

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

**SUTTER MATERNITY AND SURGERY CENTER  
SANTA CRUZ, CALIFORNIA  
NATIONAL PROVIDER IDENTIFIER: 1306069539**

**FISCAL PERIOD  
JANUARY 1, 2009 THROUGH APRIL 30, 2009**

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

**Section Chief: Louise Wong  
Audit Supervisor: Jesse Duran  
Auditor: Pamela Yeung**



TOBY DOUGLAS  
DIRECTOR

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



EDMUND G. BROWN JR.  
GOVERNOR

August 22, 2012

Susan McCabe  
Reimbursement Director  
Sutter Health  
2880 Gateway Oaks Drive, Suite 200  
Sacramento, CA 95833

SUTTER MATERNITY AND SURGERY CENTER  
NATIONAL PROVIDER IDENTIFIER (NPI) 1306069539  
FISCAL PERIOD JANUARY 1, 2009 THROUGH APRIL 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](http://www.oal.ca.gov).

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

Susan McCabe  
Page 2

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—Richmond at (510) 620-3100.

Original Signed by

Louise Wong, Chief  
Audits Section—Richmond  
Financial Audits Branch

Certified



**RATE DEVELOPMENT SCHEDULES**

<b>PROVIDER NAME</b>	<b>SUTTER MATERNITY AND SURGERY CENTER</b>
<b>NPI</b>	<b>1306069539</b>
<b>FISCAL PERIOD</b>	<b>JANUARY 1, 2009 THROUGH APRIL 30, 2009</b>
<b>CONTRACT PERIOD</b>	

	<u>REFERENCE</u>		
<b>A. EXPENSE PASS-THROUGH DATA</b>			
1. Depreciation Expense:	8810 - 8813, and/or .71, .72, .73 and .74	\$	441,421
2. Rent and Lease Expense:	8820-8822, and/or .75 and .76	\$	39,033
3. Interest Expense:	8860, 8870	\$	462,103
4. Property Taxes and License Fees:	8850 and/or .83	\$	23,545
5. Utility Expense:	.77, .78, .79, and .80	\$	123,494
6. Malpractice Insurance Expense:	8830 and/or .81	\$	119,391
<b>B. GROSS OPERATING EXPENSES</b>	Sch 10, line 101, col. 3	\$	<b>14,104,526</b>
<b>C. STUDENT AND PHYSICIANS COMPENSATION</b>			
1. Salaries and Wages (include benefits)	.07, 8210.09 - 8290.09	\$	
2. Professional Fees	.20	\$	190,639
<b>D. PHARMACY NONLABOR EXPENSE</b>	8390.37 and 8390.38	\$	<b>144,180</b>
<b>E. FOOD SERVICES NONLABOR EXPENSE</b>	8320, 8330 and 8340 and/or .42 and .43	\$	<b>66,737</b>
<b>F. DIRECT OPERATING COSTS</b>			
1. Salaries and Wages	.00 - .09, .91, .95	\$	4,925,217
2. Employee Benefits	.10 - .19, .92, .96	\$	1,703,712
3. Other Professional Fees	.21 - .29	\$	408,435
4. Purchased Services	.61 - .69	\$	908,547
5. Supplies	.31 - .36, .39 - .41, .44 - .50, .93, .97	\$	2,050,880
6. Other Direct Operating Expense (Adj 6)	.85 - .90	\$	2,497,192

**RATE DEVELOPMENT SCHEDULES**

<b>PROVIDER NAME</b>	<b>SUTTER MATERNITY AND SURGERY CENTER</b>
<b>NPI</b>	<b>1306069539</b>
<b>FISCAL PERIOD</b>	<b>JANUARY 1, 2009 THROUGH APRIL 30, 2009</b>
<b>CONTRACT PERIOD</b>	

<b>A. DIRECT PAYROLL COSTS (Totals)</b>	<u>REFERENCE</u>			
1. Management and Supervision				
a. Productive Salaries	.00	\$	455,525	
b. Productive Hours			7,294.00	
2. Technicians and Specialists				
a. Productive Salaries	.01	\$	554,220	
b. Productive Hours			15,313.00	
3. Registered Nurses				
a. Productive Salaries	.02	\$	2,918,538	
b. Productive Hours			44,521.00	
4. Licensed Vocational Nurses				
a. Productive Salaries	.03	\$		
b. Productive Hours				
5. Aides and Orderlies				
a. Productive Salaries	.04	\$	97,713	
b. Productive Hours			3,880.00	
6. Physicians (Salaried)				
a. Productive Salaries	.07	\$		
b. Productive Hours				
7. Nonphysician Medical Practitioners				
a. Productive Salaries	.08	\$	5,309	
b. Productive Hours			80.00	
8. Environmental and Food Services				
a. Productive Salaries	.06	\$	390,475	
b. Productive Hours			16,929.00	
9. Clerical and Other Administrative				
a. Productive Salaries	.05	\$	268,036	
b. Productive Hours			11,506.00	
10. Other Salaries and Wages				
a. Productive Salaries	.09	\$		
b. Productive Hours				
11. All Nonproductive Salaries and Wages				
a. Nonproductive Salaries	Labor Distribution	\$	568,728	
b. Nonproductive Hours	Report or Provider W/P		13,561.00	
<b>B. SUBTOTAL DIRECT PAYROLL COST</b>				
1. Productive Salaries (lines A1a - A10a)		\$	<u>4,689,816</u>	
2. Productive Hours (lines A1b - A10b)			<u>99,523.00</u>	
<b>C. TOTAL PRODUCTIVE AND NONPRODUCTIVE SALARIES (A11a + B1)</b>		<b>\$</b>	<b><u>5,258,544</u></b>	
<b>D. TOTAL PRODUCTIVE AND NONPRODUCTIVE HOURS (A11b + B2)</b>			<b><u>113,084.00</u></b>	

Provider Name				Fiscal Period		NPI	Adjustments
SUTTER MATERNITY AND SURGERY CENTER				JANUARY 1, 2009 THROUGH APRIL 30, 2009		1306069539	6
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	\$ 350,487	\$ 19,318	\$ 369,805
	1	3	A	Medi-Cal Net Cost of Covered Services—Contract	\$	\$	\$
	1	3	B	Deductibles and Coinsurance—Noncontract	\$	\$	\$
	1	3	B	Deductibles and Coinsurance—Contract	\$	\$	\$
2	1	3	C 1	Medi-Cal Inpatient Days—Adults and Pediatrics—Noncontract	89	15	104
	1	3	C 1	Medi-Cal Inpatient Days—Adults and Pediatrics—Contract			
	1	3	C 2	Medi-Cal Inpatient Days—ICU—Noncontract			
	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			
3	1	3	C 4	Medi-Cal Inpatient Days—Nursery—Noncontract	68	13	81
	1	3	C 4	Medi-Cal Inpatient Days—Nursery—Contract			
	1	3	C 5	Medi-Cal Inpatient Days—NICU—Noncontract			
	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	
SUTTER MATERNITY AND SURGERY CENTER				JANUARY 1, 2009 THROUGH APRIL 30, 2009		1306069539	6	
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	594	0	594	
4	1	3	E	Total Medi-Cal Discharges—Acute—Noncontract	33	5	38	
	1	3	E	Total Medi-Cal Discharges—Acute—Contract				
5	1	3	F	Total Medi-Cal Inpatient Charges—Noncontract	\$ 421,133	\$ 82,380	\$ 503,513	
	1	3	F	Total Medi-Cal Inpatient Charges—Contract	\$	\$	\$	
	2	4	A 1	Depreciation Expense	\$ 441,421	\$ 0	\$ 441,421	
	2	4	A 2	Rent and Lease Expense	\$ 39,033	\$ 0	\$ 39,033	
	2	4	A 3	Interest Expense	\$ 462,103	\$ 0	\$ 462,103	
	2	4	A 4	Property Taxes and License Fees	\$ 23,545	\$ 0	\$ 23,545	
	2	4	A 5	Utility Expense	\$ 123,494	\$ 0	\$ 123,494	
	2	4	A 6	Malpractice Insurance Expense	\$ 119,391	\$ 0	\$ 119,391	
	2	4	B	Gross Operating Expenses	\$ 14,104,526	\$ 0	\$ 14,104,526	
	2	4	C 1	Student and Physicians Compensation—Salaries and Wages	\$	\$	\$	
	2	4	C 2	Student and Physicians Compensation—Professional Fees	\$ 190,639	\$ 0	\$ 190,639	
	2	4	D	Pharmacy Nonlabor Expense	\$ 144,180	\$ 0	\$ 144,180	

Provider Name				Fiscal Period		NPI	Adjustments	
SUTTER MATERNITY AND SURGERY CENTER				JANUARY 1, 2009 THROUGH APRIL 30, 2009		1306069539	6	
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	\$ 66,737	\$ 0	\$ 66,737	
	2	4	F 1	Direct Operating—Salaries and Wages	\$ 4,925,217	\$ 0	\$ 4,925,217	
	2	4	F 2	Direct Operating—Employee Benefits	\$ 1,703,712	\$ 0	\$ 1,703,712	
	2	4	F 3	Direct Operating—Other Professional Fees	\$ 408,435	\$ 0	\$ 408,435	
	2	4	F 4	Direct Operating—Purchased Services	\$ 908,547	\$ 0	\$ 908,547	
	2	4	F 5	Direct Operating—Supplies	\$ 2,050,880	\$ 0	\$ 2,050,880	
6	2	4	F 6	Direct Operating—Other Direct Operating Expense	\$ 0	\$ 2,497,192	\$ 2,497,192	
	3	5	A 1 a	Management and Supervision—Productive Salaries	\$ 455,525	\$ 0	\$ 455,525	
	3	5	A 1 b	Management and Supervision—Productive Hours	7,294	0	7,294	
	3	5	A 2 a	Technicians and Specialists—Productive Salaries	\$ 554,220	\$ 0	\$ 554,220	
	3	5	A 2 b	Technicians and Specialists—Productive Hours	15,313	0	15,313	
	3	5	A 3 a	Registered Nurses—Productive Salaries	\$ 2,918,538	\$ 0	\$ 2,918,538	
	3	5	A 3 b	Registered Nurses—Productive Hours	44,521	0	44,521	
	3	5	A 4 a	Licensed Vocational Nurses—Productive Salaries	\$	\$	\$	
	3	5	A 4 b	Licensed Vocational Nurses—Productive Hours				
	3	5	A 5 a	Aides and Orderlies—Productive Salaries	\$ 97,713	\$ 0	\$ 97,713	
	3	5	A 5 b	Aides and Orderlies—Productive Hours	3,880	0	3,880	

Provider Name				Fiscal Period	NPI	Adjustments	
SUTTER MATERNITY AND SURGERY CENTER				JANUARY 1, 2009 THROUGH APRIL 30, 2009	1306069539	6	
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	\$	\$	\$
	3	5	A 6 b	Physicians (Salaried)—Productive Hours			
	3	5	A 7 a	Nonphysician Medical Practitioners—Productive Salaries	\$ 5,309	\$ 0	\$ 5,309
	3	5	A 7 b	Nonphysician Medical Practitioners—Productive Hours	80	0	80
	3	5	A 8 a	Environmental and Food Services—Productive Salaries	\$ 390,475	\$ 0	\$ 390,475
	3	5	A 8 b	Environmental and Food Services—Productive Hours	16,929	0	16,929
	3	5	A 9 a	Clerical and Other Administrative—Productive Salaries	\$ 268,036	\$ 0	\$ 268,036
	3	5	A 9 b	Clerical and Other Administrative—Productive Hours	11,506	0	11,506
	3	5	A 10 a	Other Salaries and Wages—Productive Salaries	\$ 0	\$	\$
	3	5	A 10 b	Other Salaries and Wages—Productive Hours	0		
	3	5	A 11	Nonproductive Salaries and Wages	\$ 568,728	\$ 0	\$ 568,728
	3	5	A 11	Nonproductive Hours	13,561	0	13,561
	3	5	B 1	Subtotal Productive Salaries	\$ 4,689,816	\$ 0	\$ 4,689,816
	3	5	B 2	Subtotal Productive Hours	99,523	0	99,523
	3	5	C	Total Productive and Nonproductive Salaries	\$ 5,258,544	\$ 0	\$ 5,258,544
	3	5	D	Total Productive and Nonproductive Hours	113,084	0	113,084
				To adjust the Rate Development Schedules to agree with audit adjustments and/or provider records. CCR, Title 22, Section 51536			