

**REPORT
ON THE
RATE SETTING AUDIT**

**R & C QUALITY CARE
WEST COVINA, CALIFORNIA
NATIONAL PROVIDER IDENTIFIER: 1023299740**

**FISCAL PERIOD ENDED
FYE: 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: May Liu**



TOBY DOUGLAS
DIRECTOR

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



EDMUND G. BROWN JR.
GOVERNOR

Date: December 20, 2012

Romulo Narne
Vice President
R & C Quality Care
1040 South Bubbling Well Road
West Covina, CA 91790

R & C QUALITY CARE
NATIONAL PROVIDER IDENTIFIER (NPI) 1023299740
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	\$	432,983	\$ 198.71
Net Audit Adjustment		(151,545)	(70.55)
Audited Cost/Cost Per Day	\$	<u>281,438</u>	\$ <u>128.16</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:
R & C QUALITY CARE

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

Provider NPI:
1023299740

SUMMARY OF AUDITED FACILITY CENSUS AND AUDITED CLIENT COST PER DAY	AS REPORTED	AS AUDITED
1. Medi-Cal Client Days (Adjs 14,15)	2,179	0
2. Medi-Cal Managed Care Days (Adj 16)	0	2,196
3. Other Client Days (Adj)		0
4. Total Client Days	<u>2,179</u>	<u>2,196</u>
5. Total Client Care Expenses (From Sch. 2)	\$ <u>432,983</u>	\$ <u>281,438</u>
6. AVERAGE CLIENT COST PER DAY (Line 4 / Line 3)	\$ <u>198.71</u>	\$ <u>128.16</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> </u>	\$ <u>0</u>
2. Credit Balances (Adj)	\$ <u> </u>	\$ <u>0</u>
3. Total Overpayments	\$ <u>0</u>	\$ <u>0</u>

SUMMARY OF AUDITED FACILITY EXPENSES

Provider:
R & C QUALITY CARE

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

Provider NPI:
1023299740

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		\$ 2,100	\$	\$ 2,100
050	Leases and Rentals	1	43,380	(43,380)	0
055	Real Property Taxes		6,192		6,192
060	Personal Property Taxes				0
065	Mortgage Interest	2	18,817	(7,862)	10,955
070	Property Insurance		1,355		1,355
075	TOTAL PROPERTY EXPENSES (Lines 045 through 070)		\$ 71,844	\$ (51,242)	\$ 20,602
	Basic Facility Cost - General Home Expenses				
080	Home Operations and Maintenance		\$ 2,787	\$	\$ 2,787
085	Utilities	3,4	4,722	(323)	4,399
090	Client Transportation (excluding Adult Day Services)		4,280		4,280
095	Dietary		21,104		21,104
100	Personal Care and Laundry		534		534
105	TOTAL GENERAL HOME EXPENSES (Lines 080 through 100)		\$ 33,427	\$ (323)	\$ 33,104
110	TOTAL BASIC FACILITY COST (Lines 075 plus 105)		\$ 105,271	\$ (51,565)	\$ 53,706
	EXPENSES: DIRECT CARE STAFF COSTS				
115	QMRP Salaries		\$ 10,744	\$	\$ 10,744
120	QMRP Fringe Benefits				0
125	Lead Salaries				0
130	Lead Fringe Benefits				0
135	Aides Salaries	7	174,383	(263)	174,120
140	Aides Fringe Benefits	8,9	36,778	(8,543)	28,235
145	Other Salaries				0
150	Other Fringe Benefits				0
155	TOTAL DIRECT CARE STAFF COSTS (Lines 115 through 150)		\$ 221,905	\$ (8,806)	\$ 213,099

SUMMARY OF AUDITED FACILITY EXPENSES

Provider:
R & C QUALITY CARE

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

Provider NPI:
1023299740

Line No.	DESCRIPTION	ADJ NO.	AS REPORTED Col. 1	AUDIT ADJUSTMENT Col. 2	AS AUDITED Col. 3
	EXPENSES: CONSULTANT COSTS				
160	Dietician Consultant		\$ 1,200	\$	\$ 1,200
165	Speech Pathology Consultant				0
170	Physical Therapy Consultant		2,843		2,843
175	Occupational Therapy Consultant		3,015		3,015
180	Pharmacist Consultant		300		300
185	Nurse Consultant	5	6,500	(6,500)	0
190	Psychologist Consultant	6	2,400	(2,400)	0
195	Physician Consultant		1,920		1,920
200	Recreational Consultant				0
205	Social Service Consultant				0
210	Other Consultant				0
215	TOTAL CONSULTANT COST (Lines 160 through 210)		\$ 18,178	\$ (8,900)	\$ 9,278
	EXPENSES: ADMINISTRATIVE COSTS				
220	Administrative Salaries **	10,11	\$ 63,225	\$ (57,870)	\$ 5,355
225	Administrative Fringe Benefits				0
226	Quality Assurance Fees (excluding Adult Day Services)				0
230	Other General and Administrative*** (Excluding Adult Day Services)	12,13	24,404	(24,404)	0
235	TOTAL ADMINISTRATIVE COST (Lines 220 through 230)		\$ 87,629	\$ (82,274)	\$ 5,355
	TOTAL COSTS RELATED TO CLIENT CARE (Lines 110, 155, 215 and 235)		\$ 432,983	\$ (151,545)	\$ 281,438
	NON-CLIENT CARE EXPENSES		(To Sch. 1)		(To Sch. 1)
240	Non-Program Services		\$	\$	\$ 0
241	Adult Day Services and Related Transportation				0
245	TOTAL FACILITY EXPENSES (Lines 110, 155, 215, 235, 240 and 241)		\$ 432,983	\$ (151,545)	\$ 281,438

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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
R & C QUALITY CARE							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1023299740		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				
ADJUSTMENTS TO REPORTED COSTS										
1	4	50	4	2	50	3	Leases and Rentals To eliminate lease expense paid to a related part 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	\$43,380	(\$43,380)	\$0
2	4	65	4	2	65	3	Mortgage Interest To adjust mortgage interest expense based on the provider's loan documentation. 42 CFR 413.17, 413.20 and 413.24 CMS Pub. 15-1, Section 1011.5	\$18,817	(\$7,862)	\$10,955
3	4	85	4	2	85	3	Utilities To eliminate subsequent year's utility expense. 42 CFR 413.5, 413.20, 413.24, and 460.204 CMS Pub. 15-1, Sections 2300, 2302.1, and 2304	\$4,722	(\$77)	\$4,645 *
4	4	85	4	2	85	3	Utilities To eliminate duplicate water expense 42 CFR 413.5, 413.20, 413.24, and 460.204 CMS Pub. 15-1, Sections 2300, 2302.1, and 2304	* \$4,645	(\$246)	\$4,399
5	4.1	185	4	2	185	3	Nurse Consultant To eliminate consultant expense due to lack of documentation. 42 CFR 413.20, 413.24, and 431.107 CMS Pub. 15-1, Sections 2300 and 2304, W&I Code 14124.2(b)	\$6,500	(\$6,500)	\$0
6	4.1	190	4	2	190	3	Psychologist Consultant To eliminate consultant expense due to lack of documentation. 42 CFR 413.20, 413.24, and 431.107 CMS Pub. 15-1, Sections 2300 and 2304, W&I Code 14124.2(b)	\$2,400	(\$2,400)	\$0

*Balance carried forward from prior/to subsequent adjustments

Provider Name							Fiscal Period	Provider NPI		Adjustments
R & C QUALITY CARE							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1023299740		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>										
7	4.1	135	4	2	135	3	Aides Salaries To reconcile the reported direct staff salary expense to agree with the provider's W-2 Forms. 42 CFR 413.20 and 413.24 CMS Pub 15-1, Sections 2300 and 2304	\$174,383	(\$263)	\$174,120
8	4.1	140	4	2	140	3	Aides Fringe Benefits To eliminate liability insurance expense due to insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	\$36,778	(\$5,986)	\$30,792 *
9	4.1	140	4	2	140	3	Aides Fringe Benefits To adjust the reported workers' compensation insurance expense to agree with the provider's workers compensation insurance policy. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	* \$30,792	(\$2,557)	\$28,235
10	4.1	220	4	2	220	3	Administrative Salaries To eliminate administrative salary expense due to lack of documentation. 42 CFR 413.20, 413.24, and 431.107 CMS Pub. 15-1, Sections 2300 and 2304, W&I Code 14124.2(b)	\$63,225	(\$55,125)	\$8,100 *
11	4.1	220	4	2	220	3	Administrative Salaries To abate other revenue against the related costs. 42 CFR 413.5 and 413.9 / CMS Pub. 15-1, Section 2328 CMS Pub. 15-2, Section 3613	* \$8,100	(\$2,745)	\$5,355

*Balance carried forward from prior/to subsequent adjustments

Provider Name							Fiscal Period	Provider NPI		Adjustments
R & C QUALITY CARE							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1023299740		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>										
12	4.1	230	4	2	230	3	Other General and Administrative To eliminate various other general and administrative expense due to lack of documentation. 42 CFR 413.20, 413.24, and 431.107 CMS Pub. 15-1, Sections 2300 and 2304, W&I Code 14124.2(b)	\$24,404	(\$3,710)	\$20,694 *
13	4.1	230	4	2	230	3	Other General and Administrative To adjust home office costs to agree with the filed Richron, INC. 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	* \$20,694	(\$20,694)	\$0

*Balance carried forward from prior/to subsequent adjustments

Provider Name				Fiscal Period				Provider NPI		Adjustments	
R & C QUALITY CARE				JANUARY 1, 2011 THROUGH DECEMBER 31, 2011				1023299740		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					
ADJUSTMENTS TO REPORTED PATIENT DAYS											
14	2	3	N/A	1	1	1	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	2,179	17	2,196 *	
15	2	3	N/A	1	1	1	Medi-Cal Client Days To adjust reported Medi-Cal Nursing Facility days to agree with the following Fiscal Intermediary Payment Data: Report Date: October 22, 2012 Payment Period: January 1, 2011 through October 22, 2012 Service Period: January 1, 2011 through December 31, 2011 42 CFR, 413.20, 413.24, 413.50, 413.53, 413.60, 413.64, and 433.139 CMS Pub. 15-1, Sections 2304, 2404 and 2408 CCR, Title 22, Section 51541	*	2,196	(2,196)	0
16	Not Reported			1	2	2	Medi-Cal Managed Care Days Medi-Cal Managed Care Days To include Medi-Cal Managed Care days to agree with the provider's patient census records. 42 CFR 413.20 and 413.50 CMS Pub. 15-1, Sections 2205 and 2304	0	2,196	2,196	

*Balance carried forward from prior/to subsequent adjustments