

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

**KAISER FOUNDATION HOSPITALS—DOWNEY  
DOWNEY, CALIFORNIA  
NATIONAL PROVIDER IDENTIFIER: 1518012301**

**FISCAL PERIOD ENDED  
DECEMBER 31, 2009**

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

**Section Chief: Patricia M. Fox  
Audit Supervisor: Woosung Lee  
Auditor: Elisa Diaz**



TOBY DOUGLAS  
DIRECTOR

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



EDMUND G. BROWN JR.  
GOVERNOR

May 2, 2013

Administrator  
Kaiser Foundation Hospitals—Downey  
9400 Rosecrans Avenue  
Bellflower, CA 90706

KAISER FOUNDATION HOSPITALS—DOWNEY  
NATIONAL PROVIDER IDENTIFIER (NPI) 1518012301  
FISCAL PERIOD ENDED DECEMBER 31, 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](http://www.oal.ca.gov).

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

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

Administrator  
Page 2

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—San Diego at (619) 688-3200.

Originally signed by:

Patricia M. Fox, Chief  
Audits Section—San Diego  
Financial Audits Branch

Certified

cc: Rose M. Lee  
Finance Director  
National Medicare and Medicaid Finance  
393 E. Walnut Street  
Pasadena, CA 91188

**RATE DEVELOPMENT SCHEDULES**

**PROVIDER NAME** KAISER FOUNDATION HOSPITALS—DOWNEY  
**NPI** 1518012301  
**FISCAL PERIOD** JANUARY 1, 2009 THROUGH DECEMBER 31, 2009  
**CONTRACT PERIOD** N/A

	Noncontract Cost Services		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 (Schedule 1, Line 1) (Adj. 1)	\$ 2,461,755		\$		\$ 2,461,755
B. Deductibles and Coinsurance (Third Party Liability) (Schedule 3, Lines 9 and 10) (Adj. 2)	\$ 31,696		\$		\$ 31,696
C. Medi-Cal Inpatient Days (Adjs 3-6) (Schedules 4 and 4A)					
1. Routine (Adults and Pediatrics)	732				732
2. ICU	87				87
3. CCU					
4. Nursery	749				749
5. NICU	459				459
6. Other (Specify)					
a.					
b.					
D. Total Hospital Discharges*** (Adj. 7)	N/A		N/A		19,401
E. Total Medi-Cal Discharges*** (Adj. 8)		215			215
F. Total Medi-Cal Inpatient Charges (Schedule 2, Line 4) (Adj. 9)	\$ 7,013,407		\$		\$ 7,013,407

\* Data for NF or Administrative Days are not included.

\*\* The Audited Net Cost of Covered Services is Net of Deductibles and Coinsurance and is from a source different than used on the filed report.

\*\*\* Data for newborns that were born in the hospital are not included.

## RATE DEVELOPMENT SCHEDULES

<b>PROVIDER NAME</b>	<b>KAISER FOUNDATION HOSPITALS—DOWNEY</b>
<b>NPI</b>	<b>1518012301</b>
<b>FISCAL PERIOD</b>	<b>JANUARY 1, 2009 THROUGH DECEMBER 31, 2009</b>
<b>CONTRACT PERIOD</b>	<b>N/A</b>

	<u>REFERENCE</u>	
<b>A. EXPENSE PASS-THROUGH DATA</b>		
1. Depreciation Expense:	8810 - 8813, and/or .71, .72, .73 and .74	\$ 27,553,902
2. Rent and Lease Expense:	8820-8822, and/or .75 and .76	\$ 7,757,382
3. Interest Expense: (Adj. 10)	8860, 8870	\$ 0
4. Property Taxes and License Fees:	8850 and/or .83	\$ 508,786
5. Utility Expense:	.77, .78, .79, and .80	\$ 4,742,693
6. Malpractice Insurance Expense:	8830 and/or .81	\$ 1,810,197
<b>B. GROSS OPERATING EXPENSES</b> (Adj. 11)	Sch 10, line 101, col. 3	<b>\$ 389,886,412</b>
<b>C. STUDENT AND PHYSICIANS COMPENSATION</b>		
1. Salaries and Wages (include benefits)	.07, 8210.09 - 8290.09	\$ 506,597
2. Professional Fees	.20	\$ 0
<b>D. PHARMACY NONLABOR EXPENSE</b>	8390.37 and 8390.38	<b>\$ 26,291,398</b>
<b>E. FOOD SERVICES NONLABOR EXPENSE</b>	8320, 8330 and 8340 and/or .42 and .43	<b>\$ 1,248,461</b>
<b>F. DIRECT OPERATING COSTS</b>		
1. Salaries and Wages	.00 - .09, .91, .95	\$ 129,371,989
2. Employee Benefits	.10 - .19, .92, .96	\$ 48,329,736
3. Other Professional Fees	.21 - .29	\$ 390,943
4. Purchased Services (Adj. 12)	.61 - .69	\$ 115,806,921
5. Supplies	.31 - .36, .39 - .41 .44 - .50, .93, .97	\$ 32,730,988
6. Other Direct Operating Expense (Adj. 13)	.85 - .90	\$ 5,752,228

**RATE DEVELOPMENT SCHEDULES**

<b>PROVIDER NAME</b>	<b>KAISER FOUNDATION HOSPITALS—DOWNEY</b>
<b>NPI</b>	<b>1518012301</b>
<b>FISCAL PERIOD</b>	<b>JANUARY 1, 2009 THROUGH DECEMBER 31, 2009</b>
<b>CONTRACT PERIOD</b>	<b>N/A</b>

A. DIRECT PAYROLL COSTS (Totals)	<u>REFERENCE</u>		
1. Management and Supervision			
a. Productive Salaries	.00	\$	8,970,265
b. Productive Hours			165,517.00
2. Technicians and Specialists			
a. Productive Salaries	.01	\$	14,418,368
b. Productive Hours			305,486.00
3. Registered Nurses			
a. Productive Salaries	.02	\$	64,515,887
b. Productive Hours			829,900.00
4. Licensed Vocational Nurses			
a. Productive Salaries	.03	\$	1,837,597
b. Productive Hours			29,158.00
5. Aides and Orderlies			
a. Productive Salaries	.04	\$	3,664,658
b. Productive Hours			100,987.00
6. Physicians (Salaried)			
a. Productive Salaries	.07	\$	506,597
b. Productive Hours			19,975.00
7. Nonphysician Medical Practitioners			
a. Productive Salaries	.08	\$	10,396
b. Productive Hours			115.00
8. Environmental and Food Services			
a. Productive Salaries	.06	\$	7,602,074
b. Productive Hours			213,980.00
9. Clerical and Other Administrative			
a. Productive Salaries	.05	\$	12,211,333
b. Productive Hours			284,092.00
10. Other Salaries and Wages			
a. Productive Salaries	.09	\$	3,496,552
b. Productive Hours			86,578.00
11. All Nonproductive Salaries and Wages			
a. Nonproductive Salaries	Labor Distribution	\$	11,911,390
b. Nonproductive Hours	Report or Provider W/P		1,216,758.00
<b>B. SUBTOTAL DIRECT PAYROLL COST</b>			
1. Productive Salaries (lines A1a - A10a)		\$	<u>117,233,727</u>
2. Productive Hours (lines A1b - A10b)			<u>2,035,788.00</u>
<b>C. TOTAL PRODUCTIVE AND NONPRODUCTIVE SALARIES (A11a + B1)</b>		<b>\$</b>	<b><u>129,145,117</u></b>
<b>D. TOTAL PRODUCTIVE AND NONPRODUCTIVE HOURS (A11b + B2)</b>			<b><u>3,252,546.00</u></b>

Provider Name				Fiscal Period		NPI	Adjustments
KAISER FOUNDATION HOSPITALS—DOWNEY				JANUARY 1, 2009 THROUGH DECEMBER 31, 2009		1518012301	13
Report References				Explanation of Audit Adjustments	Reported	Increase (Decrease)	Adjusted
Adj. No.	Audit Report Page	RD Schedule Page Line					
<b><u>ADJUSTMENTS TO RATE DEVELOPMENT SCHEDULES</u></b>							
1	1	3	A	Medi-Cal Net Cost of Covered Services—Noncontract	\$ 3,849,921	\$ (1,388,166)	\$ 2,461,755
	1	3	A	Medi-Cal Net Cost of Covered Services—Contract	\$	\$	\$
2	1	3	B	Deductibles and Coinsurance—Noncontract	\$ 15,195	16,501	\$ 31,696
	1	3	B	Deductibles and Coinsurance—Contract	\$		\$
3	1	3	C 1	Medi-Cal Inpatient Days—Adults and Pediatrics—Noncontract	358	374	732
	1	3	C 1	Medi-Cal Inpatient Days—Adults and Pediatrics—Contract			
4	1	3	C 2	Medi-Cal Inpatient Days—ICU—Noncontract	26	61	87
	1	3	C 2	Medi-Cal Inpatient Days—ICU—Contract			
	1	3	C 3	Medi-Cal Inpatient Days—CCU—Noncontract			
	1	3	C 3	Medi-Cal Inpatient Days—CCU—Contract			
5	1	3	C 4	Medi-Cal Inpatient Days—Nursery—Noncontract	25	724	749
	1	3	C 4	Medi-Cal Inpatient Days—Nursery—Contract			
6	1	3	C 5	Medi-Cal Inpatient Days—NICU—Noncontract	920	(461)	459
	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	
KAISER FOUNDATION HOSPITALS—DOWNEY				JANUARY 1, 2009 THROUGH DECEMBER 31, 2009		1518012301		13	
Report References				Explanation of Audit Adjustments	Reported	Increase (Decrease)	Adjusted		
Adj. No.	Audit Report Page	RD Schedule Page Line							
7	1	3	D	Total Hospital Discharges	19,268	133	19,401		
8	1	3	E	Total Medi-Cal Discharges—Acute—Noncontract	204	11	215		
	1	3	E	Total Medi-Cal Discharges—Acute—Contract					
9	1	3	F	Total Medi-Cal Inpatient Charges—Noncontract	\$ 6,982,973	\$ 30,434	\$ 7,013,407		
	1	3	F	Total Medi-Cal Inpatient Charges—Contract	\$	\$	\$		
	2	4	A 1	Depreciation Expense	\$ 27,553,902	\$	\$ 27,553,902		
	2	4	A 2	Rent and Lease Expense	\$ 7,757,382	\$	\$ 7,757,382		
10	2	4	A 3	Interest Expense	\$ 5,157,917	\$ (5,157,917)	\$ 0		
	2	4	A 4	Property Taxes and License Fees	\$ 508,786	\$	\$ 508,786		
	2	4	A 5	Utility Expense	\$ 4,742,693	\$	\$ 4,742,693		
	2	4	A 6	Malpractice Insurance Expense	\$ 1,810,197	\$	\$ 1,810,197		
11	2	4	B	Gross Operating Expenses	\$ 438,317,055	\$ (48,430,643)	\$ 389,886,412		
	2	4	C 1	Student and Physicians Compensation—Salaries and Wages	\$ 506,597	\$	\$ 506,597		
	2	4	C 2	Student and Physicians Compensation—Professional Fees	\$	\$	\$		
	2	4	D	Pharmacy Nonlabor Expense	\$ 26,291,398	\$	\$ 26,291,398		

Provider Name				Fiscal Period		NPI	Adjustments
KAISER FOUNDATION HOSPITALS—DOWNEY				JANUARY 1, 2009 THROUGH DECEMBER 31, 2009		1518012301	13
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	\$ 1,248,461	\$	\$ 1,248,461
	2	4	F 1	Direct Operating—Salaries and Wages	\$ 129,371,989	\$	\$ 129,371,989
	2	4	F 2	Direct Operating—Employee Benefits	\$ 48,329,736	\$	\$ 48,329,736
	2	4	F 3	Direct Operating—Other Professional Fees	\$ 390,943	\$	\$ 390,943
12	2	4	F 4	Direct Operating—Purchased Services	\$ 145,798,202	\$ (29,991,281)	\$ 115,806,921
	2	4	F 5	Direct Operating—Supplies	\$ 32,730,988	\$	\$ 32,730,988
13	2	4	F 6	Direct Operating—Other Direct Operating Expense	\$ 0	\$ 5,752,228	\$ 5,752,228
	3	5	A 1 a	Management and Supervision—Productive Salaries	\$ 8,970,265	\$	\$ 8,970,265
	3	5	A 1 b	Management and Supervision—Productive Hours	165,517		165,517
	3	5	A 2 a	Technicians and Specialists—Productive Salaries	\$ 14,418,368	\$	\$ 14,418,368
	3	5	A 2 b	Technicians and Specialists—Productive Hours	305,486		305,486
	3	5	A 3 a	Registered Nurses—Productive Salaries	\$ 64,515,887	\$	\$ 64,515,887
	3	5	A 3 b	Registered Nurses—Productive Hours	829,900		829,900
	3	5	A 4 a	Licensed Vocational Nurses—Productive Salaries	\$ 1,837,597	\$	\$ 1,837,597
	3	5	A 4 b	Licensed Vocational Nurses—Productive Hours	29,158		29,158
	3	5	A 5 a	Aides and Orderlies—Productive Salaries	\$ 3,664,658	\$	\$ 3,664,658
	3	5	A 5 b	Aides and Orderlies—Productive Hours	100,987		100,987

Provider Name				Fiscal Period		NPI	Adjustments
KAISER FOUNDATION HOSPITALS—DOWNEY				JANUARY 1, 2009 THROUGH DECEMBER 31, 2009		1518012301	13
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	\$ 506,597	\$	\$ 506,597
3		5	A 6 b	Physicians (Salaried)—Productive Hours	19,975		19,975
3		5	A 7 a	Nonphysician Medical Practitioners—Productive Salaries	\$ 10,396	\$	\$ 10,396
3		5	A 7 b	Nonphysician Medical Practitioners—Productive Hours	115		115
3		5	A 8 a	Environmental and Food Services—Productive Salaries	\$ 7,602,074	\$	\$ 7,602,074
3		5	A 8 b	Environmental and Food Services—Productive Hours	213,980		213,980
3		5	A 9 a	Clerical and Other Administrative—Productive Salaries	\$ 12,211,333	\$	\$ 12,211,333
3		5	A 9 b	Clerical and Other Administrative—Productive Hours	284,092		284,092
3		5	A 10 a	Other Salaries and Wages—Productive Salaries	\$ 3,496,552	\$	\$ 3,496,552
3		5	A 10 b	Other Salaries and Wages—Productive Hours	86,578		86,578
3		5	A 11	Nonproductive Salaries and Wages	\$ 11,911,390	\$	\$ 11,911,390
3		5	A 11	Nonproductive Hours	1,216,758		1,216,758
3		5	B 1	Subtotal Productive Salaries	\$ 117,233,727	\$	\$ 117,233,727
3		5	B 2	Subtotal Productive Hours	2,035,788		2,035,788
3		5	C	Total Productive and Nonproductive Salaries	\$ 129,145,117	\$	\$ 129,145,117
3		5	D	Total Productive and Nonproductive Hours	3,252,546		3,252,546
<p>To adjust the Rate Development Schedules to agree with audit adjustments and/or provider records.</p> <p>CCR, Title 22, Section 51536</p>							