

**REPORT
ON THE
RATE SETTING AUDIT**

**MARCIE'S MANOR III ICF
STOCKTON, CALIFORNIA
NATIONAL PROVIDER IDENTIFIER: 1932247541**

**FISCAL PERIOD ENDED
DECEMBER 31, 2011**

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

**Section Chief: Robert G. Kwick
Audit Supervisor: Gary Diffenderffer
Auditor: Mony Sor**



TOBY DOUGLAS
DIRECTOR

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



EDMUND G. BROWN JR.
GOVERNOR

July 12, 2013

Marcie H. Patubo, Administrator
Marcie's Manor III ICF
1528 Venetian Drive
Stockton, CA 95207

MARCIE'S MANOR III ICF
NATIONAL PROVIDER IDENTIFIER (NPI) 1932247541
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, patient days, and use of share of cost 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	\$	267,457		\$ 170.68
Net Audit Adjustment		<u>(31,937)</u>		<u>(21.43)</u>
Audited Cost/Cost Per Day	\$	<u>235,520</u>		\$ <u>149.25</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 Rate Development Branch.

Marcie H. Patubo
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—
Sacramento at (916) 650-6994.

Original Signed By

Robert G. Kwick, Chief
Audits Section - Sacramento
Financial Audits Branch

Certified

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

Provider:
MARCIE'S MANOR III ICF

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

Provider NPI:
1932247541

SUMMARY OF AUDITED FACILITY CENSUS AND AUDITED CLIENT COST PER DAY	AS REPORTED	AS AUDITED
1. Medi-Cal Client Days (Adj 21)	1,567	1,578
2. Medi-Cal Managed Care Days (Adj)	0	0
3. Other Client Days (Adj)		0
4. Total Client Days	<u>1,567</u>	<u>1,578</u>
5. Total Client Care Expenses (From Sch. 2)	\$ <u>267,457</u>	\$ <u>235,520</u>
6. AVERAGE CLIENT COST PER DAY (Line 4 / Line 3)	\$ <u>170.68</u>	\$ <u>149.25</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:
MARCIE'S MANOR III ICF

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

Provider NPI:
1932247541

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	5	\$ 2,288	\$ (336)	\$ 1,952
050	Leases and Rentals	6	18,900	(18,900)	0
055	Real Property Taxes		1,717		1,717
060	Personal Property Taxes				0
065	Mortgage Interest				0
070	Property Insurance	7, 8	3,658	(864)	2,794
075	TOTAL PROPERTY EXPENSES (Lines 045 through 070)		\$ 26,563	\$ (20,100)	\$ 6,463
	Basic Facility Cost - General Home Expenses				
080	Home Operations and Maintenance	9	\$ 1,505	\$ (377)	\$ 1,128
085	Utilities	1	8,728	289	9,017
090	Client Transportation (excluding Adult Day Services)		674		674
095	Dietary	1, 2, 10, 11	11,143	(1,715)	9,428
100	Personal Care and Laundry	3, 4, 12, 13	1,556	(1,163)	393
105	TOTAL GENERAL HOME EXPENSES (Lines 080 through 100)		\$ 23,606	\$ (2,966)	\$ 20,640
110	TOTAL BASIC FACILITY COST (Lines 075 plus 105)		\$ 50,169	\$ (23,066)	\$ 27,103
	EXPENSES: DIRECT CARE STAFF COSTS				
115	QMRP Salaries		\$ 34,200	\$	\$ 34,200
120	QMRP Fringe Benefits	14, 15, 16, 17, 18	11,299	(5,889)	5,410
125	Lead Salaries		15,640		15,640
130	Lead Fringe Benefits	19	2,501	(660)	1,841
135	Aides Salaries		75,138		75,138
140	Aides Fringe Benefits		12,360		12,360
145	Other Salaries				0
150	Other Fringe Benefits				0
155	TOTAL DIRECT CARE STAFF COSTS (Lines 115 through 150)		\$ 151,138	\$ (6,549)	\$ 144,589

SUMMARY OF AUDITED FACILITY EXPENSES

Provider:
MARCIE'S MANOR III ICF

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

Provider NPI:
1932247541

Line No.	DESCRIPTION	ADJ NO.	AS REPORTED Col. 1	AUDIT ADJUSTMENT Col. 2	AS AUDITED Col. 3
	EXPENSES: CONSULTANT COSTS				
160	Dietician Consultant		\$ 563	\$	\$ 563
165	Speech Pathology Consultant				0
170	Physical Therapy Consultant				0
175	Occupational Therapy Consultant				0
180	Pharmacist Consultant		900		900
185	Nurse Consultant		6,318		6,318
190	Psychologist Consultant		740		740
195	Physician Consultant	3	0	900	900
200	Recreational Consultant		1,045		1,045
205	Social Service Consultant				0
210	Other Consultant	4	0	78	78
215	TOTAL CONSULTANT COST (Lines 160 through 210)		\$ 9,566	\$ 978	\$ 10,544
	EXPENSES: ADMINISTRATIVE COSTS				
220	Administrative Salaries **		\$ 28,200	\$	\$ 28,200
225	Administrative Fringe Benefits	20	7,657	(3,500)	4,157
226	Quality Assurance Fees (excluding Adult Day Services)		13,824		13,824
230	Other General and Administrative*** (Excluding Adult Day Services)	2	6,903	200	7,103
235	TOTAL ADMINISTRATIVE COST (Lines 220 through 230)		\$ 56,584	\$ (3,300)	\$ 53,284
	TOTAL COSTS RELATED TO CLIENT CARE (Lines 110, 155, 215 and 235)		\$ 267,457	\$ (31,937)	\$ 235,520
	NON-CLIENT CARE EXPENSES		(To Sch. 1)		(To Sch. 1)
240	Non-Program Services		\$ 180	\$	\$ 180
241	Adult Day Services and Related Transportation		11,797		11,797
245	TOTAL FACILITY EXPENSES (Lines 110, 155, 215, 235, 240 and 241)		\$ 279,434	\$ (31,937)	\$ 247,497

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
MARCIE'S MANOR III ICF							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1932247541		21
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>RECLASSIFICATIONS OF REPORTED COSTS</u>										
1	4	085	4	2	085	3	Utilities	\$8,728	\$289	\$9,017
	4	095	4	2	095	3	Dietary	11,143	(289)	10,854 *
							To reclassify utilities 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			
2	4	095	4	2	095	3	Dietary	* \$10,854	(\$200)	\$10,654 *
	4.1	230	4	2	230	3	Other General and Administrative	6,903	200	7,103
							To reclassify Costco membership fee 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			
3	4	100	4	2	100	3	Personal Care and Laundry	\$1,556	(\$900)	\$656 *
	4.1	195	4	2	195	3	Physician Consultant	0	900	900
							To reclassify physician consultant 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			
4	4	100	4	2	100	3	Personal Care and Laundry	* \$656	(\$78)	\$578 *
	4.1	210	4	2	210	3	Other Consultant	0	78	78
							To reclassify other consultant 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			

*Balance carried forward from prior/to subsequent adjustments

Provider Name							Fiscal Period	Provider NPI		Adjustments
MARCIE'S MANOR III ICF							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1932247541		21
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>										
5	4	045	4	2	045	3	Depreciation and Amortization To eliminate depreciation and amortization expense not relat to patient care. 42 CFR 413.9(c)(3) CMS Pub. 15-1, Sections 2102.3 and 2105	\$2,288	(\$336)	\$1,952
6	4	050	4	2	050	3	Leases and Rentals To eliminate lease expenses paid to a related party as cost of ownership is already included as an expense. 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	\$18,900	(\$18,900)	\$0
7	4	070	4	2	070	3	Property Insurance To adjust the property insurance expense to agree with the property insurance policy. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	\$3,658	(\$95)	
8							To eliminate duplicate workers' compensation insurance expense to agree with the provider's records. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304		(769) (\$864)	\$2,794
9	4	080	4	2	080	3	Home Operations and Maintenance To eliminate housekeeping supplies and repairs 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)	\$1,505	(\$377)	\$1,128

Provider Name							Fiscal Period		Provider NPI		Adjustments
MARCIE'S MANOR III ICF							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011		1932247541		21
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>											
10	4	095	4	2	095	3	Dietary	*	\$10,654		
							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)			(\$326)	
11							To eliminate dietary expense not related to patient care. 42 CFR 413.9(c)(3) / CMS Pub. 15-1, Sections 2102.3 and 2105			(900)	\$9,428
										(\$1,226)	
12	4	100	4	2	100	3	Personal Care and Laundry	*	\$578		
							To eliminate personal medical expenses not related to patient care. 42 CFR 413.9(c)(3) / CMS Pub. 15-1, Sections 2102.3 and 2105			(\$115)	
13							To eliminate dental costs not included in the routine rate. CMS Pub.15-1, Section 2104.4 CCR, Title 22, 51510.2			(70)	\$393
										(\$185)	
14	4.1	120	4	2	120	3	QMRP Fringe Benefits		\$11,299		
							To adjust QMRP workers' compensation insurance expense to agree with workers' compensation final audit invoice in conjunction with adjustment 19. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304			(\$148)	
15							To eliminate QMRP fringe benefits to agree with provider's records. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304			(205)	\$10,946 *
										(\$353)	

*Balance carried forward from prior/to subsequent adjustments

Provider Name							Fiscal Period	Provider NPI		Adjustments
MARCIE'S MANOR III ICF							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1932247541		21
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>										
16	4.1	120	4	2	120	3	QMRP Fringe Benefits	*	\$10,946	
							To eliminate QMRP bonus 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)			(\$3,500)
17							To eliminate taxes and contribution expenses to agree with the provider's records. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304			(4,000)
18							To adjust health benefits expense to agree with the provider's records. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304			1,964 (\$5,536)
										\$5,410
19	4.1	130	4	2	130	3	Lead Fringe Benefits		\$2,501	(\$660)
							To adjust Lead workers' compensation insurance expense to agree with workers' compensation final audit invoice in conjunction with adjustment 14. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304			\$1,841
20	4.1	225	4	2	225	3	Administrative Fringe Benefits		\$7,657	(\$3,500)
							To eliminate bonus expense due to lack of documentation demonstrating relationship to patient care. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 904, 2102.1, 2103, 2136.2, 2300, and 2304 W&I Code 14124.2(b)			\$4,157

*Balance carried forward from prior/to subsequent adjustments

Provider Name				Fiscal Period				Provider NPI		Adjustments
MARCIE'S MANOR III ICF				JANUARY 1, 2011 THROUGH DECEMBER 31, 2011				1932247541		21
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 REPORTED PATIENT DAYS</u>										
21	2	3	4	1	1	2	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	1,567	11	1,578