

**REPORT  
ON THE  
RATE SETTING AUDIT**

**OSTERMAN #3  
SHASTA LAKE, CALIFORNIA  
PROVIDER NUMBER: 1548452808**

**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 #3  
P.O. BOX 905  
Shasta Lake, CA 96019

OSTERMAN #3  
PROVIDER NUMBER 1548452808  
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	\$	335,055	\$ 152.99
Net Audit Adjustment		<u>2,229</u>	<u>1.02</u>
Audited Cost/Cost Per Day	\$	<u>337,284</u>	\$ <u>154.01</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  
Page 2

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 #3

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

**Provider NPI:**  
1548452808

**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 )	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>335,055</u>	\$ <u>337,284</u>
6. AVERAGE CLIENT COST PER DAY (Line 4 / Line 3)	\$ <u>152.99</u>	\$ <u>154.01</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>          </u>	\$ <u>0</u>
2. Credit Balances (Adj )	\$ <u>          </u>	\$ <u>0</u>
3. Total Overpayments	\$ <u>0</u>	\$ <u>0</u>

## SUMMARY OF AUDITED FACILITY EXPENSES

Provider:  
OSTERMAN #3

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

Provider NPI:  
1548452808

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		\$ 2,273	\$	\$ 2,273
050	Leases and Rentals				0
055	Real Property Taxes		1,716		1,716
060	Personal Property Taxes				0
065	Mortgage Interest				0
070	Property Insurance		1,709		1,709
075	TOTAL PROPERTY EXPENSES (Lines 045 through 070)		\$ 5,698	\$ 0	\$ 5,698
	<b>Basic Facility Cost - General Home Expenses</b>				
080	Home Operations and Maintenance		\$ 9,931	\$	\$ 9,931
085	Utilities		7,132		7,132
090	Client Transportation (excluding Adult Day Services)	1	3,891	869	4,760
095	Dietary		22,870		22,870
100	Personal Care and Laundry		1,956		1,956
105	TOTAL GENERAL HOME EXPENSES (Lines 080 through 100)		\$ 45,780	\$ 869	\$ 46,649
110	TOTAL BASIC FACILITY COST (Lines 075 plus 105)		\$ 51,478	\$ 869	\$ 52,347
	<b>EXPENSES: DIRECT CARE STAFF COSTS</b>				
115	QMRP Salaries		\$ 18,000	\$	\$ 18,000
120	QMRP Fringe Benefits	2	1,334	(1,334)	0
125	Lead Salaries		52,851		52,851
130	Lead Benefits	3	3,916	942	4,858
135	Aides Salaries		105,702		105,702
140	Aides Benefits	4	7,832	1,885	9,717
145	Other Salaries				0
150	Other Benefits				0
155	TOTAL DIRECT CARE STAFF COSTS (Lines 115 through 150)		\$ 189,635	\$ 1,493	\$ 191,128

## SUMMARY OF AUDITED FACILITY EXPENSES

Provider:  
OSTERMAN #3

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

Provider NPI:  
1548452808

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		\$ 400	\$	\$ 400
165	Speech Pathology Consultant				0
170	Physical Therapy Consultant		200		200
175	Occupational Therapy Consultant				0
180	Pharmacist Consultant		125		125
185	Nurse Consultant		7,383		7,383
190	Psychologist Consultant				0
195	Physician Consultant				0
200	Recreational Consultant		1,275		1,275
205	Social Service Consultant				0
210	Other Consultant				0
215	TOTAL CONSULTANT COST (Lines 160 through 210)		\$ 9,383	\$ 0	\$ 9,383
<b>EXPENSES: ADMINISTRATIVE COSTS</b>					
220	Administrative Salaries **		\$ 28,870	\$	\$ 28,870
225	Administrative Fringe Benefits	5	2,139	515	2,654
226	Quality Assurance Fees (excluding Adult Day Services)		19,803		19,803
230	Other General and Administrative*** Adult Day Services) (Excluding	6	33,747	(648)	33,099
235	TOTAL ADMINISTRATIVE COST (Lines 220 through 230)		\$ 84,559	\$ (133)	\$ 84,426
TOTAL COSTS RELATED TO CLIENT CARE (Lines 110, 155, 215 and 235)			\$ 335,055	\$ 2,229	\$ 337,284
			(To Sch. 1)		(To Sch. 1)
<b>NON-CLIENT CARE EXPENSES</b>					
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)		\$ 335,055	\$ 2,229	\$ 337,284

Page 2 of 2

\*\* 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 #3		JANUARY 1, 2010 THROUGH DECEMBER 31, 2010				1548452808		6					
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	90	4	2	90	2	2	2	Client Transportation To adjust cost of transportation applicable to related facilities. 42 CFR 413.17 / CMS Pub. 15-1, Section 2102.3		\$3,891	\$869	\$4,760
2	4.1	120	4	2	120	2	2	2	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		\$1,334	(\$1,334)	\$0
3	4.1	130	4	2	130	2	2	2	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		\$3,916	\$942	\$4,858
4	4.1	140	4	2	140	2	2	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		\$7,832	\$1,885	\$9,717
5	4.1	225	4	2	225	2	2	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		\$2,139	\$515	\$2,654
6	4.1	230	4	2	230	2	2	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		\$33,747	(\$648)	\$33,099