

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

**PALM DRIVE HOSPITAL
SEBASTOPOL, CALIFORNIA
PROVIDER NUMBER: ZZR0385I AND
NPI NUMBER: 1508891649**

**FISCAL PERIOD ENDED
JUNE 30, 2008**

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

**Section Chief: Louise Wong
Audit Supervisor: David Mui
Auditor: Tyler Zeng**



TOBY DOUGLAS
DIRECTOR

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



EDMUND G. BROWN JR.
GOVERNOR

October 4, 2011

Richard Polheber
Chief Executive Officer
Palm Drive Hospital
501 Petaluma Avenue
Sebastopol, CA 95472

PROVIDER: PALM DRIVE HOSPITAL
PROVIDER NUMBER: ZZR00385I
NPI NUMBER: 1508891649
FISCAL PERIOD ENDED JUNE 30, 2008

We have examined the Rate Development Branch 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 Branch 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 Branch 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 Department's Rate Development Branch 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
Office of Administrative Appeals and Hearings
1029 J Street, Suite 200
Sacramento, CA 95814
(916) 355-5603

David Glassburn
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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
P.O. Box 997413
Sacramento, CA 95899-7413

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 95814-5005
(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 WORKSHEETS

PROVIDER: PALM DRIVE HOSPITAL
PROVIDER NO.: ZZR00385I
FISCAL PERIOD: JULY 1, 2007 THROUGH JUNE 30, 2008
CONTRACT PERIOD: NOT APPLICABLE

	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)	\$ 1,448,749	\$	0	\$	\$ 1,448,749
B. Deductibles and Coinsurance (Third Party Liability) (Adj. 2)	\$ 3,606	\$	0	\$	\$ 3,606
C. Medi-Cal Inpatient Days (Adj. 3, 4)					
1. Routine (Adults & Pediatrics)	359		0		359
2. ICU	90		0		90
3. CCU	0		0		0
4. Nursery	0		0		0
5. NICU	0		0		0
6. Other (Specify)					
a.					0
b.					0
D. Total Hospital Discharges (Adj. 5)	N/A		N/A		1,149
E. Total Medi-Cal Discharges (Adj.)	95		0		95
F. Total Medi-Cal Inpatient Charges (Adj. 6)	\$ 3,039,963	\$	0	\$	\$ 3,039,963

RATE DEVELOPMENT WORKSHEETS

PROVIDER: PALM DRIVE HOSPITAL
PROVIDER NO. ZZR00385I
FISCAL PERIOD: JULY 1, 2007 THROUGH JUNE 30, 2008
CONTRACT PERIOD: NOT APPLICABLE

A. EXPENSE PASS-THROUGH DATA	<u>REFERENCE</u>		
1. Depreciation Expense:	8810 - 8813, and/or .71, .72, .73 and .74	\$	879,350
2. Rent and Lease Expense:	8820, and/or .75 and .76	\$	497,976
3. Interest Expense:	8860, 8870	\$	148,468
4. Property Taxes and License Fees:	8850 and/or .83	\$	32,588
5. Utility Expense:	.77, .78, .79, and .80	\$	353,680
6. Malpractice Insurance Expense:	8830 and/or .81	\$	226,576
 B. GROSS OPERATING EXPENSES	 Sch 10, line 101, col. 3	 \$	 28,145,307
C. STUDENT AND PHYSICIANS COMPENSATION			
1. Salaries and Wages (include benefits)	.07, 8210.09 - 8290.09	\$	0
2. Professional Fees	.20	\$	2,008,141
 D. PHARMACY NONLABOR EXPENSES	 8390.37 and 8390.38	 \$	 742,796
 E. FOOD SERVICES NONLABOR EXPENSES	 8320, 8330 and 8340 and/or .42 and .43	 \$	 171,744
F. DIRECT OPERATING COSTS			
1. Salaries and Wages	.00 - .09, .91, .95	\$	11,430,006
2. Employee Benefits	Sch 10, Line 5, Col. 3	\$	3,096,863
3. Other Professional Fees	.21 - .29	\$	3,768,826
4. Purchased Services	.61 - .69	\$	1,855,548
5. Supplies	.31 - .36, .93, .97	\$	2,637,885
6. Other Direct Operating Expense	.85 - .90	\$	294,860

RATE DEVELOPMENT WORKSHEETS

PROVIDER: PALM DRIVE HOSPITAL
PROVIDER NO. ZZR00385I
FISCAL PERIOD: JULY 1, 2007 THROUGH JUNE 30, 2008
CONTRACT PERIOD: NOT APPLICABLE

A. DIRECT PAYROLL COSTS (Totals)	<u>REFERENCE</u>		
1. Management and Supervision			
a. Productive Salaries	.00	\$	2,020,289
b. Productive Hours			41,421
2. Technicians and Specialists			
a. Productive Salaries	.01	\$	2,155,587
b. Productive Hours			66,754
3. Registered Nurses			
a. Productive Salaries	.02	\$	4,623,498
b. Productive Hours			87,304
4. Licensed Vocational Nurses			
a. Productive Salaries	.03	\$	253,307
b. Productive Hours			6,915
5. Aides and Orderlies			
a. Productive Salaries	.04	\$	487,938
b. Productive Hours			30,224
6. Physicians (Salaried)			
a. Productive Salaries	.07	\$	0
b. Productive Hours			0
7. Nonphysician Medical Practitioners			
a. Productive Salaries	.08	\$	0
b. Productive Hours			0
8. Environmental and Food Services			
a. Productive Salaries	.06	\$	562,101
b. Productive Hours			43,994
9. Clerical and Other Administrative			
a. Productive Salaries	.05	\$	1,327,285
b. Productive Hours			70,932
10. Other Salaries and Wages			
a. Productive Salaries	.09	\$	0
b. Productive Hours			0
11. All Nonproductive Salaries and Wages			
a. Nonproductive Salaries	Labor Distribution	\$	890,004
b. Nonproductive Hours	Report or Provider W/P		20,808
B. SUBTOTALS DIRECT PAYROLL COSTS			
1. Productive Salaries (lines 1a - 10a)		\$	<u>11,430,006</u>
2. Productive Hours (lines 1b - 10b)			<u>347,544</u>
C. TOTAL PRODUCTIVE AND NONPRODUCTIVE SALARIES (11a + B1)		\$	<u>12,320,010</u>
D. TOTAL PRODUCTIVE AND NONPRODUCTIVE HOURS (11b + B2)			<u>368,352</u>

AUDIT ADJUSTMENTS

Provider: PALM DRIVE HOSPITAL				Provider No. ZZR003851	Fiscal Period: JULY 1, 2007 THROUGH JUNE 30, 2008	No. of Adjs: 15	
Report Reference				Explanation of Audit Adjustments	Reported	Increase (Decrease)	Audited
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	\$ 1,573,585	\$ (124,836)	\$ 1,448,749
	A&I-2	1	A	Medi-Cal Net Cost of Covered Services - Contract	\$ 0	\$ 0	\$ 0
2	A&I-2	1	B	Deductibles and Coinsurance - Noncontract	\$ 0	\$ 3,606	\$ 3,606
	A&I-2	1	B	Deductibles and Coinsurance - Contract	\$ 0	\$ 0	\$ 0
3	A&I-2	1	C-1	Medi-Cal Inpatient Days - Adults and Peds - Noncontract	395	(36)	359
	A&I-2	1	C-1	Medi-Cal Inpatient Days - Adults and Peds - Contract	0	0	0
4	A&I-2	1	C-2	Medi-Cal Inpatient Days - ICU - Noncontract	102	(12)	90
	A&I-2	1	C-2	Medi-Cal Inpatient Days - ICU - Contract	0	0	0
	A&I-2	1	C-3	Medi-Cal Inpatient Days - CCU - Noncontract	0	0	0
	A&I-2	1	C-3	Medi-Cal Inpatient Days - CCU - Contract	0	0	0
	A&I-2	1	C-4	Medi-Cal Inpatient Days - Nursery - Noncontract	0	0	0
	A&I-2	1	C-4	Medi-Cal Inpatient Days - Nursery - Contract	0	0	0
	A&I-2	1	C-5	Medi-Cal Inpatient Days - NICU - Noncontract	0	0	0
	A&I-2	1	C-5	Medi-Cal Inpatient Days - NICU - Contract	0	0	0
	A&I-2	1	C-6a	Medi-Cal Inpatient Days - _____ Noncontract	0	0	0
	A&I-2	1	C-6a	Medi-Cal Inpatient Days - _____ Contract	0	0	0
	A&I-2	1	C-6b	Medi-Cal Inpatient Days - _____ Noncontract	0	0	0
	A&I-2	1	C-6b	Medi-Cal Inpatient Days - _____ Contract	0	0	0

AUDIT ADJUSTMENTS

Provider: PALM DRIVE HOSPITAL				Provider No. ZZR00385I	Fiscal Period: JULY 1, 2007 THROUGH JUNE 30, 2008	No. of Adjs: 15	
Report Reference				Explanation of Audit Adjustments	Reported	Increase (Decrease)	Audited
Adj. No.	Form	Page	Line				
	A&I-2	1	D	Total Hospital Discharges	1,149	0	1,149
5	A&I-2	1	E	Total Medi-Cal Discharges - Acute - Noncontract	101	(6)	95
	A&I-2	1	E	Total Medi-Cal Discharges - Acute - Contract	0	0	
6	A&I-2	1	F	Total Medi-Cal Inpatient Charges - Noncontract	\$ 3,404,225	\$ (364,262)	\$ 3,039,963
	A&I-2	1	F	Total Medi-Cal Inpatient Charges - Contract	\$ 0	\$ 0	\$ 0
	A&I-2	2	A-1	Depreciation Expense	\$ 879,350	\$ 0	\$ 879,350
	A&I-2	2	A-2	Rent and Lease Expense	\$ 497,976	\$ 0	\$ 497,976
	A&I-2	2	A-3	Interest Expense	\$ 613,509	\$ (465,041)	\$ 148,468
	A&I-2	2	A-4	Property Taxes and License Fees	\$ 32,588	\$ 0	\$ 32,588
7	A&I-2	2	A-5	Utility Expenses	\$ 518,846	\$ (165,166)	\$ 353,680
	A&I-2	2	A-6	Malpractice Insurance Expense	\$ 226,576	\$ 0	\$ 226,576
	A&I-2	2	B	Gross Operating Expenses	\$ 28,610,348	\$ (465,041)	\$ 28,145,307
	A&I-2	2	C-1	Student and Physician Salaries	\$ 0	\$ 0	\$ 0
	A&I-2	2	C-2	Professional Fees	\$ 2,008,141	\$ 0	\$ 2,008,141
	A&I-2	2	D	Pharmacy Nonlabor Expense	\$ 742,796	\$ 0	\$ 742,796
	A&I-2	2	E	Food Services Nonlabor Expense	\$ 171,744	\$ 0	\$ 171,744

AUDIT ADJUSTMENTS

Provider: PALM DRIVE HOSPITAL				Provider No. ZZR00385I	Fiscal Period: JULY 1, 2007 THROUGH JUNE 30, 2008	No. of Adjs: 15	
Report Reference				Explanation of Audit Adjustments	Reported	Increase (Decrease)	Audited
Adj. No.	Form	Page	Line				
8	A&I-2	2	F-1	Direct Operating - Salaries and Wages	\$ 11,389,031	\$ 40,975	\$ 11,430,006
	A&I-2	2	F-2	Direct Operating - Employee Benefits	\$ 3,096,863	\$ 0	\$ 3,096,863
	A&I-2	2	F-3	Direct Operating - Other Professional Fees	\$ 3,768,826	\$ 0	\$ 3,768,826
9	A&I-2	2	F-4	Direct Operating - Purchased Services	\$ 2,226,217	\$ (370,669)	\$ 1,855,548
	A&I-2	2	F-5	Direct Operating - Supplies	\$ 2,637,885	\$ 0	\$ 2,637,885
10	A&I-2	2	F-6	Other Direct Operating Expense	\$ 0	\$ 294,860	\$ 294,860
	A&I-2	3	A-1-a	Productive Salaries - Management and Supervision	\$ 2,020,289	\$ 0	\$ 2,020,289
	A&I-2	3	A-1-b	Productive Hours	41,421	0	41,421
	A&I-2	3	A-2-a	Productive Salaries - Technicians and Specialists	\$ 2,155,587	\$ 0	\$ 2,155,587
	A&I-2	3	A-2-b	Productive Hours	66,754	0	66,754
11	A&I-2	3	A-3-a	Productive Salaries - Registered Nurses	\$ 4,587,046	\$ 36,452	\$ 4,623,498
	A&I-2	3	A-3-b	Productive Hours	87,303	1	87,304
	A&I-2	3	A-4-a	Productive Salaries - Licensed Vocational Nurses	\$ 253,307	\$ 0	\$ 253,307
	A&I-2	3	A-4-b	Productive Hours	6,915	0	6,915
12	A&I-2	3	A-5-a	Productive Salaries - Aides and Orderlies	\$ 471,847	\$ 16,091	\$ 487,938
	A&I-2	3	A-5-b	Productive Hours	30,224	0	30,224
	A&I-2	3	A-6-a	Productive Salaries - Physicians (Salaried)	\$ 0	\$ 0	\$ 0
	A&I-2	3	A-6-b	Productive Hours	0	0	0

AUDIT ADJUSTMENTS

Provider: PALM DRIVE HOSPITAL				Provider No. ZZR00385I	Fiscal Period: JULY 1, 2007 THROUGH JUNE 30, 2008	No. of Adjs: 15	
Report Reference				Explanation of Audit Adjustments	Reported	Increase (Decrease)	Audited
Adj. No.	Form	Page	Line				
	A&I-2	3	A-7-a	Productive Salaries - Nonphysician Medical Practitioners	\$ 0	\$ 0	\$ 0
	A&I-2	3	A-7-b	Productive Hours	0	0	0
	A&I-2	3	A-8-a	Productive Salaries - Environmental and Food Services	\$ 562,101	\$ 0	\$ 562,101
	A&I-2	3	A-8-b	Productive Hours	43,994	0	43,994
13	A&I-2	3	A-9-a	Productive Salaries - Clerical and Other Administrative	\$ 1,338,853	\$ (11,568)	\$ 1,327,285
	A&I-2	3	A-9-b	Productive Hours	70,932	0	70,932
	A&I-2	3	A-10-a	Productive Salaries - Other	\$ 0	\$ 0	\$ 0
	A&I-2	3	A-10-b	Productive Hours	0	0	0
	N/A	N/A	A-11-a	Nonproductive Salaries	\$ 890,004	\$ 0	\$ 890,004
	N/A	N/A	A-11-b	Nonproductive Hours	20,808	0	20,808
14	N/A	N/A	B 1	Subtotal Productive Salaries	\$ 11,389,031	\$ 40,975	\$ 11,430,006
	N/A	N/A	B 2	Subtotal Productive Hours	347,544	0	347,544
15	N/A	N/A	C	Total Productive and Nonproductive Salaries	\$ 12,279,035	\$ 40,975	\$ 12,320,010
	N/A	N/A	D	Total Productive and Nonproductive Hours	368,352	0	368,352

To adjust the Rate Development Worksheets to agree with audit adjustments and/or Provider records.

Title 22, CCR, Section 51536

