

**REPORT
ON THE
RATE SETTING AUDIT**

**MIDOMAR HOMES 1
ARTESIA, CALIFORNIA
NATIONAL PROVIDER IDENTIFIER: 1689753444**

**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: December 6, 2012

Adoracion M. Palisoc, Administrator
Midomar Homes 1
17807 Belshire Avenue
Artesia, CA 92701

MIDOMAR HOMES 1
NATIONAL PROVIDER IDENTIFIER (NPI) 1689753444
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	\$	306,283	\$ 170.06
Net Audit Adjustment		(83,954)	(48.24)
Audited Cost/Cost Per Day	\$	<u>222,329</u>	\$ <u>121.82</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.

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:
MIDOMAR HOMES 1

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

Provider NPI:
1689753444

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

	AS REPORTED	AS AUDITED
1. Medi-Cal Client Days (Adj 29)	1,801	1,825
2. Medi-Cal Managed Care Days (Adj)	0	0
3. Other Client Days (Adj)	0	0
4. Total Client Days	<u>1,801</u>	<u>1,825</u>
5. Total Client Care Expenses (From Sch. 2)	\$ <u>306,283</u>	\$ <u>222,329</u>
6. AVERAGE CLIENT COST PER DAY (Line 4 / Line 3)	\$ <u>170.06</u>	\$ <u>121.82</u>

SHARE OF COST

1. Share of Cost Audit Adjustment (Adj)	\$ <u>NA</u>	\$ <u>0</u>
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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:
MIDOMAR HOMES 1

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

Provider NPI:
1689753444

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	28	\$ 0	\$ 2,923	\$ 2,923
050	Leases and Rentals	6	31,500	(31,500)	0
055	Real Property Taxes	27	0	4,250	4,250
060	Personal Property Taxes		0		0
065	Mortgage Interest		0		0
070	Property Insurance	1	0	2,548	2,548
075	TOTAL PROPERTY EXPENSES (Lines 045 through 070)		\$ 31,500	\$ (21,779)	\$ 9,721
	Basic Facility Cost - General Home Expenses				
080	Home Operations and Maintenance	7, 8	\$ 12,873	\$ (1,990)	\$ 10,883
085	Utilities	9, 10	7,250	(1,021)	6,229
090	Client Transportation (excluding Adult Day Services)	1, 3, 4, 11, 19 - 22	45,087	(33,001)	12,086
095	Dietary	2	8,203	(25)	8,178
100	Personal Care and Laundry		0		0
105	TOTAL GENERAL HOME EXPENSES (Lines 080 through 100)		\$ 73,413	\$ (36,037)	\$ 37,376
110	TOTAL BASIC FACILITY COST (Lines 075 plus 105)		\$ 104,913	\$ (57,816)	\$ 47,097
	EXPENSES: DIRECT CARE STAFF COSTS				
115	QMRP Salaries	14, 15, 16	\$ 11,870	\$ (3,420)	\$ 8,450
120	QMRP Fringe Benefits		0		0
125	Lead Salaries		0		0
130	Lead Fringe Benefits		0		0
135	Aides Salaries	17	78,630	(16,308)	62,322
140	Aides Fringe Benefits	5, 18	13,540	(2,878)	10,662
145	Other Salaries		0		0
150	Other Fringe Benefits		0		0
155	TOTAL DIRECT CARE STAFF COSTS (Lines 115 through 150)		\$ 104,040	\$ (22,606)	\$ 81,434

SUMMARY OF AUDITED FACILITY EXPENSES

Provider:
MIDOMAR HOMES 1

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

Provider NPI:
1689753444

Line No.	DESCRIPTION	ADJ NO.	AS REPORTED Col. 1	AUDIT ADJUSTMENT Col. 2	AS AUDITED Col. 3
	EXPENSES: CONSULTANT COSTS				
160	Dietician Consultant	23	\$ 412	\$ (165)	\$ 247
165	Speech Pathology Consultant		750		750
170	Physical Therapy Consultant	25	1,250	(1,250)	0
175	Occupational Therapy Consultant		0		0
180	Pharmacist Consultant		360		360
185	Nurse Consultant	24	11,700	(900)	10,800
190	Psychologist Consultant		0		0
195	Physician Consultant		2,450		2,450
200	Recreational Consultant	26	3,955	(1,144)	2,811
205	Social Service Consultant		0		0
210	Other Consultant		2,835		2,835
215	TOTAL CONSULTANT COST (Lines 160 through 210)		\$ 23,712	\$ (3,459)	\$ 20,253
	EXPENSES: ADMINISTRATIVE COSTS				
220	Administrative Salaries **		\$ 10,800		\$ 10,800
225	Administrative Fringe Benefits		0		0
226	Quality Assurance Fees (excluding Adult Day Services)		48,731		48,731
230	Other General and Administrative*** (Excluding Adult Day Services)	2, 3, 4, 12, 13	14,087	(73)	14,014
235	TOTAL ADMINISTRATIVE COST (Lines 220 through 230)		\$ 73,618	\$ (73)	\$ 73,545
	TOTAL COSTS RELATED TO CLIENT CARE (Lines 110, 155, 215 and 235)		\$ 306,283	\$ (83,954)	\$ 222,329
	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)		\$ 306,283	\$ (83,954)	\$ 222,329

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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	
MIDOMAR HOMES 1							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1689753444		29	
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	090	4	2	090	3	Client Transportation	\$45,087	(\$2,548)	\$42,539 *	
	4	070	4	2	070	3	Property Insurance	0	2,548	2,548	
							To reclassify property 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				
2	4	095	4	2	095	3	Dietary	\$8,203	(\$25)	\$8,178	
	4.1	230	4	2	230	3	Other General and Administrative	14,087	25	14,112 *	
							To reclassify facility's renewal 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				
3	4	090	4	2	090	3	Client Transportation	* \$42,539	(\$1,499)	\$41,040 *	
	4.1	230	4	2	230	3	Other General and Administrative	* 14,112	1,499	15,611 *	
							To reclassify liability 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				
4	4	090	4	2	090	3	Client Transportation	* \$41,040	(\$100)	\$40,940 *	
	4.1	230	4	2	230	3	Other General and Administrative	* 15,611	100	15,711 *	
							To reclassify patient trust 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				
5	4.1	140	4	2	140	3	Aides Fringe Benefits	\$13,540	(\$665)	\$12,875 *	
							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				

*Balance carried forward from prior/to subsequent adjustments

Provider Name							Fiscal Period	Provider NPI		Adjustments
MIDOMAR HOMES 1							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1689753444		29
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>										
6	4	050	4	2	050	3	Leases and Rentals To eliminate lease expense 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	\$31,500	(\$31,500)	\$0
7	4	080	4	2	080	3	Home Operations and Maintenance To eliminate home related expense due to insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	\$12,873	(\$1,548)	\$11,325 *
8	4	080	4	2	080	3	Home Operations and Maintenance To adjust home service expense to agree with expense applicable to the facility under audit. 42 CFR 413.5 and 413.24 CMS Pub. 15-1, Sections 2300, 2302.1, 2304 and 2306	* \$11,325	(\$442)	\$10,883
9	4	085	4	2	085	3	Utilities To adjust utilities 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	\$7,250	(\$178)	\$7,072 *
10	4	085	4	2	085	3	Utilities To eliminate utilities expense due to insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	* \$7,072	(\$844)	\$6,229
11	4	090	4	2	090	3	Client Transportation To eliminate gas 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)	* \$40,940	(\$132)	\$40,808 *

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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>											
12	4.1	230	4	2	230	3	Other General and Administrative To eliminate other general and administrative 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)	*	\$15,711	(\$1,647)	\$14,064 *
13	4.1	230	4	2	230	3	Other General and Administrative To eliminate gift expense not related to patient care. 42 CFR 413.9(c)(3) / CMS Pub. 15-1, Sections 2102.3 and 2136.2	*	\$14,064	(\$50)	\$14,014
14	4.1	115	4	2	115	3	QMRP Salaries To eliminate consultant service 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)		\$11,870	(\$1,450)	\$10,420 *
15	4.1	115	4	2	115	3	QMRP Salaries To adjust QMRP consultant 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	*	\$10,420	(\$750)	\$9,670 *
16	4.1	115	4	2	115	3	QMRP Salaries To adjust QMRP salaries to agree with consultant's invoices. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300, and 2304	*	\$9,670	(\$1,220)	\$8,450
17	4.1	135	4	2	135	3	Aides Salaries To adjust aides salaries to reflect proper allocation between facilities. 42 CFR 413.24/ CMS Pub. 15-1, Sections 2102.1, 2302.4 and 2302.8		\$78,630	(\$16,308)	\$62,322

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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>											
18	4.1	140	4	2	140	3	Aides Fringe Benefits To adjust aides benefits to reflect proper allocation between facilities. 42 CFR 413.24/ CMS Pub. 15-1, Sections 2102.1, 2302.4 and 2302.8	*	\$12,875	(\$2,213)	\$10,662
19	4	090	4	2	090	3	Client Transportation To reconcile the reported expense to agree with the provider's general ledger. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	*	\$40,808	(\$5,075)	\$35,733 *
20	4	090	4	2	090	3	Client Transportation To eliminate home warranty and car insurance expense due to insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	*	\$35,733	(\$1,658)	\$34,076 *
21	4	090	4	2	090	3	Client Transportation To eliminate insurance expense to agree with expense applicable to the facility under audit. 42 CFR 413.5 and 413.24. CMS Pub. 15-1, Sections 2300, 2302.1, 2304 and 2306	*	\$34,076	(\$21,865)	\$12,211 *
22	4	090	4	2	090	3	Client Transportation To adjust 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	*	\$12,211	(\$125)	\$12,086
23	4.1	160	4	2	160	3	Dietician Consultant To eliminate dietician consultant 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)		\$412	(\$165)	\$247

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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>										
24	4.1	185	4	2	185	3	Nurse Consultant To adjust nurse consultant service 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	\$11,700	(\$900)	\$10,800
25	4.1	170	4	2	170	3	Physical Therapy Consultant To eliminate consultant expense due to insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	\$1,250	(\$1,250)	\$0
26	4.1	200	4	2	200	3	Recreational Consultant To eliminate consultant 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)	\$3,955	(\$1,144)	\$2,811
27	4	055	4	2	055	3	Real Property Taxes To include cost of ownership in lieu of related party lease 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	\$0	\$4,250	\$4,250
28	4	045	4	2	045	3	Depreciation and Amortization To include depreciation expense as cost of ownership in lieu of related party lease 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	\$0	\$2,923	\$2,923

*Balance carried forward from prior/to subsequent adjustments

Provider Name							Fiscal Period			Provider NPI		Adjustments
MIDOMAR HOMES 1							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011			1689753444		29
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>												
29	2	3	N/A	1	4	N/A	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	1,801	24	1,825		