

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

**MERCY MEDICAL CENTER REDDING
REDDING, CALIFORNIA
NATIONAL PROVIDER IDENTIFIER: 1477671535**

**FISCAL PERIOD ENDED
JUNE 30, 2009**

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

**Section Chief: Robert G. Kwick
Audit Supervisor: Gary Diffenderffer
Auditor: Jennifer A. White**



TOBY DOUGLAS
DIRECTOR

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



EDMUND G. BROWN JR.
GOVERNOR

March 27, 2013

Kenton Fisher
Director of Reimbursement
Mercy Medical Center Redding
2175 Rosaline Ave.
Redding, CA 96001

MERCY MEDICAL CENTER REDDING
NATIONAL PROVIDER IDENTIFIER 1477671535
FISCAL PERIOD ENDED JUNE 30, 2009

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 field audit.

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 Fee-For-Service Rates Development Division pursuant to California Code of Regulations (CCR), Title 22, Sections 51545 through 51556. These regulations may be viewed at www.oal.ca.gov.

Kenton Fisher
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If you disagree with the decision of the Department, you may appeal by writing to:

John Melton, Chief
Department of Health Care Services
Office of Administrative Hearings and Appeals
1029 J Street, Suite 200
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—Sacramento at (916) 650-6994.

Original Signed By

Robert G. Kwick, Chief
Audits Section—Sacramento
Financial Audits Branch

Certified

RATE DEVELOPMENT SCHEDULES

PROVIDER NAME	MERCY MEDICAL CENTER REDDING
NPI	1477671535
FISCAL PERIOD	JULY 1, 2008 THROUGH JUNE 30, 2009
CONTRACT PERIOD	N/A

	<u>REFERENCE</u>		
A. EXPENSE PASS-THROUGH DATA			
1. Depreciation Expense: (Adj)	8810 - 8813, and/or .71, .72, .73 and .74	\$	9,324,276
2. Rent and Lease Expense: (Adj)	8820-8822, and/or .75 and .76	\$	2,124,029
3. Interest Expense: (Adj)	8860, 8870	\$	1,125,575
4. Property Taxes and License Fees: (Adj)	8850 and/or .83	\$	270,903
5. Utility Expense: (Adj)	.77, .78, .79, and .80	\$	2,100,298
6. Malpractice Insurance Expense: (Adj)	8830 and/or .81	\$	1,296,948
B. GROSS OPERATING EXPENSES (Adj 10)	Sch 10, line 101, col. 3	\$	250,858,643
C. STUDENT AND PHYSICIANS COMPENSATION			
1. Salaries and Wages (include benefits) (Adj)	.07, 8210.09 - 8290.09	\$	1,664,206
2. Professional Fees (Adj)	.20	\$	9,409,958
D. PHARMACY NONLABOR EXPENSE (Adj)	8390.37 and 8390.38	\$	11,792,222
E. FOOD SERVICES NONLABOR EXPENSE (Adj)	8320, 8330 and 8340 and/or .42 and .43	\$	1,533,815
F. DIRECT OPERATING COSTS			
1. Salaries and Wages	.00 - .09, .91, .95	\$	108,738,712
2. Employee Benefits	.10 - .19, .92, .96	\$	41,987,710
3. Other Professional Fees	.21 - .29	\$	1,368,640
4. Purchased Services	.61 - .69	\$	29,503,381
5. Supplies	.31 - .36, .39 - .41 .44 - .50, .93, .97	\$	42,341,500
6. Other Direct Operating Expense	.85 - .90	\$	4,754,788

Provider Name				Fiscal Period	NPI	Adjustments	
MERCY MEDICAL CENTER REDDING				JULY 1, 2008 THROUGH JUNE 30, 2009	1477671535	10	
Report References				Explanation of Audit Adjustments	Reported	Increase (Decrease)	Adjusted
Adj. No.	Audit Report Page	RD Schedule Page Line					
<u>ADJUSTMENTS TO RATE DEVELOPMENT SCHEDULES</u>							
1	1	3	A	Medi-Cal Net Cost of Covered Services—Noncontract	\$ 31,075,804	\$ 705,478	\$ 31,781,282
	1	3	A	Medi-Cal Net Cost of Covered Services—Contract	\$	\$	\$
2	1	3	B	Deductibles and Coinsurance—Noncontract	\$ 241,120	\$ 70,227	\$ 311,347
	1	3	B	Deductibles and Coinsurance—Contract	\$	\$	\$
3	1	3	C 1	Medi-Cal Inpatient Days—Adults and Pediatrics—Noncontract	7,286	2062.50	9348.50
	1	3	C 1	Medi-Cal Inpatient Days—Adults and Pediatrics—Contract			
4	1	3	C 2	Medi-Cal Inpatient Days—ICU—Noncontract	2,262	(1,231.25)	1030.75
	1	3	C 2	Medi-Cal Inpatient Days—ICU—Contract			
5	1	3	C 3	Medi-Cal Inpatient Days—CCU—Noncontract	505	(350.50)	154.50
	1	3	C 3	Medi-Cal Inpatient Days—CCU—Contract			
6	1	3	C 4	Medi-Cal Inpatient Days—Nursery—Noncontract	1,963	80.75	2043.75
	1	3	C 4	Medi-Cal Inpatient Days—Nursery—Contract			
7	1	3	C 5	Medi-Cal Inpatient Days—NICU—Noncontract	1,601	599.00	2200.00
	1	3	C 5	Medi-Cal Inpatient Days—NICU—Contract			
	1	3	C 6 a	Medi-Cal Inpatient Days—_____ Noncontract			
	1	3	C 6 a	Medi-Cal Inpatient Days—_____ Contract			
	1	3	C 6 b	Medi-Cal Inpatient Days—_____ Noncontract			
	1	3	C 6 b	Medi-Cal Inpatient Days—_____ Contract			

Provider Name				Fiscal Period		NPI	Adjustments
MERCY MEDICAL CENTER REDDING				JULY 1, 2008 THROUGH JUNE 30, 2009		1477671535	10
Report References				Explanation of Audit Adjustments	Reported	Increase (Decrease)	Adjusted
Adj. No.	Audit Report Page	RD Schedule Page Line					
	1	3	D	Total Hospital Discharges	13,953		13,953
8	1	3	E	Total Medi-Cal Discharges—Acute—Noncontract	3,184	224	3,408
	1	3	E	Total Medi-Cal Discharges—Acute—Contract			
9	1	3	F	Total Medi-Cal Inpatient Charges—Noncontract	\$ 124,420,996	\$ 330,358	\$ 124,751,354
	1	3	F	Total Medi-Cal Inpatient Charges—Contract	\$	\$	\$
	2	4	A 1	Depreciation Expense	\$ 9,324,276	\$	\$ 9,324,276
	2	4	A 2	Rent and Lease Expense	\$ 2,124,029	\$	\$ 2,124,029
	2	4	A 3	Interest Expense	\$ 1,125,575	\$	\$ 1,125,575
	2	4	A 4	Property Taxes and License Fees	\$ 270,903	\$	\$ 270,903
	2	4	A 5	Utility Expense	\$ 2,100,298	\$	\$ 2,100,298
	2	4	A 6	Malpractice Insurance Expense	\$ 1,296,948	\$	\$ 1,296,948
10	2	4	B	Gross Operating Expenses	\$ 269,336,964	\$ (18,478,321)	\$ 250,858,643
	2	4	C 1	Student and Physicians Compensation—Salaries and Wages	\$ 1,664,206	\$	\$ 1,664,206
	2	4	C 2	Student and Physicians Compensation—Professional Fees	\$ 9,409,958	\$	\$ 9,409,958
	2	4	D	Pharmacy Nonlabor Expense	\$ 11,792,222	\$	\$ 11,792,222

Provider Name				Fiscal Period		NPI	Adjustments
MERCY MEDICAL CENTER REDDING				JULY 1, 2008 THROUGH JUNE 30, 2009		1477671535	10
Report References				Explanation of Audit Adjustments	Reported	Increase (Decrease)	Adjusted
Adj. No.	Audit Report Page	RD Schedule					
		Page	Line				
2	4	E		Food Services Nonlabor Expense	\$ 1,533,815	\$	\$ 1,533,815
2	4	F 1		Direct Operating—Salaries and Wages	\$ 108,738,712	\$	\$ 108,738,712
2	4	F 2		Direct Operating—Employee Benefits	\$ 41,987,710	\$	\$ 41,987,710
2	4	F 3		Direct Operating—Other Professional Fees	\$ 1,368,640	\$	\$ 1,368,640
2	4	F 4		Direct Operating—Purchased Services	\$ 29,503,381	\$	\$ 29,503,381
2	4	F 5		Direct Operating—Supplies	\$ 42,341,500	\$	\$ 42,341,500
2	4	F 6		Direct Operating—Other Direct Operating Expense	\$ 4,754,788	\$	\$ 4,754,788
3	5	A 1 a		Management and Supervision—Productive Salaries	\$ 6,317,029	\$	\$ 6,317,029
3	5	A 1 b		Management and Supervision—Productive Hours	128,911		128,911
3	5	A 2 a		Technicians and Specialists—Productive Salaries	\$ 21,290,964	\$	\$ 21,290,964
3	5	A 2 b		Technicians and Specialists—Productive Hours	552,378		552,378
3	5	A 3 a		Registered Nurses—Productive Salaries	\$ 43,469,208	\$	\$ 43,469,208
3	5	A 3 b		Registered Nurses—Productive Hours	907,914		907,914
3	5	A 4 a		Licensed Vocational Nurses—Productive Salaries	\$ 608,340	\$	\$ 608,340
3	5	A 4 b		Licensed Vocational Nurses—Productive Hours	19,447		19,447
3	5	A 5 a		Aides and Orderlies—Productive Salaries	\$ 1,713,877	\$	\$ 1,713,877
3	5	A 5 b		Aides and Orderlies—Productive Hours	74,356		74,356

Provider Name				Fiscal Period		NPI	Adjustments
MERCY MEDICAL CENTER REDDING				JULY 1, 2008 THROUGH JUNE 30, 2009		1477671535	10
Report References				Explanation of Audit Adjustments	Reported	Increase (Decrease)	Adjusted
Adj. No.	Audit Report Page	RD Schedule					
		Page	Line				
3	5	A 6 a		Physicians (Salaried)—Productive Salaries	\$ 941,415	\$	\$ 941,415
3	5	A 6 b		Physicians (Salaried)—Productive Hours	10,336		10,336
3	5	A 7 a		Nonphysician Medical Practitioners—Productive Salaries	\$ 779,754	\$	\$ 779,754
3	5	A 7 b		Nonphysician Medical Practitioners—Productive Hours	13,543		13,543
3	5	A 8 a		Environmental and Food Services—Productive Salaries	\$ 3,674,682	\$	\$ 3,674,682
3	5	A 8 b		Environmental and Food Services—Productive Hours	181,863		181,863
3	5	A 9 a		Clerical and Other Administrative—Productive Salaries	\$ 7,247,825	\$	\$ 7,247,825
3	5	A 9 b		Clerical and Other Administrative—Productive Hours	329,571		329,571
3	5	A 10 a		Other Salaries and Wages—Productive Salaries	\$ 2,131,746	\$	\$ 2,131,746
3	5	A 10 b		Other Salaries and Wages—Productive Hours	93,850		93,850
3	5	A 11		Nonproductive Salaries and Wages	\$ 15,357,347	\$	\$ 15,357,347
3	5	A 11		Nonproductive Hours	408,305		408,305
3	5	B 1		Subtotal Productive Salaries	\$ 88,174,840	\$	\$ 88,174,840
3	5	B 2		Subtotal Productive Hours	2,312,169		2,312,169
3	5	C		Total Productive and Nonproductive Salaries	\$ 103,532,187	\$	\$ 103,532,187
3	5	D		Total Productive and Nonproductive Hours	2,720,474		2,720,474
				To adjust the Rate Development Schedules to agree with audit adjustments and/or provider records. CCR, Title 22, Section 51536			