

**REPORT
ON THE
RATE SETTING AUDIT**

**OSTERMAN #2
REDDING, CALIFORNIA
NATIONAL PROVIDER IDENTIFIER: 1215129572**

**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 #2
P.O. Box 905
Shasta Lake, CA 96019

OSTERMAN #2
NATIONAL PROVIDER IDENTIFIER (NPI) 1215129572
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	\$	329,028	\$ 150.24
Net Audit Adjustment		<u>(28,091)</u>	<u>(12.83)</u>
Audited Cost/Cost Per Day	\$	<u>300,937</u>	\$ <u>137.41</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 #2

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

Provider NPI:
1215129572

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>329,028</u>	\$ <u>300,937</u>
6. AVERAGE CLIENT COST PER DAY (Line 4 / Line 3)	\$ <u>150.24</u>	\$ <u>137.41</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 #2

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

Provider NPI:
1215129572

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	1,2	\$ 1,775	\$ 4,772	\$ 6,547
050	Leases and Rentals	3	25,200	(25,200)	0
055	Real Property Taxes		1,854		1,854
060	Personal Property Taxes				0
065	Mortgage Interest				0
070	Property Insurance		1,744		1,744
075	TOTAL PROPERTY EXPENSES (Lines 045 through 070)		\$ 30,573	\$ (20,428)	\$ 10,145
	Basic Facility Cost - General Home Expenses				
080	Home Operations and Maintenance	4,5	\$ 16,241	\$ (5,207)	\$ 11,034
085	Utilities		6,221		6,221
090	Client Transportation (excluding Adult Day Services)	6,7	4,576	(2,996)	1,580
095	Dietary		17,243		17,243
100	Personal Care and Laundry		3,536		3,536
105	TOTAL GENERAL HOME EXPENSES (Lines 080 through 100)		\$ 47,817	\$ (8,203)	\$ 39,614
110	TOTAL BASIC FACILITY COST (Lines 075 plus 105)		\$ 78,390	\$ (28,631)	\$ 49,759
	EXPENSES: DIRECT CARE STAFF COSTS				
115	QMRP Salaries		\$ 18,600		\$ 18,600
120	QMRP Fringe Benefits	8	1,259	(1,259)	0
125	Lead Salaries		45,894		45,894
130	Lead Fringe Benefits	9	3,108	5,144	8,252
135	Aides Salaries		91,789		91,789
140	Aides Fringe Benefits	10	6,215	10,289	16,504
145	Other Salaries				0
150	Other Fringe Benefits				0
155	TOTAL DIRECT CARE STAFF COSTS (Lines 115 through 150)		\$ 166,865	\$ 14,174	\$ 181,039

SUMMARY OF AUDITED FACILITY EXPENSES

Provider:
OSTERMAN #2

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

Provider NPI:
1215129572

Line No.	DESCRIPTION	ADJ NO.	AS REPORTED Col. 1	AUDIT ADJUSTMENT Col. 2	AS AUDITED Col. 3
	EXPENSES: CONSULTANT COSTS				
160	Dietician Consultant		\$ 440	\$	\$ 440
165	Speech Pathology Consultant				0
170	Physical Therapy Consultant		240		240
175	Occupational Therapy Consultant				0
180	Pharmacist Consultant		193		193
185	Nurse Consultant		7,032		7,032
190	Psychologist Consultant				0
195	Physician Consultant				0
200	Recreational Consultant		1,025		1,025
205	Social Service Consultant				0
210	Other Consultant				0
215	TOTAL CONSULTANT COST (Lines 160 through 210)		\$ 8,930	\$ 0	\$ 8,930
	EXPENSES: ADMINISTRATIVE COSTS				
220	Administrative Salaries **		\$ 28,870	\$	\$ 28,870
225	Administrative Fringe Benefits	11	1,955	3,236	5,191
226	Quality Assurance Fees (excluding Adult Day Services)		18,200		18,200
230	Other General and Administrative*** (Excluding Adult Day Services)	12,13,14	25,818	(16,870)	8,948
235	TOTAL ADMINISTRATIVE COST (Lines 220 through 230)		\$ 74,843	\$ (13,634)	\$ 61,209
	TOTAL COSTS RELATED TO CLIENT CARE (Lines 110, 155, 215 and 235)		\$ 329,028	\$ (28,091)	\$ 300,937
	NON-CLIENT CARE EXPENSES		(To Sch. 1)		(To Sch. 1)
240	Non-Program Services		\$	\$	\$ 0
241	Adult Day Services and Related Transportation		116,409		116,409
245	TOTAL FACILITY EXPENSES (Lines 110, 155, 215, 235, 240 and 241)		\$ 445,437	\$ (28,091)	\$ 417,346

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 #2							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1215129572		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>ADJUSTMENTS TO REPORTED COSTS</u>										
1	4	045	4	2	045	3	Depreciation and Amortization	\$1,775		
							To include depreciation expense for capitalize roof repairs in conjunction with adjustment 4. 42 CFR 413.20, 413.50, and 413.134(b)(7) CMS Pub. 15-1, Sections 108.1, 2300, and 2304		\$42	
2							To include depreciation expense for assets leased from a related party. 42 CFR 413.17 and 413.50 CMS Pub. 15-1, Sections 1005 and 1011.4		4,730	
									\$4,772	\$6,547
3	4	050	4	2	050	3	Leases and Rentals	\$25,200	(\$25,200)	\$0
							To eliminate rental expenses 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			
4	4	080	4	2	080	3	Home Operations and Maintenance	\$16,241		
							To eliminate roof work expense in conjunction with adjustment 1. 42 CFR 413.20, 413.50, and 413.134(b)(7) CMS Pub. 15-1, Sections 104.17, 104.18, 122, 2300, and 2304		(\$5,080)	
5							To eliminate pest control and plumbing expenses not incurred at Osterman #2 facility. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304		(127)	
									(\$5,207)	\$11,034

Provider Name							Fiscal Period	Provider NPI		Adjustments
OSTERMAN #2							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1215129572		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>ADJUSTMENTS TO REPORTED COSTS</u>										
6	4	090	4	2	090	3	Client Transportation	\$4,576		
							To eliminate transportation expense due to insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304		(\$4,576)	
7							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	\$1,580
									(\$2,996)	
8	4.1	120	4	2	120	3	QMRP Fringe Benefits	\$1,259	(\$1,259)	\$0
							To eliminate the cost of QMRP fringe benefits to reflect proper cost allocation in conjunction with adjustment 12. 42 CFR 413.9 (C)(3) CMS Pub. 15-1, Sections 2102.3 and 2144.3			
9	4.1	130	4	2	130	3	Lead Fringe Benefits	\$3,108	\$5,144	\$8,252
							To adjust the cost of lead fringe benefits to reflect proper cost allocation in conjunction with adjustment 12. 42 CFR 413.9 (C)(3) CMS Pub. 15-1, Sections 2102.3 and 2144.3			
10	4.1	140	4	2	140	3	Aides Fringe Benefits	\$6,215	\$10,289	\$16,504
							To adjust the cost of aides fringe benefits to reflect proper cost allocation in conjunction with adjustment 12. 42 CFR 413.9 (C)(3) CMS Pub. 15-1, Sections 2102.3 and 2144.3			

Provider Name							Fiscal Period	Provider NPI	Adjustments	
OSTERMAN #2							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1215129572	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				
ADJUSTMENTS TO REPORTED COSTS										
11	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 12 42 CFR 413.9 (C)(3) CMS Pub. 15-1, Sections 2102.3 and 2144.3	\$1,955	\$3,236	\$5,191
12	4.1	230	4	2	230	3	Other General and Administrative To eliminate workers compensation from other general and administrative in conjunction with adjustment 8,9,10,11. 42 CFR 413.20, 413.24, and 413.50 CMS Pub. 15-1, Sections 2304 and 2306	\$25,818	(\$15,284)	
13							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		(1,261)	
14							To eliminate DHS citation not related to patient care. 42 CFR 413.9(c)(3) / CMS Pub. 15-1, Sections 2102.3 and 2105		(325)	\$8,948
									(\$16,870)	