

**REPORT
ON THE
RATE SETTING AUDIT**

**CONNER RESIDENCE
CORONA, CALIFORNIA
NATIONAL PROVIDER IDENTIFIER: 1295957728**

**FISCAL PERIOD ENDED
DECEMBER 31, 2011**

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

**Section Chief: Margaret A. Varho
Audit Supervisor: Henry Igboke
Auditor: Rita Lopez**



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

Audrey Turner
Executive Director
Peppermint Ridge
825 Magnolia Avenue
Corona, CA 92879

CONNER RESIDENCE
NATIONAL PROVIDER IDENTIFIER (NPI) 1295957728
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	\$	782,985		\$ 181.58
Net Audit Adjustment		(5,075)		(3.97)
Audited Cost/Cost Per Day	\$	<u>777,910</u>		\$ <u>177.61</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.

Audrey Turner
Page 2

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:
CONNER RESIDENCE

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

Provider NPI:
1295957728

SUMMARY OF AUDITED FACILITY CENSUS AND AUDITED CLIENT COST PER DAY	AS REPORTED	AS AUDITED
1. Medi-Cal Client Days (Adj 16)	4,312	4,380
2. Medi-Cal Managed Care Days (Adj)	0	0
3. Other Client Days (Adj)	0	0
4. Total Client Days	<u>4,312</u>	<u>4,380</u>
5. Total Client Care Expenses (From Sch. 2)	\$ <u>782,985</u>	\$ <u>777,910</u>
6. AVERAGE CLIENT COST PER DAY (Line 4 / Line 3)	\$ <u>181.58</u>	\$ <u>177.61</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:
CONNER RESIDENCE

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

Provider NPI:
1295957728

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		\$ 3,973	\$	\$ 3,973
050	Leases and Rentals		0		0
055	Real Property Taxes		0		0
060	Personal Property Taxes		156		156
065	Mortgage Interest		0		0
070	Property Insurance	2	140	(140)	0
075	TOTAL PROPERTY EXPENSES (Lines 045 through 070)		\$ 4,269	\$ (140)	\$ 4,129
	Basic Facility Cost - General Home Expenses				
080	Home Operations and Maintenance	3	\$ 3,793	\$ (191)	\$ 3,602
085	Utilities	4	11,696	(3,113)	8,583
090	Client Transportation (excluding Adult Day Services)	5	5,616	(127)	5,489
095	Dietary	6	26,000	(600)	25,400
100	Personal Care and Laundry	7, 8, 9	22,547	(2,058)	20,489
105	TOTAL GENERAL HOME EXPENSES (Lines 080 through 100)	1	\$ 69,652	\$ (6,089)	\$ 63,563
110	TOTAL BASIC FACILITY COST (Lines 075 plus 105)	1	\$ 73,921	\$ (6,229)	\$ 67,692
	EXPENSES: DIRECT CARE STAFF COSTS				
115	QMRP Salaries		\$ 20,550	\$	\$ 20,550
120	QMRP Fringe Benefits		6,002		6,002
125	Lead Salaries		40,019		40,019
130	Lead Fringe Benefits		7,597		7,597
135	Aides Salaries		245,901		245,901
140	Aides Fringe Benefits		75,270		75,270
145	Other Salaries		25,147		25,147
150	Other Fringe Benefits		5,034		5,034
155	TOTAL DIRECT CARE STAFF COSTS (Lines 115 through 150)		\$ 425,520	\$ 0	\$ 425,520

SUMMARY OF AUDITED FACILITY EXPENSES

Provider:
CONNER RESIDENCE

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

Provider NPI:
1295957728

Line No.	DESCRIPTION	ADJ NO.	AS REPORTED Col. 1	AUDIT ADJUSTMENT Col. 2	AS AUDITED Col. 3
	EXPENSES: CONSULTANT COSTS				
160	Dietician Consultant		\$ 1,140	\$	\$ 1,140
165	Speech Pathology Consultant		0		0
170	Physical Therapy Consultant		619		619
175	Occupational Therapy Consultant	10	1,362	(101)	1,261
180	Pharmacist Consultant	11	1,680	(373)	1,307
185	Nurse Consultant		0		0
190	Psychologist Consultant		0		0
195	Physician Consultant		0		0
200	Recreational Consultant		285		285
205	Social Service Consultant		0		0
210	Other Consultant	12	1,968	(110)	1,858
215	TOTAL CONSULTANT COST (Lines 160 through 210)		\$ 7,054	\$ (584)	\$ 6,470
	EXPENSES: ADMINISTRATIVE COSTS				
220	Administrative Salaries **		\$ 36,324	\$	\$ 36,324
225	Administrative Fringe Benefits		7,497		7,497
226	Quality Assurance Fees (excluding Adult Day Services)		44,668		44,668
230	Other General and Administrative*** (Excluding Adult Day Services)	2, 13, 14, 15	188,001	1,738	189,739
235	TOTAL ADMINISTRATIVE COST (Lines 220 through 230)		\$ 276,490	\$ 1,738	\$ 278,228
	TOTAL COSTS RELATED TO CLIENT CARE (Lines 110, 155, 215 and 235)		\$ 782,985	\$ (5,075)	\$ 777,910
	NON-CLIENT CARE EXPENSES		(To Sch. 1)		(To Sch. 1)
240	Non-Program Services		\$ 0	\$	\$ 0
241	Adult Day Services and Related Transportation		0		0
245	TOTAL FACILITY EXPENSES (Lines 110, 155, 215, 235, 240 and 241)	1	\$ 782,985	\$ (5,075)	\$ 777,910

Page 2 of 2

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

*** List allocated administrative costs on Line 230

Provider Name							Fiscal Period	Provider NPI	Adjustments	
CONNER RESIDENCE							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1295957728	16	
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>MEMORANDUM ADJUSTMENT</u>										
1	4	105	4	2	105	3	Total General Home Expense:	\$69,844	(\$192)	\$69,652
	4	110	4	2	110	3	Total Basic Facility Cos	74,113	(192)	73,921
	4.1	245	4	2	245	3	Total Facility Expenses:	783,178	(193)	782,985
To correct reported total amounts that did not foot. 42 CFR 413.20 and 413.24/ CMS Pub. 15-1, Sections 2300 and 2304										

Provider Name							Fiscal Period		Provider NPI		Adjustments
CONNER RESIDENCE							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011		1295957728		16
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>											
2	4	070	4	2	070	3	Property Insurance	\$140	(\$140)	\$0	
	4.1	230	4	2	230	3	Other General and Administrative To reclassify surety bond insurance 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	188,001	140	188,141 *	

*Balance carried forward from prior/to subsequent adjustments

Provider Name							Fiscal Period	Provider NPI		Adjustments
CONNER RESIDENCE							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1295957728		16
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>										
3	4	080	4	2	080	3	Home Operations and Maintenance To eliminate home operations expense due to insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	\$3,793	(\$191)	\$3,602
4	4	085	4	2	085	3	Utilities To reconcile the reported electricity expense to agree with the provider's utilities allocation for monthly invoices. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	\$11,696	(\$3,113)	\$8,583
5	4	090	4	2	090	3	Client Transportation To eliminate car expense not related to audited facility and patient care. 42 CFR 413.9(c)(3) / CMS Pub. 15-1, Sections 2102.3 and 2105	\$5,616	(\$127)	\$5,489
6	4	095	4	2	095	3	Dietary To eliminate dietary expense 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)	\$26,000	(\$600)	\$25,400
7	4	100	4	2	100	3	Personal Care and Laundry To eliminate personal care and laundry expense due to insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	\$22,547	(\$1,818)	\$20,729 *
8	4	100	4	2	100	3	Personal Care and Laundry To adjust personal care expense not applicable to the audit period. 42 CFR 413.5 and 413.24 CMS Pub. 15-1, Sections 2300, 2302.1, 2304 and 2306	* \$20,729	(\$169)	\$20,560 *

*Balance carried forward from prior/to subsequent adjustments

Provider Name							Fiscal Period	Provider NPI		Adjustments	
CONNER RESIDENCE							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1295957728		16	
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>											
9	4	100	4	2	100	3	Personal Care and Laundry To adjust personal care expense not belonging to audited facility for proper cost determination. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300, 2302.4 and 2302.8	*	\$20,560	(\$71)	\$20,489
10	4.1	175	4	2	175	3	Occupational Therapy Consultant To adjust Consultant expense not applicable to the audit period. 42 CFR 413.5 and 413.24 CMS Pub. 15-1, Sections 2300, 2302.1, 2304 and 2306		\$1,362	(\$101)	\$1,261
11	4.1	180	4	2	180	3	Pharmacist Consultant To adjust Consultant expense not applicable to the audit period and reconcile to provider's invoices. 42 CFR 413.5 and 413.24 CMS Pub. 15-1, Sections 2300, 2302.1, 2304 and 2306		\$1,680	(\$373)	\$1,307
12	4.1	210	4	2	210	3	Other Consultant To adjust Consultant expense not applicable to the audit period. 42 CFR 413.5 and 413.24 CMS Pub. 15-1, Sections 2300, 2302.1, 2304 and 2306		\$1,968	(\$110)	\$1,858
13	4.1	230	4	2	230	3	Other General and Administrative To eliminate assessment penalty fees and gift cards expense not related to patient care. 42 CFR 413.9(c)(3) / CMS Pub. 15-1, Sections 2102.3 and 2105	*	\$188,141	(\$576)	\$187,565 *
14	4.1	230	4	2	230	3	Other General and Administrative To adjust expense not belonging to audited facility for proper cost determination. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300, 2302.4 and 2302.8	*	\$187,565	(\$85)	\$187,480 *

*Balance carried forward from prior/to subsequent adjustments

Provider Name							Fiscal Period		Provider NPI		Adjustments			
CONNER RESIDENCE							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011		1295957728		16			
Report References							Explanation of Audit Adjustments							
Cost Report			Audit Report									As Reported	Increase (Decrease)	As Adjusted
Adj. No.	DHS 3076 Page or Exhibit	Line	Col.	Sch.	Line	Col								
<u>ADJUSTMENTS TO REPORTED COSTS</u>														
15	4.1	230	4	2	230	3	Other General and Administrative To adjust to the corrected figure in the filed Peppermint Ridge Home Office cost report for fiscal period ended December 31, 2011. 42 CFR 413.17 and 413.24 CMS Pub. 15-1, Sections 2150.2 and 2304	*	\$187,480	\$2,259	\$189,739			

*Balance carried forward from prior/to subsequent adjustments

Provider Name							Fiscal Period		Provider NPI		Adjustments
CONNER RESIDENCE							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011		1295957728		16
Report References							Explanation of Audit Adjustments				
Cost Report			Audit Report								
Adj. No.	DHS 3076 Page or Exhibit	Line	Col.	Sch.	Line	Col					
<u>ADJUSTMENT TO REPORTED PATIENT DAYS</u>											
16	2	3	N/A	1	1	N/A	Medi-Cal Client 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	4,312	68	4,380	