

**REPORT
ON THE AUDIT OF
MEDI-CAL RATE DEVELOPMENT WORKSHEETS**

**SOUTH COAST MEDICAL CENTER
LAGUNA BEACH, CALIFORNIA
PROVIDER NUMBER: ZZT30193F**

**FISCAL PERIOD ENDED
DECEMBER 31, 2007**

**Audits Section – Santa Ana
Financial Audits Branch
Audits and Investigations
Department of Health Care Services**

**Section Chief: Margaret A. Varho
Audit Supervisor: Stan Van Arsdale
Auditor: Nhung Tran**



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



DAVID MAXWELL-JOLLY
Director

ARNOLD SCHWARZENEGGER
Governor

April 27, 2009

Larry Pugh
Vice President/Chief Financial Officer
South Coast Medical Center
31872 Coast Highway
Laguna Beach, CA 92677

PROVIDER: SOUTH COAST MEDICAL CENTER
PROVIDER NO. ZZT30193F
FISCAL PERIOD ENDED DECEMBER 31, 2007

We have examined the Rate Development Worksheets for the above-referenced fiscal period. Our examination was made under the authority of Section 14170 of the Welfare and Institution code. The data for the worksheets was obtained from provider records by a field audit.

In our opinion, the audited data presented in the Rate Development Worksheets 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 Worksheets
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 Department's Rate Development Branch pursuant to California Code of Regulations (CCR), Title 22, Sections 51545 through 51556. These regulations may be viewed at website www.oal.ca.gov.

Larry Pugh
Page 2

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

Chief
Office of Administrative Appeals and Hearings
1029 J Street, Suite 200
Sacramento, CA 95814.

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 Services
MS 0010
Office of Legal Services
P. O. Box 997413
Sacramento, CA 95899-7413

Courier (UPS, FedEx, Etc.)

Assistant Chief Counsel
Department of Health Services
Office of Legal Services
MS 0010
1501 Capitol Avenue, Suite 71.5001
Sacramento, CA 95814-5005

The procedures that govern an appeal are contained in Welfare and Institutions Code, Section 14171, Title 22, California Code of Regulations, Section 51016, et seq.

If you have further questions regarding this report you may call the Audits Section-Santa Ana at (714) 558-4434.

(Original Signed by Margaret Varho)

Margaret A. Varho, Chief
Audits Section-Santa Ana
Financial Audits Branch

Certified

RATE DEVELOPMENT WORKSHEETS

PROVIDER: SOUTH COAST MEDICAL CENTER
PROVIDER NO.: ZZT30193F
FISCAL PERIOD: JANUARY 1, 2007 THROUGH DECEMBER 31, 2007
CONTRACT PERIOD: N/A

	Noncontract Cost Settlement		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 (Adj. 1)	\$ 1,105,794	\$		\$	1,105,794
B. Deductibles and Coinsurance (Third Party Liability) (Adj. 2)	\$ 7,768	\$		\$	7,768
C. Medi-Cal Inpatient Days (Adjs. 3-4)					
1. Routine (Adults & Pediatrics)	337				337
2. ICU					
3. CCU					
4. Nursery	286				286
5. NICU					
6. Other (Specify)					
a.					
b.					
D. Average Per Diem (Adjs. 5-7)					
1. Routine (Adults & Pediatrics)				\$	861.27
2. ICU				\$	1,887.62
3. CCU				\$	
4. Nursery				\$	524.53
5. NICU				\$	
6. Other (Specify)					
a.				\$	
b.				\$	
E. Total Hospital Discharges **		N/A		N/A	3,903
F. Total Medi-Cal Discharges** (Adj. 8)	126				126
G. Total Medi-Cal Inpatient Charges (Adj. 9)	\$ 2,343,540	\$		\$	2,343,540

* Do not include data for NF or Administrative Days.

** Do not include newborns that were born in the hospital.

RATE DEVELOPMENT WORKSHEETS

PROVIDER: SOUTH COAST MEDICAL CENTER
PROVIDER NO. ZZT30193F
FISCAL PERIOD: JANUARY 1, 2007 THROUGH DECEMBER 31, 2007
CONTRACT PERIOD: N/A

A. EXPENSE PASS-THROUGH DATA	<u>REFERENCE</u>		
1. Depreciation Expense:	8810 - 8813, and/or .71, .72, .73 and .74	\$	3,123,405
2. Rent and Lease Expense:	8820, and/or .75 and .76	\$	1,601,172
3. Interest Expense:	8860, 8870	\$	1,668,056
4. Property Taxes and License Fees:	8850 and/or .83	\$	205,191
5. Utility Expense:	.77, .78, .79, and .80	\$	1,750,202
6. Malpractice Insurance Expense:	8830 and/or .81	\$	734,233
 B. GROSS OPERATING EXPENSES	 C/R W/S A, line 101, col 3	 \$	 74,588,058
C. STUDENT AND PHYSICIANS COMPENSATION			
1. Salaries and Wages (include benefits)	.07, 8210.09 - 8290.09	\$	
2. Professional Fees	.20	\$	1,313,089
D. PHARMACY NONLABOR EXPENSES	8390.37 and 8390.38	\$	1,440,960
E. FOOD SERVICES NONLABOR EXPENSES	8320, 8330 and 8340 and/or .42 and .43	\$	1,047,190
F. DIRECT OPERATING COSTS			
1. Salaries and Wages	.00 - .09, .91, .95	\$	30,900,133
2. Employee Benefits	Sch 10, line 5, col. 3	\$	8,287,026
3. Other Professional Fees	.21 - .29	\$	3,116,524
4. Purchased Services	.61 - .69	\$	6,554,370
5. Supplies	.31 - .36, .93, .97	\$	9,145,528
6. Other Direct Operating Expense	.85 - .90	\$	3,701,072

RATE DEVELOPMENT WORKSHEETS

PROVIDER: SOUTH COAST MEDICAL CENTER
PROVIDER NO. ZZT30193F
FISCAL PERIOD: JANUARY 1, 2007 THROUGH DECEMBER 31, 2007
CONTRACT PERIOD: N/A

A. DIRECT PAYROLL COSTS (Totals)	<u>REFERENCE</u>		
1. Management and Supervision			
a. Productive Salaries	.00	\$	6,177,652
b. Productive Hours			124,728.73
2. Technicians and Specialists			
a. Productive Salaries	.01	\$	7,792,493
b. Productive Hours			249,671.00
3. Registered Nurses			
a. Productive Salaries	.02	\$	8,640,859
b. Productive Hours			201,074.00
4. Licensed Vocational Nurses			
a. Productive Salaries	.03	\$	1,166,841
b. Productive Hours			45,890.00
5. Aides and Orderlies			
a. Productive Salaries	.04	\$	1,225,142
b. Productive Hours			72,401.00
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	\$	1,122,216
b. Productive Hours			79,747.00
9. Clerical and Other Administrative			
a. Productive Salaries	.05	\$	3,674,453
b. Productive Hours			205,199.00
10. Other Salaries and Wages			
a. Productive Salaries	.09	\$	
b. Productive Hours			
11. All Nonproductive Salaries and Wages			
a. Nonproductive Salaries	Labor Distribution	\$	1,100,476
b. Nonproductive Hours	Report or Provider W/P		31,087.00
B. SUBTOTALS DIRECT PAYROLL COSTS			
1. Productive Salaries (lines 1a - 10a)		\$	<u>29,799,657</u>
2. Productive Hours (lines 1b - 10b)			<u>978,710.73</u>
C. TOTAL PRODUCTIVE AND NONPRODUCTIVE SALARIES (11a + B1)		\$	<u>30,900,133</u>
D. TOTAL PRODUCTIVE AND NONPRODUCTIVE HOURS (11b + B2)			<u>1,009,797.73</u>

AUDIT ADJUSTMENTS

Provider: SOUTH COAST MEDICAL CENTER		Provider No. ZZT30193F	Fiscal Period: JANUARY 1, 2007 THROUGH DECEMBER 31, 2007	No. of Adjs: 14
Report Reference		Explanation of Audit Adjustments		
Adj. No.	Form	Page	Line	
<u>ADJUSTMENTS TO RATE DEVELOPMENT WORKSHEETS</u>				
1	A&I-2	1	A	Medi-Cal Net Cost of Covered Services - Noncontract \$ 1,247,922 \$ (142,128) \$ 1,105,794
2	A&I-2	1	B	Deductibles and Coinsurance - Noncontract \$ 2,428 \$ 5,340 \$ 7,768
3	A&I-2	1	C-1	Medi-Cal Inpatient Days - Adults and Peds - Noncontract 223 114 337
4	A&I-2	1	C-4	Medi-Cal Inpatient Days - Nursery - Noncontract 179 107 286
5	A&I-2	1	D-1	Average Per Diem - Routine (Adults and Pediatrics) \$ 0 \$ 861.27 \$ 861.27
6	A&I-2	1	D-2	Average Per Diem - ICU \$ 0 \$ 1,887.62 \$ 1,887.62
7	A&I-2	1	D-4	Average Per Diem - Nursery \$ 0 \$ 524.53 \$ 524.53
8	A&I-2	1	F	Total Medi-Cal Discharges - Acute - Noncontract 57 69 126
9	A&I-2	1	G	Total Medi-Cal Inpatient Charges - Noncontract \$ 2,414,707 \$ (71,167) \$ 2,343,540
10	A&I-2	2	A-5	Utility Expense \$ 1,919,704 \$ (169,502) \$ 1,750,202
11	A&I-2	2	C-2	Professional Fees \$ 1,204,986 \$ 108,103 \$ 1,313,089
12	A&I-2	2	F-3	Other Professional Fees \$ 3,871,158 \$ (754,634) \$ 3,116,524
13	A&I-2	2	F-4	Purchased Services \$ 11,139,315 \$ (4,584,945) \$ 6,554,370
14	A&I-2	2	F-6	Other Direct Operating Expense \$ 0 \$ 3,701,072 \$ 3,701,072

To adjust the Rate Development Worksheets to agree with audit adjustments and/or Provider records.
Title 22, CCR, Section 51536