

**REPORT
ON THE
RATE SETTING AUDIT**

**LAWRENCE HOUSE
GILROY, CALIFORNIA
NATIONAL PROVIDER IDENTIFIER: 1376710335**

**FISCAL PERIOD ENDED
DECEMBER 31, 2011**

**Audits Section—Richmond
Financial Audits Branch
Audits and Investigations
Department of Health Care Services**

**Section Chief: Louise Wong
Audit Supervisor: Ken Phelan
Auditor: Tyler Zeng**



TOBY DOUGLAS
DIRECTOR

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



EDMUND G. BROWN JR.
GOVERNOR

June 28, 2013

Carla McCormack, CEO
Terra Bella Communities
5810 Obata Way, Suite 1
Gilroy, CA 95020-7039

LAWRENCE HOUSE
NATIONAL PROVIDER IDENTIFIER (NPI) 1376710335
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	\$	353,284	\$	161.32
Net Audit Adjustment		(41,569)		(18.98)
Audited Cost/Cost Per Day	\$	<u>311,715</u>	\$	<u>142.34</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.

Carla McCormack
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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—Richmond at (510) 620-3100.

Original Signed by

Louise Wong, Chief
Audits Section—Richmond
Financial Audits Branch

Certified

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

Provider:
LAWRENCE HOUSE

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

Provider NPI:
1376710335

**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	0
3. Other Client Days (Adj)	0	0
4. Total Client Days	<u>2,190</u>	<u>2,190</u>
5. Total Client Care Expenses (From Sch. 2)	\$ <u>353,284</u>	\$ <u>311,715</u>
6. AVERAGE CLIENT COST PER DAY (Line 5 / Line 4)	\$ <u>161.32</u>	\$ <u>142.34</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:
LAWRENCE HOUSE

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

Provider NPI:
1376710335

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		\$ 0	\$	\$ 0
050	Leases and Rentals		2,621	0	2,621
055	Real Property Taxes	4	0	4,365	4,365
060	Personal Property Taxes		0		0
065	Mortgage Interest	3	23,597	(7,446)	16,151
070	Property Insurance		1,507	0	1,507
075	TOTAL PROPERTY EXPENSES (Lines 045 through 070)		\$ 27,725	\$ (3,081)	\$ 24,644
	Basic Facility Cost - General Home Expenses				
080	Home Operations and Maintenance	2, 5, 6	\$ 5,525	\$ (952)	\$ 4,573
085	Utilities	7	15,871	(1,663)	14,208
090	Client Transportation (excluding Adult Day Services)		5	0	5
095	Dietary	1, 9	9,558	(1,402)	8,156
100	Personal Care and Laundry	1, 8	10,141	(1,592)	8,549
105	TOTAL GENERAL HOME EXPENSES (Lines 080 through 100)		\$ 41,100	\$ (5,609)	\$ 35,491
110	TOTAL BASIC FACILITY COST (Lines 075 plus 105)		\$ 68,825	\$ (8,690)	\$ 60,135
	EXPENSES: DIRECT CARE STAFF COSTS				
115	QMRP Salaries	10	\$ 8,136	\$ (70)	\$ 8,066
120	QMRP Fringe Benefits	10	3,096	51	3,147
125	Lead Salaries	10	34,016	(1,139)	32,877
130	Lead Fringe Benefits	10	1,027	194	1,221
135	Aides Salaries	10	120,442	(4,088)	116,354
140	Aides Fringe Benefits	10	16,949	4,130	21,079
145	Other Salaries		0		0
150	Other Fringe Benefits		0		0
155	TOTAL DIRECT CARE STAFF COSTS (Lines 115 through 150)		\$ 183,666	\$ (922)	\$ 182,744

SUMMARY OF AUDITED FACILITY EXPENSES

Provider:
LAWRENCE HOUSE

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

Provider NPI:
1376710335

Line No.	DESCRIPTION	ADJ NO.	AS REPORTED Col. 1	AUDIT ADJUSTMENT Col. 2	AS AUDITED Col. 3
	EXPENSES: CONSULTANT COSTS				
160	Dietician Consultant		\$ 1,098	\$ 0	\$ 1,098
165	Speech Pathology Consultant		45	0	45
170	Physical Therapy Consultant		696	0	696
175	Occupational Therapy Consultant	11	2,800	(384)	2,416
180	Pharmacist Consultant	2	266	175	441
185	Nurse Consultant	2	29,725	(27,085)	2,640
190	Psychologist Consultant		1,675	0	1,675
195	Physician Consultant		0		0
200	Recreational Consultant		375	0	375
205	Social Service Consultant		0		0
210	Other Consultant	2, 12	8,253	(4,579)	3,674
215	TOTAL CONSULTANT COST (Lines 160 through 210)		\$ 44,933	\$ (31,873)	\$ 13,060
	EXPENSES: ADMINISTRATIVE COSTS				
220	Administrative Salaries **	2	\$ 26,070	\$ (73)	\$ 25,997
225	Administrative Fringe Benefits	2	3,634	(11)	3,623
226	Quality Assurance Fees (excluding Adult Day Services)		8,343	0	8,343
230	Other General and Administrative*** (Excluding Adult Day Services)		17,813	0	17,813
235	TOTAL ADMINISTRATIVE COST (Lines 220 through 230)		\$ 55,860	\$ (84)	\$ 55,776
	TOTAL COSTS RELATED TO CLIENT CARE (Lines 110, 155, 215 and 235)		\$ 353,284	\$ (41,569)	\$ 311,715
	NON-CLIENT CARE EXPENSES		(To Sch. 1)		(To Sch. 1)
240	Non-Program Services		\$ 0	\$	\$ 0
241	Adult Day Services and Related Transportation		0		0
245	TOTAL FACILITY EXPENSES (Lines 110, 155, 215, 235, 240 and 241)		\$ 353,284	\$ (41,569)	\$ 311,715

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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
LAWRENCE HOUSE							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011		1376710335		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>RECLASSIFICATION OF REPORTED COSTS</u>											
1	4	095	4	2	095	3	Dietary	\$9,558	\$1,251	\$10,809 *	
	4	100	4	2	100	3	Personal Care and Laundry	10,141	(1,251)	8,890 *	
							To reclassify dietary expense to the appropriate cost center for proper cost determination				
							42 CFR 413.20 and 413.24				
							CMS Pub. 15-1, Sections 2300, 2302.4, and 2302.8				

*Balance carried forward from prior/to subsequent adjustments

Provider Name				Fiscal Period				Provider NPI		Adjustments
LAWRENCE HOUSE				JANUARY 1, 2011 THROUGH DECEMBER 31, 2011				1376710335		12
Report References							Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
Adj. No.	Cost Report			Audit Report						
	DHS 3076 Page or Exhibit	Line	Col.	Sch.	Line	Col.				
<u>ADJUSTMENTS TO REPORTED COSTS</u>										
2	4	080	4	2	080	3	Home Operations and Maintenance	\$5,525	\$19	\$5,544 *
	4.1	180	4	2	180	3	Pharmacist Consultant	266	175	441
	4.1	185	4	2	185	3	Nurse Consultant	29,725	(27,085)	2,640
	4.1	210	4	2	210	3	Other Consultant	8,253	(4,079)	4,174 *
	4.1	220	4	2	220	3	Administrative Salaries	26,070	(73)	25,997
	4.1	225	4	2	225	3	Administrative Fringe Benefits	3,634	(11)	3,623
							To adjust 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	065	4	2	065	3	Mortgage Interest	\$23,597	(\$7,446)	\$16,151
							To adjust mortgage interest expense for proper cost determination. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304			
4	4	055	4	2	055	3	Real Property Taxes	\$0	\$4,365	\$4,365
							To include unreported real property taxes for proper cost determination. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304			
5	4	080	4	2	080	3	Home Operations and Maintenance	* \$5,544	(\$771)	\$4,773 *
							To adjust maintenance expense due to lack of supporting documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304			
6	4	080	4	2	080	3	Home Operations and Maintenance	* \$4,773	(\$200)	\$4,573
							To eliminate maintenance expense not related to the audit period. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300, 2302.1, 2304, and 2306			
7	4	085	4	2	085	3	Utilities	\$15,871	(\$1,663)	\$14,208
							To eliminate utilities expense not related to the audit period. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300, 2302.1, 2304, and 2306			

*Balance carried forward from prior/to subsequent adjustments

Provider Name			Fiscal Period				Provider NPI		Adjustments		
LAWRENCE HOUSE			JANUARY 1, 2011 THROUGH DECEMBER 31, 2011				1376710335		12		
Report References							Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted	
Adj. No.	Cost Report			Audit Report							
	DHS 3076 Page or Exhibit	Line	Col.	Sch.	Line	Col.					
<u>ADJUSTMENTS TO REPORTED COSTS</u>											
8	4	100	4	2	100	3	Personal Care and Laundry To adjust personal care expense due to lack of supporting documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	*	\$8,890	(\$341)	\$8,549
9	4	095	4	2	095	3	Dietary To adjust dietary expense for proper cost determination. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300, 2302.4, 2302.8, and 2304	*	\$10,809	(\$2,653)	\$8,156
10	4.1	115	4	2	115	3	QMRP Salaries		\$8,136	(\$70)	\$8,066
	4.1	120	4	2	120	3	QMRP Fringe Benefits		3,096	51	3,147
	4.1	125	4	2	125	3	Lead Salaries		34,016	(1,139)	32,877
	4.1	130	4	2	130	3	Lead Fringe Benefits		1,027	194	1,221
	4.1	135	4	2	135	3	Aides Salaries		120,442	(4,088)	116,354
	4.1	140	4	2	140	3	Aides Fringe Benefits To adjust direct care staff expenses for proper cost determination. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304		16,949	4,130	21,079
11	4.1	175	4	2	175	3	Occupational Therapy Consultant To adjust consultant expense to agree with the provider's records. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304		\$2,800	(\$384)	\$2,416
12	4.1	210	4	2	210	3	Other Consultant To eliminate consultant expense not related to the audit period. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300, 2302.1, 2304, and 2306	*	\$4,174	(\$500)	\$3,674

*Balance carried forward from prior/to subsequent adjustments