REPORT
ON THE
RATE SETTING AUDIT

RCN PEDIATRIC CARE III
LA PUENTE, CALIFORNIA
NATIONAL PROVIDER IDENTIFIER: 1922289644

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: Sandra Hy

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

TOBY DOUGLAS
DIRECTOR

EDMUND G. BROWN JR.
GOVERNOR

December 6, 2012

Romulo Narne, Controller
RCN Pediatric Care II
1429 Greenberry Drive
La Puente, CA 91744

PROVIDER: RCN PEDIATRIC CARE III
NATIONAL PROVIDER IDENTIFIER (NPI): 1922289644
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:

COST AND COST PER DAY	COST	COST PER DAY
Reported Cost/Cost Per Day	$ 339,047	$ 226.94
Net Audit Adjustment	(20,207)	(8.41)
Audited Cost/Cost Per Day	$ 318,840	$ 218.53

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 $1,271 which resulted from Medi-Cal overpayments

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605 West Santa Ana Blvd., Building 28, Room 830, Santa Ana, CA 92701
(714) 558-4434 / (714) 558-4179 fax
Internet Address: www.dhcs.ca.gov

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:
RCN PEDIATRIC CARE III

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

Provider NPI:
1922289644

SUMMARY OF AUDITED FACILITY CENSUS AND AUDITED CLIENT COST PER DAY	AS REPORTED	AS AUDITED
1. Medi-Cal Client Days (Adj 10)	1,494	1,459
2. Medi-Cal Managed Care Days (Adj)	0	0
3. Other Client Days (Adj)	0	0
4. Total Client Days	1,494	1,459
5. Total Client Care Expenses (From Sch. 2)	$ 339,047	$ 318,840
6. AVERAGE CLIENT COST PER DAY (Line 4 / Line 3)	$ 226.94	$ 218.53
SHARE OF COST		
1. Share of Cost Audit Adjustment (Adj)	$ NA	$ 0
OVERPAYMENTS		
1. Duplicate Payments (Adjs 11,12)	$ 0	$ (1,271)
2. Credit Balances (Adj)	$ 0	$ 0
3. Total Overpayments	$ 0	$ (1,271)

SUMMARY OF AUDITED FACILITY EXPENSES

Provider:
RCN PEDIATRIC CARE III

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

Provider NPI:
1922289644

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	$ 4,235	$ (206)	$ 4,029
050	Leases and Rentals				0
055	Real Property Taxes		3,024		3,024
060	Personal Property Taxes				0
065	Mortgage Interest	2	14,805	(5,570)	9,235
070	Property Insurance		649		649
075	TOTAL PROPERTY EXPENSES (Lines 045 through 070)		$ 22,713	$ (5,776)	$ 16,937
	Basic Facility Cost - General Home Expenses				
080	Home Operations and Maintenance		$ 3,939	$	$ 3,939
085	Utilities		3,703		3,703
090	Client Transportation (excluding Adult Day Services)	3,4,5	13,366	(9,742)	3,624
095	Dietary		7,854		7,854
100	Personal Care and Laundry		436		436
105	TOTAL GENERAL HOME EXPENSES (Lines 080 through 100)		$ 29,298	$ (9,742)	$ 19,556
110	TOTAL BASIC FACILITY COST (Lines 075 plus 105)		$ 52,011	$ (15,518)	$ 36,493
	EXPENSES: DIRECT CARE STAFF COSTS				
115	QMRP Salaries		$ 9,486	$	$ 9,486
120	QMRP Fringe Benefits				0
125	Lead Salaries				0
130	Lead Fringe Benefits				0
135	Aides Salaries		137,663		137,663
140	Aides Fringe Benefits		41,224		41,224
145	Other Salaries				0
150	Other Fringe Benefits				0
155	TOTAL DIRECT CARE STAFF COSTS (Lines 115 through 150)		$ 188,373	$ 0	$ 188,373

SUMMARY OF AUDITED FACILITY EXPENSES

Provider:
RCN PEDIATRIC CARE III

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

Provider NPI:
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Line No.	DESCRIPTION	ADJ NO.	AS REPORTED Col. 1	AUDIT ADJUSTMENT Col. 2	AS AUDITED Col. 3
	EXPENSES: CONSULTANT COSTS				
160	Dietician Consultant		$ 1,200	$	$ 1,200
165	Speech Pathology Consultant				0
170	Physical Therapy Consultant		1,887		1,887
175	Occupational Therapy Consultant		2,385		2,385
180	Pharmacist Consultant		300		300
185	Nurse Consultant		6,500		6,500
190	Psychologist Consultant				0
195	Physician Consultant		3,300		3,300
200	Recreational Consultant		1,880		1,880
205	Social Service Consultant				0
210	Other Consultant				0
215	TOTAL CONSULTANT COST (Lines 160 through 210)		$ 17,452	$ 0	$ 17,452
	EXPENSES: ADMINISTRATIVE COSTS				
220	Administrative Salaries **		$ 62,625	$	$ 62,625
225	Administrative Fringe Benefits				0
226	Quality Assurance Fees (excluding Adult Day Services)				0
230	Other General and Administrative*** (Excluding Adult Day Services)	6,7,8,9	18,586	(4,689)	13,897
235	TOTAL ADMINISTRATIVE COST (Lines 220 through 230)		$ 81,211	$ (4,689)	$ 76,522
	TOTAL COSTS RELATED TO CLIENT CARE (Lines 110, 155, 215 and 235)		$ 339,047	$ (20,207)	$ 318,840
	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)		$ 339,047	$ (20,207)	$ 318,840

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

*** List allocated administrative costs on Line 230

Provider Name	Fiscal Period	Provider NPI	Adjustments
RCN PEDIATRIC CARE III	JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1922289644	12

Report References										
	Cost Report			Audit Report						
Adj. No.	MC530 Page or Exhibit	Line	Col.	Sch.	Line	Sub No	Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
							ADJUSTMENTS TO REPORTED COSTS			
1	4	45	4	2	45		Depreciation and Amortization To adjust the reported depreciation expense to agree with th depreciation schedule 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	$4,235	($206)	$4,029
2	4	65	4	2	65		Mortgage Interest To adjust the interest expense to agree with the original loan documents and the historical cost limitations of the 1997 Balanced Budget Act. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300, 2304 and 104.10E	$14,805	($5,570)	$9,235
3	4	90	4	2	90		Client Transportation To adjust auto insurance expense based on insurance bills applicable to the two facility vans. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	13,366	($873)	$12,493 *
4	4	90	4	2	90		Client Transportation * To eliminate auto expense not related to patient care. 42 CFR 413.9(c)(3) / CMS Pub. 15-1, Sections 2102.3 and 2105	$12,493	($8,599)	$3,894 *
5	4	90	4	2	90		Client Transportation * To adjust the reported DMV expense to agree with the vehicle registration renewal applicable to the two facility vans. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	$3,894	($270)	$3,624
6	4.1	230	4	2	230		Other General and Administrative To eliminate nonallowable citation expense. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Section 2105.10	$18,586	($63)	$18,523 *

*Balance carried forward from prior/to subsequent adjustments

Provider Name	Fiscal Period	Provider NPI	Adjustments
RCN PEDIATRIC CARE III	JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1922289644	12

Report References										
	Cost Report			Audit Report						
Adj. No.	MC530 Page or Exhibit	Line	Col.	Sch.	Line	Sub No	Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
							ADJUSTMENTS TO REPORTED COSTS			
7	4.1	230	4	2	230		Other General and Administrative *	$18,523	($500)	$18,023 *
							To eliminate corporation expense due to insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304			
8	4.1	230	4	2	230		Other General and Administrative *	18,023	($3,200)	14,823 *
							To eliminate employee expense due to insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304			
9	4.1	230	4	2	230		Other General and Administrative *	$14,823	($926)	$13,897
							To eliminate wireless phone expense not related to patient care. 42 CFR 413.9(c)(3) and 413.153 CMS Pub. 15-1, Sections 202.2 and 2102.3			

*Balance carried forward from prior/to subsequent adjustments

Provider Name	Fiscal Period	Provider NPI	Adjustments
RCN PEDIATRIC CARE III	JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1922289644	12

Report References										
	Cost Report			Audit Report						
Adj. No.	MC530 Page or Exhibit	Line	Col.	Sch.	Line	Sub No	Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
							ADJUSTMENT TO REPORTED PATIENT DAYS			
10	2	3	5	1	3		Total Patient Days To adjust the reported patient days to the detail census report. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304	1,494	(35)	1,459

Provider Name	Fiscal Period	Provider NPI	Adjustments
RCN PEDIATRIC CARE III	JANUARY 1, 2011 THROUGH DECEMBER 31, 2011	1922289644	12

Report References										
	Cost Report			Audit Report						
Adj. No.	MC530 Page or Exhibit	Line	Col.	Sch.	Line	Sub No	Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
							ADJUSTMENTS TO OTHER MATTERS			
11	N/A			1			To recover Medi-Cal overpayments for the day of discharge. 42 CFR 433.139, 413.20 and 413.24 and 431.07 CMS Pub. 15-1, Sections 2205.1 and 2409 CCR, Title 22, Section 51458.1	$0	$1,059	$1,059 *
12	N/A			1			To recover overpayments for overstated Medi-Cal patient days. * 42 CFR 433.139, 413.20 and 413.24 and 431.07 CMS Pub. 15-1, Section 2409 CCR, Title 22, Section 51458.1	$1,059	$212	$1,271

*Balance carried forward from prior/to subsequent adjustments