

**REPORT
ON THE
RATE SETTING AUDIT**

**OSTERMAN #2
REDDING, CALIFORNIA
PROVIDER NUMBER: 1215129572**

**FISCAL PERIOD ENDED
DECEMBER 31, 2010**

**Audits Section - Sacramento
Financial Audits Branch
Audits and Investigations
Department of Health Care Services**

**Section Chief: Steven Gary
Audit Supervisor: Kelly Ostrom
Auditors: Ahsan Hafeez and Jose Gotay**



TOBY DOUGLAS
DIRECTOR

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



EDMUND G. BROWN JR.
GOVERNOR

December 20, 2011

Doris Osterman, Administrator
OSTERMAN #2
P.O. BOX 905
Shasta Lake, CA 96019

OSTERMAN #2
PROVIDER NUMBER 1215129572
FISCAL PERIOD ENDED DECEMBER 31, 2010

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	\$	320,525	\$ 146.36
Net Audit Adjustment		<u>(12,988)</u>	<u>(5.93)</u>
Audited Cost/Cost Per Day	\$	<u>307,537</u>	\$ <u>140.43</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 Rate Development Branch.

Doris Osterman
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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:

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

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—Sacramento at (916) 650-6994.

Original Signed By

Steven Gary, Chief
Audits Section—Sacramento
Financial Audits Branch

Certified

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

Provider:
OSTERMAN #2

Fiscal Period:
JANUARY 1, 2010 THROUGH DECEMBER 31, 2010

Provider NPI:
1215129572

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

	AS REPORTED	AS AUDITED
1. Medi-Cal Client Days (Adj)	2,190	2,190
2. Medi-Cal Managed Care Days (Adj)		0
3. Other Client Days (Adj)		0
4. Total Client Days	<u>2,190</u>	<u>2,190</u>
5. Total Client Care Expenses (From Sch. 2)	\$ <u>320,525</u>	\$ <u>307,537</u>
6. AVERAGE CLIENT COST PER DAY (Line 4 / Line 3)	\$ <u>146.36</u>	\$ <u>140.43</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)	\$ _____	\$ _____
2. Credit Balances (Adj)	\$ _____	\$ _____
3. Total Overpayments	\$ <u>0</u>	\$ <u>0</u>

SUMMARY OF AUDITED FACILITY EXPENSES

Provider:
OSTERMAN #2

Fiscal Period:
JANUARY 1, 2010 THROUGH DECEMBER 31, 2010

Provider NPI:
1215129572

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	1	\$ 1,775	\$ 4,102	\$ 5,877
050	Leases and Rentals	2	19,800	(19,800)	0
055	Real Property Taxes	3	0	1,548	1,548
060	Personal Property Taxes				0
065	Mortgage Interest				0
070	Property Insurance		1,709		1,709
075	TOTAL PROPERTY EXPENSES (Lines 045 through 070)		\$ 23,284	\$ (14,150)	\$ 9,134
	Basic Facility Cost - General Home Expenses				
080	Home Operations and Maintenance		\$ 7,391	\$	\$ 7,391
085	Utilities		5,616		5,616
090	Client Transportation (excluding Adult Day Services)	4	4,551	209	4,760
095	Dietary		19,633		19,633
100	Personal Care and Laundry		3,777		3,777
105	TOTAL GENERAL HOME EXPENSES (Lines 080 through 100)		\$ 40,968	\$ 209	\$ 41,177
110	TOTAL BASIC FACILITY COST (Lines 075 plus 105)		\$ 64,252	\$ (13,941)	\$ 50,311
	EXPENSES: DIRECT CARE STAFF COSTS				
115	QMRP Salaries		\$ 18,300	\$	\$ 18,300
120	QMRP Fringe Benefits	5	1,227	(1,227)	0
125	Lead Salaries		45,018		45,018
130	Lead Benefits	6	3,019	1,119	4,138
135	Aides Salaries		90,437		90,437
140	Aides Benefits	7	6,064	2,249	8,313
145	Other Salaries		132		132
150	Other Benefits		9		9
155	TOTAL DIRECT CARE STAFF COSTS (Lines 115 through 150)		\$ 164,206	\$ 2,141	\$ 166,347

SUMMARY OF AUDITED FACILITY EXPENSES

Provider:
OSTERMAN #2

Fiscal Period:
JANUARY 1, 2010 THROUGH DECEMBER 31, 2010

Provider NPI:
1215129572

Line No.	DESCRIPTION	ADJ NO.	AS REPORTED Col. 1	AUDIT ADJUSTMENT Col. 2	AS AUDITED Col. 3
EXPENSES: CONSULTANT COSTS					
160	Dietician Consultant		\$ 420	\$	\$ 420
165	Speech Pathology Consultant				0
170	Physical Therapy Consultant		180		180
175	Occupational Therapy Consultant				0
180	Pharmacist Consultant		88		88
185	Nurse Consultant		7,602		7,602
190	Psychologist Consultant				0
195	Physician Consultant				0
200	Recreational Consultant		1,050		1,050
205	Social Service Consultant				0
210	Other Consultant				0
215	TOTAL CONSULTANT COST (Lines 160 through 210)		\$ 9,340	\$ 0	\$ 9,340
EXPENSES: ADMINISTRATIVE COSTS					
220	Administrative Salaries **		\$ 28,870	\$	\$ 28,870
225	Administrative Fringe Benefits	8	1,936	718	2,654
226	Quality Assurance Fees (excluding Adult Day Services)		19,803		19,803
230	Other General and Administrative*** Adult Day Services) (Excluding	9	32,118	(1,906)	30,212
235	TOTAL ADMINISTRATIVE COST (Lines 220 through 230)		\$ 82,727	\$ (1,188)	\$ 81,539
TOTAL COSTS RELATED TO CLIENT CARE (Lines 110, 155, 215 and 235)			\$ 320,525	\$ (12,988)	\$ 307,537
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)		\$ 320,525	\$ (12,988)	\$ 307,537

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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 Number		Adjustme					
OSTERMAN #2		JANUARY 1, 2010 THROUGH DECEMBER 31, 2010				1215129572		9					
Adj. No.	DHS 3076 Page or Exhibit	Report References		Audit Report		Line	Col	Sch.	Line	Col	As Reported	Increase (Decrease)	As Adjustec
		Line	Col.	Line	Col								
1	4	45	4	2	45	2	45	2	45	2	\$1,775	\$4,102	\$5,877
		<p>Depreciation To include depreciation expense associated with building leased from a related party in conjunction with adjustments 2 and 3. 42 CFR 413.17/CMS Pub. 15-1, Section 1005</p>											
2	4	50	4	2	50	2	50	2	50	2	\$19,800	(\$19,800)	\$0
		<p>Leases and Rentals To eliminate rental expense for building from a related party in conjunction with adjustments 1 and 3. 42 CFR 413.17, 413.20 and 413.24 CMS Pub. 15-1, Section 1011.5</p>											
3	4	55	4	2	55	2	55	2	55	2	\$0	\$1,548	\$1,548
		<p>Real Property Taxes To include Real Property Tax expense for building leased from a related party in conjunction with adjustments 1 and 2. 42 CFR 413.17/CMS Pub. 15-1, Section 1005</p>											
4	4	90	4	2	90	2	90	2	90	2	\$4,551	\$209	\$4,760
		<p>Client Transportation To adjust cost of transportation applicable to related facilities. 42 CFR 413.17 / CMS Pub. 15-1, Section 2102.3</p>											
5	4.1	120	4	2	120	2	120	2	120	2	\$1,227	(\$1,227)	\$0
		<p>QMRP Fringe Benefits To eliminate QMRP fringe benefits expense to reflect proper allocation. 42 CFR 405.2470 and 413.9(c)(3) CMS Pub. 15-1, Sections 2102.3, 2144.3, 2300, 2302.7, and 2304</p>											
6	4.1	130	4	2	130	2	130	2	130	2	\$3,019	\$1,119	\$4,138
		<p>Lead Benefits To adjust the Lead fringe benefits expense to reflect proper allocation. 42 CFR 405.2470 and 413.9(c)(3) CMS Pub. 15-1, Sections 2102.3, 2144.3, 2300, 2302.7, and 2304</p>											

Provider Name		Fiscal Period		Provider Number		Adjustme					
OSTERMAN #2		JANUARY 1, 2010 THROUGH DECEMBER 31, 2010		1215129572		9					
Adj. No.	DHS 3076 Page or Exhibit	Report References				Line	Col	Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjustec
		Cost Report	Audit Report	Line	Col.						
7	4.1	140	4	2	140	2		Aides Benefits To adjust Aides fringe benefits expense to reflect proper allocation. 42 CFR 405.2470 and 413.9(c)(3) CMS Pub. 15-1, Sections 2102.3, 2144.3, 2300, 2302.7, and 2304	\$6,064	\$2,249	\$8,313
8	4.1	225	4	2	225	2		Administrative Fringe Benefits To adjust Administrator fringe benefits expense to reflect proper allocation. 42 CFR 405.2470 and 413.9(c)(3) CMS Pub. 15-1, Sections 2102.3, 2144.3, 2300, 2302.7, and 2304	\$1,936	\$718	\$2,654
9	4.1	230	4	2	230	2		Other General and Administrative To eliminate taxes not related to patient care. 42 CFR 413.9 and 413.20 CMS Pub. 15-1, Sections 2122.4, 2122.4C, and 2300	\$32,118	(\$1,906)	\$30,212

ADJUSTMENTS TO REPORTED COSTS