

**APPEAL RECOMPUTATION
OF THE
RATE DEVELOPMENT WORKSHEET**

**WATSONVILLE COMMUNITY HOSPITAL
WATSONVILLE, CALIFORNIA
NATIONAL PROVIDER IDENTIFIER: 1710958228**

**FISCAL PERIOD ENDED
JULY 31, 2008**

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

**Section Chief: Louise Wong
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TOBY DOUGLAS
DIRECTOR

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



EDMUND G. BROWN JR.
GOVERNOR

February 8, 2012

Larry M. Carlton
Community Health Systems
P.O. Box 689020
Franklin, TN 37068-9020

In the Matter of:

PROVIDER: WATSONVILLE COMMUNITY HOSPITAL
NATIONAL PROVIDER IDENTIFIER (NPI) 1710958228
FISCAL PERIOD ENDED JULY 31, 2008
CASE NO. HA11-0708-795B-PW

Pursuant to the Office of Administrative Hearings and Appeals' Report of Findings dated on November 3, 2011 from the informal hearing, the following revisions are made to the Medi-Cal audit report dated March 14, 2011.

SUMMARY OF REVISIONS

<u>MEDI-CAL DISCHARGES (NONCONTRACT)</u>	
As Audited Medi-Cal Discharges	1,288
Revision	<u>88</u>
As Revised Medi-Cal Discharges	<u>1,376</u>

Enclosed is the revised Summary of Findings and supporting schedules detailing the results of the recomputation.

The results of this recomputation may be used to determine the Medi-Cal Peer Group 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.

Larry M. Carlton
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If you have any questions in regarding this report, you may call the Audits Section-
Richmond at (510) 620-3100.

Original Signed by

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Certified

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RATE DEVELOPMENT WORKSHEETS

PROVIDER: WATSONVILLE COMMUNITY HOSPITAL
PROVIDER NO.: ZZR00194G
FISCAL PERIOD: AUGUST 1, 2007 THROUGH JULY 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	\$ 10,887,533		\$ 0		\$ 10,887,533
B. Deductibles and Coinsurance (Third Party Liability)	\$ 189,544		\$ 0		\$ 189,544
C. Medi-Cal Inpatient Days					
1. Routine (Adults & Pediatrics)	3,473		0		3,473
2. ICU	47		0		47
3. CCU					
4. Nursery	2,027		0		2,027
5. NICU	692				692
6. Other (Specify)					
a.					
b.					
D. Total Hospital Discharges	N/A		N/A		6,298
E. Total Medi-Cal Discharges (Rev 1)	1,376		0		1,376
F. Total Medi-Cal Inpatient Charges	\$ 49,947,707		\$ 0		\$ 49,947,707

RATE DEVELOPMENT WORKSHEETS

PROVIDER: WATSONVILLE COMMUNITY HOSPITAL
PROVIDER NO. ZZR00194G
FISCAL PERIOD: AUGUST 1, 2007 THROUGH JULY 31, 2008
CONTRACT PERIOD: N/A

A. EXPENSE PASS-THROUGH DATA	<u>REFERENCE</u>		
1. Depreciation Expense:	8810 - 8813, and/or .71, .72, .73 and .74	\$	2,526,879
2. Rent and Lease Expense:	8820, and/or .75 and .76	\$	1,467,967
3. Interest Expense:	8860, 8870	\$	6,051,278
4. Property Taxes and License Fees:	8850 and/or .83	\$	1,198,904
5. Utility Expense:	.77, .78, .79, and .80	\$	1,299,160
6. Malpractice Insurance Expense:	8830 and/or .81	\$	750,870
 B. GROSS OPERATING EXPENSES	 Sch 10, line 101, col. 3	 \$	 style="text-align: right;">113,853,871
C. STUDENT AND PHYSICIANS COMPENSATION			
1. Salaries and Wages (include benefits)	.07, 8210.09 - 8290.09	\$	
2. Professional Fees	.20	\$	1,556,343
 D. PHARMACY NONLABOR EXPENSES	 8390.37 and 8390.38	 \$	 style="text-align: right;">3,509,434
 E. FOOD SERVICES NONLABOR EXPENSES	 8320, 8330 and 8340 and/or .42 and .43	 \$	 style="text-align: right;">433,596
F. DIRECT OPERATING COSTS			
1. Salaries and Wages	.00 - .09, .91, .95	\$	45,919,404
2. Employee Benefits	.10 - .19, .92, .96	\$	13,140,228
3. Other Professional Fees	.21 - .29	\$	4,179,003
4. Purchased Services	.61 - .69	\$	7,164,728
5. Supplies	.31 - .36, .93, .97	\$	9,683,199
6. Other Direct Operating Expense	.85 - .90	\$	14,972,878

RATE DEVELOPMENT WORKSHEETS

PROVIDER: WATSONVILLE COMMUNITY HOSPITAL
PROVIDER NO.: ZZR00194G
FISCAL PERIOD: AUGUST 1, 2007 THROUGH JULY 31, 2008
CONTRACT PERIOD: N/A

A. DIRECT PAYROLL COSTS (Totals)	<u>REFERENCE</u>		
1. Management and Supervision			
a. Productive Salaries	.00	\$	3,764,761
b. Productive Hours			69,026
2. Technicians and Specialists			
a. Productive Salaries	.01	\$	7,249,219
b. Productive Hours			189,883
3. Registered Nurses			
a. Productive Salaries	.02	\$	20,669,577
b. Productive Hours			371,351
4. Licensed Vocational Nurses			
a. Productive Salaries	.03	\$	294,266
b. Productive Hours			8,244
5. Aides and Orderlies			
a. Productive Salaries	.04	\$	697,085
b. Productive Hours			31,159
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	\$	1,531,035
b. Productive Hours			75,631
9. Clerical and Other Administrative			
a. Productive Salaries	.05	\$	4,327,885
b. Productive Hours			186,875
10. Other Salaries and Wages			
a. Productive Salaries	.09	\$	
b. Productive Hours			
11. All Nonproductive Salaries and Wages			
a. Productive Salaries	Labor Distribution	\$	7,391,916
b. Productive Hours	Report or Provider W/P		141,684
B. SUBTOTALS DIRECT PAYROLL COSTS			
1. Productive Salaries (lines 1a - 10a)		\$	<u>38,533,828</u>
2. Productive Hours (lines 1b - 10b)			<u>932,169</u>
C. TOTAL PRODUCTIVE AND NONPRODUCTIVE SALARIES (11a + B1)		\$	<u>45,925,744</u>
D. TOTAL PRODUCTIVE AND NONPRODUCTIVE HOURS (11b + B2)			<u>1,073,853</u>

REVISED ADJUSTMENTS

Provider: WATSONVILLE COMMUNITY HOSPITAL				Provider No. ZZR00194G	Fiscal Period: AUGUST 1, 2007 THROUGH JULY 31, 2008	No. of Revision 1	
Report Reference				Explanation of Audit Adjustments	Audited	Increase (Decrease)	Revised
Rev No.	Form	Page	Line				
<u>REVISION TO RATE DEVELOPMENT WORKSHEETS</u>							
	DHS 3094	1	A	Medi-Cal Net Cost of Covered Services - Noncontract	\$ 10,887,533	\$ 0	\$ 10,887,533
	DHS 3094	1	A	Medi-Cal Net Cost of Covered Services - Contract	\$	\$	\$
	DHS 3094	1	B	Deductibles and Coinsurance - Noncontract	\$ 189,544	\$ 0	\$ 189,544
	DHS 3094	1	B	Deductibles and Coinsurance - Contract	\$	\$	\$
	DHS 3094	1	C-1	Medi-Cal Inpatient Days - Adults and Peds - Noncontract	3,473	0	3,473
	DHS 3094	1	C-1	Medi-Cal Inpatient Days - Adults and Peds - Contract			
	DHS 3094	1	C-2	Medi-Cal Inpatient Days - ICU - Noncontract	47	0	47
	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			
	DHS 3094	1	C-4	Medi-Cal Inpatient Days - Nursery - Noncontract	2,027	0	2,027
	DHS 3094	1	C-4	Medi-Cal Inpatient Days - Nursery - Contract			
	DHS 3094	1	C-5	Medi-Cal Inpatient Days - NICU - Noncontract	692	0	692
	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			

REVISED ADJUSTMENTS

Provider: WATSONVILLE COMMUNITY HOSPITAL				Provider No. ZZR00194G	Fiscal Period: AUGUST 1, 2007 THROUGH JULY 31, 2008	No. of Revision 1	
Report Reference				Explanation of Audit Adjustments	Audited	Increase (Decrease)	Revised
Rev 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	6,298	0	6,298
1	DHS 3094	1	E	Total Medi-Cal Discharges - Acute - Noncontract	1,288	88	1,376
	DHS 3094	1	E	Total Medi-Cal Discharges - Acute - Contract			
	DHS 3094	1	F	Total Medi-Cal Inpatient Charges - Noncontract	\$ 49,947,707	\$ 0	\$ 49,947,707
	DHS 3094	1	F	Total Medi-Cal Inpatient Charges - Contract	\$	\$	\$
	DHS 3094	2	A-1	Depreciation Expense	\$ 2,526,879	\$ 0	\$ 2,526,879
	DHS 3094	2	A-2	Rent and Lease Expense	\$ 1,467,967	\$ 0	\$ 1,467,967
	DHS 3094	2	A-3	Interest Expense	\$ 6,051,278	\$ 0	\$ 6,051,278
	DHS 3094	2	A-4	Property Taxes and License Fees	\$ 1,198,904	\$ 0	\$ 1,198,904
	DHS 3094	2	A-5	Utility Expenses	\$ 1,299,160	\$ 0	\$ 1,299,160
	DHS 3094	2	A-6	Malpractice Insurance Expense	\$ 750,870	\$ 0	\$ 750,870
	DHS 3094	2	B	Gross Operating Expenses	\$ 113,853,871	\$ 0	\$ 113,853,871
	DHS 3094	2	C-1	Student and Physician Salaries	\$	\$	\$

REVISED ADJUSTMENTS

Provider: WATSONVILLE COMMUNITY HOSPITAL				Provider No. ZZR00194G	Fiscal Period: AUGUST 1, 2007 THROUGH JULY 31, 2008	No. of Revision 1	
Report Reference				Explanation of Audit Adjustments	Audited	Increase (Decrease)	Revised
Rev No.	Form	Page	Line				
	DHS 3094	2	C-2	Professional Fees	\$ 1,556,343	\$ 0	\$ 1,556,343
	DHS 3094	2	D	Pharmacy Nonlabor Expense	\$ 3,509,434	\$ 0	\$ 3,509,434
	DHS 3094	2	E	Food Services Nonlabor Expense	\$ 433,596	\$ 0	\$ 433,596
	DHS 3094	2	F-1	Direct Operating - Salaries and Wages	\$ 45,919,404	\$ 0	\$ 45,919,404
	DHS 3094	2	F-2	Direct Operating - Employee Benefits	\$ 13,140,228	\$ 0	\$ 13,140,228
	DHS 3094	2	F-3	Direct Operating - Other Professional Fees	\$ 4,179,003	\$ 0	\$ 4,179,003
	DHS 3094	2	F-4	Direct Operating - Purchased Services	\$ 7,164,728	\$ 0	\$ 7,164,728
	DHS 3094	2	F-5	Direct Operating - Supplies	\$ 9,683,199	\$ 0	\$ 9,683,199
	DHS 3094	2	F-6	Other Direct Operating Expense	\$ 14,972,880	\$ 0	\$ 14,972,880
	DHS 3094	3	A-1-a	Productive Salaries - Management and Supervision	\$ 3,764,761	\$ 0	\$ 3,764,761
	DHS 3094	3	A-1-b	Productive Hours	69,026	0	69,026
	DHS 3094	3	A-2-a	Productive Salaries - Technicians and Specialists	\$ 7,249,219	\$ 0	\$ 7,249,219
	DHS 3094	3	A-2-b	Productive Hours	189,883	0	189,883
	DHS 3094	3	A-3-a	Productive Salaries - Registered Nurses	\$ 20,669,577	\$ 0	\$ 20,669,577
	DHS 3094	3	A-3-b	Productive Hours	371,351	0	371,351

REVISED ADJUSTMENTS

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Report Reference				Explanation of Audit Adjustments	Audited	Increase (Decrease)	Revised
Rev No.	Form	Page	Line				
	DHS 3094	3	A-4-a	Productive Salaries - Licensed Vocational Nurses	\$ 294,266	\$ 0	\$ 294,266
	DHS 3094	3	A-4-b	Productive Hours	8,244	0	8,244
	DHS 3094	3	A-5-a	Productive Salaries - Aides and Orderlies	\$ 697,085	\$ 0	\$ 697,085
	DHS 3094	3	A-5-b	Productive Hours	31,159	0	31,159
	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	\$ 1,531,035	\$ 0	\$ 1,531,035
	DHS 3094	3	A-8-b	Productive Hours	75,631	0	75,631
	DHS 3094	3	A-9-a	Productive Salaries - Clerical and Other Administrative	\$ 4,327,885	\$ 0	\$ 4,327,885
	DHS 3094	3	A-9-b	Productive Hours	186,875	0	186,875
	DHS 3094	3	A-10-a	Productive Salaries - Other	\$ 0	\$	\$
	DHS 3094	3	A-10-b	Productive Hours	0		

REVISED ADJUSTMENTS

Provider: WATSONVILLE COMMUNITY HOSPITAL				Provider No. ZZR00194G	Fiscal Period: AUGUST 1, 2007 THROUGH JULY 31, 2008	No. of Revision 1	
Report Reference				Explanation of Audit Adjustments	Audited	Increase (Decrease)	Revised
Rev No.	Form	Page	Line				
	N/A	N/A	A-11-a	Nonproductive Salaries	\$ 7,391,916	\$ 0	\$ 7,391,916
	N/A	N/A	A-11-b	Nonproductive Hours	141,684	0	141,684
	N/A	N/A	B 1	Subtotal Productive Salaries	\$ 38,533,828	\$ 0	\$ 38,533,828
	N/A	N/A	B 2	Subtotal Productive Hours	932,169	0	932,169
	N/A	N/A	C	Total Productive and Nonproductive Salaries	\$ 45,925,744	\$ 0	\$ 45,925,744
	N/A	N/A	D	Total Productive and Nonproductive Hours	1,073,853	0	1,073,853

To revise the Rate Development Worksheets to agree with the Report of Findings dated November 3, 2011, Issue No. 4, Case No. HA11-0708-795B-PW.

