

**REPORT
ON THE
RATE SETTING AUDIT**

**REDWOOD
CYPRESS, CALIFORNIA
NATIONAL PROVIDER IDENTIFIER: 1326176769**

**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: Stan Van Arsdale
Auditor: Mineo Gonzalez**



TOBY DOUGLAS
DIRECTOR

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



EDMUND G. BROWN JR.
GOVERNOR

Date: January 11, 2013

Cheryl Loflin-Wertz, President
Harbor Health Care, Inc
16917 Clark Avenue
Bellflower, CA 90706

REDWOOD
NATIONAL PROVIDER IDENTIFIER (NPI) 1326176769
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	\$	429,447	\$ 239.25
Net Audit Adjustment		(12,662)	(7.06)
Audited Cost/Cost Per Day	\$	<u>416,785</u>	\$ <u>232.19</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:
REDWOOD

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

Provider NPI:
1326176769

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

	AS REPORTED	AS AUDITED
1. Medi-Cal Client Days (Adj 7)	1,795	38
2. Medi-Cal Managed Care Days (Adj 8)	0	1,757
3. Other Client Days (Adj)	0	0
4. Total Client Days	<u>1,795</u>	<u>1,795</u>
5. Total Client Care Expenses (From Sch. 2)	\$ <u>429,447</u>	\$ <u>416,785</u>
6. AVERAGE CLIENT COST PER DAY (Line 4 / Line 3)	\$ <u>239.25</u>	\$ <u>232.19</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: REDWOOD
 Fiscal Period: JANUARY 1, 2011 THROUGH DECEMBER 31, 2011

Provider NPI:
 1326176769

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		\$ 9,520	\$	\$ 9,520
050	Leases and Rentals				0
055	Real Property Taxes		4,704		4,704
060	Personal Property Taxes				0
065	Mortgage Interest		30,499		30,499
070	Property Insurance	1	2,984	(1,535)	1,449
075	TOTAL PROPERTY EXPENSES (Lines 045 through 070)		\$ 47,707	\$ (1,535)	\$ 46,172
	Basic Facility Cost - General Home Expenses				
080	Home Operations and Maintenance		\$ 9,436	\$	\$ 9,436
085	Utilities		5,533		5,533
090	Client Transportation (excluding Adult Day Services)				0
095	Dietary		12,382		12,382
100	Personal Care and Laundry		772		772
105	TOTAL GENERAL HOME EXPENSES (Lines 080 through 100)		\$ 28,122	\$ 0	\$ 28,123
110	TOTAL BASIC FACILITY COST (Lines 075 plus 105)		\$ 75,829	\$ (1,535)	\$ 74,295
	EXPENSES: DIRECT CARE STAFF COSTS				
115	QMRP Salaries		\$ 14,559	\$	\$ 14,559
120	QMRP Fringe Benefits		2,660		2,660
125	Lead Salaries	2	18,011	(427)	17,584
130	Lead Fringe Benefits		3,139		3,139
135	Aides Salaries	3	103,969	(3,511)	100,458
140	Aides Fringe Benefits	5	18,122	(833)	17,289
145	Other Salaries	4	84,140	(5,266)	78,874
150	Other Fringe Benefits	6	14,665	(1,091)	13,574
155	TOTAL DIRECT CARE STAFF COSTS (Lines 115 through 150)		\$ 259,265	\$ (11,128)	\$ 248,137

SUMMARY OF AUDITED FACILITY EXPENSES

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

Provider NPI:
1326176769

Line No.	DESCRIPTION	ADJ NO.	AS REPORTED Col. 1	AUDIT ADJUSTMENT Col. 2	AS AUDITED Col. 3
EXPENSES: CONSULTANT COSTS					
160	Dietician Consultant		\$ 1,325	\$	\$ 1,325
165	Speech Pathology Consultant				0
170	Physical Therapy Consultant		1,140		1,140
175	Occupational Therapy Consultant		1,000		1,000
180	Pharmacist Consultant		480		480
185	Nurse Consultant				0
190	Psychologist Consultant				0
195	Physician Consultant		2,400		2,400
200	Recreational Consultant		300		300
205	Social Service Consultant				0
210	Other Consultant				0
215	TOTAL CONSULTANT COST (Lines 160 through 210)		\$ 6,645	\$ 0	\$ 6,645
EXPENSES: ADMINISTRATIVE COSTS					
220	Administrative Salaries **		\$	\$	\$ 0
225	Administrative Fringe Benefits				0
226	Quality Assurance Fees (excluding Adult Day Services)		8,051		8,051
230	Other General and Administrative*** (Excluding Adult Day Services)		79,657		79,657
235	TOTAL ADMINISTRATIVE COST (Lines 220 through 230)		\$ 87,708	\$ 0	\$ 87,708
	TOTAL COSTS RELATED TO CLIENT CARE (Lines 110, 155, 215 and 235)		\$ 429,447	\$ (12,663)	\$ 416,785
			(To Sch. 1)		(To Sch. 1)
NON-CLIENT CARE EXPENSES					
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)		\$ 429,448	\$ (12,663)	\$ 416,785

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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	
REDWOOD		JANUARY 1, 2011 THROUGH DECEMBER 31, 2011				1326176769		8	
Adj. No.	MC530 Page or Exhibit	Report References			Audit Report		As Reported	Increase (Decrease)	As Adjusted
		Line	Col.	Sch.	Line	Sub No			
ADJUSTMENTS TO REPORTED COSTS									
1	4	070	4	4	070	3	\$2,984	(\$1,535)	\$1,449
Property Insurance To adjust property insurance expense to agree with provider record: 42 CFR 413.24 / CMS Pub. 15-1, Section 2161A									
2	4.1	125	4	2	125	3	\$18,011	(\$427)	\$17,584
Lead Salaries 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									
3	4.1	135	4	2	135	3	\$103,969	(\$3,511)	\$100,458
Aides Salaries 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									
4	4.1	145	4	2	145	3	\$84,140	(\$5,266)	\$78,874
Other Salaries 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									
5	4.1	140	4	2	140	3	\$18,122	(\$833)	\$17,289
Aides Fringe Benefits 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									
6	4.1	150	4	2	150	3	\$14,665	(\$1,091)	\$13,574
Other Benefits 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									

Provider Name		Fiscal Period				Provider NPI		Adjustments	
REDWOOD		JANUARY 1, 2011 THROUGH DECEMBER 31, 2011				1326176769		8	
Adj. No.	Page or Exhibit	Report References			Line	Sub No	AS Reported	Increase (Decrease)	AS Adjusted
		Cost Report	Sch.	Col.					
7	2	3	1	1	1		1,795	(1,757)	38
<p>ADJUSTMENTS TO REPORTED PATIENT DAYS</p> <p>Medi-Cal Days To adjust reported Medi-Cal Nursing Facility days based on the following Fiscal Intermediary Payment Data: Service Period: January 1, 2011 through December 31, 2011 Payment Period: January 1, 2011 through November 30, 2012 Report Date: December 18, 2012 42 CFR 413.20, 413.24, 413.50, 413.53, 413.60, 413.64, and 433.139 CMS Pub. 15-1, Sections 2300, 2304, 2404, and 2408 CCR, Title 22, Section 51541</p>									
8	Not Reported			1	2		0	1,757	1,757
<p>Medi-Cal Managed Care Days To include Medi-Cal Managed Care days to agree with the provider's patient census records and the following Fiscal Intermediary Payment Data: Service Period: January 1, 2011 through December 31, 2011 Payment Period: January 1, 2011 through November 30, 2012 Report Date: December 18, 2012 42 CFR 413.20, 413.24, 413.50, 413.53, 413.60, 413.64, and 433.139 CMS Pub. 15-1, Sections 2300, 2304, 2404, and 2408 CCR, Title 22, Section 51541</p>									