

**REPORT  
ON THE  
RATE SETTING AUDIT  
GLADSTONE HOUSE  
SYLMAR, CALIFORNIA  
NATIONAL PROVIDER IDENTIFIER: 1851442610  
FISCAL PERIOD ENDED  
JUNE 30, 2012**

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

**Section Chief: Daniel J. Giardinelli  
Audit Supervisor: Allen Dervi  
Auditor: Christine Sprouse**



TOBY DOUGLAS  
DIRECTOR

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



EDMUND G. BROWN JR.  
GOVERNOR

June 25, 2013

Viji Krishnaswamy  
Finance Manager  
Valley Village  
20830 Sherman Way  
Winnetka, CA 91306

GLADSTONE HOUSE  
NATIONAL PROVIDER IDENTIFIER (NPI) 1851442610  
FISCAL PERIOD ENDED JUNE 30, 2012

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	\$	292,051	\$ 132.99
Net Audit Adjustment		(199)	(.09)
Audited Cost/Cost Per Day	\$	<u>291,852</u>	\$ <u>132.90</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.

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—Burbank at (818) 295-2620.

**Original Signed By**

Daniel J. Giardinelli, Chief  
Audits Section—Burbank  
Financial Audits Branch

Certified

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

**Provider:**  
GLADSTONE HOUSE

**Fiscal Period:**  
JULY 1, 2011 THROUGH JUNE 30, 2012

**Provider NPI:**  
1851442610

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

	<b>AS REPORTED</b>	<b>AS AUDITED</b>
1. Medi-Cal Client Days (Adj 8)	0	2,196
2. Medi-Cal Managed Care Days (Adj 8)	2,196	0
3. Other Client Days (Adj )	0	0
4. Total Client Days	<u>2,196</u>	<u>2,196</u>
5. Total Client Care Expenses (From Sch. 2)	\$ <u>292,051</u>	\$ <u>291,852</u>
6. AVERAGE CLIENT COST PER DAY (Line 4 / Line 3)	\$ <u>132.99</u>	\$ <u>132.90</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:  
GLADSTONE HOUSE

Fiscal Period:  
JULY 1, 2011 THROUGH JUNE 30, 2012

Provider NPI:  
1851442610

Line No.	DESCRIPTION	ADJ NO.	AS REPORTED Col. 1	AUDIT ADJUSTMENT Col. 2	AS AUDITED Col. 3
	<b>EXPENSES: CLIENT SERVICES</b>				
	<b>Basic Facility Cost - Property Expenses</b>				
045	Depreciation and Amortization		\$ 0	\$	\$ 0
050	Leases and Rentals		0		0
055	Real Property Taxes		0		0
060	Personal Property Taxes		0		0
065	Mortgage Interest		0		0
070	Property Insurance		3,058		3,058
075	TOTAL PROPERTY EXPENSES (Lines 045 through 070)		\$ 3,058	\$ 0	\$ 3,058
	<b>Basic Facility Cost - General Home Expenses</b>				
080	Home Operations and Maintenance		\$ 3,238	\$	\$ 3,238
085	Utilities		4,366		4,366
090	Client Transportation (excluding Adult Day Services)	6	8,980	1,137	10,117
095	Dietary		20,767		20,767
100	Personal Care and Laundry	2, 3, 4, 5	6,585	(920)	5,665
105	TOTAL GENERAL HOME EXPENSES (Lines 080 through 100)		\$ 43,936	\$ 217	\$ 44,153
110	TOTAL BASIC FACILITY COST (Lines 075 plus 105)		\$ 46,994	\$ 217	\$ 47,211
	<b>EXPENSES: DIRECT CARE STAFF COSTS</b>				
115	QMRP Salaries		\$ 11,374	\$	\$ 11,374
120	QMRP Fringe Benefits		3,437		3,437
125	Lead Salaries		38,673		38,673
130	Lead Fringe Benefits		11,408		11,408
135	Aides Salaries		51,920		51,920
140	Aides Fringe Benefits		6,456		6,456
145	Other Salaries		21,937		21,937
150	Other Fringe Benefits		6,687		6,687
155	TOTAL DIRECT CARE STAFF COSTS (Lines 115 through 150)		\$ 151,892	\$ 0	\$ 151,892

## SUMMARY OF AUDITED FACILITY EXPENSES

Provider:  
GLADSTONE HOUSE

Fiscal Period:  
JULY 1, 2011 THROUGH JUNE 30, 2012

Provider NPI:  
1851442610

Line No.	DESCRIPTION	ADJ NO.	AS REPORTED Col. 1	AUDIT ADJUSTMENT Col. 2	AS AUDITED Col. 3
	<b>EXPENSES: CONSULTANT COSTS</b>				
160	Dietician Consultant		\$ 704	\$	\$ 704
165	Speech Pathology Consultant		0		0
170	Physical Therapy Consultant		0		0
175	Occupational Therapy Consultant		2,046		2,046
180	Pharmacist Consultant		455		455
185	Nurse Consultant		0		0
190	Psychologist Consultant		3,044		3,044
195	Physician Consultant	7	1,616	(416)	1,200
200	Recreational Consultant		0		0
205	Social Service Consultant		0		0
210	Other Consultant		0		0
215	TOTAL CONSULTANT COST (Lines 160 through 210)		\$ 7,865	\$ (416)	\$ 7,449
	<b>EXPENSES: ADMINISTRATIVE COSTS</b>				
220	Administrative Salaries **		\$ 143	\$	\$ 143
225	Administrative Fringe Benefits		0		0
226	Quality Assurance Fees (excluding Adult Day Services)	1	22,436	(3,493)	18,943
230	Other General and Administrative*** (Excluding Adult Day Services)	1	62,721	3,493	66,214
235	TOTAL ADMINISTRATIVE COST (Lines 220 through 230)		\$ 85,300	\$ 0	\$ 85,300
	TOTAL COSTS RELATED TO CLIENT CARE (Lines 110, 155, 215 and 235)		\$ 292,051	\$ (199)	\$ 291,852
	<b>NON-CLIENT CARE EXPENSES</b>		(To Sch. 1)		(To Sch. 1)
240	Non-Program Services		\$ 1,231	\$	\$ 1,231
241	Adult Day Services and Related Transportation		0		0
245	TOTAL FACILITY EXPENSES (Lines 110, 155, 215, 235, 240 and 241)		\$ 293,282	\$ (199)	\$ 293,083

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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
GLADSTONE HOUSE							JULY 1, 2011 THROUGH JUNE 30, 2012	1851442610		8
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.				
<b><u>RECLASSIFICATION OF REPORTED COSTS</u></b>										
1	4.1	226	4	2	226	2	Quality Assurance Fees	\$22,436	(\$3,493)	\$18,943
	4.1	230	4	2	230	2	Other General and Administrative	62,721	3,493	66,214
							To reclassify license and registration fee expenses 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			

Provider Name							Fiscal Period	Provider NPI		Adjustments
GLADSTONE HOUSE							JULY 1, 2011 THROUGH JUNE 30, 2012	1851442610		8
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.				
<b><u>ADJUSTMENTS TO REPORTED COSTS</u></b>										
	4	100	4	2	100	2	Personal Care and Laundry	\$6,585		
2							To eliminate dental costs not included in the routine rate and to be billed separately. CMS Pub.15-1, Section 2104.4 CCR, Title 22, 51510.2		(\$122)	
3							To eliminate durable medical equipment cost not included in the routine rate and to be billed separately. CMS Pub. 15-1, Sections 2300 and 2304 CCR, Title 22, 51510.2		(285)	
4							To eliminate dental costs not included in the routine rate and to be billed separately. CMS Pub.15-1, Section 2104.4 CCR, Title 22, 51510.2		(371)	
5							To eliminate dermatologist costs not included in the routine rate and to be billed separately. CMS Pub. 15-1, Sections 2300 and 2304 CCR, Title 22, 51510.2		<u>(142)</u> <u>(\$920)</u>	\$5,665
6	4	90	4	2	90	2	Client Transportation To include the gasoline expense incurred by the facility in the audited year. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	\$8,980	\$1,137	\$10,117
7	4.1	195	4	2	195	2	Physician Consultant To eliminate physician services not included in the routine rate and to be billed separately. CMS Pub. 15-1, Sections 2300 and 2304 CCR, Title 22, 51510.2	\$1,616	(\$416)	\$1,200

Provider Name			Fiscal Period				Provider NPI		Adjustments	
GLADSTONE HOUSE			JULY 1, 2011 THROUGH JUNE 30, 2012				1851442610		8	
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.				
<b><u>ADJUSTMENT TO REPORTED PATIENT DAYS</u></b>										
8	2	C3	1	1	1	2	Medi-Cal Client Days	0	2,196	2,196
	2	C3	2	1	2	2	Medi-Cal Managed Care Days	2,196	(2,196)	0
							To reclassify client days to agree with the provider's census records and Medi-Cal paid claims summary report.			
							42 CFR 413.20, 413.24, and 413.50			
							CMS Pub. 15-1, Sections 2205, 2300, and 2304			