

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

**KAISER FOUNDATION HOSPITALS—SAN DIEGO
SAN DIEGO, CALIFORNIA
NATIONAL PROVIDER IDENTIFIER: 1013062769**

**FISCAL PERIOD ENDED
DECEMBER 31, 2008**

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

**Section Chief: Patricia M. Fox
Audit Supervisor: Woosung Lee
Auditor: James Conklin/Michelle L. Moreno**



TOBY DOUGLAS
DIRECTOR

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



EDMUND G. BROWN JR.
GOVERNOR

May 31, 2012

Administrator
Kaiser Foundation Hospitals—San Diego
4647 Zion Avenue
San Diego, CA 92120

KAISER FOUNDATION HOSPITALS—SAN DIEGO
NATIONAL PROVIDER IDENTIFIER (NPI) 1013062769
PROVIDER NUMBER ZZT30515F
FISCAL PERIOD ENDED DECEMBER 31, 2008

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 limited review.

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:

Chief
Department of Health Care Services
Office of Administrative Hearings and Appeals
1029 J Street, Suite 200

Administrator
Page 2

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—San Diego at (619) 688-3200.

Original Signed by:

Patricia M. Fox, Chief
Audits Section—San Diego
Financial Audits Branch

Certified

cc: Jane C. Moore, Manager
Medicare Reimbursement
National Medicare Finance
393 Walnut Street
Pasadena, CA 91188

RATE DEVELOPMENT WORKSHEETS

PROVIDER: KAISER FOUNDATION HOSPITALS—SAN DIEGO
PROVIDER NO./NPI ZZT30515F/1013062769
FISCAL PERIOD: JANUARY 1, 2008 TO DECEMBER 31, 2008
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)	\$ 727,835	\$	\$ 727,835
B. Deductibles and Coinsurance (Third Party Liability) (Adj 2)	\$ 824	\$	\$ 824
C. Medi-Cal Inpatient Days (Adjs 3,4,5)			
1. Routine (Adults and Pediatrics)	448.75		448.75
2. ICU	20.50		20.50
3. CCU			
4. Nursery	339		339
5. NICU			
6. Other (Specify)			
a.			
b.			
D. Total Hospital Discharges *** (Adj 6)	N/A	N/A	27,107
E. Total Medi-Cal Discharges*** (Adj 7)	86		86
F. Total Medi-Cal Inpatient Charges (Adj 8)	\$ 1,780,456	\$	\$ 1,780,456

* Data for NF or Administrative Days are not included.

** The Audited Net Cost of Covered Services is Net of Deductibles and Coinsurance and is from a source different than used on the filed report.

*** Data for newborns that were born in the hospital are not included.

RATE DEVELOPMENT WORKSHEETS

PROVIDER: KAISER FOUNDATION HOSPITALS—SAN DIEGO
PROVIDER NO./NPI ZZT30515F/1013062769
FISCAL PERIOD: JANUARY 1, 2008 TO DECEMBER 31, 2008
CONTRACT PERIOD: N/A

A. EXPENSE PASS-THROUGH DATA	<u>REFERENCE</u>		
1. Depreciation Expense: (Adj 9)	8810 - 8813, and/or .71, .72, .73 and .74	\$	20,119,460
2. Rent and Lease Expense: (Adj 10)	8820-8822, and/or .75 and .76	\$	5,359,982
3. Interest Expense: (Adj 11)	8860, 8870	\$	0
4. Property Taxes and License Fees: (Adj 12)	8850 and/or .83	\$	170,873
5. Utility Expense: (Adj 13)	.77, .78, .79, and .80	\$	3,885,252
6. Malpractice Insurance Expense: (Adj 14)	8830 and/or .81	\$	0
B. GROSS OPERATING EXPENSES (Adj 15)	Sch 10, line 101, col. 3	\$	453,145,354
C. STUDENT AND PHYSICIANS COMPENSATION			
1. Salaries and Wages (include benefits)	.07, 8210.09 - 8290.09	\$	66,010
2. Professional Fees	.20	\$	
D. PHARMACY NONLABOR EXPENSES (Adj 16)	8390.37 and 8390.38	\$	646,444
E. FOOD SERVICES NONLABOR EXPENSES	8320, 8330 and 8340 and/or .42 and .43	\$	1,335,464
F. DIRECT OPERATING COSTS			
1. Salaries and Wages (Adj 17)	.00 - .09, .91, .95	\$	140,530,912
2. Employee Benefits (Adj 18)	.10 - .19, .92, .96	\$	64,992,983
3. Other Professional Fees (Adj 19)	.21 - .29	\$	62,496
4. Purchased Services (Adj 20)	.61 - .69	\$	139,671,380
5. Supplies (Adj 21)	.31 - .36, .39 - .41, .44 - .50, .93, .97	\$	61,673,829
6. Other Direct Operating Expense (Adj 22)	.85 - .90	\$	5,765,073

RATE DEVELOPMENT WORKSHEETS

PROVIDER: KAISER FOUNDATION HOSPITALS—SAN DIEGO
PROVIDER NO./NPI ZZT30515F/1013062769
FISCAL PERIOD: JANUARY 1, 2008 TO DECEMBER 31, 2008
CONTRACT PERIOD: N/A

A. DIRECT PAYROLL COSTS (Totals)	<u>REFERENCE</u>		
1. Management and Supervision			
a. Productive Salaries (Adj 23)	.00	\$	10,372,583
b. Productive Hours (Adj 24)			228,380.00
2. Technicians and Specialists			
a. Productive Salaries (Adj 25)	.01	\$	23,077,124
b. Productive Hours (Adj 26)			766,998.00
3. Registered Nurses			
a. Productive Salaries (Adj 27)	.02	\$	61,555,459
b. Productive Hours (Adj 28)			1,551,425.00
4. Licensed Vocational Nurses			
a. Productive Salaries (Adj 29)	.03	\$	332,369
b. Productive Hours (Adj 30)			17,628.00
5. Aides and Orderlies			
a. Productive Salaries (Adj 31)	.04	\$	1,747,540
b. Productive Hours (Adj 32)			122,943.00
6. Physicians (Salaried)			
a. Productive Salaries (Adj 33)	.07	\$	787,204
b. Productive Hours (Adj 34)			29,308.00
7. Nonphysician Medical Practitioners			
a. Productive Salaries (Adj 35)	.08	\$	29,206
b. Productive Hours (Adj 36)			152.00
8. Environmental and Food Services			
a. Productive Salaries (Adj 37)	.06	\$	9,269,356
b. Productive Hours (Adj 38)			610,232.00
9. Clerical and Other Administrative			
a. Productive Salaries (Adj 39)	.05	\$	16,545,982
b. Productive Hours (Adj 40)			1,121,148.00
10. Other Salaries and Wages			
a. Productive Salaries (Adj 41)	.09	\$	1,755,953
b. Productive Hours (Adj 42)			103,253.00
11. All Nonproductive Salaries and Wages			
a. Productive Salaries (Adj 43)	Labor Distribution	\$	34,662,643
b. Productive Hours (Adj 44)	Report or Provider W/P		657,779.00
B. SUBTOTALS DIRECT PAYROLL COSTS			
1. Productive Salaries (lines 1a - 10a) (Adj 45)		\$	<u>125,472,776</u>
2. Productive Hours (lines 1b - 10b) (Adj 46)			<u>4,551,467.00</u>
C. TOTAL PRODUCTIVE AND NONPRODUCTIVE SALARIES (11a + B1) (Adj 47)		\$	<u>160,135,419</u>
D. TOTAL PRODUCTIVE AND NONPRODUCTIVE HOURS (11b + B2) (Adj 48)			<u>5,209,246.00</u>

AUDIT ADJUSTMENTS

Provider: KAISER FOUNDATION HOSPITALS—SAN DIEGO				Provider No. [30515F/1013062]	Fiscal Period: JANUARY 1, 2008 TO DECEMBER 31, 2008	No. of Adjs: 48	
Report Reference				Explanation of Audit Adjustments	Reported	Increase (Decrease)	Audited
Adj. No.	DHS Form	Page	Line				
<u>ADJUSTMENTS TO RATE DEVELOPMENT WORKSHEETS</u>							
1	3094	1	A	Medi-Cal Net Cost of Covered Services - Noncontract	\$ 245,900	\$ 481,935	\$ 727,835
	3094	1	A	Medi-Cal Net Cost of Covered Services - Contract	\$	\$	\$
2	3094	1	B	Deductibles and Coinsurance - Noncontract	\$ 0	\$ 824	\$ 824
	3094	1	B	Deductibles and Coinsurance - Contract	\$	\$	\$
3	3094	1	C-1	Medi-Cal Inpatient Days - Adults and Peds - Noncontract	65	383.75	448.75
	3094	1	C-1	Medi-Cal Inpatient Days - Adults and Peds - Contract			
4	3094	1	C-2	Medi-Cal Inpatient Days - ICU - Noncontract	0	20.50	20.50
	3094	1	C-2	Medi-Cal Inpatient Days - ICU - Contract			
	3094	1	C-3	Medi-Cal Inpatient Days - CCU - Noncontract			
	3094	1	C-3	Medi-Cal Inpatient Days - CCU - Contract			
5	3094	1	C-4	Medi-Cal Inpatient Days - Nursery - Noncontract	69	270	339
	3094	1	C-4	Medi-Cal Inpatient Days - Nursery - Contract			
	3094	1	C-5	Medi-Cal Inpatient Days - NICU - Noncontract			
	3094	1	C-5	Medi-Cal Inpatient Days - NICU - Contract			
	3094	1	C-6a	Medi-Cal Inpatient Days - _____ Noncontract			
	3094	1	C-6a	Medi-Cal Inpatient Days - _____ Contract			

AUDIT ADJUSTMENTS

Provider: KAISER FOUNDATION HOSPITALS—SAN DIEGO				Provider No. [30515F/1013062]	Fiscal Period: JANUARY 1, 2008 TO DECEMBER 31, 2008	No. of Adjs: 48	
Report Reference				Explanation of Audit Adjustments	Reported	Increase (Decrease)	Audited
Adj. No.	DHS Form	Page	Line				
	3094	1	C-6b	Medi-Cal Inpatient Days - _____ Noncontract			
	3094	1	C-6b	Medi-Cal Inpatient Days - _____ Contract			
6	3094	1	D	Total Hospital Discharges	27,106	1	27,107
7	3094	1	E	Total Medi-Cal Discharges - Acute - Noncontract	23	63	86
	3094	1	E	Total Medi-Cal Discharges - Acute - Contract			
8	3094	1	F	Total Medi-Cal Inpatient Charges - Noncontract	\$ 661,799	\$ 1,118,657	\$ 1,780,456
	3094	1	F	Total Medi-Cal Inpatient Charges - Contract	\$	\$	\$
9	3094	2	A-1	Depreciation Expense	\$ 23,368,811	\$ (3,249,351)	\$ 20,119,460
10	3094	2	A-2	Rent and Lease Expense	\$ 6,594,019	\$ (1,234,037)	\$ 5,359,982
11	3094	2	A-3	Interest Expense	\$ 2,495,950	\$ (2,495,950)	\$ 0
12	3094	2	A-4	Property Taxes and License Fees	\$ 387,289	\$ (216,416)	\$ 170,873
13	3094	2	A-5	Utility Expenses	\$ 3,952,838	\$ (67,586)	\$ 3,885,252
14	3094	2	A-6	Malpractice Insurance Expense	\$ 2,428,288	\$ (2,428,288)	\$ 0
15	3094	2	B	Gross Operating Expenses	\$ 546,118,464	\$ (92,973,110)	\$ 453,145,354
	3094	2	C-1	Student and Physician Salaries	\$ 66,010	\$	\$ 66,010

AUDIT ADJUSTMENTS

Provider: KAISER FOUNDATION HOSPITALS—SAN DIEGO				Provider No. 30515F/1013062	Fiscal Period: JANUARY 1, 2008 TO DECEMBER 31, 2008	No. of Adjs: 48	
Report Reference				Explanation of Audit Adjustments	Reported	Increase (Decrease)	Audited
Adj. No.	DHS Form	Page	Line				
	3094	2	C-2	Professional Fees	\$	\$	\$
16	3094	2	D	Pharmacy Nonlabor Expense	\$ 9,434,841	\$ (8,788,397)	\$ 646,444
	3094	2	E	Food Services Nonlabor Expense	\$ 1,335,464	\$	\$ 1,335,464
17	3094	2	F-1	Direct Operating - Salaries and Wages	\$ 153,829,667	\$ (13,298,755)	\$ 140,530,912
18	3094	2	F-2	Direct Operating - Employee Benefits	\$ 70,689,438	\$ (5,696,455)	\$ 64,992,983
19	3094	2	F-3	Direct Operating - Other Professional Fees	\$ 81,766	\$ (19,270)	\$ 62,496
20	3094	2	F-4	Direct Operating - Purchased Services	\$ 200,444,864	\$ (60,773,484)	\$ 139,671,380
21	3094	2	F-5	Direct Operating - Supplies	\$ 63,420,680	\$ (1,746,851)	\$ 61,673,829
22	3094	2	F-6	Other Direct Operating Expense	\$ 0	\$ 5,765,073	\$ 5,765,073
23	3094	3	A-1-a	Productive Salaries - Management and Supervision	\$ 10,373,894	\$ (1,311)	\$ 10,372,583
24	3094	3	A-1-b	Productive Hours	217,142.00	11,238.00	228,380.00
25	3094	3	A-2-a	Productive Salaries - Technicians and Specialists	\$ 23,076,178	\$ 946	\$ 23,077,124
26	3094	3	A-2-b	Productive Hours	623,808.00	143,190.00	766,998.00
27	3094	3	A-3-a	Productive Salaries - Registered Nurses	\$ 61,527,152	\$ 28,307	\$ 61,555,459
28	3094	3	A-3-b	Productive Hours	1,273,505.00	277,920.00	1,551,425.00

AUDIT ADJUSTMENTS

Provider: KAISER FOUNDATION HOSPITALS—SAN DIEGO				Provider No. 30515F/1013062	Fiscal Period: JANUARY 1, 2008 TO DECEMBER 31, 2008	No. of Adjs: 48	
Report Reference				Explanation of Audit Adjustments	Reported	Increase (Decrease)	Audited
Adj. No.	DHS Form	Page	Line				
29	3094	3	A-4-a	Productive Salaries - Licensed Vocational Nurses	\$ 332,340	\$ 29	\$ 332,369
30	3094	3	A-4-b	Productive Hours	12,031.00	5,597.00	17,628.00
31	3094	3	A-5-a	Productive Salaries - Aides and Orderlies	\$ 1,748,560	\$ (1,020)	\$ 1,747,540
32	3094	3	A-5-b	Productive Hours	82,700.00	40,243.00	122,943.00
33	3094	3	A-6-a	Productive Salaries - Physicians (Salaried)	\$ 61,672	\$ 725,532	\$ 787,204
34	3094	3	A-6-b	Productive Hours	0	29,308.00	29,308.00
35	3094	3	A-7-a	Productive Salaries - Nonphysician Medical Practitioners	\$ 8,301	\$ 20,905	\$ 29,206
36	3094	3	A-7-b	Productive Hours	145.00	7.00	152.00
37	3094	3	A-8-a	Productive Salaries - Environmental and Food Services	\$ 9,268,811	\$ 545	\$ 9,269,356
38	3094	3	A-8-b	Productive Hours	490,238.00	119,994.00	610,232.00
39	3094	3	A-9-a	Productive Salaries - Clerical and Other Administrative	\$ 16,511,780	\$ 34,202	\$ 16,545,982
40	3094	3	A-9-b	Productive Hours	746,043.00	375,105.00	1,121,148.00
41	3094	3	A-10-a	Productive Salaries - Other	\$ 1,755,897	\$ 56	\$ 1,755,953
42	3094	3	A-10-b	Productive Hours	63,646.00	39,607.00	103,253.00
43	N/A	N/A	A-11-a	Nonproductive Salaries	\$ 29,352,853	\$ 5,309,790	\$ 34,662,643
44	N/A	N/A	A-11-b	Nonproductive Hours	646,238.00	11,541.00	657,779.00
45	N/A	N/A	B 1	Subtotal Productive Salaries	\$ 124,664,585	\$ 808,191	\$ 125,472,776
46	N/A	N/A	B 2	Subtotal Productive Hours	3,509,258.00	1,042,209.00	4,551,467.00

AUDIT ADJUSTMENTS

Provider: KAISER FOUNDATION HOSPITALS—SAN DIEGO				Provider No.: 30515F/1013062	Fiscal Period: JANUARY 1, 2008 TO DECEMBER 31, 2008	No. of Adjs: 48	
Report Reference				Explanation of Audit Adjustments	Reported	Increase (Decrease)	Audited
Adj. No.	DHS Form	Page	Line				
47	3094	5	C	Total Productive and Nonproductive Salaries	\$ 154,017,438	\$ 6,117,981	\$ 160,135,419
48	3094	5	D	Total Productive and Nonproductive Hours	4,155,496.00	1,053,750.00	5,209,246.00
<p>To adjust the Rate Development Worksheets to agree with audit adjustments and/or Provider records. Title 22, CCR, Section 51536</p>							

