

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

**KINDRED HOSPITAL - ONTARIO
ONTARIO, CALIFORNIA
PROVIDER NUMBER: HSP 30041K
NATIONAL PROVIDER NUMBER: 1043395742**

**FISCAL PERIOD ENDED
AUGUST 31, 2009**

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

**Section Chief: Julio M. Cueto
Audit Supervisor: Lucia Martinez
Auditor: Richard Cruz**



TOBY DOUGLAS
DIRECTOR

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



EDMUND G. BROWN JR.
GOVERNOR

October 5, 2011

Stephen M. Smith
Corporate Manager of Reimbursement
Kindred Healthcare, Inc.
680 South Fourth Street
Louisville, KY 40202

KINDRED HOSPITAL - ONTARIO
PROVIDER NUMBER HSP 30041K
NATIONAL PROVIDER NUMBER 1043395742
FISCAL PERIOD ENDED AUGUST 31, 2009

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 limited review.

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:

Chief
Office of Administrative Appeals and Hearings
1029 J Street, Suite 200
Sacramento, CA 95814
(916) 322-5603

Stephen M. Smith
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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
PO 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—Rancho Cucamonga at (909) 481-3420.

Original Signed By

Julio M. Cueto, Chief
Audits Section—Rancho Cucamonga
Financial Audits Branch

Certified

cc: Patricia M. Zaheer
Senior Reimbursement Analyst

RATE DEVELOPMENT WORKSHEETS

PROVIDER: KINDRED HOSPITAL - ONTARIO
PROVIDER NO. 1043395742
FISCAL PERIOD: SEPTEMBER 1, 2008 THROUGH AUGUST 31, 2009
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 (Adj. 1)	\$ 453,532			\$	\$ 453,532
B. Deductibles and Coinsurance (Third Party Liability) (Adj. 2)	\$ 10,584			\$	\$ 10,584
C. Medi-Cal Inpatient Days (Adj. 3)					
1. Routine (Adults & Pediatrics)		300			300
2. ICU					
3. CCU					
4. Nursery					
5. NICU					
6. Other (Specify)					
a.					
b.					
D. Total Hospital Discharges **		N/A		N/A	1,107
E. Total Medi-Cal Discharges** (Adj. 4)		5			5
F. Total Medi-Cal Inpatient Charges (Adj. 5)	\$ 1,961,410			\$	\$ 1,961,410

* Do not include data for NF or Administrative Days.

** Do not include newborns that were born in the hospital.

RATE DEVELOPMENT WORKSHEETS

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PROVIDER NO. 1043395742
FISCAL PERIOD: SEPTEMBER 1, 2008 THROUGH AUGUST 31, 2009
CONTRACT PERIOD: N/A

A. EXPENSE PASS-THROUGH DATA	<u>REFERENCE</u>		
1. Depreciation Expense:	8810 - 8813, and/or .71, .72, .73 and .74	\$	954,681
2. Rent and Lease Expense:	8820, and/or .75 and .76	\$	6,324,094
3. Interest Expense:	8860, 8870	\$	
4. Property Taxes and License Fees:	8850 and/or .83	\$	143,295
5. Utility Expense:	.77, .78, .79, and .80	\$	505,948
6. Malpractice Insurance Expense:	8830 and/or .81	\$	175,220
 B. GROSS OPERATING EXPENSES	 Sch 10, line 101, col. 3	 \$	 43,339,516
C. STUDENT AND PHYSICIANS COMPENSATION			
1. Salaries and Wages (include benefits)	.07, 8210.09 - 8290.09	\$	
2. Professional Fees	.20	\$	562,160
D. PHARMACY NONLABOR EXPENSES	8390.37 and 8390.38	\$	1,382,571
E. FOOD SERVICES NONLABOR EXPENSES	8320, 8330 and 8340 and/or .42 and .43	\$	314,320
F. DIRECT OPERATING COSTS			
1. Salaries and Wages	.00 - .09, .91, .95	\$	17,664,814
2. Employee Benefits	.10 - .19, .92, .96	\$	3,248,653
3. Other Professional Fees	.21 - .29	\$	1,226
4. Purchased Services	.61 - .69	\$	1,989,682
5. Supplies	.31 - .36, .93, .97	\$	2,018,461
6. Other Direct Operating Expense	.85 - .90	\$	

RATE DEVELOPMENT WORKSHEETS

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PROVIDER NO. 1043395742
FISCAL PERIOD: SEPTEMBER 1, 2008 THROUGH AUGUST 31, 2009
CONTRACT PERIOD: N/A

A. DIRECT PAYROLL COSTS (Totals)	<u>REFERENCE</u>		
1. Management and Supervision			
a. Productive Salaries	.00	\$	2,561,944
b. Productive Hours			44,402.00
2. Technicians and Specialists			
a. Productive Salaries	.01	\$	3,684,265
b. Productive Hours			108,625.00
3. Registered Nurses			
a. Productive Salaries	.02	\$	5,496,818
b. Productive Hours			138,460.00
4. Licensed Vocational Nurses			
a. Productive Salaries	.03	\$	2,166,891
b. Productive Hours			83,733.00
5. Aides and Orderlies			
a. Productive Salaries	.04	\$	1,460,545
b. Productive Hours			88,863.00
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	\$	726,321
b. Productive Hours			46,624.00
9. Clerical and Other Administrative			
a. Productive Salaries	.05	\$	408,725
b. Productive Hours			26,674.00
10. Other Salaries and Wages			
a. Productive Salaries	.09	\$	
b. Productive Hours			
11. All Nonproductive Salaries and Wages			
a. Productive Salaries	Labor Distribution	\$	1,528,297
b. Productive Hours	Report or Provider W/P		59,539.00
B. SUBTOTALS DIRECT PAYROLL COSTS			
1. Productive Salaries (lines 1a - 10a)		\$	<u>16,505,509</u>
2. Productive Hours (lines 1b - 10b)			<u>537,381.00</u>
C. TOTAL PRODUCTIVE AND NONPRODUCTIVE SALARIES (11a + B1)		\$	<u>18,033,806</u>
D. TOTAL PRODUCTIVE AND NONPRODUCTIVE HOURS (11b + B2)			<u>596,920.00</u>

AUDIT ADJUSTMENTS

Provider: KINDRED HOSPITAL - ONTARIO		Provider No. 1043395742	Fiscal Period: SEPTEMBER 1, 2008 THROUGH AUGUST 31, 2009		No. of Adjs: 6	
Report Reference		Explanation of Audit Adjustments			Increase (Decrease)	Audited
Adj. No.	Form	Page	Line	Reported		
1	A&I-2	1	A	\$ 340,934	\$ 112,598	\$ 453,532
2	A&I-2	1	B	\$ 6,846	\$ 3,738	\$ 10,584
3	A&I-2	1	C-1	222	78	300
4	A&I-2	1	E	3	2	5
5	A&I-2	1	F	\$ 1,446,566	\$ 514,844	\$ 1,961,410
6	A&I-2	2	B	\$ 45,863,832	\$ (2,524,316)	\$ 43,339,516

ADJUSTMENTS TO RATE DEVELOPMENT WORKSHEETS

Medi-Cal Net Cost of Covered Services - Noncontract
 Deductibles and Coinsurance - Noncontract
 Medi-Cal Inpatient Days - Adults and Peds - Noncontract
 Total Medi-Cal Discharges - Acute - Noncontract
 Total Medi-Cal Inpatient Charges - Noncontract
 Gross Operating Expenses

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

