REPORT
ON THE
RATE SETTING AUDIT

NEW HORIZONS "B"
EXETER, CALIFORNIA
PROVIDER NUMBER: LTC80120G
NPI NUMBER: 1497883359

FISCAL PERIOD ENDED
DECEMBER 31, 2008

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

Section Chief: Michael Harrold
Audit Supervisor: Kathy Atkins
Auditor: Craig Brandon

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

DAVID MAXWELL-JOLLY
Director

ARNOLD SCHWARZENEGGER
Governor

January 27, 2010

Bill and Dee Morgan, Owners
New Horizons
P. O. Box 192
Exeter, CA 93221

PROVIDER: NEW HORIZONS "B"
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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:

COST AND COST PER DAY	COST	COST PER DAY
Reported Cost/Cost Per Day	$ 321,676	$ 176.55
Net Audit Adjustment	(63,340)	(48.22)
Audited Cost/Cost Per Day	$ 258,336	$ 128.33

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.

If you have questions regarding this report, you may call the Audits Section—Fresno at (559) 446-2458.

Original Signed by

Michael A. Harrold, Chief
Audits Section—Fresno
Financial Audits Branch

Certified

SUMMARY OF AUDITED FACILITY CENSUS AND AUDITED CLIENT COST PER DAY

Provider: NEW HORIZONS "B"

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

Provider Number: LTC80120G

Provider NPI: 1497883359

SUMMARY OF AUDITED FACILITY CENSUS AND AUDITED CLIENT COST PER DAY	AS REPORTED	AS AUDITED
1. Medi-Cal Client Days (Adj 10)	1,822	2,013
2. Other Client Days (Adj)		0
3. Total Client Days	1,822	2,013
4. Total Client Care Expenses (From Sch. 2)	$ 321,676	$ 258,336
5. AVERAGE CLIENT COST PER DAY (Line 4 / Line 3)	$ 176.55	$ 128.33
SHARE OF COST		
1. Share of Cost Audit Adjustment (Adj)	$ NA	$ 0
OVERPAYMENTS		
1. Duplicate Payments (Adj)	$	$ 0
2. Credit Balances (Adj)	$	$ 0
3. Total Overpayments	$ 0	$ 0

SUMMARY OF AUDITED FACILITY EXPENSES

Provider:
NEW HORIZONS "B"

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

Provider Number:
LTC80120G

Provider NPI:
1497883359

Line No.	DESCRIPTION	ADJ NO.	AS REPORTED	AUDIT ADJUSTMENT	AS AUDITED
	EXPENSES: CLIENT SERVICES				
	Basic Facility Cost - Property Expenses				
045	Depreciation and Amortization	4-5	$ 5,271	$ (2,488)	$ 2,783
050	Leases and Rentals				0
055	Real Property Taxes		1,455		1,455
060	Personal Property Taxes				0
065	Mortgage Interest		4,720		4,720
070	Property Insurance				0
075	TOTAL PROPERTY EXPENSES (Lines 045 through 070)		$ 11,446	$ (2,488)	$ 8,958
	Basic Facility Cost - General Home Expenses				
080	Home Operations and Maintenance		$ 8,305	$	$ 8,305
085	Utilities		7,431		7,431
090	Client Transportation				0
095	Dietary		10,442		10,442
100	Personal Care and Laundry	7-8	15,490	(5,096)	10,394
105	TOTAL GENERAL HOME EXPENSES (Lines 080 through 100)		$ 41,668	$ (5,096)	$ 36,572
110	TOTAL BASIC FACILITY COST (Lines 075 plus 105)		$ 53,114	$ (7,584)	$ 45,530
	EXPENSES: DIRECT CARE STAFF COSTS				
115	QMRP Salaries		$ 27,650	$	$ 27,650
120	QMRP Fringe Benefits				0
125	Lead Salaries		41,976		41,976
130	Lead Fringe Benefits				0
135	Aides Salaries		97,945		97,945
140	Aides Fringe Benefits				0
145	Other Salaries				0
150	Other Fringe Benefits		90		90
155	TOTAL DIRECT CARE STAFF COSTS (Lines 115 through 150)		$ 167,661	$ 0	$ 167,661

SUMMARY OF AUDITED FACILITY EXPENSES

Provider: NEW HORIZONS "B"

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Provider Number: LTC80120G

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Line No.	DESCRIPTION	ADJ NO.	AS REPORTED	AUDIT ADJUSTMENT	AS AUDITED
	EXPENSES: CONSULTANT COSTS				
160	Dietician Consultant		$ 1,170	$	$ 1,170
165	Speech Pathology Consultant		1,050		1,050
170	Physical Therapy Consultant		210		210
175	Occupational Therapy Consultant		50		50
180	Pharmacist Consultant		770		770
185	Nurse Consultant				0
190	Psychologist Consultant	6	1,250	(850)	400
195	Physician Consultant	9	113	(113)	0
200	Recreational Consultant				0
205	Social Service Consultant				0
210	Other Consultant		985		985
215	TOTAL CONSULTANT COST (Lines 160 through 210)		$ 5,598	$ (963)	$ 4,635
	EXPENSES: ADMINISTRATIVE COSTS				
220	Administrative Salaries		$	$	$ 0
225	Administrative Fringe Benefits				0
226	Quality Assurance Fees		11,116		11,116
230	Other Administrative and General	1-3	84,187	(54,793)	29,394
235	TOTAL ADMINISTRATIVE COST (Lines 220 through 230)		$ 95,303	$ (54,793)	$ 40,510
	TOTAL COSTS RELATED TO CLIENT CARE (Lines 110, 155, 215 and 235)		$ 321,676	$ (63,340)	$ 258,336
			(To Sch. 1)		(To Sch. 1)
	NON-CLIENT CARE EXPENSES				
240	Non-Program Services		$	$	$ 0
245	TOTAL FACILITY EXPENSES (Lines 110, 155, 215, 235 and 240)		$ 321,676	$ (63,340)	$ 258,336

Provider Name	Fiscal Period	Provider Number	Adjustments
NEW HORIZONS "B"	JANUARY 1, 2008 THROUGH DECEMBER 31, 2008	LTC80120G	10

Report References									
	Cost Report			Audit Report					
Adj. No.	DHS 3076 Page or Exhibit	Line	Col.	Sch	Line	Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
						ADJUSTMENTS TO REPORTED COSTS			
	4.1	230	4	2	230.00	Other General and Administrative	$84,187		
1						To reconcile the reported expenses to agree with the provider's general ledger. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304		($236)	
2						To eliminate salaries based on lack of documentation and duplication of services. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304		(7,700)	
3						To adjust reported home office costs to agree with the New Horizons Home Office Audit Report for fiscal period ended 12/31/08. 42 CFR 413.17 and 413.24 CMS Pub. 15-1, Sections 2150.2 and 2304		(46,857) ($54,793)	$29,394
	4	45	4	2	45.00	Depreciation and Amortization	$5,271		
4						To adjust depreciation expense due to lack of documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304		($2,065)	
5						To adjust depreciation expense to agree with the prior year's audited depreciation expense. 42 CFR 413.24 and 413.134 CMS Pub. 15-1, Sections 102 and 2304		(423) ($2,488)	$2,783
6	4.1	190	4	2	190.00	Psychologist Consultant To eliminate psychologist services not included in the rate. CCR, Title 22, Section 51510.3(b)(2)	$1,250	($850)	$400

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NEW HORIZONS "B"	JANUARY 1, 2008 THROUGH DECEMBER 31, 2008	LTC80120G	10

Report References									
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Adj. No.	DHS 3076 Page or Exhibit	Line	Col.	Sch	Line	Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
						ADJUSTMENTS TO REPORTED COSTS			
	4	100	4	2	100.00	Personal Care and Laundry	$15,490		
7						To eliminate items not included in the rate. CCR, Title 22, Section 51510.3		($1,926)	
8						To eliminate items not included in the rate. 42 CFR 413.24 and 413.134 CMS Pub. 15-1, Sections 102 and 2304		(3,170) ($5,096)	$10,394
9	4.1	195	4	2	195.00	Physician Consultant To eliminate physician fees that should be billed separately. CCR, Title 22, Section 51510.3	$113	($113)	$0

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NEW HORIZONS "B"	JANUARY 1, 2008 THROUGH DECEMBER 31, 2008	LTC80120G	10

Report References									
	Cost Report			Audit Report					
Adj. No.	DHS 3076 Page or Exhibit	Line	Col.	Sch	Line	Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
						ADJUSTMENT TO REPORTED CLIENT DAYS			
10	2	3	1	1	1.00	Medi-Cal Client Days To adjust Medi-Cal client days to agree with the provider's patient census reports. 42 CFR 413.24 and 413.50 CMS Pub. 15-1, Sections 2205 and 2304	1,822	191	2,013