILITY EXPENSES

Provider:
AYER HOUSE

Fiscal Period:
JANUARY 1, 2011 THROUGH DECEMBER 31, 2011

Provider NPI:
1275700239

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	\$ 0	\$ 0
050	Leases and Rentals		2,613	0	2,613
055	Real Property Taxes	4	0	3,364	3,364
060	Personal Property Taxes		0	0	0
065	Mortgage Interest	3	18,506	(4,412)	14,094
070	Property Insurance		1,486	0	1,486
075	TOTAL PROPERTY EXPENSES (Lines 045 through 070)		\$ 22,605	\$ (1,048)	\$ 21,557
	Basic Facility Cost - General Home Expenses				
080	Home Operations and Maintenance	5, 6	\$ 4,659	\$ (450)	\$ 4,209
085	Utilities	7	18,389	(2,861)	15,528
090	Client Transportation (excluding Adult Day Services)		5	0	5
095	Dietary	1, 9	10,913	(5,509)	5,404
100	Personal Care and Laundry	1, 8	9,801	(1,580)	8,221
105	TOTAL GENERAL HOME EXPENSES (Lines 080 through 100)		\$ 43,767	\$ (10,400)	\$ 33,367
110	TOTAL BASIC FACILITY COST (Lines 075 plus 105)		\$ 66,372	\$ (11,448)	\$ 54,924
	EXPENSES: DIRECT CARE STAFF COSTS				
115	QMRP Salaries	10	\$ 8,116	\$ (196)	\$ 7,920
120	QMRP Fringe Benefits	10	3,087	37	3,124
125	Lead Salaries	10	43,551	(4,108)	39,443
130	Lead Fringe Benefits	10	1,645	254	1,899
135	Aides Salaries	10	151,867	(14,483)	137,384
140	Aides Fringe Benefits	10	19,705	3,533	23,238
145	Other Salaries		0	0	0
150	Other Fringe Benefits		0	0	0
155	TOTAL DIRECT CARE STAFF COSTS (Lines 115 through 150)		\$ 227,971	\$ (14,963)	\$ 213,008

SUMMARY OF AUDITED FACILITY EXPENSES

Provider:
AYER HOUSE

Fiscal Period:
JANUARY 1, 2011 THROUGH DECEMBER 31, 2011

Provider NPI:
1275700239

Line No.	DESCRIPTION	ADJ NO.	AS REPORTED Col. 1	AUDIT ADJUSTMENT Col. 2	AS AUDITED Col. 3
	EXPENSES: CONSULTANT COSTS				
160	Dietician Consultant		\$ 978	\$ 0	\$ 978
165	Speech Pathology Consultant		135	0	135
170	Physical Therapy Consultant		638	0	638
175	Occupational Therapy Consultant	11	2,800	(384)	2,416
180	Pharmacist Consultant	2	266	175	441
185	Nurse Consultant	2	38,121	(35,485)	2,636
190	Psychologist Consultant		1,675	0	1,675
195	Physician Consultant		0	0	0
200	Recreational Consultant		350	0	350
205	Social Service Consultant		0	0	0
210	Other Consultant	2, 12	6,184	(3,419)	2,765
215	TOTAL CONSULTANT COST (Lines 160 through 210)		\$ 51,147	\$ (39,113)	\$ 12,034
	EXPENSES: ADMINISTRATIVE COSTS				
220	Administrative Salaries **	13	\$ 28,814	\$ (3,026)	\$ 25,788
225	Administrative Fringe Benefits	13	4,990	(895)	4,095
226	Quality Assurance Fees (excluding Adult Day Services)		9,668	0	9,668
230	Other General and Administrative*** (Excluding Adult Day Services)		14,905	0	14,905
235	TOTAL ADMINISTRATIVE COST (Lines 220 through 230)		\$ 58,377	\$ (3,921)	\$ 54,456
	TOTAL COSTS RELATED TO CLIENT CARE (Lines 110, 155, 215 and 235)		* \$ 403,867	\$ (69,445)	\$ 334,422
	NON-CLIENT CARE EXPENSES		(To Sch. 1)		(To Sch. 1)
240	Non-Program Services		\$ 0	\$ 0	\$ 0
241	Adult Day Services and Related Transportation		0	0	0
245	TOTAL FACILITY EXPENSES (Lines 110, 155, 215, 235, 240 and 241)		* \$ 403,867	\$ (69,445)	\$ 334,422

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- * Provider computational error
- ** List only direct administrative salaries incurred at the facility level
- *** List allocated administrative costs on Line 230

Provider Name							Fiscal Period		Provider NPI		Adjustments
AYER HOUSE							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011		1275700239		14
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>RECLASSIFICATION OF REPORTED COSTS</u>											
1	4	095	4	2	095	3	Dietary	\$10,913	\$1,239	\$12,152 *	
	4	100	4	2	100	3	Personal Care and Laundry To reclassify dietary expense to the appropriate cost center for proper cost determination 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300, 2302.4, and 2302.8	9,801	(1,239)	8,562 *	

*Balance carried forward from prior/to subsequent adjustments

Provider Name							Fiscal Period	Provider NPI	Adjustments		
AYER HOUSE							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1275700239	14		
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>											
2	4.1	180	4	2	180	3	Pharmacist Consultant	\$266	\$175	\$441	
	4.1	185	4	2	185	3	Nurse Consultant	38,121	(35,485)	2,636	
	4.1	210	4	2	210	3	Other Consultant	6,184	(2,919)	3,265 *	
							To adjust 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				
3	4	065	4	2	065	3	Mortgage Interest	\$18,506	(\$4,412)	\$14,094	
							To adjust mortgage interest expense to agree with the provider's supporting documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304				
4	4	055	4	2	055	3	Real Property Taxes	\$0	\$3,364	\$3,364	
							To include unreported real property taxes for proper cost determination. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304				
5	4	080	4	2	080	3	Home Operations and Maintenance	\$4,659	(\$250)	\$4,409 *	
							To adjust maintenance expense due to lack of supporting documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304				
6	4	080	4	2	080	3	Home Operations and Maintenance	* \$4,409	(\$200)	\$4,209	
							To eliminate maintenance expense not related to the audit period. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300, 2302.1, 2304, and 2306				
7	4	085	4	2	085	3	Utilities	\$18,389	(\$2,861)	\$15,528	
							To eliminate utilities expense not related to the audit period. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300, 2302.1, 2304, and 2306				

*Balance carried forward from prior/to subsequent adjustments

Provider Name							Fiscal Period	Provider NPI		Adjustments	
AYER HOUSE							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1275700239		14	
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.					
ADJUSTMENTS TO REPORTED COSTS											
8	4	100	4	2	100	3	Personal Care and Laundry To adjust personal care expense due to lack of supporting documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	*	\$8,562	(\$341)	\$8,221
9	4	095	4	2	095	3	Dietary To adjust dietary expense for proper cost determination. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300, 2302.4, 2302.8, and 2304	*	\$12,152	(\$6,748)	\$5,404
10	4.1	115	4	2	115	3	QMRP Salaries		\$8,116	(\$196)	\$7,920
	4.1	120	4	2	120	3	QMRP Fringe Benefits		3,087	37	3,124
	4.1	125	4	2	125	3	Lead Salaries		43,551	(4,108)	39,443
	4.1	130	4	2	130	3	Lead Fringe Benefits		1,645	254	1,899
	4.1	135	4	2	135	3	Aides Salaries		151,867	(14,483)	137,384
	4.1	140	4	2	140	3	Aides Fringe Benefits To adjust direct care staff expenses for proper cost determination. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304		19,705	3,533	23,238
11	4.1	175	4	2	175	3	Occupational Therapy Consultant To adjust consultant expense to agree with the provider's records. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304		\$2,800	(\$384)	\$2,416
12	4.1	210	4	2	210	3	Other Consultant To eliminate consultant expense not related to the audit period. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300, 2302.1, 2304, and 2306	*	\$3,265	(\$500)	\$2,765

*Balance carried forward from prior/to subsequent adjustments

Provider Name				Fiscal Period				Provider NPI		Adjustments
AYER HOUSE				JANUARY 1, 2011 THROUGH DECEMBER 31, 2011				1275700239		14
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>										
13	4.1	220	4	2	220	3	Administrative Salaries	\$28,814	(\$3,026)	\$25,788
	4.1	225	4	2	225	3	Administrative Fringe Benefits	4,990	(895)	4,095
							To adjust home office costs to agree with the filed Home Office Cost Report.			
							42 CFR 413.17 and 413.24			
							CMS Pub. 15-1, Sections 2150.2 and 2304			

Provider Name				Fiscal Period				Provider NPI		Adjustments
AYER HOUSE				JANUARY 1, 2011 THROUGH DECEMBER 31, 2011				1275700239		14
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>ADJUSTMENT TO OTHER MATTERS</u>										
14	N/A	N/A	N/A	1	1	2	Medi-Cal Overpayment To recover Medi-Cal overpayments for improper Medi-Cal billings. 42 CFR 413.5 and 413.20 CMS Pub. 15-1, Sections 2300 and 2409 CCR, Title 22, Sections 50786 and 51458.1	\$0	\$1,968	\$1,968