

**REPORT
ON THE
RATE SETTING AUDIT**

**MORGAN'S TLC - KANAI
PORTERVILLE, CALIFORNIA
NATIONAL PROVIDER IDENTIFIER: 1457577322**

**FISCAL PERIOD ENDED
DECEMBER 31, 2011**

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

**Section Chief: Michael Harrold
Auditor: Emilee Hogg**



TOBY DOUGLAS
DIRECTOR

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



EDMUND G. BROWN JR.
GOVERNOR

July 05, 2013

Pamela Steele, Manager
Morgan's TLC
21556 Avenue 200
Lindsay, CA 93247

MORGAN'S TLC – KANAI
NATIONAL PROVIDER IDENTIFIER (NPI) 1457577322
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	\$	313,480	\$ 174.84
Net Audit Adjustment		<u>(33,710)</u>	<u>(19.15)</u>
Audited Cost/Cost Per Day	\$	<u>279,770</u>	\$ <u>155.69</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 \$423, which resulted from Medi-Cal overpayments
3. Audited Allocation of Home Office Cost

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.

Pamela Steele
Page 3

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

Certified

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

Provider:
MORGAN'S TLC - KANAI

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

Provider NPI:
1457577322

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

	AS REPORTED	AS AUDITED
1. Medi-Cal Client Days (Adj 16)	1,793	1,789
2. Medi-Cal Managed Care Days (Adj)		0
3. Other Client Days (Adj 16)	0	8
4. Total Client Days	<u>1,793</u>	<u>1,797</u>
5. Total Client Care Expenses (From Sch. 2)	\$ <u>313,480</u>	\$ <u>279,770</u>
6. AVERAGE CLIENT COST PER DAY (Line 4 / Line 3)	\$ <u>174.84</u>	\$ <u>155.69</u>

SHARE OF COST

1. Share of Cost Audit Adjustment (Adj)	\$ <u>NA</u>	\$ <u>0</u>
--	--------------	-------------

OVERPAYMENTS

1. Billing Adjustment (Adj 17)	\$ <u>0</u>	\$ <u>(423)</u>
2. Credit Balances (Adj)	\$ <u>0</u>	\$ <u>0</u>
3. Total Overpayments	\$ <u>0</u>	\$ <u>(423)</u>

SUMMARY OF AUDITED FACILITY EXPENSES

Provider:
MORGAN'S TLC - KANAI

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

Provider NPI:
1457577322

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
050	Leases and Rentals				0
055	Real Property Taxes				0
060	Personal Property Taxes				0
065	Mortgage Interest	1	6,643	(2,793)	3,850
070	Property Insurance				0
075	TOTAL PROPERTY EXPENSES (Lines 045 through 070)		\$ 6,643	\$ (2,793)	\$ 3,850
	Basic Facility Cost - General Home Expenses				
080	Home Operations and Maintenance	2-5	\$ 17,930	\$ (5,342)	\$ 12,588
085	Utilities		11,016	0	11,016
090	Client Transportation (excluding Adult Day Services)				0
095	Dietary		4,833	0	4,833
100	Personal Care and Laundry	15	2,863	(2,863)	0
105	TOTAL GENERAL HOME EXPENSES (Lines 080 through 100)		\$ 36,642	\$ (8,205)	\$ 28,437
110	TOTAL BASIC FACILITY COST (Lines 075 plus 105)		\$ 43,285	\$ (10,998)	\$ 32,287
	EXPENSES: DIRECT CARE STAFF COSTS				
115	QMRP Salaries		\$ 14,080	\$ 0	\$ 14,080
120	QMRP Fringe Benefits				0
125	Lead Salaries		37,413	0	37,413
130	Lead Fringe Benefits		9,197	0	9,197
135	Aides Salaries		87,296	0	87,296
140	Aides Fringe Benefits		21,461	0	21,461
145	Other Salaries				0
150	Other Fringe Benefits				0
155	TOTAL DIRECT CARE STAFF COSTS (Lines 115 through 150)		\$ 169,447	\$ 0	\$ 169,447

SUMMARY OF AUDITED FACILITY EXPENSES

Provider:
MORGAN'S TLC - KANAI

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

Provider NPI:
1457577322

Line No.	DESCRIPTION	ADJ NO.	AS REPORTED Col. 1	AUDIT ADJUSTMENT Col. 2	AS AUDITED Col. 3
	EXPENSES: CONSULTANT COSTS				
160	Dietician Consultant		\$ 1,128	\$ 0	\$ 1,128
165	Speech Pathology Consultant				0
170	Physical Therapy Consultant				0
175	Occupational Therapy Consultant				0
180	Pharmacist Consultant	6	1,861	(1,861)	0
185	Nurse Consultant	7	13,860	(1,620)	12,240
190	Psychologist Consultant	8	300	(300)	0
195	Physician Consultant	9	5,950	(5,950)	0
200	Recreational Consultant				0
205	Social Service Consultant				0
210	Other Consultant	10-11	2,860	(2,860)	0
215	TOTAL CONSULTANT COST (Lines 160 through 210)		\$ 25,959	\$ (12,591)	\$ 13,368
	EXPENSES: ADMINISTRATIVE COSTS				
220	Administrative Salaries **		\$ 6,000	\$ 0	\$ 6,000
225	Administrative Fringe Benefits				0
226	Quality Assurance Fees (excluding Adult Day Services)		10,802	0	10,802
230	Other General and Administrative*** (Excluding Adult Day Services)	12-14	57,987	(10,121)	47,866
235	TOTAL ADMINISTRATIVE COST (Lines 220 through 230)		\$ 74,789	\$ (10,121)	\$ 64,668
	TOTAL COSTS RELATED TO CLIENT CARE (Lines 110, 155, 215 and 235)		\$ 313,480	\$ (33,710)	\$ 279,770
	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)		\$ 313,480	\$ (33,710)	\$ 279,770

Variance from cost report due to rounding

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	
MORGAN'S TLC - KANAI							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1457577322	17	
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	065	4	2	065	3	Mortgage Interest To adjust reported mortgage interest to agree with the amortizatic schedule. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304	\$6,643	(\$2,793)	\$3,850
	4	080	4	2	080	3	Home Operations and Maintenance	\$17,930		
2							To eliminate expense due to lack of documentation. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304		(\$2,975)	
3							To eliminate expense not related to the facility. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304		(1,201)	
4							To eliminate items not included in the routine rate. CCR, Title 22, 51510.3 and 51321		(1,066)	
5							To eliminate gardening expense not related to the audit period. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304		(100) (\$5,342)	\$12,588
6	4.1	180	4	2	180	3	Pharmacist Consultant To eliminate consultation fees due to insufficient documentation and for services provided to another facility. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304	\$1,861	(\$1,861)	\$0
7	4.1	185	4	2	185	3	Nurse Consultant To adjust reported expense to agree with invoices received. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304	\$13,860	(\$1,620)	\$12,240
8	4.1	190	4	2	190	3	Psychologist Consultant To eliminate psychologist consultant expense for services not included in the rate. CCR, Title 22, 51510.3(b)(2)	\$300	(\$300)	\$0

Provider Name							Fiscal Period	Provider NPI		Adjustments
MORGAN'S TLC - KANAI							JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1457577322		17
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>										
9	4.1	195	4	2	195	3	Physician Consultant To eliminate physician consultant expense not included in the routine rate. CCR, Title 22, 51510.3(b)(4)(S)	\$5,950	(\$5,950)	\$0
	4.1	210	4	2	210	3	Other Consultant	\$2,860		
10							To eliminate physician consultant and audiology professional services that should have been billed separately. CCR, Title 22, 51510.3		(\$2,700)	
11							To eliminate expense due to insufficient documentation. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304		(160) (\$2,860)	\$0
	4.1	230	4	2	230	3	Other General and Administrative	\$57,987		
12							To eliminate expense due to lack of documentation. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304		(\$1,227)	
13							To eliminate Knight Guard expenses included twice in the cost report and service charge related to the item. 42 CFR 413.9(c)(3), 413.20 and 413.24 CMS Pub. 15-1, Sections 2102.3, 2300 and 2304		(493)	
14							To adjust reported home office costs to agree with the Morgan's TLC Home Office Audit Report for fiscal period ended December 31, 2011. 42 CFR 413.17 and 413.24 CMS Pub. 15-1, Sections 2150.2 and 2304		(8,401) (\$10,121)	\$47,866
15	4	100	4	2	100	3	Personal Care and Laundry To eliminate expense due to lack of documentation. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304	\$2,863	(\$2,863)	\$0

Provider Name				Fiscal Period				Provider NPI		Adjustments
MORGAN'S TLC - KANAI				JANUARY 1, 2011 THROUGH DECEMBER 31, 2011				1457577322		17
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 REPORTED CLIENT DAYS</u>										
16	2	003	1	1	1	2	Total Client Days - Medi-Cal	1,793	(4)	1,789
	2	003	2	1	3	2	Total Client Days - Other	0	8	8
							To adjust total client days to agree with the provider's Client Attendance Sheets.			
							42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2205, 2300 and 2304			

Provider Name				Fiscal Period				Provider NPI		Adjustments
MORGAN'S TLC - KANAI				JANUARY 1, 2011 THROUGH DECEMBER 31, 2011				1457577322		17
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>										
17	N/A			1	1	2	Overpayment To recover overpayment for days billed to Medi-Cal where the client was not at the facility. 42 CFR 433.139, 413.20, 413.24 and 431.107 CMS Pub. 15-1, Sections 2300, 2304 and 2409 CCR, Title 22, Sections 50786 and 51458.1	\$0	\$423	\$423