

**REPORT  
ON THE  
RATE SETTING AUDIT**

**OSTERMAN #3  
SHASTA LAKE, CALIFORNIA  
NATIONAL PROVIDER IDENTIFIER: 1548452808**

**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: Delia Valencia  
Auditors: Gene Bannister and Larry Vu**



TOBY DOUGLAS  
DIRECTOR

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



EDMUND G. BROWN JR.  
GOVERNOR

June 24, 2013

Doris Osterman, Administrator  
Osterman #3  
P.O. Box 905  
Shasta Lake, CA 96019

OSTERMAN #3  
NATIONAL PROVIDER IDENTIFIER (NPI) 1548452808  
FISCAL PERIOD ENDED DECEMBER 31, 2011

We have examined the facility's financial records/Medi-Cal Cost Report for the above-referenced fiscal period. We also examined the facility's use of and Records of Noncovered Services deducted from Share of Cost. 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	\$	315,902	\$ 144.25
Net Audit Adjustment		(3,579)	(1.64)
Audited Cost/Cost Per Day	\$	<u>312,323</u>	\$ <u>142.61</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 \$6,223, 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.

Doris Osterman  
Page 3

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:**  
OSTERMAN #3

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

**Provider NPI:**  
1548452808

<b>SUMMARY OF AUDITED FACILITY CENSUS AND AUDITED CLIENT COST PER DAY</b>	<b>AS REPORTED</b>	<b>AS AUDITED</b>
1. Medi-Cal Client Days (Adj )	2,190	2,190
2. Medi-Cal Managed Care Days (Adj )		0
3. Other Client Days (Adj )		0
4. Total Client Days	<u>2,190</u>	<u>2,190</u>
5. Total Client Care Expenses (From Sch. 2)	\$ <u>315,902</u>	\$ <u>312,323</u>
6. AVERAGE CLIENT COST PER DAY (Line 4 / Line 3)	\$ <u>144.25</u>	\$ <u>142.61</u>
<b>SHARE OF COST</b>		
1. Share of Cost Audit Adjustment (Adj 14)	\$ <u>0</u>	\$ <u>6,223</u>
<b>OVERPAYMENTS</b>		
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:  
OSTERMAN #3

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

Provider NPI:  
1548452808

Line No.	DESCRIPTION	ADJ NO.	AS REPORTED Col. 1	AUDIT ADJUSTMENT Col. 2	AS AUDITED Col. 3
	<b>EXPENSES: CLIENT SERVICES</b>				
	<b>Basic Facility Cost - Property Expenses</b>				
045	Depreciation and Amortization		\$ 2,273	\$	\$ 2,273
050	Leases and Rentals				0
055	Real Property Taxes		1,777		1,777
060	Personal Property Taxes				0
065	Mortgage Interest				0
070	Property Insurance		1,744		1,744
075	TOTAL PROPERTY EXPENSES (Lines 045 through 070)		\$ 5,794	\$ 0	\$ 5,794
	<b>Basic Facility Cost - General Home Expenses</b>				
080	Home Operations and Maintenance	1	\$ 6,771	\$ (284)	\$ 6,487
085	Utilities		8,560		8,560
090	Client Transportation (excluding Adult Day Services)	2,3	4,388	(1,965)	2,423
095	Dietary	4	17,725	(2,086)	15,639
100	Personal Care and Laundry	5,6	2,140	(512)	1,628
105	TOTAL GENERAL HOME EXPENSES (Lines 080 through 100)		\$ 39,584	\$ (4,847)	\$ 34,737
110	TOTAL BASIC FACILITY COST (Lines 075 plus 105)		\$ 45,378	\$ (4,847)	\$ 40,531
	<b>EXPENSES: DIRECT CARE STAFF COSTS</b>				
115	QMRP Salaries		\$ 18,900	\$	\$ 18,900
120	QMRP Fringe Benefits	7	1,421	(1,421)	0
125	Lead Salaries		51,776		51,776
130	Lead Fringe Benefits	8	3,893	5,416	9,309
135	Aides Salaries		103,456		103,456
140	Aides Fringe Benefits	9	7,780	10,822	18,602
145	Other Salaries				0
150	Other Fringe Benefits				0
155	TOTAL DIRECT CARE STAFF COSTS (Lines 115 through 150)		\$ 187,226	\$ 14,817	\$ 202,043

## SUMMARY OF AUDITED FACILITY EXPENSES

Provider:  
OSTERMAN #3

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

Provider NPI:  
0

Line No.	DESCRIPTION	ADJ NO.	AS REPORTED Col. 1	AUDIT ADJUSTMENT Col. 2	AS AUDITED Col. 3
	<b>EXPENSES: CONSULTANT COSTS</b>				
160	Dietician Consultant		\$ 400	\$	\$ 400
165	Speech Pathology Consultant				0
170	Physical Therapy Consultant		220		220
175	Occupational Therapy Consultant				0
180	Pharmacist Consultant		193		193
185	Nurse Consultant		7,048		7,048
190	Psychologist Consultant				0
195	Physician Consultant				0
200	Recreational Consultant		1,100		1,100
205	Social Service Consultant				0
210	Other Consultant				0
215	TOTAL CONSULTANT COST (Lines 160 through 210)		\$ 8,961	\$ 0	\$ 8,961
	<b>EXPENSES: ADMINISTRATIVE COSTS</b>				
220	Administrative Salaries **		\$ 28,870	\$	\$ 28,870
225	Administrative Fringe Benefits	10	2,171	3,020	5,191
226	Quality Assurance Fees (excluding Adult Day Services)		19,049		19,049
230	Other General and Administrative*** (Excluding Adult Day Services)	11,12,13	24,247	(16,569)	7,678
235	TOTAL ADMINISTRATIVE COST (Lines 220 through 230)		\$ 74,337	\$ (13,549)	\$ 60,788
	TOTAL COSTS RELATED TO CLIENT CARE (Lines 110, 155, 215 and 235)		\$ 315,902	\$ (3,579)	\$ 312,323
	<b>NON-CLIENT CARE EXPENSES</b>		(To Sch. 1)		(To Sch. 1)
240	Non-Program Services		\$	\$	\$ 0
241	Adult Day Services and Related Transportation		93,082		93,082
245	TOTAL FACILITY EXPENSES (Lines 110, 155, 215, 235, 240 and 241)		\$ 408,984	\$ (3,579)	\$ 405,405

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
OSTERMAN #3							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1548452808		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				
<b><u>ADJUSTMENTS TO REPORTED COSTS</u></b>										
1	4	080	4	2	080	3	Home Operations and Maintenance To eliminate home operation and maintenance 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)	\$6,771	(\$284)	\$6,487
	4	090	4	2	090	3	Client Transportation	\$4,388		
2							To eliminate transportation expense due to insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304		(\$4,388)	
3							To adjust transportation 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		2,423 (\$1,965)	\$2,423
4	4	095	4	2	095	3	Dietary To eliminate dietary 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)	\$17,725	(\$2,086)	\$15,639
5	4	100	4	2	100	3	Personal Care and Laundry To eliminate personal care and laundry 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)	\$2,140	(\$272)	\$1,868 *

\*Balance carried forward from prior/to subsequent adjustments

Provider Name							Fiscal Period	Provider NPI		Adjustments
OSTERMAN #3							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1548452808		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				
<b><u>ADJUSTMENTS TO REPORTED COSTS</u></b>										
6	4	100	4	2	100	3	Personal Care and Laundry To eliminate personal care and laundry due to insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	\$1,868	(\$240)	\$1,628
7	4.1	120	4	2	120	3	QMRP Fringe Benefits To eliminate the cost of QMRP fringe benefits to reflect proper cost allocation in conjunction with adjustment 11. 42 CFR 413.9 (C)(3) CMS Pub. 15-1, Sections 2102.3 and 2144.3	\$1,421	(\$1,421)	\$0
8	4.1	130	4	2	130	3	Lead Fringe Benefits To adjust the cost of lead fringe benefits to reflect proper cost allocation in conjunction with adjustment 11. 42 CFR 413.9 (C)(3) CMS Pub. 15-1, Sections 2102.3 and 2144.3	\$3,893	\$5,416	\$9,309
9	4.1	140	4	2	140	3	Aides Fringe Benefits To adjust the cost of aides fringe benefits to reflect proper cost allocation in conjunction with adjustment 11. 42 CFR 413.9 (C)(3) CMS Pub. 15-1, Sections 2102.3 and 2144.3	\$7,780	\$10,822	\$18,602
10	4.1	225	4	2	225	3	Administrative Fringe Benefits To adjust the cost of administrative fringe benefits to reflect proper cost allocation in conjunction with adjustment 11. 42 CFR 413.9 (C)(3) CMS Pub. 15-1, Sections 2102.3 and 2144.3	\$2,171	\$3,020	\$5,191

\*Balance carried forward from prior/to subsequent adjustments

Provider Name							Fiscal Period		Provider NPI		Adjustments
OSTERMAN #3							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011		1548452808		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					
<b><u>ADJUSTMENTS TO REPORTED COSTS</u></b>											
	4.1	230	4	2	230	3	Other General and Administrative	\$24,247			
11							To eliminate workers compensation from other general and administrative in conjunction with adjustment 7,8,9 and 10. 42 CFR 413.20, 413.24, and 413.50 CMS Pub. 15-1, Sections 2304 and 2306		(\$15,284)		
12							To eliminate franchise tax board expenses not related to patient care. 42 CFR 413.9 and 413.20 CMS Pub. 15-1, Sections 2122.4, 2122.4C, and 2300		(1,157)		
13							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)		<u>(128)</u> (\$16,569)	\$7,678	

Provider Name							Fiscal Period	Provider NPI		Adjustments
OSTERMAN #3							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1548452808		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			1	1	2	Overpayments To recover Medi-Cal overpayments because the Share of Cost was not properly deducted from the amount billed. 42 CFR 413.5 and 413.20 CMS Pub. 15-1, Sections 2300 and 2409 CCR, Title 22, Sections 50786 and 51458.1	\$0	\$6,223	\$6,223