

**REPORT
ON THE AUDIT OF
RATE DEVELOPMENT SCHEDULES**

**VALLEY MEMORIAL HOSPITAL
LIVERMORE, CALIFORNIA
NATIONAL PROVIDER IDENTIFIER: 1144389941**

**FISCAL PERIOD ENDED
JUNE 30, 2010**

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

**Section Chief: Louise Wong
Audit Supervisor: David Mui
Auditor: Joanne Hui**



TOBY DOUGLAS
DIRECTOR

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



EDMUND G. BROWN JR.
GOVERNOR

December 21, 2012

Kenneth A. Jensen
Chief Financial Officer
ValleyCare Health System
1111 East Stanley Boulevard
Livermore, CA 94550

VALLEY MEMORIAL HOSPITAL
NATIONAL PROVIDER IDENTIFIER (NPI) 1144389941
FISCAL PERIOD ENDED JUNE 30, 2010

We have examined the Rate Development Schedules for the above-referenced fiscal period. Our examination was made under the authority of Section 14170 of the Welfare and Institutions Code. The data for the schedules was obtained from provider records during a field audit.

In our opinion, the audited data presented in the Rate Development Schedules represents a proper determination of audited cost, patient days, and direct labor cost in accordance with applicable programs.

This audit report includes the:

1. Rate Development Schedules
2. Audit Adjustments Schedule

The results of this examination may be used to determine the Medi-Cal Peer Grouping Inpatient Reimbursement Limitation (PIRL) rate calculations. This will be determined by the Benefits, Waiver Analysis and Rates Division pursuant to California Code of Regulations (CCR), Title 22, Sections 51545 through 51556. These regulations may be viewed at www.oal.ca.gov.

If you disagree with the decision of the Department, you may appeal by writing to:

John Melton, Chief
Department of Health Care Services
Office of Administrative Hearings and Appeals
1029 J Street, Suite 200
Sacramento, CA 95814
(916) 322-5603

Kenneth A. Jensen
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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—Richmond at (510) 620-3100.

Original Signed by

Louise Wong, Chief
Audits Section—Richmond
Financial Audits Branch

Certified

RATE DEVELOPMENT SCHEDULES

PROVIDER NAME VALLEY MEMORIAL HOSPITAL
NPI 1144389941
FISCAL PERIOD JULY 1, 2009 THROUGH JUNE 30, 2010
CONTRACT PERIOD N/A

	Noncontract Cost Services		Medi-Cal For Contract Services		Medi-Cal Total For Fiscal Period
<u>ACUTE CARE ONLY</u>					
A. Medi-Cal Net Cost of Covered Services Plus Hospital-Based Physician Costs, Excluding Return on Equity (Schedule 1, Line 1) (Adj 1)	\$ 9,793,734		\$ 0		\$ 9,793,734
B. Deductibles and Coinsurance (Third Party Liability) (Schedule 3, Lines 9 and 10) (Adj 2)	\$ 184,453		\$ 0		\$ 184,453
C. Medi-Cal Inpatient Days (Adjs 3,4,5) (Schedules 4 and 4A)					
1. Routine (Adults and Pediatrics)	2,071		0		2,071
2. ICU	636		0		636
3. CCU					
4. Nursery	887		0		887
5. NICU					
6. Other (Specify)					
a.					
b.					
D. Total Hospital Discharges	N/A		N/A		7,647
E. Total Medi-Cal Discharges (Adj 6)	604		0		604
F. Total Medi-Cal Inpatient Charges (Schedule 2, Line 4) (Adj 7)	\$ 47,152,964		\$ 0		\$ 47,152,964

RATE DEVELOPMENT SCHEDULES

PROVIDER NAME	VALLEY MEMORIAL HOSPITAL
NPI	1144389941
FISCAL PERIOD	JULY 1, 2009 THROUGH JUNE 30, 2010
CONTRACT PERIOD	N/A

	<u>REFERENCE</u>		
A. EXPENSE PASS-THROUGH DATA			
1. Depreciation Expense:	8810 - 8813, and/or .71, .72, .73 and .74	\$	8,259,360
2. Rent and Lease Expense:	8820-8822, and/or .75 and .76	\$	7,967,052
3. Interest Expense:	8860, 8870	\$	5,538,203
4. Property Taxes and License Fees:	8850 and/or .83	\$	619,749
5. Utility Expense:	.77, .78, .79, and .80	\$	2,987,009
6. Malpractice Insurance Expense:	8830 and/or .81	\$	919,511
B. GROSS OPERATING EXPENSES	Sch 10, line 101, col. 3	\$	214,402,487
C. STUDENT AND PHYSICIANS COMPENSATION			
1. Salaries and Wages (include benefits)	.07, 8210.09 - 8290.09	\$	
2. Professional Fees	.20	\$	4,615,785
D. PHARMACY NONLABOR EXPENSE	8390.37 and 8390.38	\$	4,626,631
E. FOOD SERVICES NONLABOR EXPENSE	8320, 8330 and 8340 and/or .42 and .43	\$	932,563
F. DIRECT OPERATING COSTS			
1. Salaries and Wages	.00 - .09, .91, .95	\$	84,940,146
2. Employee Benefits	.10 - .19, .92, .96	\$	32,953,480
3. Other Professional Fees	.21 - .29	\$	5,204,134
4. Purchased Services	.61 - .69	\$	23,093,536
5. Supplies	.31 - .36, .39 - .41, .44 - .50, .93, .97	\$	29,133,731
6. Other Direct Operating Expense (Adj 11)	.85 - .90	\$	2,611,597

RATE DEVELOPMENT SCHEDULES

PROVIDER NAME	VALLEY MEMORIAL HOSPITAL
NPI	1144389941
FISCAL PERIOD	JULY 1, 2009 THROUGH JUNE 30, 2010
CONTRACT PERIOD	N/A

A. DIRECT PAYROLL COSTS (Totals)	<u>REFERENCE</u>		
1. Management and Supervision			
a. Productive Salaries	.00	\$	16,772,075
b. Productive Hours			276,622.00
2. Technicians and Specialists			
a. Productive Salaries	.01	\$	19,788,565
b. Productive Hours			523,370.00
3. Registered Nurses			
a. Productive Salaries	.02	\$	27,748,705
b. Productive Hours			478,393.00
4. Licensed Vocational Nurses			
a. Productive Salaries	.03	\$	574,314
b. Productive Hours			18,806.00
5. Aides and Orderlies			
a. Productive Salaries	.04	\$	2,502,279
b. Productive Hours			119,340.00
6. Physicians (Salaried)			
a. Productive Salaries	.07	\$	
b. Productive Hours			
7. Nonphysician Medical Practitioners			
a. Productive Salaries	.08	\$	
b. Productive Hours			
8. Environmental and Food Services			
a. Productive Salaries	.06	\$	3,475,829
b. Productive Hours			173,351.00
9. Clerical and Other Administrative			
a. Productive Salaries	.05	\$	10,437,826
b. Productive Hours			466,096.00
10. Other Salaries and Wages			
a. Productive Salaries	.09	\$	
b. Productive Hours			
11. All Nonproductive Salaries and Wages			
a. Nonproductive Salaries	Labor Distribution	\$	18,321,804
b. Nonproductive Hours	Report or Provider W/P		354,095.00
B. SUBTOTAL DIRECT PAYROLL COST			
1. Productive Salaries (lines A1a - A10a)		\$	81,299,593
2. Productive Hours (lines A1b - A10b)			<u>2,055,978.00</u>
C. TOTAL PRODUCTIVE AND NONPRODUCTIVE SALARIES (A11a + B1)		\$	<u>99,621,397</u>
D. TOTAL PRODUCTIVE AND NONPRODUCTIVE HOURS (A11b + B2)			<u>2,410,073.00</u>

Provider Name				Fiscal Period		NPI	Adjustments	
VALLEY MEMORIAL HOSPITAL				JULY 1, 2009 THROUGH JUNE 30, 2010		1144389941	11	
Report References				Explanation of Audit Adjustments	Reported	Increase (Decrease)	Adjusted	
Adj. No.	Audit Report Page	RD Schedule						
		Page	Line					
<u>ADJUSTMENTS TO RATE DEVELOPMENT SCHEDULES</u>								
1	1	3	A	Medi-Cal Net Cost of Covered Services—Noncontract	\$ 8,216,791	\$ 1,576,943	\$ 9,793,734	
	1	3	A	Medi-Cal Net Cost of Covered Services—Contract	\$	\$	\$	
2	1	3	B	Deductibles and Coinsurance—Noncontract	\$ 113,683	\$ 70,770	\$ 184,453	
	1	3	B	Deductibles and Coinsurance—Contract	\$	\$	\$	
3	1	3	C 1	Medi-Cal Inpatient Days—Adults and Pediatrics—Noncontract	1,787	284	2,071	
	1	3	C 1	Medi-Cal Inpatient Days—Adults and Pediatrics—Contract				
4	1	3	C 2	Medi-Cal Inpatient Days—ICU—Noncontract	421	215	636	
	1	3	C 2	Medi-Cal Inpatient Days—ICU—Contract				
	1	3	C 3	Medi-Cal Inpatient Days—CCU—Noncontract				
	1	3	C 3	Medi-Cal Inpatient Days—CCU—Contract				
5	1	3	C 4	Medi-Cal Inpatient Days—Nursery—Noncontract	854	33	887	
	1	3	C 4	Medi-Cal Inpatient Days—Nursery—Contract				
	1	3	C 5	Medi-Cal Inpatient Days—NICU—Noncontract				
	1	3	C 5	Medi-Cal Inpatient Days—NICU—Contract				
	1	3	C 6 a	Medi-Cal Inpatient Days—_____ Noncontract				
	1	3	C 6 a	Medi-Cal Inpatient Days—_____ Contract				
	1	3	C 6 b	Medi-Cal Inpatient Days—_____ Noncontract				
	1	3	C 6 b	Medi-Cal Inpatient Days—_____ Contract				

Provider Name				Fiscal Period		NPI	Adjustments	
VALLEY MEMORIAL HOSPITAL				JULY 1, 2009 THROUGH JUNE 30, 2010		1144389941	11	
Report References				Explanation of Audit Adjustments	Reported	Increase (Decrease)	Adjusted	
Adj. No.	Audit Report Page	RD Schedule						
		Page	Line					
	1	3	D	Total Hospital Discharges	7,647	0	7,647	
6	1	3	E	Total Medi-Cal Discharges—Acute—Noncontract	529	75	604	
	1	3	E	Total Medi-Cal Discharges—Acute—Contract				
7	1	3	F	Total Medi-Cal Inpatient Charges—Noncontract	\$ 38,161,091	\$ 9,290,309	\$ 47,451,400	
	1	3	F	Total Medi-Cal Inpatient Charges—Contract	\$	\$	\$	
	2	4	A 1	Depreciation Expense	\$ 8,259,360	\$ 0	\$ 8,259,360	
	2	4	A 2	Rent and Lease Expense	\$ 7,967,052	\$ 0	\$ 7,967,052	
	2	4	A 3	Interest Expense	\$ 5,538,203	\$ 0	\$ 5,538,203	
	2	4	A 4	Property Taxes and License Fees	\$ 619,749	\$ 0	\$ 619,749	
	2	4	A 5	Utility Expense	\$ 2,987,009	\$ 0	\$ 2,987,009	
	2	4	A 6	Malpractice Insurance Expense	\$ 919,511	\$ 0	\$ 919,511	
	2	4	B	Gross Operating Expenses	\$ 214,402,487	\$ 0	\$ 214,402,487	
	2	4	C 1	Student and Physicians Compensation—Salaries and Wages	\$	\$	\$	
	2	4	C 2	Student and Physicians Compensation—Professional Fees	\$ 4,615,785	\$ 0	\$ 4,615,785	
	2	4	D	Pharmacy Nonlabor Expense	\$ 4,626,631	\$ 0	\$ 4,626,631	

Provider Name				Fiscal Period		NPI	Adjustments
VALLEY MEMORIAL HOSPITAL				JULY 1, 2009 THROUGH JUNE 30, 2010		1144389941	11
Report References				Explanation of Audit Adjustments	Reported	Increase (Decrease)	Adjusted
Adj. No.	Audit Report Page	RD Schedule					
		Page	Line				
	2	4	E	Food Services Nonlabor Expense	\$ 932,563	\$ 0	\$ 932,563
8	2	4	F 1	Direct Operating—Salaries and Wages	\$ 85,072,390	\$ (132,244)	\$ 84,940,146
	2	4	F 2	Direct Operating—Employee Benefits	\$ 32,953,480	\$ 0	\$ 32,953,480
	2	4	F 3	Direct Operating—Other Professional Fees	\$ 5,204,134	\$ 0	\$ 5,204,134
9	2	4	F 4	Direct Operating—Purchased Services	\$ 23,085,700	\$ 7,836	\$ 23,093,536
10	2	4	F 5	Direct Operating—Supplies	\$ 28,934,935	\$ 198,796	\$ 29,133,731
11	2	4	F 6	Direct Operating—Other Direct Operating Expense	\$ 0	\$ 2,611,597	\$ 2,611,597
	3	5	A 1 a	Management and Supervision—Productive Salaries	\$ 16,772,075	\$ 0	\$ 16,772,075
	3	5	A 1 b	Management and Supervision—Productive Hours	276,622	0	276,622
	3	5	A 2 a	Technicians and Specialists—Productive Salaries	\$ 19,788,565	\$ 0	\$ 19,788,565
	3	5	A 2 b	Technicians and Specialists—Productive Hours	523,370	0	523,370
	3	5	A 3 a	Registered Nurses—Productive Salaries	\$ 27,748,705	\$ 0	\$ 27,748,705
	3	5	A 3 b	Registered Nurses—Productive Hours	478,393	0	478,393
	3	5	A 4 a	Licensed Vocational Nurses—Productive Salaries	\$ 574,314	\$ 0	\$ 574,314
	3	5	A 4 b	Licensed Vocational Nurses—Productive Hours	18,806	0	18,806
	3	5	A 5 a	Aides and Orderlies—Productive Salaries	\$ 2,502,279	\$ 0	\$ 2,502,279
	3	5	A 5 b	Aides and Orderlies—Productive Hours	119,340	0	119,340

Provider Name				Fiscal Period		NPI	Adjustments	
VALLEY MEMORIAL HOSPITAL				JULY 1, 2009 THROUGH JUNE 30, 2010		1144389941	11	
Report References				Explanation of Audit Adjustments	Reported	Increase (Decrease)	Adjusted	
Adj. No.	Audit Report Page	RD Schedule Page	Line					
3	5	A 6 a	Physicians (Salaried)—Productive Salaries	\$	\$	\$		
3	5	A 6 b	Physicians (Salaried)—Productive Hours					
3	5	A 7 a	Nonphysician Medical Practitioners—Productive Salaries	\$	\$	\$		
3	5	A 7 b	Nonphysician Medical Practitioners—Productive Hours					
3	5	A 8 a	Environmental and Food Services—Productive Salaries	\$ 3,475,829	\$ 0	\$ 3,475,829		
3	5	A 8 b	Environmental and Food Services—Productive Hours	173,351	0	173,351		
3	5	A 9 a	Clerical and Other Administrative—Productive Salaries	\$ 10,437,826	\$ 0	\$ 10,437,826		
3	5	A 9 b	Clerical and Other Administrative—Productive Hours	466,096	0	466,096		
3	5	A 10 a	Other Salaries and Wages—Productive Salaries	\$	\$	\$		
3	5	A 10 b	Other Salaries and Wages—Productive Hours					
3	5	A 11	Nonproductive Salaries and Wages	\$ 18,321,804	\$ 0	\$ 18,321,804		
3	5	A 11	Nonproductive Hours	354,095	0	354,095		
3	5	B 1	Subtotal Productive Salaries	\$ 81,299,593	\$ 0	\$ 81,299,593		
3	5	B 2	Subtotal Productive Hours	2,055,978	0	2,055,978		
3	5	C	Total Productive and Nonproductive Salaries	\$ 99,621,397	\$ 0	\$ 99,621,397		
3	5	D	Total Productive and Nonproductive Hours	2,410,073	0	2,410,073		
<p>To adjust the Rate Development Schedules to agree with audit adjustments and/or provider records. CCR, Title 22, Section 51536</p>								