

**REPORT  
ON THE  
RATE SETTING AUDIT**

**HILL HOUSE – ORANGE COUNTY  
ANAHEIM, CALIFORNIA  
PROVIDER NUMBER: LTC60847F  
NPI: 1932235942**

**FISCAL PERIOD ENDED  
DECEMBER 31, 2008**

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

**Section Chief: Julio M. Cueto  
Audit Supervisor: Virat Shah  
Auditor: Emmanuel Ypil**



DAVID MAXWELL-JOLLY  
Director

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



ARNOLD SCHWARZENEGGER  
Governor

February 26, 2010

Board of Directors  
ResCare, Incorporated  
9901 Linn Station Road  
Louisville, KY 40223-3808

PROVIDER: HILL HOUSE – ORANGE COUNTY  
PROVIDER NO. LTC60847F  
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We have examined the facility's financial records/Medi-Cal Cost Report for the above-referenced fiscal period. 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 accompanying audit report schedules represent a proper determination of the allowable costs and patient days for the above fiscal period in accordance with Medi-Cal reimbursement principles. The results of our examination are as follows:

<u>COST AND COST PER DAY</u>		<u>COST</u>	<u>COST PER DAY</u>
Reported Cost/Cost Per Day	\$	372,627	\$ 169.68
Net Audit Adjustment		(1,501)	(0.68)
Audited Cost/Cost Per Day	\$	<u>371,126</u>	\$ <u>169.00</u>

This audit report includes the:

1. Audit Report Schedules 1 through 2
2. Audit Adjustments Schedule
3. Audited Allocation of Home Office Cost

Future Medi-Cal long-term care prospective rates may be affected by this examination. The extent to which the rates change will be determined by the Department's Rate Development Branch.

Notwithstanding this audit report, overpayments to the provider are subject to recovery pursuant to Section 51458.1, Article 6 of Division 3, Title 22, California Code of Regulations.

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 95814-2825  
(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 95899-7413

**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.

Board of Directors  
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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: Steven B. Mowery  
Vice President of Reimbursement

**SUMMARY OF AUDITED FACILITY CENSUS  
AND AUDITED CLIENT COST PER DAY**

**Provider:**  
HILL HOUSE - ORANGE COUNTY

**Fiscal Period:**  
JANUARY 1, 2008 THROUGH DECEMBER 31, 2008

**Provider Number:**  
LTC60847F

**Provider NPI:**  
1932235942

<b>SUMMARY OF AUDITED FACILITY CENSUS AND AUDITED CLIENT COST PER DAY</b>	<b>AS REPORTED</b>	<b>AS AUDITED</b>
1. Medi-Cal Client Days (Adj )	2,196	2,196
2. Other Client Days (Adj )		0
3. Total Client Days	<u>2,196</u>	<u>2,196</u>
4. Total Client Care Expenses (From Sch. 2)	\$ <u>372,627</u>	\$ <u>371,126</u>
5. AVERAGE CLIENT COST PER DAY (Line 4 / Line 3)	\$ <u>169.68</u>	\$ <u>169.00</u>
<b>SHARE OF COST</b>		
1. Share of Cost Audit Adjustment (Adj )	\$ <u>NA</u>	\$ <u>0</u>
<b>OVERPAYMENTS</b>		
1. Duplicate Payments (Adj )	\$ _____	\$ _____
2. Credit Balances (Adj )	\$ _____	\$ _____
3. Total Overpayments	\$ <u>0</u>	\$ <u>0</u>

## SUMMARY OF AUDITED FACILITY EXPENSES

Provider:  
HILL HOUSE - ORANGE COUNTY

Fiscal Period:  
JANUARY 1, 2008 THROUGH DECEMBER 31, 2008

Provider Number:  
LTC60847F

Provider NPI:  
1932235942

Line No.	DESCRIPTION	ADJ NO.	AS REPORTED	AUDIT ADJUSTMENT	AS AUDITED
	<b>EXPENSES: CLIENT SERVICES</b>				
	<b>Basic Facility Cost - Property Expenses</b>				
045	Depreciation and Amortization		\$ 16,220	\$	\$ 16,220
050	Leases and Rentals		2,420		2,420
055	Real Property Taxes	4	3,878	(15)	3,863
060	Personal Property Taxes		318		318
065	Mortgage Interest				0
070	Property Insurance		1,371		1,371
075	TOTAL PROPERTY EXPENSES (Lines 045 through 070)		\$ 24,207	\$ (15)	\$ 24,192
	<b>Basic Facility Cost - General Home Expenses</b>				
080	Home Operations and Maintenance		\$ 3,992	\$	\$ 3,992
085	Utilities		4,406		4,406
090	Client Transportation		6,447		6,447
095	Dietary	1,2	16,059	(5)	16,054
100	Personal Care and Laundry	1,2,3,5	6,314	(112)	6,202
105	TOTAL GENERAL HOME EXPENSES (Lines 080 through 100)		\$ 37,218	\$ (117)	\$ 37,101
110	TOTAL BASIC FACILITY COST (Lines 075 plus 105)		\$ 61,425	\$ (132)	\$ 61,293
	<b>EXPENSES: DIRECT CARE STAFF COSTS</b>				
115	QMRP Salaries		\$ 12,779	\$	\$ 12,779
120	QMRP Fringe Benefits		4,876		4,876
125	Lead Salaries		22,801		22,801
130	Lead Fringe Benefits		8,372		8,372
135	Aides Salaries		117,146		117,146
140	Aides Fringe Benefits		38,630		38,630
145	Other Salaries		8,432		8,432
150	Other Fringe Benefits		3,683		3,683
155	TOTAL DIRECT CARE STAFF COSTS (Lines 115 through 150)		\$ 216,719	\$ 0	\$ 216,719

## SUMMARY OF AUDITED FACILITY EXPENSES

Provider:  
HILL HOUSE - ORANGE COUNTY

Fiscal Period:  
JANUARY 1, 2008 THROUGH DECEMBER 31, 2008

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Line No.	DESCRIPTION	ADJ NO.	AS REPORTED	AUDIT ADJUSTMENT	AS AUDITED
	<b>EXPENSES: CONSULTANT COSTS</b>				
160	Dietician Consultant		\$ 352	\$	\$ 352
165	Speech Pathology Consultant		1,706		1,706
170	Physical Therapy Consultant		2,160		2,160
175	Occupational Therapy Consultant		2,016		2,016
180	Pharmacist Consultant		340		340
185	Nurse Consultant		11,092		11,092
190	Psychologist Consultant		1,938		1,938
195	Physician Consultant		330		330
200	Recreational Consultant				0
205	Social Service Consultant				0
210	Other Consultant				0
215	TOTAL CONSULTANT COST (Lines 160 through 210)		\$ 19,934	\$ 0	\$ 19,934
	<b>EXPENSES: ADMINISTRATIVE COSTS</b>				
220	Administrative Salaries		\$ 15,522	\$	\$ 15,522
225	Administrative Fringe Benefits		4,947		4,947
226	Quality Assurance Fees		21,637		21,637
230	Other Administrative and General	3,6,7	32,443	(1,369)	31,074
235	TOTAL ADMINISTRATIVE COST (Lines 220 through 230)		\$ 74,549	\$ (1,369)	\$ 73,180
	TOTAL COSTS RELATED TO CLIENT CARE (Lines 110, 155, 215 and 235)		\$ 372,627	\$ (1,501)	\$ 371,126
	<b>NON-CLIENT CARE EXPENSES</b>		(To Sch. 1)		(To Sch. 1)
240	Non-Program Services		\$	\$	\$ 0
245	TOTAL FACILITY EXPENSES (Lines 110, 155, 215, 235 and 240)		\$ 372,627	\$ (1,501)	\$ 371,126

Department of Health Care Services

Provider Name		Fiscal Period				Provider Number		Adjustments	
HILL HOUSE - ORANGE COUNTY		JANUARY 1, 2008 THROUGH DECEMBER 31, 2008				LTC60847F		7	
Adj. No.	MC530 Page or Exhibit	Report References		Audit Report		As Reported	Increase (Decrease)	As Adjusted	
		Line	Col.	Sch	Line				
<b>RECLASSIFICATIONS OF REPORTED COSTS</b>									
1	4	95	4	2	95.00	Dietary	\$16,059	(\$34)	\$16,025 *
	4	100	4	2	100.00	Personal Care and Laundry	6,314	34	6,348 *
To reclassify Dietary expense to the appropriate cost center. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300, 2302.4, 2302.8, and 2304									
2	4	95	4	2	95.00	Dietary	\$16,025	\$29	\$16,054 *
	4	100	4	2	100.00	Personal Care and Laundry	6,348	(29)	6,319 *
To reclassify Dietary expense to the appropriate cost center. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300, 2302.4, 2302.8, and 2304									
3	4	100	4	2	100.00	Personal Care and Laundry	\$6,319	(\$12)	\$6,307 *
	4.1	230	4	2	230.00	Other General and Administrative	32,443	12	32,455 *
To reclassify Personal Care and Laundry expense to the appropriate cost center. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300, 2302.4, 2302.8, and 2304									

\*Balance carried forward from prior/to subsequent adjustments

Department of Health Care Services

Provider Name		Fiscal Period		Provider Number		Adjustments		
HILL HOUSE - ORANGE COUNTY		JANUARY 1, 2008 THROUGH DECEMBER 31, 2008		LTC60847F		7		
Adj. No.	MC530 Page or Exhibit	Report References		Sch	Line	As Reported	Increase (Decrease)	As Adjusted
		Line	Col.					
<b>ADJUSTMENTS TO REPORTED COSTS</b>								
4	4	55	4	2	55.00	\$3,878	(\$15)	\$3,863
Real Property Taxes To reflect the proper accrual of real property taxes applicable to the audit period. 42 CFR 413.5 and 413.24 CMS Pub. 15-1, Sections 2300 and 2302.1								
5	4	100	4	2	100.00	\$6,307	(\$105)	\$6,202
Personal Care and Laundry To eliminate Pizza Hut, El Pollo Loco, and Hong Kong Express fast food restaurant expenses not related to patient care and due to insufficient documentation. 42 CFR 413.9(c)(3), 413.20, and 413.24 CMS Pub. 15-1, Sections 2102.3, 2300, and 2304								
6	4.1	230	4	2	230.00	\$32,455	(\$107)	
Other General and Administrative To eliminate political contributions not related to patient care. 42 CFR 413.9(c)(3) CMS Pub. 15-1, Sections 2102.2, 2104, and 2139								
7							(1,274)	\$31,074
To adjust reported home office costs to agree with the ResCare, Inc. audited Home Office Cost Report for the fiscal period ended December 31, 2008. 42 CFR 413.17 and 413.24 CMS Pub. 15-1, Sections 2150.2 and 2304								

\*Balance carried forward from prior/to subsequent adjustments