

**REPORT
ON THE
RATE SETTING AUDIT**

**KELLY & SCOTT'S CARE HOME 3
PORTERVILLE, CALIFORNIA
NATIONAL PROVIDER IDENTIFIER: 1184759227**

**FISCAL PERIOD ENDED
DECEMBER 31, 2011**

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

**Section Chief: Michael Harrold
Audit Supervisor: Kathy Atkins
Auditor: Brian Emo**



TOBY DOUGLAS
DIRECTOR

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



EDMUND G. BROWN JR.
GOVERNOR

July 05, 2013

Kelly Baumgardner, Administrator
Kelly and Scott's Care Homes, Inc.
332 North Indiana
Porterville, CA 93257

KELLY & SCOTT'S CARE HOME 3
NATIONAL PROVIDER IDENTIFIER (NPI) 1184759227
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	\$	473,716		\$ 232.33
Net Audit Adjustment		(31,607)		(18.49)
Audited Cost/Cost Per Day	\$	<u>442,649</u>		\$ <u>213.84</u>

This audit report includes the:

1. Audit Report Schedules 1 and 2
2. Audit Adjustments that include a summary of the total due the State in the amount of \$1,483, which resulted from Medi-Cal overpayments
3. Allocation of Home Office Costs

The audit settlement will be incorporated into a Statement of Account Status, which may reflect tentative retroactive adjustment determinations, payments from the provider, and other financial transactions initiated by the Department. The Statement of Account Status will be forwarded to the provider by the State's fiscal intermediary. Instructions regarding payment will be included with the Statement of Account Status.

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.

Kelly Baumgardner
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If you have questions regarding this report, you may call the Audits Section—Fresno at (559) 446-2458.

Original Signed By

Michael A. Harrold, Chief
Audits Section—Fresno
Financial Audits Branch

cc: Paul Nelson, CPA
Nelson & Associates, Inc.
1581 18th Avenue, Suite A
Kingsburg, CA 93631

Certified

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

Provider:
KELLY & SCOTT'S CARE HOME 3

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

Provider NPI:
1184759227

SUMMARY OF AUDITED FACILITY CENSUS AND AUDITED CLIENT COST PER DAY	AS REPORTED	AS AUDITED
1. Medi-Cal Client Days (Adj)	2,039	2,039
2. Medi-Cal Managed Care Days (Adj)		0
3. Other Client Days (Adj 13)	0	31
4. Total Client Days	<u>2,039</u>	<u>2,070</u>
5. Total Client Care Expenses (From Sch. 2)	\$ <u>473,716</u>	\$ <u>442,649</u>
6. AVERAGE CLIENT COST PER DAY (Line 4 / Line 3)	\$ <u>232.33</u>	\$ <u>213.84</u>
SHARE OF COST		
1. Share of Cost Audit Adjustment (Adj)	\$ <u>NA</u>	\$ <u>0</u>
OVERPAYMENTS		
1. Overpayments (Adj 14)	\$ <u>0</u>	\$ <u>(1,483)</u>
2. Credit Balances (Adj)	\$ <u>0</u>	\$ <u>0</u>
3. Total Overpayments	\$ <u>0</u>	\$ <u>(1,483)</u>

SUMMARY OF AUDITED FACILITY EXPENSES

Provider:
KELLY & SCOTT'S CARE HOME 3

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

Provider NPI:
1184759227

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	\$ 1,174	\$ 3,021	\$ 4,195
050	Leases and Rentals				0
055	Real Property Taxes		2,298		2,298
060	Personal Property Taxes		204		204
065	Mortgage Interest	3	18,946	(18,946)	0
070	Property Insurance				0
075	TOTAL PROPERTY EXPENSES (Lines 045 through 070)		\$ 22,622	\$ (15,925)	\$ 6,697
	Basic Facility Cost - General Home Expenses				
080	Home Operations and Maintenance	6 - 8	\$ 13,765	\$ (757)	\$ 13,008
085	Utilities		8,459		8,459
090	Client Transportation (excluding Adult Day Services)		1,300		1,300
095	Dietary		15,175		15,175
100	Personal Care and Laundry	4 - 5	4,039	(2,739)	1,300
105	TOTAL GENERAL HOME EXPENSES (Lines 080 through 100)		\$ 42,738	\$ (3,496)	\$ 39,242
110	TOTAL BASIC FACILITY COST (Lines 075 plus 105)		\$ 65,360	\$ (19,421)	\$ 45,939
	EXPENSES: DIRECT CARE STAFF COSTS				
115	QMRP Salaries		\$ 18,000		\$ 18,000
120	QMRP Fringe Benefits				0
125	Lead Salaries		69,536		69,536
130	Lead Fringe Benefits	12	11,106	(2,886)	8,220
135	Aides Salaries		162,250		162,250
140	Aides Fringe Benefits	12	25,914	(6,735)	19,179
145	Other Salaries				0
150	Other Fringe Benefits				0
155	TOTAL DIRECT CARE STAFF COSTS (Lines 115 through 150)		\$ 286,806	\$ (9,621)	\$ 277,185

SUMMARY OF AUDITED FACILITY EXPENSES

Provider:
KELLY & SCOTT'S CARE HOME 3

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

Provider NPI:
1184759227

Line No.	DESCRIPTION	ADJ NO.	AS REPORTED Col. 1	AUDIT ADJUSTMENT Col. 2	AS AUDITED Col. 3
	EXPENSES: CONSULTANT COSTS				
160	Dietician Consultant		\$ 1,949	\$	\$ 1,949
165	Speech Pathology Consultant		365		365
170	Physical Therapy Consultant				0
175	Occupational Therapy Consultant				0
180	Pharmacist Consultant		98		98
185	Nurse Consultant		16,750		16,750
190	Psychologist Consultant	9	300	(300)	0
195	Physician Consultant	11	1,605	(1,605)	0
200	Recreational Consultant		1,200		1,200
205	Social Service Consultant				0
210	Other Consultant	10	120	(120)	0
215	TOTAL CONSULTANT COST (Lines 160 through 210)		\$ 22,387	\$ (2,025)	\$ 20,362
	EXPENSES: ADMINISTRATIVE COSTS				
220	Administrative Salaries **		\$ 18,000	\$	\$ 18,000
225	Administrative Fringe Benefits				0
226	Quality Assurance Fees (excluding Adult Day Services)		21,342		21,342
230	Other General and Administrative*** Adult Day Services) (Excluding		59,821		59,821
235	TOTAL ADMINISTRATIVE COST (Lines 220 through 230)		\$ 99,163	\$ 0	\$ 99,163
	TOTAL COSTS RELATED TO CLIENT CARE (Lines 110, 155, 215 and 235)		\$ 473,716	\$ (31,067)	\$ 442,649
	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)		\$ 473,716	\$ (31,067)	\$ 442,649

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** List only direct administrative salaries incurred at the facility level

*** List allocated administrative costs on Line 230

**** Does not agree with reported due to rounding

Provider Name							Fiscal Period	Provider NPI	Adjustments	
KELLY & SCOTT'S CARE HOME 3							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1184759227	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										
	4	045	4	2	045	3	Depreciation and Amortization	\$1,174		
1							To adjust depreciation expense to a straight line basis and to agree with the American Hospital Association Guideline 42 CFR 413.20, 413.24 and 413.134 CMS Pub. 15-I, Sections 102, 104.17, 104.18, 116, 120, 122, 2300 and 2304		\$3,630	
2							To eliminate depreciation expense due to lack of documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-I, Sections 2300 and 2304		(609) \$3,021	\$4,195
3	4	065	4	2	065	3	Mortgage Interest To eliminate mortgage interest due to insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-I, Sections 2300 and 2304	\$18,946	(\$18,946)	\$0
4	4	100	4	2	100	3	Personal Care and Laundry To eliminate NCS Healthcare pharmaceutical expense due to insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-I, Sections 2300 and 2304	\$4,039		(\$1,187)
5							To eliminate funeral expenses not included in the rate. 42 CFR 413.20 and 413.24 CMS Pub. 15-I, Sections 2300 and 2304 CCR, Title 22, Section 51510.3		(1,552) (\$2,739)	\$1,300
6	4	080	4	2	080	3	Home Operations and Maintenance To eliminate prior period expense. 42 CFR 413.20 and 413.24 CMS Pub. 15-I, Sections 2300, 2302.1 and 2304	\$13,765	(\$680)	\$13,085 *

*Balance carried forward from prior/to subsequent adjustments

Provider Name							Fiscal Period		Provider NPI		Adjustments
KELLY & SCOTT'S CARE HOME 3							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011		1184759227		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>											
	4	080	4	2	080	3	Home Operations and Maintenance	*	\$13,085		
7							To eliminate expense for catheters that are separately billable and not included in the rate. 42 CFR 413.5, 413.20 and 413.24 CMS Pub. 15-I, Sections 2300 and 2304 CCR, Title 22, Section 51510.3			(\$17)	
8							To eliminate gift card expense not related to patient care and due to insufficient documentation. 42 CFR 413.9(c)(3), 413.20 and 413.24 CMS Pub. 15-I, Sections 2102.3, 2105, 2300 and 2304			(60) (\$77)	\$13,008
9	4.1	190	4	2	190	3	Psychologist Consultant To eliminate psychologist consultant expense that is separately billable and not included in the rate and due to insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-I, Sections 2300 and 2304 CCR, Title 22, Sections 51510.1(b)(19) and 51510.3		\$300	(\$300)	\$0
10	4.1	210	4	2	210	3	Other Consultant To eliminate audiologist consulting services that are not included in the rate and are separately billable. 42 CFR 413.20 and 413.24 CMS Pub. 15-I, Sections 2300 and 2304 CCR, Title 22, Sections 51120(c)(1) and 51510.3(b)(4)		\$120	(\$120)	\$0

*Balance carried forward from prior/to subsequent adjustments

Provider Name							Fiscal Period		Provider NPI		Adjustments
KELLY & SCOTT'S CARE HOME 3							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011		1184759227		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>											
11	4.1	195	4	2	195	3	Physician Consultant To eliminate physician consultant's fees that are separately billable, not included in the rate and due to insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-I, Sections 2300 and 2304 CCR, Title 22, Sections 51120(c), 51510.3(b)	\$1,605	(\$1,605)	\$0	
12	4.1	130	4	2	130	3	Lead Fringe Benefits	\$11,106	(\$2,886)	\$8,220	
	4.1	140	4	2	140	3	Aides Fringe Benefits To adjust benefits expenses to agree with the provider's records and due to insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-I, Sections 2300 and 2304	25,914	(6,735)	19,179	

Provider Name							Fiscal Period		Provider NPI		Adjustments
KELLY & SCOTT'S CARE HOME 3							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011		1184759227		14
Report References							Explanation of Audit Adjustments				
Cost Report			Audit Report								
Adj. No.	DHS 3076 Page or Exhibit	Line	Col.	Sch.	Line	Col.					
<u>ADJUSTMENT TO REPORTED CLIENT DAYS</u>											
13	2	3	3	1	4	2	Client Days To adjust other client days to agree with the provider's census records. 42 CFR 413.20, 413.24 and 413.50 CMS Pub. 15-I, Sections 2205, 2300 and 2304	2,039	31	2,070	

Provider Name							Fiscal Period	Provider NPI		Adjustments
KELLY & SCOTT'S CARE HOME 3							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1184759227		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>ADJUSTMENT TO OTHER MATTERS</u>										
14	N/A			1	1	2	Overpayments To recover overpayments for overstated Medi-Cal client days. 42 CFR 433.139. 413.20. 413.24 and 431.07 CMS Pub. 15-I, Section 2409 CCR, Title 22, Section 51458.1	\$0	\$1,483	\$1,483