# REPORT
# ON THE
# HOME OFFICE AUDIT

**PROGRESSIVE SUBACUTE CARE, INC.**
**SARATOGA, CALIFORNIA**

**FISCAL PERIOD ENDED**
**DECEMBER 31, 2007**

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

**Section Chief: Louise Wong**
**Audit Supervisor: Diana Dong**
**Auditor: Joanne Hui**

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

DAVID MAXWELL-JOLLY
*Director*

ARNOLD SCHWARZENEGGER
*Governor*

April 6, 2009

Mike Zarcone, President
Progressive Subacute Care, Inc.
13425 Sousa Lane
Saratoga, CA 95070

PROGRESSIVE SUBACUTE CARE, INC.
FISCAL PERIOD ENDED DECEMBER 31, 2007

We have examined the Medi-Cal Home Office cost report for the fiscal period ended December 31, 2007. Our examination was made under the authority of Section 14170 of the Welfare and Institutions Code and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the data presented in the Summary of Audited Home Office Costs to Health Facilities represents a proper determination of home office allowable costs for the above fiscal period in accordance with Medi-Cal reimbursement principles. The audited home office cost will be incorporated, by separate adjustment, into each applicable facility audit report.

This Audit Report includes the:

1. Summary of Audited Home Office Costs to Health Care Facilities

2. Audit Adjustments Schedule

If you disagree with the decision of the Department, the results of the home office audit may only be appealed through each individual facility's audit report. Please refer to the appeal instructions in each facility's audit report.

If you have further 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

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STATE OF CALIFORNIA

SCHEDULE 1

## SUMMARY OF AUDITED HOME OFFICE CAPITAL AND NONCAPITAL RELATED COSTS TO CHAIN COMPONENTS

HOME OFFICE NAME:
PROGRESSIVE SUBACUTE CARE INC.

FISCAL PERIOD ENDED:
DECEMBER 31, 2007

| HEALTH CARE FACILITIES | MEDI-CAL NUMBER | FISCAL PERIODS ENDING DURING HOME OFFICE FISCAL YEAR | | CAPITAL RELATED (SCHEDULE 3) | NONCAPITAL RELATED (SCHEDULE 3-1) | TOTAL AUDITED H.O. COSTS (COLUMN 1 + 2) |
|---|---|---|---|---|---|---|
| | | FROM | TO | 1 | 2 | 3 |
| 1. Subacute Saratoga | LTC40003F | 01/01/07 | 12/31/07 | $29,532 | $748,772 | $778,304 |
| 2. Children's Recovery Center | LTC40007F | 01/01/07 | 12/31/07 | 8,275 | 494,386 | 502,662 |
| **SUBTOTAL (LINES 1 THROUGH 2)** | | | | $37,807 | $1,243,158 | $1,280,965 |
| **OTHER COMPONENTS** | | | | | | |
| 3. Scribbles and Giggles | N/A | 01/01/07 | 12/31/07 | $2,870 | $44,703 | $47,573 |
| **SUBTOTAL (LINE 3)** | | | | $2,870 | $44,703 | $47,573 |
| **GRAND TOTAL** | | | | $40,677 | $1,287,861 | $1,328,538 |

STATE OF CALIFORNIA

SCHEDULE 2

## COMPARISON OF REPORTED AND AUDITED HOME OFFICE COSTS

HOME OFFICE NAME:
PROGRESSIVE SUBACUTE CARE INC.

FISCAL PERIOD ENDED:
DECEMBER 31, 2007

| HEALTH CARE FACILITIES | MEDI-CAL NUMBER | FISCAL PERIODS ENDING DURING HOME OFFICE FISCAL YEAR | | REPORTED HOME OFFICE COSTS | AUDITED H.O. COSTS (SCH. 3 & 3-1) | VARIANCE (COLUMN 2-1) |
|---|---|---|---|---|---|---|
| | | FROM | TO | 1 | 2 | 3 |
| 1. Subacute Saratoga | LTC40003F | 01/01/07 | 12/31/07 | $844,663 | $778,304 | ($66,359) |
| 2. Children's Recovery Center | LTC40007F | 01/01/07 | 12/31/07 | 433,270 | 502,662 | 69,392 |
| **SUBTOTAL (LINES 1 THROUGH 2)** | | | | $1,277,933 | $1,280,965 | $3,032 |
| **OTHER COMPONENTS** | | | | | | |
| 3. Scribbles and Giggles | N/A | 01/01/07 | 12/31/07 | $43,601 | $47,573 | $3,972 |
| **SUBTOTAL (LINE 3)** | | | | $43,601 | $47,573 | $3,972 |
| **GRAND TOTAL** | | | | $1,321,534 | $1,328,538 | $7,004 |

STATE OF CALIFORNIA

SCHEDULE 3

## SUMMARY ALLOCATION OF HOME OFFICE COSTS - CAPITAL RELATED

HOME OFFICE NAME:
PROGRESSIVE SUBACUTE CARE INC.

FISCAL PERIOD ENDED:
DECEMBER 31, 2007

| HEALTH CARE FACILITIES | MEDI-CAL NUMBER | FISCAL PERIODS ENDING DURING HOME OFFICE FISCAL YEAR | | DIRECT CAPITAL COSTS (SCHEDULE 7) | FUNCTIONAL CAPITAL COSTS (SCHEDULE 5) | POOLED CAPITAL COSTS (SCHEDULE 4) | TOTAL CAPITAL COSTS (COL. 1 TO 3) |
|---|---|---|---|---|---|---|---|
| | | FROM | TO | 1 | 2 | 3 | |
| 1. Subacute Saratoga | LTC40003F | 01/01/07 | 12/31/07 | $18,043 | $0 | $11,489 | $29,532 |
| 2. Children's Recovery Center | LTC40007F | 01/01/07 | 12/31/07 | 0 | 0 | 8,275 | 8,275 |
| **SUBTOTAL (LINES 1 THROUGH 2)** | | | | $18,043 | $0 | $19,764 | $37,807 |
| **OTHER COMPONENTS** | | | | | | | |
| 3. Scribbles and Giggles | N/A | 01/01/07 | 12/31/07 | $1,412 | $0 | $1,458 | $2,870 |
| **SUBTOTAL (LINE 3)** | | | | $1,412 | $0 | $1,458 | $2,870 |
| **GRAND TOTAL** | | | | $19,455 | $0 | $21,222 | $40,677 |

(To Schedule 1 & 2)

STATE OF CALIFORNIA

SCHEDULE 3-1

## SUMMARY ALLOCATION OF HOME OFFICE COSTS - NONCAPITAL RELATED

HOME OFFICE NAME:
PROGRESSIVE SUBACUTE CARE INC.

FISCAL PERIOD ENDED:
DECEMBER 31, 2007

| HEALTH CARE FACILITIES | MEDI-CAL NUMBER | FISCAL PERIODS ENDING DURING HOME OFFICE FISCAL YEAR | | DIRECT COSTS (SCH. 7-1) | FUNCTIONAL COSTS (SCH. 5-1) | POOLED COSTS (SCH. 4) | TOTAL NONCAPITAL COSTS (COL. 1 TO 3) |
|---|---|---|---|---|---|---|---|
| | | FROM | TO | 1 | 2 | 3 | |
| 1. Subacute Saratoga | LTC40003F | 01/01/07 | 12/31/07 | $493,259 | $0 | $255,513 | $748,772 |
| 2. Children's Recovery Center | LTC40007F | 01/01/07 | 12/31/07 | 310,339 | 0 | 184,047 | 494,386 |
| **SUBTOTAL (LINES 1 THROUGH 2)** | | | | $803,598 | $0 | $439,560 | $1,243,158 |
| **OTHER COMPONENTS** | | | | | | | |
| 3. Scribbles and Giggles | N/A | 01/01/07 | 12/31/07 | $12,272 | $0 | $32,431 | $44,703 |
| **SUBTOTAL (LINE 3)** | | | | $12,272 | $0 | $32,431 | $44,703 |
| **GRAND TOTAL** | | | | $815,870 | $0 | $471,991 | $1,287,861 |

(To Schedule 1 & 2)

STATE OF CALIFORNIA

SCHEDULE 4

## POOLED ALLOCATION OF HOME OFFICE COSTS TO CHAIN COMPONENTS

HOME OFFICE NAME:
PROGRESSIVE SUBACUTE CARE INC.

FISCAL PERIOD ENDED:
DECEMBER 31, 2007

| HEALTH CARE FACILITIES | MEDI-CAL NUMBER | TOTAL COST (SCH. G, COL. 1) 1 (Adj 20) | CAPITAL (SCH. 8) 2 | NONCAPITAL (SCH. 8) 3 | TOTAL POOLED (COL. 2 + 3) 4 |
|---|---|---|---|---|---|
| 1. Subacute Saratoga | LTC40003F | $7,535,435 | $11,489 | $255,513 | $267,001 |
| 2. Children's Recovery Center | LTC40007F | 5,427,813 | 8,275 | 184,047 | 192,323 |
| **SUBTOTAL (LINES 1 THROUGH 2)** | | $12,963,248 | $19,764 | $439,560 | $459,324 |
| **OTHER COMPONENTS** | | | | | |
| 3. Scribbles and Giggles | N/A | $956,432 | $1,458 | $32,431 | $33,889 |
| **SUBTOTAL (LINE 3)** | | $956,432 | $1,458 | $32,431 | $33,889 |
| **GRAND TOTAL** | | $13,919,680 | $21,222 | $471,991 | $493,213 |
| | | | (To Schedule 3) | (To Schedule 3-1) | |
| MULTIPLIER | | | 0.001525 | 0.033908 | |

STATE OF CALIFORNIA

SCHEDULE 7

TRIAL BALANCE OF EXPENSES

HOME OFFICE NAME:
PROGRESSIVE SUBACUTE CARE INC.

FISCAL PERIOD ENDED:
DECEMBER 31, 2007

| HEALTH CARE FACILITIES | MEDI-CAL NUMBER | REPORTED TOTAL (SCH. E) | Property Taxes 4 (Adj 12) | Property Insurance Exp. 4 (Adj 13) | | | | AUDITED TOTAL |
|---|---|---|---|---|---|---|---|---|
| 1. Subacute Saratoga | LTC40003F | $23,677 | ($4,094) | ($1,540) | | | | $18,043 |
| 2. Children's Recovery Center | LTC40007F | 0 | 0 | 0 | | | | 0 |
| **SUBTOTAL (LINES 1 THROUGH 2)** | | $23,677 | ($4,094) | ($1,540) | $0 | $0 | $0 | $18,043 |
| **OTHER COMPONENTS** | | | | | | | | |
| 3. Scribbles and Giggles | N/A | $1,761 | 0 | (349) | | | | $1,412 |
| **SUBTOTAL (LINE 3)** | | $1,761 | $0 | ($349) | $0 | $0 | $0 | $1,412 |
| **GRAND TOTAL** | | $25,438 | ($4,094) | ($1,889) | $0 | $0 | $0 | $19,455 |

(To Schedule 3)

STATE OF CALIFORNIA

SCHEDULE 7-1

DIRECT ALLOCATION OF NONCAPITAL COSTS TO CHAIN COMPONENTS

HOME OFFICE NAME:
PROGRESSIVE SUBACUTE CARE INC.

FISCAL PERIOD ENDED:
DECEMBER 31, 2007

| HEALTH CARE FACILITIES | MEDI-CAL NUMBER | REPORTED TOTAL (SCH. E-1) | Salaries & Wages of Others 12 (Adj 14) | Payroll Taxes 13 (Adj 15) | Utilities 19 | Insurance Premium - Noncap Related 28 (Adj 18) | Pharmacy Supplies 33 (Adjs 14-17,19) | AUDITED TOTAL |
|---|---|---|---|---|---|---|---|---|
| 1. Subacute Saratoga | LTC40003F | $548,649 | ($53,505) | ($16,712) | $0 | ($8,178) | $23,005 | $493,259 |
| 2. Children's Recovery Center | LTC40007F | 257,930 | (30,097) | (9,400) | 0 | 0 | 91,906 | 310,339 |
| **SUBTOTAL (LINES 1 THROUGH 2)** | | $806,579 | ($83,602) | ($26,112) | $0 | ($8,178) | $114,911 | $803,598 |
| **OTHER COMPONENTS** | | | | | | | | |
| 3. Scribbles and Giggles | N/A | 12,272 | 0 | 0 | 0 | 0 | 0 | 12,272 |
| **SUBTOTAL (LINE 3)** | | $12,272 | $0 | $0 | $0 | $0 | $0 | $12,272 |
| **GRAND TOTAL** | | $818,851 | ($83,602) | ($26,112) | $0 | ($8,178) | $114,911 | $815,870 |

(To Schedule 3-1)

STATE OF CALIFORNIA

SCHEDULE 8

TRIAL BALANCE OF EXPENSES

HOME OFFICE NAME:
PROGRESSIVE SUBACUTE CARE INC.

FISCAL PERIOD ENDED:
DECEMBER 31, 2007

| LINE NO. | COST CENTER DESCRIPTION | REPORTED POOLED ALLOC. (SCH. B, COL 8) | ADJ. NOS. | ADJUSTMENT AMOUNTS | AUDITED POOLED COSTS |
|---|---|---|---|---|---|
| | **CAPITAL-RELATED COSTS - OLD** | | | | |
| 1.00 | Old Capital Related - Buildings and Fixtures | $0 | | $0 | $0 |
| 2.00 | Old Capital Related - Movable Equipment | 0 | | 0 | 0 |
| 3.00 | SUBTOTAL (sum of lines 1 through 2.01) | $0 | | $0 | $0 |
| | **CAPITAL-RELATED COSTS - NEW** | | | | |
| 4.00 | New Capital Related - Buildings and Fixtures | $6,836 | 1,2,6 | ($2,504) | $4,332 |
| 5.00 | New Capital Related - Movable Equipment | 4,792 | 6 | 12,098 | 16,890 |
| 6.00 | SUBTOTAL (sum of lines 4 through 5.00) | $11,628 | | $9,594 | $21,222 |
| | **OTHER CAPITAL-RELATED COSTS** | | | | |
| 7.00 | Insurance Premiums | $0 | | $0 | $0 |
| 8.00 | Taxes and Licenses - Not INCM | 0 | | 0 | 0 |
| 9.00 | Other | 0 | | 0 | 0 |
| 10.00 | SUBTOTAL (sum of lines 7 through 9) | $0 | | $0 | $0 |
| | **NON CAPITAL-RELATED COSTS** | | | | |
| 11.00 | Salaries of Officers | $117,647 | | $0 | $117,647 |
| 12.00 | Salaries and Wages of Others | 202,115 | | 0 | 202,115 |
| 13.00 | Payroll Taxes | 47,964 | | 0 | 47,964 |
| 14.00 | Employee Benefits - Payroll Related | 0 | | 0 | 0 |
| 15.00 | Employee Benefits - Nonpayroll Related | 0 | | 0 | 0 |
| 16.00 | Profit Sharing / Pension Plan | 0 | | 0 | 0 |
| 17.00 | Legal Fees | 0 | | 0 | 0 |
| 18.00 | Auditing and Accounting Fees | 8,675 | | 0 | 8,675 |
| 19.00 | Utilities | 5,890 | | 0 | 5,890 |
| 20.00 | Communications | 34,952 | 4 | (21,845) | 13,107 |
| 21.00 | Travel and Entertainment | 0 | | 0 | 0 |
| 22.00 | Transportation | 0 | | 0 | 0 |
| 23.00 | Cleaning Office and Administrative Supplies | 33,098 | | 0 | 33,098 |
| 24.00 | Minor Equipment Expensed | 1,678 | | 0 | 1,678 |
| 25.00 | Repairs and Maintenance | 0 | | 0 | 0 |
| 26.00 | Dues and Subscriptions | 0 | | 0 | 0 |
| 27.00 | Contributions | 0 | | 0 | 0 |
| 28.00 | Insurance Premium - Noncapital Related | 7,436 | 3 | (1,386) | 6,050 |
| 29.00 | Taxes and Licenses - Noncapital Related | 0 | | 0 | 0 |
| 30.00 | Interest Expense | 0 | | 0 | 0 |
| 31.00 | Support Service Network | 1,731 | | 0 | 1,731 |
| 32.00 | Postage | 4,431 | | 0 | 4,431 |
| 33.00 | Pharmacy Supplies | 0 | | 0 | 0 |
| 34.00 | Housekeeping | 0 | 5 | 15,020 | 15,020 |
| 35.00 | Plant Operations and Maintenance | 0 | 5 | 14,585 | 14,585 |
| 36.00 | SUBTOTAL (sum of lines 11 through 35.08) | $465,617 | | $6,374 | $471,991 |
| 37.00 | TOTAL ALLOWABLE EXPENSES | $477,245 | | $15,968 | $493,213 |
| | | | | | (To Sch. 4) |
| 38.00 | NONREIMBURSABLE EXPENSES | $0 | | $0 | $0 |
| | **TOTAL EXPENSES** | $477,245 | | $15,968 | $493,213 |

STATE OF CALIFORNIA

SCHEDULE 8

## TRIAL BALANCE OF EXPENSES

HOME OFFICE NAME:
PROGRESSIVE SUBACUTE CARE INC.

FISCAL PERIOD ENDED:
DECEMBER 31, 2007

| LINE NO. | COST CENTER DESCRIPTION | REPORTED DIRECT ALLOC. (SCH. B, COL 6) | ADJ. NOS. | ADJUSTMENT AMOUNTS | AUDITED DIRECT COSTS |
|---|---|---|---|---|---|
| | **CAPITAL-RELATED COSTS - OLD** | | | | |
| 1.00 | Old Capital Related - Buildings and Fixtures | $0 | | $0 | $0 |
| 2.00 | Old Capital Related - Movable Equipment | 0 | | 0 | 0 |
| 3.00 | SUBTOTAL (sum of lines 1 through 2.01) | $0 | | $0 | $0 |
| | **CAPITAL-RELATED COSTS - NEW** | | | | |
| 4.00 | New Capital Related - Buildings and Fixtures | $25,438 | 7, 8 | ($5,983) | $19,455 |
| 5.00 | New Capital Related - Movable Equipment | 0 | | 0 | 0 |
| 6.00 | SUBTOTAL (sum of lines 4 through 5.00) | $25,438 | | ($5,983) | $19,455 |
| | **OTHER CAPITAL-RELATED COSTS** | | | | |
| 7.00 | Insurance Premiums | $0 | | $0 | $0 |
| 8.00 | Taxes and Licenses - Not INCM | 0 | | 0 | 0 |
| 9.00 | Other | 0 | | 0 | 0 |
| 10.00 | SUBTOTAL (sum of lines 7 through 9) | $0 | | $0 | $0 |
| | **NON CAPITAL-RELATED COSTS** | | | | |
| 11.00 | Salaries of Officers | $0 | | $0 | $0 |
| 12.00 | Salaries and Wages of Others | 83,602 | 10 | (83,602) | 0 |
| 13.00 | Payroll Taxes | 26,112 | 10 | (26,112) | 0 |
| 14.00 | Employee Benefits - Payroll Related | 0 | | 0 | 0 |
| 15.00 | Employee Benefits - Nonpayroll Related | 0 | | 0 | 0 |
| 16.00 | Profit Sharing / Pension Plan | 0 | | 0 | 0 |
| 17.00 | Legal Fees | 0 | | 0 | 0 |
| 18.00 | Auditing and Accounting Fees | 0 | | 0 | 0 |
| 19.00 | Utilities | 66,404 | | 0 | 66,404 |
| 20.00 | Communications | 0 | | 0 | 0 |
| 21.00 | Travel and Entertainment | 0 | | 0 | 0 |
| 22.00 | Transportation | 0 | | 0 | 0 |
| 23.00 | Cleaning Office and Administrative Supplies | 0 | | 0 | 0 |
| 24.00 | Minor Equipment Expensed | 0 | | 0 | 0 |
| 25.00 | Repairs and Maintenance | 0 | | 0 | 0 |
| 26.00 | Dues and Subscriptions | 0 | | 0 | 0 |
| 27.00 | Contributions | 0 | | 0 | 0 |
| 28.00 | Insurance Premium - Noncapital Related | 35,975 | 9 | (8,178) | 27,797 |
| 29.00 | Taxes and Licenses - Noncapital Related | 0 | | 0 | 0 |
| 30.00 | Interest Expense | 0 | | 0 | 0 |
| 31.00 | Support Service Network | 0 | | 0 | 0 |
| 32.00 | Postage | 0 | | 0 | 0 |
| 33.00 | Pharmacy Supplies | 606,758 | 9, 10, 11 | 114,911 | 721,669 |
| 34.00 | Housekeeping | 0 | | 0 | 0 |
| 35.00 | Plant Operations and Maintenance | 0 | | 0 | 0 |
| 36.00 | SUBTOTAL (sum of lines 11 through 35.08) | $818,851 | | ($2,981) | $815,870 |
| 37.00 | TOTAL ALLOWABLE EXPENSES | $844,289 | | ($8,964) | $835,325 |
| | | | | | (To Sch. 7, 7-1) |
| 38.00 | NONREIMBURSABLE EXPENSES | $0 | | $0 | $0 |
| | **TOTAL EXPENSES** | $844,289 | | ($8,964) | $835,325 |

STATE OF CALIFORNIA

SCHEDULE 8

TRIAL BALANCE OF EXPENSES

HOME OFFICE NAME:
PROGRESSIVE SUBACUTE CARE INC.

FISCAL PERIOD ENDED:
DECEMBER 31, 2007

| LINE NO. | COST CENTER DESCRIPTION | REPORTED FUNCTIONAL COSTS (SCH. B, COL 7) | ADJ. NO. | ADJUSTMENT AMOUNT(S) | AUDITED FUNCTIONAL COSTS |
|---|---|---|---|---|---|
| | **CAPITAL-RELATED COSTS - OLD** | | | | |
| 1.00 | Old Capital Related - Buildings and Fixtures | $0 | | $0 | $0 |
| 2.00 | Old Capital Related - Movable Equipment | 0 | | 0 | 0 |
| 3.00 | SUBTOTAL (sum of lines 1 through 2.01) | $0 | | $0 | $0 |
| | **CAPITAL-RELATED COSTS - NEW** | | | | |
| 4.00 | New Capital Related - Buildings and Fixtures | $0 | | $0 | $0 |
| 5.00 | New Capital Related - Movable Equipment | 0 | | 0 | 0 |
| 6.00 | SUBTOTAL (sum of lines 4 through 5.00) | $0 | | $0 | $0 |
| | **OTHER CAPITAL-RELATED COSTS** | | | | |
| 7.00 | Insurance Premiums | $0 | | $0 | $0 |
| 8.00 | Taxes and Licenses - Not INCM | 0 | | 0 | 0 |
| 9.00 | Other | 0 | | 0 | 0 |
| 10.00 | SUBTOTAL (sum of lines 7 through 9) | $0 | | $0 | $0 |
| | **NON CAPITAL-RELATED COSTS** | | | | |
| 11.00 | Salaries of Officers | $0 | | $0 | $0 |
| 12.00 | Salaries and Wages of Others | 0 | | 0 | 0 |
| 13.00 | Payroll Taxes | 0 | | 0 | 0 |
| 14.00 | Employee Benefits - Payroll Related | 0 | | 0 | 0 |
| 15.00 | Employee Benefits - Nonpayroll Related | 0 | | 0 | 0 |
| 16.00 | Profit Sharing / Pension Plan | 0 | | 0 | 0 |
| 17.00 | Legal Fees | 0 | | 0 | 0 |
| 18.00 | Auditing and Accounting Fees | 0 | | 0 | 0 |
| 19.00 | Utilities | 0 | | 0 | 0 |
| 20.00 | Communications | 0 | | 0 | 0 |
| 21.00 | Travel and Entertainment | 0 | | 0 | 0 |
| 22.00 | Transportation | 0 | | 0 | 0 |
| 23.00 | Cleaning Office and Administrative Supplies | 0 | | 0 | 0 |
| 24.00 | Minor Equipment Expensed | 0 | | 0 | 0 |
| 25.00 | Repairs and Maintenance | 0 | | 0 | 0 |
| 26.00 | Dues and Subscriptions | 0 | | 0 | 0 |
| 27.00 | Contributions | 0 | | 0 | 0 |
| 28.00 | Insurance Premium - Noncapital Related | 0 | | 0 | 0 |
| 29.00 | Taxes and Licenses - Noncapital Related | 0 | | 0 | 0 |
| 30.00 | Interest Expense | 0 | | 0 | 0 |
| 31.00 | Support Service Network | 0 | | 0 | 0 |
| 32.00 | Postage | 0 | | 0 | 0 |
| 33.00 | Pharmacy Supplies | 0 | | 0 | 0 |
| 34.00 | Housekeeping | 0 | | 0 | 0 |
| 35.00 | Plant Operations and Maintenance | 0 | | 0 | 0 |
| 36.00 | SUBTOTAL (sum of lines 11 through 35.08) | $0 | | $0 | $0 |
| 37.00 | TOTAL ALLOWABLE EXPENSES | $0 | | $0 | $0 |
| | | | | | (To Sch. 6, 6-1) |
| 38.00 | NONREIMBURSABLE EXPENSES | $0 | | $0 | $0 |
| | **TOTAL EXPENSES** | $0 | | $0 | $0 |

STATE OF CALIFORNIA

SCHEDULE 9

## REPORTED HOME OFFICE COSTS

HOME OFFICE NAME:
ABC HOME OFFICE

FISCAL PERIOD ENDED:
DECEMBER 31, 2007

| HEALTH CARE FACILITIES | MEDI-CAL NUMBER | FISCAL PERIODS ENDING DURING HOME OFFICE FISCAL YEAR | | DIRECT ALLOCATION | | FUNCTIONAL ALLOCATION | | POOLED ALLOCATION | | TOTAL ALLOCATION HOME OFFICE COSTS |
|---|---|---|---|---|---|---|---|---|---|---|
| | | FROM | TO | CAPITAL RELATED COSTS (SCH. E) | NON-CAPITAL RELATED COSTS (SCH. E-1) | CAPITAL RELATED COSTS (SCH. F) | NON-CAPITAL RELATED COSTS (SCH. F-1) | CAPITAL RELATED COSTS (SCH. G) | NON-CAPITAL RELATED COSTS (SCH. G) | |
| 1. Subacute Saratoga | LTC40003F | 01/01/07 | 12/31/07 | $23,677 | $548,649 | | | $6,635 | $265,702 | $844,663 |
| 2. Children's Recovery Center | LTC40007F | 01/01/07 | 12/31/07 | 0 | 257,930 | | | 4,272 | 171,068 | 433,270 |
| **SUBTOTAL (LINES 1 THROUGH 2)** | | | | $23,677 | $806,579 | $0 | $0 | $10,907 | $436,770 | $1,277,933 |
| **OTHER COMPONENTS** | | | | | | | | | | |
| 3. Scribbles and Giggles | N/A | 01/01/07 | 12/31/07 | $1,761 | $12,272 | | | $721 | $28,847 | $43,601 |
| **SUBTOTAL (LINE 3)** | | | | $1,761 | $12,272 | $0 | $0 | $721 | $28,847 | $43,601 |
| **GRAND TOTAL** | | | | $25,438 | $818,851 | $0 | $0 | $11,628 | $465,617 | $1,321,534 |

(To Sch. 2, Col. 1)

| Provider Name | Fiscal Period | Provider Number | Adjustments |
|---|---|---|---|
| PROGRESSIVE SUBACUTE CARE, INC. | JANUARY 1, 2007 THROUGH DECEMBER 31, 2007 | N/A | 20 |

| Report References | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Cost Report | | | | | | | | |
| Adj. No. | Audit Report | Work Sheet | Part | Title | Line | Col. | Explanation of Audit Adjustments | | As Reported | Increase (Decrease) | As Adjusted |
| | | | | | | | ADJUSTMENTS TO REPORTED TRIAL BALANCE OF EXPENSES - POOLED COSTS | | | | |
| 1 | 8 | B | | | 4.00 | 8 | New Capital Related Costs - Building and Fixtures<br>To adjust the reported pooled property tax costs to agree with the provider's records.<br>CMS Pub. 15-1, Sections 2150, 2161, and 2304 | | $6,836 | ($891) | $5,945 * |
| 2 | 8 | B | | | 4.00 | 8 | New Capital Related Costs - Building and Fixtures<br>To adjust the reported pooled property insurance costs to agree with the provider's records.<br>CMS Pub. 15-1, Sections 2150, 2161, and 2304 | * | $5,945 | ($335) | $5,610 * |
| 3 | 8 | B | | | 28.00 | 8 | Insurance Premium - Non-Capital Related<br>To adjust the reported pooled general liability insurance costs to agree with the provider's records.<br>CMS Pub. 15-1, Sections 2150, 2161, and 2304 | | $7,436 | ($1,386) | $6,050 |
| 4 | 8 | B | | | 20.00 | 8 | Communication<br>To eliminate a portion of the telephone costs not related to the home office.<br>CMS Pub. 15-1, Sections 2300 and 2304 | | $34,952 | ($21,845) | $13,107 |
| 5 | 8 | Not Reported | | | | | Housekeeping | | $0 | $15,020 | $15,020 |
| | 8 | Not Reported | | | | | Plant Operations and Maintenance<br>To reclassify Housekeeping and Plant Operations and Maintenance costs to the home office from Subacute Saratoga as these services were provided to the home office as well.<br>CMS Pub. 15-1, Sections 2300 and 2304 | | 0 | 14,585 | 14,585 |
| 6 | 8 | B | | | 4.00 | 8 | New Capital Related Costs - Building and Fixtures | * | $5,610 | ($1,278) | $4,332 |
| | 8 | B | | | 5.00 | 8 | New Capital Related Costs - Movable Equipment<br>To adjust the reported pooled depreciation expense to agree with the provider's records.<br>CMS Pub. 15-1, Sections 102, 2300, 2302.4, and 2304 | | 4,792 | 12,098 | 16,890 |

*Balance carried forward from prior/to subsequent adjustments

| Provider Name | Fiscal Period | Provider Number | Adjustments |
|---|---|---|---|
| PROGRESSIVE SUBACUTE CARE, INC. | JANUARY 1, 2007 THROUGH DECEMBER 31, 2007 | N/A | 20 |

| Report References | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Cost Report | | | | | | | | |
| Adj. No. | Audit Report | Work Sheet | Part | Title | Line | Col. | Explanation of Audit Adjustments | | As Reported | Increase (Decrease) | As Adjusted |
| | | | | | | | ADJUSTMENTS TO REPORTED TRIAL BALANCE OF EXPENSES - DIRECT COSTS | | | | |
| 7 | 8 | B | | | 4.00 | 6 | New Capital Related Costs - Building and Fixtures<br>To adjust the direct allocation of property taxes to agree with the provider's records.<br>CMS Pub. 15-1, Sections 2150, 2161, and 2304 | | $25,438 | ($4,094) | $21,344 * |
| 8 | 8 | B | | | 4.00 | 6 | New Capital Related Costs - Building and Fixtures<br>To adjust the direct allocation of property insurance costs to agree with the provider's records.<br>CMS Pub. 15-1, Sections 2150, 2161, and 2304 | * | $21,344 | ($1,889) | $19,455 |
| 9 | 8 | B | | | 28.00 | 6 | Insurance Premium - Non-Capital Related | | $35,975 | ($8,178) | $27,797 |
| | 8 | B | | | 33.00 | 6 | Pharmacy<br>To adjust the direct allocation of general liability insurance costs to agree with the provider's records.<br>CMS Pub. 15-1, Sections 2150, 2161, and 2304 | | 606,758 | 1,470 | 608,228 * |
| 10 | 8 | B | | | 12.00 | 6 | Salaries and Wages of Others | | $83,602 | ($83,602) | $0 |
| | 8 | B | | | 13.00 | 6 | Payroll Taxes | | 26,112 | (26,112) | 0 |
| | 8 | B | | | 33.00 | 6 | Pharmacy<br>To reclassify Pharmacy salaries and benefits to its own cost center for proper cost determination.<br>CMS Pub. 15-1, Sections 2150, 2300, and 2304 | * | 608,228 | 109,714 | 717,942 * |
| 11 | 8 | B | | | 33.00 | 6 | Pharmacy<br>To include pharmacy PTO paid and employee benefits in the home office cost report and to be consistent with the provider's treatment.<br>CMS Pub. 15-1, Sections 2150, 2300, and 2304 | * | $717,942 | $3,727 | $721,669 |

*Balance carried forward from prior/to subsequent adjustments

| Provider Name | Fiscal Period | Provider Number | Adjustments |
|---|---|---|---|
| PROGRESSIVE SUBACUTE CARE, INC. | JANUARY 1, 2007 THROUGH DECEMBER 31, 2007 | N/A | 20 |

| Report References | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Cost Report | | | | | | | | |
| Adj. No. | Audit Report | Work Sheet | Part | Title | Line | Col. | Explanation of Audit Adjustments | | As Reported | Increase (Decrease) | As Adjusted |
| | | | | | | | ADJUSTMENTS TO REPORTED DIRECT CAPITAL COSTS | | | | |
| 12 | 7 | E | | | 1.00 | 4 | Subacute Saratoga | | $23,677 | ($4,094) | $19,583 * |
| | 7 | E | | | 34.00 | 4 | Total New CRC-Building and Fixtures | | 25,438 | (4,094) | 21,344 * |
| | | | | | | | To adjust the direct allocation of property taxes to the appropriate facilities, in conjunction with adjustment number 7. CMS Pub. 15-1, Sections 2150, 2161, and 2304 | | | | |
| 13 | 7 | E | | | 1.00 | 4 | Subacute Saratoga | * | $19,583 | ($1,540) | $18,043 |
| | 7 | E | | | 19.00 | 4 | Scribbles and Giggles | | 1,761 | (349) | 1,412 |
| | 7 | E | | | 34.00 | 4 | Total New CRC-Building and Fixtures | * | 21,344 | (1,889) | 19,455 |
| | | | | | | | To adjust the direct allocation of property insurance expense to the appropriate facilities, in conjunction with adjustment number 8. CMS Pub. 15-1, Sections 2150, 2161, and 2304 | | | | |

*Balance carried forward from prior/to subsequent adjustments

| Provider Name | Fiscal Period | Provider Number | Adjustments |
|---|---|---|---|
| PROGRESSIVE SUBACUTE CARE, INC. | JANUARY 1, 2007 THROUGH DECEMBER 31, 2007 | N/A | 20 |

| Report References | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Cost Report | | | | | | | | |
| Adj. No. | Audit Report | Work Sheet | Part | Title | Line | Col. | Explanation of Audit Adjustments | | As Reported | Increase (Decrease) | As Adjusted | |
| | | | | | | | RECLASSIFICATIONS TO REPORTED DIRECT NONCAPITAL COSTS | | | | | |
| 14 | 7-1 | E-1 | | | 1.00 | 12 | Subacute Saratoga | | $548,649 | ($53,505) | $495,144 | * |
| | 7-1 | E-1 | | | 2.00 | 12 | Children's Recovery Center | | 257,930 | (30,097) | 227,833 | * |
| | 7-1 | E-1 | | | 1.00 | 33 | Subacute Saratoga | * | 495,144 | 47,651 | 542,795 | * |
| | 7-1 | E-1 | | | 2.00 | 33 | Children's Recovery Center | * | 227,833 | 35,951 | 263,784 | * |
| | | | | | | | To reclassify and adjust the reported pharmacy salaries to reflect the re-allocation of audited gross revenue statistics and to reflect audit adjustment number number 10. CMS Pub. 15-1, Sections 2150, 2161, and 2328 | | | | | |
| 15 | 7-1 | E-1 | | | 1.00 | 13 | Subacute Saratoga | * | $542,795 | ($16,712) | $526,083 | * |
| | 7-1 | E-1 | | | 2.00 | 13 | Children's Recovery Center | * | 263,784 | (9,400) | 254,384 | * |
| | 7-1 | E-1 | | | 1.00 | 33 | Subacute Saratoga | * | 526,083 | 14,883 | 540,966 | * |
| | 7-1 | E-1 | | | 2.00 | 33 | Children's Recovery Center | * | 254,384 | 11,229 | 265,613 | * |
| | | | | | | | To reclassify and adjust the reported pharmacy employee benefits costs to reflect the re-allocation of audited gross revenue statistics and to reflect audit adjustment number number 10. CMS Pub. 15-1, Sections 2150, 2161, and 2328 | | | | | |
| 16 | 7-1 | E-1 | | | 1.00 | 33 | Subacute Saratoga | * | $540,966 | ($42,491) | $498,475 | * |
| | 7-1 | E-1 | | | 2.00 | 33 | Children's Recovery Center | * | 265,613 | 42,491 | 308,104 | * |
| | | | | | | | To reclassify and adjust the reported pharmacy costs to reflect the re-allocation of audited gross revenue statistics. CMS Pub. 15-1, Sections 2150, 2161, and 2328 | | | | | |

*Balance carried forward from prior/to subsequent adjustments

| Provider Name | Fiscal Period | Provider Number | Adjustments |
|---|---|---|---|
| PROGRESSIVE SUBACUTE CARE, INC. | JANUARY 1, 2007 THROUGH DECEMBER 31, 2007 | N/A | 20 |

| Report References | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Cost Report | | | | | | | | |
| Adj. No. | Audit Report | Work Sheet | Part | Title | Line | Col. | Explanation of Audit Adjustments | | As Reported | Increase (Decrease) | As Adjusted | |
| | | | | | | | ADJUSTMENTS TO REPORTED DIRECT NONCAPITAL COSTS | | | | | |
| 17 | 7-1 | E-1 | | | 1.00 | 33 | Subacute Saratoga | * | $498,475 | $2,124 | $500,599 | * |
| | 7-1 | E-1 | | | 2.00 | 33 | Children's Recovery Center | * | 308,104 | 1,603 | 309,707 | * |
| | 7-1 | E-1 | | | 34.00 | 33 | Total Noncapital Costs | | 818,851 | 3,727 | 822,578 | * |
| | | | | | | | To include Pharmacy PTO paid and employee benefits in conjunction conjunction with adjustment number 11. CMS Pub. 15-1, Sections 2150, 2300, and 2304 | | | | | |
| 18 | 7-1 | E-1 | | | 1.00 | 28 | Subacute Saratoga | * | $500,599 | ($8,178) | $492,421 | * |
| | 7-1 | E-1 | | | 34.00 | 28 | Total Noncapital Costs | * | 822,578 | (8,178) | 814,400 | * |
| 19 | 7-1 | E-1 | | | 1.00 | 33 | Subacute Saratoga | * | $492,421 | $838 | $493,259 | |
| | 7-1 | E-1 | | | 2.00 | 33 | Children's Recovery Center | * | 309,707 | 632 | 310,339 | |
| | 7-1 | E-1 | | | 34.00 | 33 | Total Noncapital Costs | * | 814,400 | 1,470 | 815,870 | |
| | | | | | | | To adjust the direct allocation of general liability insurance costs to the appropriate facilities, in conjunction with adjustment number 9. CMS Pub. 15-1, Sections 2150, 2161, and 2304 | | | | | |

*Balance carried forward from prior/to subsequent adjustments

| Provider Name | Fiscal Period | Provider Number | Adjustments |
|---|---|---|---|
| PROGRESSIVE SUBACUTE CARE, INC. | JANUARY 1, 2007 THROUGH DECEMBER 31, 2007 | N/A | 20 |

| Report References | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Cost Report | | | | | | | | |
| Adj. No. | Audit Report | Work Sheet | Part | Title | Line | Col. | Explanation of Audit Adjustments | As Reported | Increase (Decrease) | As Adjusted |
| | | | | | | | ADJUSTMENT TO REPORTED STATISTICS | | | |
| 20 | 4 | G | | | 1.00 | 1 | Subacute Saratoga (Total Operating Costs) | 8,426,773 | (891,338) | 7,535,435 |
| | 4 | G | | | 2.00 | 1 | Children's Recovery Center | 5,425,424 | 2,389 | 5,427,813 |
| | 4 | G | | | 19.00 | 1 | Scribbles and Giggles | 914,891 | 41,541 | 956,432 |
| | 4 | G | | | 34.00 | 1 | Total - Operating Costs | 14,767,088 | (847,408) | 13,919,680 |
| | | | | | | | To adjust report allocation statistics to agree with the provider's financial records. | | | |
| | | | | | | | CMS Pub. 15-1, Sections 2300 and 2304 | | | |