

**REPORT
ON THE
RATE SETTING AUDIT**

**OSTERMAN #4
REDDING, CALIFORNIA
NATIONAL PROVIDER IDENTIFIER: 1245422500**

**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 #4
P.O. Box 905
Shasta Lake, CA 96019

OSTERMAN #4
NATIONAL PROVIDER IDENTIFIER (NPI) 1245422500
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	\$	319,289	\$ 145.79
Net Audit Adjustment		(704)	(.32)
Audited Cost/Cost Per Day	\$	<u>318,585</u>	\$ <u>145.47</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 Fee-For-Service Rates Development Division.

Doris Osterman
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:

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.

If you have questions regarding this report, you may call the Audits Section—Sacramento at (916) 650-6994.

Original Signed By

Robert G. Kvick, Chief
Audits Section—Sacramento
Financial Audits Branch

Certified

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

Provider:
OSTERMAN #4

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

Provider NPI:
1245422500

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

	AS REPORTED	AS AUDITED
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>319,289</u>	\$ <u>318,585</u>
6. AVERAGE CLIENT COST PER DAY (Line 4 / Line 3)	\$ <u>145.79</u>	\$ <u>145.47</u>

SHARE OF COST

1. Share of Cost Audit Adjustment (Adj)	\$ <u>0</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:
OSTERMAN #4

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

Provider NPI:
1245422500

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		\$ 2,415	\$	\$ 2,415
050	Leases and Rentals				0
055	Real Property Taxes		1,962		1,962
060	Personal Property Taxes				0
065	Mortgage Interest				0
070	Property Insurance		1,744		1,744
075	TOTAL PROPERTY EXPENSES (Lines 045 through 070)		\$ 6,121	\$ 0	\$ 6,121
	Basic Facility Cost - General Home Expenses				
080	Home Operations and Maintenance	1	\$ 5,464	\$ (62)	\$ 5,402
085	Utilities		5,633		5,633
090	Client Transportation (excluding Adult Day Services)	2,3	4,831	(2,801)	2,030
095	Dietary	4,5	25,273	(177)	25,096
100	Personal Care and Laundry	6	3,241	(210)	3,031
105	TOTAL GENERAL HOME EXPENSES (Lines 080 through 100)		\$ 44,442	\$ (3,250)	\$ 41,192
110	TOTAL BASIC FACILITY COST (Lines 075 plus 105)		\$ 50,563	\$ (3,250)	\$ 47,313
	EXPENSES: DIRECT CARE STAFF COSTS				
115	QMRP Salaries		\$ 18,600	\$	\$ 18,600
120	QMRP Fringe Benefits	7	1,360	(1,360)	0
125	Lead Salaries		51,123		51,123
130	Lead Fringe Benefits	8	3,738	5,454	9,192
135	Aides Salaries		102,223		102,223
140	Aides Fringe Benefits	9	7,475	10,905	18,380
145	Other Salaries				0
150	Other Fringe Benefits				0
155	TOTAL DIRECT CARE STAFF COSTS (Lines 115 through 150)		\$ 184,519	\$ 14,999	\$ 199,518

SUMMARY OF AUDITED FACILITY EXPENSES

Provider:
OSTERMAN #4

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

Provider NPI:
1245422500

Line No.	DESCRIPTION	ADJ NO.	AS REPORTED Col. 1	AUDIT ADJUSTMENT Col. 2	AS AUDITED Col. 3
	EXPENSES: CONSULTANT COSTS				
160	Dietician Consultant		\$ 430	\$	\$ 430
165	Speech Pathology Consultant				0
170	Physical Therapy Consultant		180		180
175	Occupational Therapy Consultant				0
180	Pharmacist Consultant		204		204
185	Nurse Consultant		7,260		7,260
190	Psychologist Consultant				0
195	Physician Consultant				0
200	Recreational Consultant		1,050		1,050
205	Social Service Consultant				0
210	Other Consultant				0
215	TOTAL CONSULTANT COST (Lines 160 through 210)		\$ 9,124	\$ 0	\$ 9,124
	EXPENSES: ADMINISTRATIVE COSTS				
220	Administrative Salaries **		\$ 28,870	\$	\$ 28,870
225	Administrative Fringe Benefits	10	2,111	3,080	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	25,053	(15,533)	9,520
235	TOTAL ADMINISTRATIVE COST (Lines 220 through 230)		\$ 75,083	\$ (12,453)	\$ 62,630
	TOTAL COSTS RELATED TO CLIENT CARE (Lines 110, 155, 215 and 235)		\$ 319,289	\$ (704)	\$ 318,585
	NON-CLIENT CARE EXPENSES		(To Sch. 1)		(To Sch. 1)
240	Non-Program Services		\$	\$	\$ 0
241	Adult Day Services and Related Transportation		101,138		101,138
245	TOTAL FACILITY EXPENSES (Lines 110, 155, 215, 235, 240 and 241)		\$ 420,427	\$ (704)	\$ 419,723

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 #4							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1245422500		12
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>										
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)	\$5,464	(\$62)	\$5,402
	4	090	4	2	090	3	Client Transportation	\$4,831		
2							To eliminate transportation expense due to insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304		(\$4,381)	
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		1,580 (\$2,801)	\$2,030
	4	095	4	2	095	3	Dietary	\$25,273		
4							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)		(\$1,087)	
5							To include dietary expense to agree with the provider's records. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304 W&I Code 14124.2(b)		910 (\$177)	\$25,096

Provider Name							Fiscal Period	Provider NPI		Adjustments
OSTERMAN #4							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1245422500		12
Adj. No.	Report References			Audit Report			Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
	DHS 3076 Page or Exhibit	Line	Col.	Sch.	Line	Col				
<u>ADJUSTMENTS TO REPORTED COSTS</u>										
6	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 W&I Code 14124.2(b)	\$3,241	(\$210)	\$3,031
7	4.1	120	4	2	120	3	QMRP Fringe Benefits To eliminate the cost of QMRP fringe benefits to reflect proper allocation in conjunction with adjustment 11. 42 CFR 413.9 (C)(3) CMS Pub. 15-1, Sections 2102.3 and 2144.3	\$1,360	(\$1,360)	\$0
8	4.1	130	4	2	130	3	Lead Fringe Benefits To adjust the cost of lead fringe benefits to reflect proper allocation in conjunction with adjustment 11. 42 CFR 413.9 (C)(3) CMS Pub. 15-1, Sections 2102.3 and 2144.3	\$3,738	\$5,454	\$9,192
9	4.1	140	4	2	140	3	Aides Fringe Benefits To adjust the cost of aides fringe benefits to reflect proper allocation in conjunction with adjustment 11. 42 CFR 413.9 (C)(3) CMS Pub. 15-1, Sections 2102.3 and 2144.3	\$7,475	\$10,905	\$18,380
10	4.1	225	4	2	225	3	Administrative Fringe Benefits To adjust the cost of administrative fringe benefits to reflect proper allocation in conjunction with adjustment 11. 42 CFR 413.9 (C)(3) CMS Pub. 15-1, Sections 2102.3 and 2144.3	\$2,111	\$3,080	\$5,191

Provider Name							Fiscal Period		Provider NPI		Adjustments
OSTERMAN #4							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011		1245422500		12
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>											
	4.1	230	4	2	230	3	Other General and Administrative	\$25,053			
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(c)(3) / CMS Pub. 15-1, Sections 2102.3 and 2105		<u>(249)</u> (\$15,533)	\$9,520	