

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

**SUTTER MATERNITY AND SURGERY CENTER  
SANTA CRUZ, CALIFORNIA  
PROVIDER NUMBER: HSP30714F AND  
NPI NUMBER: 1306069539**

**FISCAL PERIOD ENDED  
DECEMBER 31, 2008**

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

**Section Chief: Louise Wong  
Audit Supervisor: Marisa Ho  
Auditor: Jun Yan**



TOBY DOUGLAS  
DIRECTOR

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



EDMUND G. BROWN JR.  
GOVERNOR

July 26, 2011

Iftikhar Hussain, CFO  
Mills-Peninsula Health Service  
1501 Trousdale Drive  
Burlingame, CA 94010

PROVIDER: SUTTER MATERNITY AND SURGERY CENTER  
PROVIDER NUMBER: HSP30714F AND  
NPI NUMBER: 1306069539  
FISCAL PERIOD ENDED DECEMBER 31, 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](http://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

Iftikhar Hussain  
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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

cc: Susan McCabe  
Director of Reimbursement  
Sutter Health  
2880 Gateway Oaks, Suite 200  
Sacramento, CA 95833

Vicki Wilson  
Director of Finance  
Sutter Maternity and Surgery Center  
2751 Research Park Drive  
Soquel, CA 95073

**RATE DEVELOPMENT WORKSHEETS**

**PROVIDER:** SUTTER MATERNITY AND SURGERY CENTER  
**PROVIDER NO.** HSP30714F  
**FISCAL PERIOD:** JANUARY 1, 2008 THROUGH DECEMBER 31, 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)	\$ 1,095,870	\$	0	\$	\$ 1,095,870
B. Deductibles and Coinsurance (Third Party Liability) (Adj. )	\$ 0	\$	0	\$	0
C. Medi-Cal Inpatient Days (Adjs. 2, 3)					
1. Routine (Adults & Pediatrics)	336		0		336
2. ICU					
3. CCU					
4. Nursery	258		0		258
5. NICU					
6. Other (Specify)					
a.					
b.					
D. Total Hospital Discharges (Adj. )	N/A		N/A		2,734
E. Total Medi-Cal Discharges (Adj. 4)	126		0		126
F. Total Medi-Cal Inpatient Charges (Adj. 5)	\$ 1,612,884	\$	0	\$	\$ 1,612,884

## RATE DEVELOPMENT WORKSHEETS

**PROVIDER:** SUTTER MATERNITY AND SURGERY CENTER  
**PROVIDER NO.** HSP30714F  
**FISCAL PERIOD:** JANUARY 1, 2008 THROUGH DECEMBER 31, 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	\$	1,293,856
2. Rent and Lease Expense:	8820, and/or .75 and .76	\$	76,110
3. Interest Expense:	8860, 8870	\$	1,384,453
4. Property Taxes and License Fees:	8850 and/or .83	\$	67,105
5. Utility Expense:	.77, .78, .79, and .80	\$	448,948
6. Malpractice Insurance Expense:	8830 and/or .81	\$	309,587
 B. GROSS OPERATING EXPENSES	 Sch 10, line 101, col. 3	 \$	 39,120,887
C. STUDENT AND PHYSICIANS COMPENSATION			
1. Salaries and Wages (include benefits)	.07, 8210.09 - 8290.09	\$	0
2. Professional Fees	.20	\$	633,557
 D. PHARMACY NONLABOR EXPENSES	 8390.37 and 8390.38	 \$	 476,251
 E. FOOD SERVICES NONLABOR EXPENSES	 8320, 8330 and 8340 and/or .42 and .43	 \$	 265,185
F. DIRECT OPERATING COSTS			
1. Salaries and Wages	.00 - .09, .91, .95	\$	13,839,547
2. Employee Benefits	.10 - .19, .92, .96	\$	4,347,517
3. Other Professional Fees	.21 - .29	\$	1,009,224
4. Purchased Services	.61 - .69	\$	1,521,807
5. Supplies	.31 - .36, .93, .97	\$	5,540,276
6. Other Direct Operating Expense	.85 - .90	\$	7,907,464

**RATE DEVELOPMENT WORKSHEETS**

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**PROVIDER NO.** HSP30714F  
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**CONTRACT PERIOD:** NOT APPLICABLE

A. DIRECT PAYROLL COSTS (Totals)	<u>REFERENCE</u>		
1. Management and Supervision			
a. Productive Salaries	.00	\$	1,046,229
b. Productive Hours			21,607
2. Technicians and Specialists			
a. Productive Salaries	.01	\$	1,505,657
b. Productive Hours			44,593
3. Registered Nurses			
a. Productive Salaries	.02	\$	7,445,676
b. Productive Hours			129,181
4. Licensed Vocational Nurses			
a. Productive Salaries	.03	\$	0
b. Productive Hours			0
5. Aides and Orderlies			
a. Productive Salaries	.04	\$	290,702
b. Productive Hours			12,804
6. Physicians (Salaried)			
a. Productive Salaries	.07	\$	0
b. Productive Hours			0
7. Nonphysician Medical Practitioners			
a. Productive Salaries	.08	\$	26,626
b. Productive Hours			428
8. Environmental and Food Services			
a. Productive Salaries	.06	\$	1,078,580
b. Productive Hours			52,201
9. Clerical and Other Administrative			
a. Productive Salaries	.05	\$	690,485
b. Productive Hours			32,553
10. Other Salaries and Wages			
a. Productive Salaries	.09	\$	0
b. Productive Hours			0
11. All Nonproductive Salaries and Wages			
a. Productive Salaries	Labor Distribution	\$	1,532,708
b. Productive Hours	Report or Provider W/P		37,995
<b>B. SUBTOTALS DIRECT PAYROLL COSTS</b>			
1. Productive Salaries (lines 1a - 10a)		\$	<u>12,083,955</u>
2. Productive Hours (lines 1b - 10b)			<u>293,367</u>
<b>C. TOTAL PRODUCTIVE AND NONPRODUCTIVE SALARIES (11a + B1)</b>		<b>\$</b>	<b><u>13,616,663</u></b>
<b>D. TOTAL PRODUCTIVE AND NONPRODUCTIVE HOURS (11b + B2)</b>			<b><u>331,362</u></b>

**AUDIT ADJUSTMENTS**

Provider: SUTTER MATERNITY AND SURGERY CENTER				Provider No. HSP30714F	Fiscal Period: JANUARY 1, 2008 THROUGH DECEMBER 31, 2008	No. of Adjs: 6	
Report Reference				Explanation of Audit Adjustments	Reported	Increase (Decrease)	Audited
Adj. No.	Form	Page	Line				
<b><u>ADJUSTMENTS TO RATE DEVELOPMENT WORKSHEETS</u></b>							
1	DHS 3094	1	A	Medi-Cal Net Cost of Covered Services - Noncontract	\$ 1,129,800	\$ (33,930)	\$ 1,095,870
	DHS 3094	1	A	Medi-Cal Net Cost of Covered Services - Contract	\$	\$	\$
	DHS 3094	1	B	Deductibles and Coinsurance - Noncontract	\$ 0	\$ 0	\$ 0
	DHS 3094	1	B	Deductibles and Coinsurance - Contract	\$	\$	\$
2	DHS 3094	1	C-1	Medi-Cal Inpatient Days - Adults and Peds - Noncontract	318	18	336
	DHS 3094	1	C-1	Medi-Cal Inpatient Days - Adults and Peds - Contract			
	DHS 3094	1	C-2	Medi-Cal Inpatient Days - ICU - Noncontract			
	DHS 3094	1	C-2	Medi-Cal Inpatient Days - ICU - Contract			
	DHS 3094	1	C-3	Medi-Cal Inpatient Days - CCU - Noncontract			
	DHS 3094	1	C-3	Medi-Cal Inpatient Days - CCU - Contract			
3	DHS 3094	1	C-4	Medi-Cal Inpatient Days - Nursery - Noncontract	246	12	258
	DHS 3094	1	C-4	Medi-Cal Inpatient Days - Nursery - Contract			
	DHS 3094	1	C-5	Medi-Cal Inpatient Days - NICU - Noncontract			
	DHS 3094	1	C-5	Medi-Cal Inpatient Days - NICU - Contract			
	DHS 3094	1	C-6a	Medi-Cal Inpatient Days - _____ Noncontract			
	DHS 3094	1	C-6a	Medi-Cal Inpatient Days - _____ Contract			

**AUDIT ADJUSTMENTS**

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Report Reference				Explanation of Audit Adjustments	Reported	Increase (Decrease)	Audited
Adj. No.	Form	Page	Line				
	DHS 3094	1	C-6b	Medi-Cal Inpatient Days - _____ Noncontract			
	DHS 3094	1	C-6b	Medi-Cal Inpatient Days - _____ Contract			
	DHS 3094	1	D	Total Hospital Discharges	2,734	0	2,734
4	DHS 3094	1	E	Total Medi-Cal Discharges - Acute - Noncontract	117	9	126
	DHS 3094	1	E	Total Medi-Cal Discharges - Acute - Contract			
5	DHS 3094	1	F	Total Medi-Cal Inpatient Charges - Noncontract	\$ 1,500,848	\$ 112,036	\$ 1,612,884
	DHS 3094	1	F	Total Medi-Cal Inpatient Charges - Contract	\$	\$	\$
	DHS 3094	2	A-1	Depreciation Expense	\$ 1,293,856	\$ 0	\$ 1,293,856
	DHS 3094	2	A-2	Rent and Lease Expense	\$ 76,110	\$ 0	\$ 76,110
	DHS 3094	2	A-3	Interest Expense	\$ 1,384,453	\$ 0	\$ 1,384,453
	DHS 3094	2	A-4	Property Taxes and License Fees	\$ 67,105	\$ 0	\$ 67,105
	DHS 3094	2	A-5	Utility Expenses	\$ 448,948	\$ 0	\$ 448,948
	DHS 3094	2	A-6	Malpractice Insurance Expense	\$ 309,587	\$ 0	\$ 309,587
	DHS 3094	2	B	Gross Operating Expenses	\$ 39,120,887	\$ 0	\$ 39,120,887
	DHS 3094	2	C-1	Student and Physician Salaries	\$ 0	\$ 0	\$ 0

## AUDIT ADJUSTMENTS

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Report Reference				Explanation of Audit Adjustments	Reported	Increase (Decrease)	Audited
Adj. No.	Form	Page	Line				
	DHS 3094	2	C-2	Professional Fees	\$ 633,557	\$ 0	\$ 633,557
	DHS 3094	2	D	Pharmacy Nonlabor Expense	\$ 476,251	\$ 0	\$ 476,251
	DHS 3094	2	E	Food Services Nonlabor Expense	\$ 265,185	\$ 0	\$ 265,185
	DHS 3094	2	F-1	Direct Operating - Salaries and Wages	\$ 13,839,547	\$ 0	\$ 13,839,547
	DHS 3094	2	F-2	Direct Operating - Employee Benefits	\$ 4,347,517	\$ 0	\$ 4,347,517
	DHS 3094	2	F-3	Direct Operating - Other Professional Fees	\$ 1,009,224	\$ 0	\$ 1,009,224
	DHS 3094	2	F-4	Direct Operating - Purchased Services	\$ 1,521,807	\$ 0	\$ 1,521,807
	DHS 3094	2	F-5	Direct Operating - Supplies	\$ 5,540,276	\$ 0	\$ 5,540,276
6	DHS 3094	2	F-6	Other Direct Operating Expense	\$ 0	\$ 7,907,464	\$ 7,907,464
	DHS 3094	3	A-1-a	Productive Salaries - Management and Supervision	\$ 1,046,229	\$ 0	\$ 1,046,229
	DHS 3094	3	A-1-b	Productive Hours	21,607	0	21,607
	DHS 3094	3	A-2-a	Productive Salaries - Technicians and Specialists	\$ 1,505,657	\$ 0	\$ 1,505,657
	DHS 3094	3	A-2-b	Productive Hours	44,593	0	44,593
	DHS 3094	3	A-3-a	Productive Salaries - Registered Nurses	\$ 7,445,676	\$ 0	\$ 7,445,676
	DHS 3094	3	A-3-b	Productive Hours	129,181	0	129,181

**AUDIT ADJUSTMENTS**

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Report Reference				Explanation of Audit Adjustments	Reported	Increase (Decrease)	Audited
Adj. No.	Form	Page	Line				
	DHS 3094	3	A-4-a	Productive Salaries - Licensed Vocational Nurses	\$ 0	\$ 0	\$ 0
	DHS 3094	3	A-4-b	Productive Hours	0	0	0
	DHS 3094	3	A-5-a	Productive Salaries - Aides and Orderlies	\$ 290,702	\$ 0	\$ 290,702
	DHS 3094	3	A-5-b	Productive Hours	12,804	0	12,804
	DHS 3094	3	A-6-a	Productive Salaries - Physicians (Salaried)	\$ 0	\$ 0	\$ 0
	DHS 3094	3	A-6-b	Productive Hours	0	0	0
	DHS 3094	3	A-7-a	Productive Salaries - Nonphysician Medical Practitioners	\$ 26,626	\$ 0	\$ 26,626
	DHS 3094	3	A-7-b	Productive Hours	428	0	428
	DHS 3094	3	A-8-a	Productive Salaries - Environmental and Food Services	\$ 1,078,580	\$ 0	\$ 1,078,580
	DHS 3094	3	A-8-b	Productive Hours	52,201	0	52,201
	DHS 3094	3	A-9-a	Productive Salaries - Clerical and Other Administrative	\$ 690,485	\$ 0	\$ 690,485
	DHS 3094	3	A-9-b	Productive Hours	32,553	0	32,553
	DHS 3094	3	A-10-a	Productive Salaries - Other	\$ 0	\$ 0	\$ 0
	DHS 3094	3	A-10-b	Productive Hours	0	0	0

**AUDIT ADJUSTMENTS**

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Report Reference				Explanation of Audit Adjustments	Reported	Increase (Decrease)	Audited
Adj. No.	Form	Page	Line				
	N/A	N/A	A-11-a	Nonproductive Salaries	\$ 1,532,708	\$ 0	\$ 1,532,708
	N/A	N/A	A-11-b	Nonproductive Hours	37,995	0	37,995
	N/A	N/A	B 1	Subtotal Productive Salaries	\$ 12,083,954	\$ 0	\$ 12,083,954
	N/A	N/A	B 2	Subtotal Productive Hours	293,366	0	293,366
	N/A	N/A	C	Total Productive and Nonproductive Salaries	\$ 13,616,662	\$ 0	\$ 13,616,662
	N/A	N/A	D	Total Productive and Nonproductive Hours	331,362	0	331,362

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

