

**REPORT  
ON THE  
RATE SETTING AUDIT  
LANARK HOUSE  
PANORAMA CITY, CALIFORNIA  
NATIONAL PROVIDER IDENTIFIER: 1447301213  
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: Gertrude Lake  
Auditor: Amandeep Sodhi**



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

LANARK HOUSE  
NATIONAL PROVIDER IDENTIFIER (NPI) 1447301213  
FISCAL PERIOD ENDED JUNE 30, 2012

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	\$	334,904	\$ 152.51
Net Audit Adjustment		(3,309)	(1.51)
Audited Cost/Cost Per Day	\$	<u>331,595</u>	\$ <u>151.00</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:**  
LANARK HOUSE

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

**Provider NPI:**  
1447301213

**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 7)	0	2,196
2. Medi-Cal Managed Care Days (Adj 7)	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>334,904</u>	\$ <u>331,595</u>
6. AVERAGE CLIENT COST PER DAY (Line 4 / Line 3)	\$ <u>152.51</u>	\$ <u>151.00</u>

**SHARE OF COST**

1. Share of Cost Audit Adjustment (Adj )	\$ <u>0</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:  
LANARK HOUSE

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

Provider NPI:  
1447301213

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		2,926		2,926
075	TOTAL PROPERTY EXPENSES (Lines 045 through 070)		\$ 2,926	\$ 0	\$ 2,926
	<b>Basic Facility Cost - General Home Expenses</b>				
080	Home Operations and Maintenance		\$ 8,238	\$	\$ 8,238
085	Utilities		3,163		3,163
090	Client Transportation (excluding Adult Day Services)		17,258		17,258
095	Dietary		22,730		22,730
100	Personal Care and Laundry	2, 3, 4	10,340	(2,291)	8,049
105	TOTAL GENERAL HOME EXPENSES (Lines 080 through 100)		\$ 61,729	\$ (2,291)	\$ 59,438
110	TOTAL BASIC FACILITY COST (Lines 075 plus 105)		\$ 64,655	\$ (2,291)	\$ 62,364
	<b>EXPENSES: DIRECT CARE STAFF COSTS</b>				
115	QMRP Salaries		\$ 12,319	\$	\$ 12,319
120	QMRP Fringe Benefits		3,024		3,024
125	Lead Salaries		72,076		72,076
130	Lead Fringe Benefits		17,614		17,614
135	Aides Salaries		41,060		41,060
140	Aides Fringe Benefits		4,694		4,694
145	Other Salaries		21,047		21,047
150	Other Fringe Benefits		5,209		5,209
155	TOTAL DIRECT CARE STAFF COSTS (Lines 115 through 150)		\$ 177,043	\$ 0	\$ 177,043

## SUMMARY OF AUDITED FACILITY EXPENSES

Provider:  
LANARK HOUSE

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

Provider NPI:  
1447301213

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		\$ 740	\$	\$ 740
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		3,184		3,184
195	Physician Consultant	5	1,712	(512)	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)		\$ 8,137	\$ (512)	\$ 7,625
	<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	22,314	(3,317)	18,997
230	Other General and Administrative*** (Excluding Adult Day Services)	1, 6	62,612	2,811	65,423
235	TOTAL ADMINISTRATIVE COST (Lines 220 through 230)		\$ 85,069	\$ (506)	\$ 84,563
	TOTAL COSTS RELATED TO CLIENT CARE (Lines 110, 155, 215 and 235)		\$ 334,904	\$ (3,309)	\$ 331,595
	<b>NON-CLIENT CARE EXPENSES</b>		(To Sch. 1)		(To Sch. 1)
240	Non-Program Services		\$ 684	\$	\$ 684
241	Adult Day Services and Related Transportation		0		0
245	TOTAL FACILITY EXPENSES (Lines 110, 155, 215, 235, 240 and 241)		\$ 335,588	\$ (3,309)	\$ 332,279

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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
LANARK HOUSE							JULY 1, 2011 THROUGH JUNE 30, 2012	1447301213		7
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	\$22,314	(\$3,317)	\$18,997
	4.1	230	4	2	230	2	Other General and Administrative	62,612	3,317	65,929 *
To reclassify the license fees 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	
LANARK HOUSE							JULY 1, 2011 THROUGH JUNE 30, 2012	1447301213	7	
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	\$10,340		
2							To eliminate physician expenses, dental expenses and prescription drugs not included in the routine rate 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304 CCR, Title 22, 51510.2(b)		(\$1,619)	
3							To eliminate resident medical expenses due to insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304		(198)	
4							To eliminate physician and dental expenses not included in the routine rate. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304 CCR, Title 22, 51510.2(b)		(474) <u>(\$2,291)</u>	\$8,049
5	4.1	195	4	2	195	2	Physician Consultant To eliminate podiatrist consultant fees not included in the routine rate. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304 CCR, Title 22, Sections 51510.2 and 51310	\$1,712	(\$512)	\$1,200
6	4.1	230	4	2	230	2	Other General and Administrative To adjust the reported license fees to agree with the provider's invoices applicable to the fiscal period. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	* \$65,929	(\$506)	\$65,423

\*Balance carried forward from prior/to subsequent adjustments

Provider Name							Fiscal Period		Provider NPI		Adjustments
LANARK HOUSE							JULY 1, 2011 THROUGH JUNE 30, 2012		1447301213		7
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>											
7	2	C 3	1	1	1	2	Medi-Cal Client Days	0	2,196	2,196	
	2	C 3	2	1	2	2	Medi-Cal Managed Care Days To reclassify Medi-Cal Fee for Service days improperly reported as Medi-Cal Managed Care days. 42 CFR 413.20 and 413.50 CMS Pub. 15-1, Sections 2205 and 2304	2,196	(2,196)	0	