

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

**VALLEY MEMORIAL HOSPITAL
LIVERMORE, CALIFORNIA
PROVIDER NUMBER: ZZR00283F
NPI NUMBER: 1144389947**

**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: Jesse Duran
Auditor: Liza Bencriscutto**



TOBY DOUGLAS
DIRECTOR

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



EDMUND G. BROWN JR.
GOVERNOR

October 14, 2011

Diane Brack, Controller
Valley Memorial Hospital
1111 E. Stanley Blvd.
Livermore, CA 94550

PROVIDER: VALLEY MEMORIAL HOSPITAL
PROVIDER NUMBER: ZZR00283F
NPI NUMBER: 1144389941
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

Diane Brack
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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: VALLEY MEMORIAL HOSPITAL
PROVIDER NO.: ZZR00283F
FISCAL PERIOD: JULY 1, 2007 THROUGH JUNE 30, 2008
CONTRACT PERIOD:

	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)	\$ 9,482,968		\$ 0		\$ 9,482,968
B. Deductibles and Coinsurance (Third Party Liability) (Adj. 2)	\$ 243,206		\$ 0		\$ 243,206
C. Medi-Cal Inpatient Days (Adjs. 3 - 5)					
1. Routine (Adults & Pediatrics)	2,614		0		2,614
2. ICU	377		0		377
3. CCU					
4. Nursery	895		0		895
5. NICU					
6. Other (Specify)					
a.					
b.					
D. Total Hospital Discharges (Adj.)	N/A		N/A		7,433
E. Total Medi-Cal Discharges (Adj. 6)	707		0		707
F. Total Medi-Cal Inpatient Charges (Adj. 7)	\$ 43,651,570		\$ 0		\$ 43,651,570

RATE DEVELOPMENT WORKSHEETS

PROVIDER: VALLEY MEMORIAL HOSPITAL
PROVIDER NO. ZZR00283F
FISCAL PERIOD: JULY 1, 2007 THROUGH JUNE 30, 2008
CONTRACT PERIOD:

A. EXPENSE PASS-THROUGH DATA	<u>REFERENCE</u>		
1. Depreciation Expense:	8810 - 8813, and/or .71, .72, .73 and .74	\$	9,687,601
2. Rent and Lease Expense:	8820, and/or .75 and .76	\$	8,471,901
3. Interest Expense:	8860, 8870	\$	5,418,386
4. Property Taxes and License Fees:	8850 and/or .83	\$	565,396
5. Utility Expense:	.77, .78, .79, and .80	\$	2,969,671
6. Malpractice Insurance Expense:	8830 and/or .81	\$	1,061,564
 B. GROSS OPERATING EXPENSES	 Sch 10, line 101, col. 3	 \$	 200,415,940
C. STUDENT AND PHYSICIANS COMPENSATION			
1. Salaries and Wages (include benefits)	.07, 8210.09 - 8290.09	\$	
2. Professional Fees	.20	\$	3,980,420
D. PHARMACY NONLABOR EXPENSES	8390.37 and 8390.38	\$	3,954,700
E. FOOD SERVICES NONLABOR EXPENSES	8320, 8330 and 8340 and/or .42 and .43	\$	825,722
F. DIRECT OPERATING COSTS			
1. Salaries and Wages	.00 - .09, .91, .95	\$	77,595,313
2. Employee Benefits	.10 - .19, .92, .96	\$	29,689,935
3. Other Professional Fees	.21 - .29	\$	4,779,659
4. Purchased Services	.61 - .69	\$	20,795,052
5. Supplies	.31 - .36, .93, .97	\$	27,027,007
6. Other Direct Operating Expense	.85 - .90	\$	3,593,613

RATE DEVELOPMENT WORKSHEETS

PROVIDER: VALLEY MEMORIAL HOSPITAL
PROVIDER NO. ZZR00283F
FISCAL PERIOD: JULY 1, 2007 THROUGH JUNE 30, 2008
CONTRACT PERIOD:

A. DIRECT PAYROLL COSTS (Totals)	<u>REFERENCE</u>		
1. Management and Supervision			
a. Productive Salaries	.00	\$	16,135,879
b. Productive Hours			253,268
2. Technicians and Specialists			
a. Productive Salaries	.01	\$	18,478,679
b. Productive Hours			490,904
3. Registered Nurses			
a. Productive Salaries	.02	\$	28,018,321
b. Productive Hours			504,430
4. Licensed Vocational Nurses			
a. Productive Salaries	.03	\$	501,910
b. Productive Hours			19,099
5. Aides and Orderlies			
a. Productive Salaries	.04	\$	2,163,671
b. Productive Hours			108,658
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	\$	3,370,141
b. Productive Hours			171,791
9. Clerical and Other Administrative			
a. Productive Salaries	.05	\$	8,926,712
b. Productive Hours			401,637
10. Other Salaries and Wages			
a. Productive Salaries	.09	\$	
b. Productive Hours			
11. All Nonproductive Salaries and Wages			
a. Productive Salaries	Labor Distribution	\$	11,545,354
b. Productive Hours	Report or Provider W/P		290,130
B. SUBTOTALS DIRECT PAYROLL COSTS			
1. Productive Salaries (lines 1a - 10a)		\$	<u>77,595,313</u>
2. Productive Hours (lines 1b - 10b)			<u>1,949,787</u>
C. TOTAL PRODUCTIVE AND NONPRODUCTIVE SALARIES (11a + B1)		\$	<u>79,545,100</u>
D. TOTAL PRODUCTIVE AND NONPRODUCTIVE HOURS (11b + B2)			<u>2,239,917</u>

AUDIT ADJUSTMENTS

Provider: VALLEY MEMORIAL HOSPITAL				Provider No. ZZR00283F	Fiscal Period: JULY 1, 2007 THROUGH JUNE 30, 2008	No. of Adjs: 13	
Report Reference				Explanation of Audit Adjustments	Reported	Increase (Decrease)	Audited
Adj. No.	Form	Page	Line				
<u>ADJUSTMENTS TO RATE DEVELOPMENT WORKSHEETS</u>							
1	DHS 3094	1	A	Medi-Cal Net Cost of Covered Services - Noncontract	\$ 9,282,939	\$ 200,029	\$ 9,482,968
	DHS 3094	1	A	Medi-Cal Net Cost of Covered Services - Contract	\$	\$	\$
2	DHS 3094	1	B	Deductibles and Coinsurance - Noncontract	\$ 235,362	\$ 7,844	\$ 243,206
	DHS 3094	1	B	Deductibles and Coinsurance - Contract	\$	\$	\$
3	DHS 3094	1	C-1	Medi-Cal Inpatient Days - Adults and Peds - Noncontract	2,456	158	2,614
	DHS 3094	1	C-1	Medi-Cal Inpatient Days - Adults and Peds - Contract			
4	DHS 3094	1	C-2	Medi-Cal Inpatient Days - ICU - Noncontract	351	26	377
	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			
5	DHS 3094	1	C-4	Medi-Cal Inpatient Days - Nursery - Noncontract	865	30	895
	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

Provider: VALLEY MEMORIAL HOSPITAL				Provider No. ZZR00283F	Fiscal Period: JULY 1, 2007 THROUGH JUNE 30, 2008	No. of Adjs: 13	
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	7,433	0	7,433
6	DHS 3094	1	E	Total Medi-Cal Discharges - Acute - Noncontract	682	25	707
	DHS 3094	1	E	Total Medi-Cal Discharges - Acute - Contract			
7	DHS 3094	1	F	Total Medi-Cal Inpatient Charges - Noncontract	\$ 41,938,090	\$ 1,713,480	\$ 43,651,570
	DHS 3094	1	F	Total Medi-Cal Inpatient Charges - Contract	\$	\$	\$
	DHS 3094	2	A-1	Depreciation Expense	\$ 9,687,601	\$ 0	\$ 9,687,601
	DHS 3094	2	A-2	Rent and Lease Expense	\$ 8,471,901	\$ 0	\$ 8,471,901
	DHS 3094	2	A-3	Interest Expense	\$ 5,418,386	\$ 0	\$ 5,418,386
	DHS 3094	2	A-4	Property Taxes and License Fees	\$ 565,396	\$ 0	\$ 565,396
	DHS 3094	2	A-5	Utility Expenses	\$ 2,969,671	\$ 0	\$ 2,969,671
	DHS 3094	2	A-6	Malpractice Insurance Expense	\$ 1,061,564	\$ 0	\$ 1,061,564
	DHS 3094	2	B	Gross Operating Expenses	\$ 200,415,940	\$ 0	\$ 200,415,940
	DHS 3094	2	C-1	Student and Physician Salaries	\$	\$	\$

AUDIT ADJUSTMENTS

Provider: VALLEY MEMORIAL HOSPITAL				Provider No. ZZR00283F	Fiscal Period: JULY 1, 2007 THROUGH JUNE 30, 2008	No. of Adjs: 13	
Report Reference				Explanation of Audit Adjustments	Reported	Increase (Decrease)	Audited
Adj. No.	Form	Page	Line				
	DHS 3094	2	C-2	Professional Fees	\$ 3,980,420	\$ 0	\$ 3,980,420
8	DHS 3094	2	D	Pharmacy Nonlabor Expense	\$ 4,198,493	\$ (243,793)	\$ 3,954,700
	DHS 3094	2	E	Food Services Nonlabor Expense	\$ 825,722	\$ 0	\$ 825,722
	DHS 3094	2	F-1	Direct Operating - Salaries and Wages	\$ 77,595,312	\$ 0	\$ 77,595,313
	DHS 3094	2	F-2	Direct Operating - Employee Benefits	\$ 29,689,935	\$ 0	\$ 29,689,935
	DHS 3094	2	F-3	Direct Operating - Other Professional Fees	\$ 4,779,659	\$ 0	\$ 4,779,659
9	DHS 3094	2	F-4	Direct Operating - Purchased Services	\$ 20,795,175	\$ (123)	\$ 20,795,052
10	DHS 3094	2	F-5	Direct Operating - Supplies	\$ 26,857,841	\$ 169,166	\$ 27,027,007
11	DHS 3094	2	F-6	Other Direct Operating Expense	\$	\$ 3,593,613	\$ 3,593,613
	DHS 3094	3	A-1-a	Productive Salaries - Management and Supervision	\$ 16,135,879	\$ 0	\$ 16,135,879
	DHS 3094	3	A-1-b	Productive Hours	253,268	0	253,268
	DHS 3094	3	A-2-a	Productive Salaries - Technicians and Specialists	\$ 18,478,679	\$ 0	\$ 18,478,679
	DHS 3094	3	A-2-b	Productive Hours	490,904	0	490,904
	DHS 3094	3	A-3-a	Productive Salaries - Registered Nurses	\$ 28,018,321	\$ 0	\$ 28,018,321
	DHS 3094	3	A-3-b	Productive Hours	504,430	0	504,430

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	\$ 501,910	\$ 0	\$ 501,910
	DHS 3094	3	A-4-b	Productive Hours	19,099	0	19,099
	DHS 3094	3	A-5-a	Productive Salaries - Aides and Orderlies	\$ 2,163,671	\$ 0	\$ 2,163,671
	DHS 3094	3	A-5-b	Productive Hours	108,658	0	108,658
	DHS 3094	3	A-6-a	Productive Salaries - Physicians (Salaried)	\$	\$	\$
	DHS 3094	3	A-6-b	Productive Hours			
	DHS 3094	3	A-7-a	Productive Salaries - Nonphysician Medical Practitioners	\$	\$	\$
	DHS 3094	3	A-7-b	Productive Hours			
	DHS 3094	3	A-8-a	Productive Salaries - Environmental and Food Services	\$ 3,370,141	\$ 0	\$ 3,370,141
	DHS 3094	3	A-8-b	Productive Hours	171,791	0	171,791
	DHS 3094	3	A-9-a	Productive Salaries - Clerical and Other Administrative	\$ 8,926,712	\$ 0	\$ 8,926,712
	DHS 3094	3	A-9-b	Productive Hours	401,637	0	401,637
	DHS 3094	3	A-10-a	Productive Salaries - Other	\$	\$	\$
	DHS 3094	3	A-10-b	Productive Hours			

AUDIT ADJUSTMENTS

Provider: VALLEY MEMORIAL HOSPITAL				Provider No. ZZR00283F	Fiscal Period: JULY 1, 2007 THROUGH JUNE 30, 2008	No. of Adjs: 13	
Report Reference				Explanation of Audit Adjustments	Reported	Increase (Decrease)	Audited
Adj. No.	Form	Page	Line				
	N/A	N/A	A-11-a	Nonproductive Salaries	\$ 11,545,354	\$ 0	\$ 11,545,354
	N/A	N/A	A-11-b	Nonproductive Hours	290,130	0	290,130
12	N/A	N/A	B 1	Subtotal Productive Salaries	\$ 77,595,313	\$ 0	\$ 77,595,313
	N/A	N/A	B 2	Subtotal Productive Hours	1,949,788	(1)	1,949,787
	N/A	N/A	C	Total Productive and Nonproductive Salaries	\$ 89,140,667	\$ 0	\$ 89,140,667
13	N/A	N/A	D	Total Productive and Nonproductive Hours	2,239,918	(1)	2,239,917

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

VALLEY MEMORIAL HOSPITAL
 DETERMINATION OF MEDI-CAL DISCHARGES
 PERIOD OF REVIEW: JULY 1, 2007 THROUGH JUNE 30, 2008

PROVIDER VALLEY MEMORIAL HOSPITAL	PROVIDER NO. ZZR00283F	FPE JUNE 30, 2008
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SOURCE: Paid Claims Detail Report (SU-0-140)

MONTH/YR	RUN PAGE NUMBER	TOTAL LINES	ADJUSTMENTS						ADJUSTED TOTAL
			NURSERY	DB & CR ENTRIES	ZERO DAYS	30 & 31 CODES	"V" CODE	ADMIN DAYS	
JULY 2007		53		0	2	2	1	3	45
AUG 2007		74		0	0	3	3	6	62
SEPT 2007		74		0	0	2	5	14	53
OCT 2007		69		0	0	2	7	1	59
NOV 2007		77		0	0	3	3	1	70
DEC 2007		61		0	0	1	0	0	60
JAN 2007		81		2	0	3	3	3	70
FEB 2007		59		0	0	0	3	0	56
MARCH 2007		78		0	0	0	4	3	71
APRIL 2007		63		0	0	2	4	2	55
MAY 2007		56		0	0	1	4	0	51
JUNE 2007		65		0	0	2	6	2	55
									0
									0
TOTAL		810	0	2	2	21	43	35	707