

**REPORT
ON THE
RATE SETTING AUDIT**

**RCN PEDIATRIC CARE III
LA PUENTE, CALIFORNIA
PROVIDER NUMBER: LTC80344F**

**FISCAL PERIOD ENDED
DECEMBER 31, 2008**

**Audits Section – Santa Ana
Financial Audits Branch
Audits and Investigations
Department of Health Care Services**

**Section Chief: Margaret A. Varho
Audit Supervisor: Lan Nguyen
Auditor: Joenil De Mesa and Ted Ha**



DAVID MAXWELL-JOLLY
Director

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



ARNOLD SCHWARZENEGGER
Governor

December 17, 2009

Romulo Narne, Controller
RCN Pediatric Care III
1429 Greenberry Drive
La Puente, CA 91744

PROVIDER: RCN PEDIATRIC CARE III
PROVIDER NO. LTC80344F
FISCAL PERIOD ENDED DECEMBER 31, 2008

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	\$	455,863	\$ 220.33
Net Audit Adjustment		<u>(59,818)</u>	<u>(28.91)</u>
Audited Cost/Cost Per Day	\$	<u>396,045</u>	\$ <u>191.42</u>

This audit report includes the:

1. Audit Report Schedules 1 and 2
2. Audit Adjustments Schedule

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—Santa Ana at (714) 558-4434.

(Original Signed by Margaret Varho)

Margaret A. Varho, Chief
Audits Section—Santa Ana
Financial Audits Branch

Certified

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

Provider:
RCN PEDIATRIC CARE III

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

Provider Number:
LTC80344F

Provider NPI:
1922289644

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

	AS REPORTED	AS AUDITED
1. Medi-Cal Client Days (Adj 6)	2,065	2,069
2. Other Client Days (Adj)		0
3. Total Client Days	<u>2,065</u>	<u>2,069</u>
4. Total Client Care Expenses (From Sch. 2)	\$ <u>455,863</u>	\$ <u>396,045</u>
5. AVERAGE CLIENT COST PER DAY (Line 4 / Line 3)	\$ <u>220.76</u>	\$ <u>191.42</u>

SHARE OF COST

1. Share of Cost Audit Adjustment (Adj)	\$ <u>NA</u>	\$ <u>0</u>
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OVERPAYMENTS

1. Duplicate Payments (Adj)	\$ <u>0</u>	\$ <u>0</u>
2. Credit Balances (Adj)	\$ <u>0</u>	\$ <u>0</u>
3. Total Overpayments	\$ <u>0</u>	\$ <u>0</u>

SUMMARY OF AUDITED FACILITY EXPENSES

Provider:
RCN PEDIATRIC CARE III

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

Provider Number:
LTC80344F

Provider NPI:
1922289644

Line No.	DESCRIPTION	ADJ NO.	AS REPORTED	AUDIT ADJUSTMENT	AS AUDITED
	EXPENSES: CLIENT SERVICES				
	Basic Facility Cost - Property Expenses				
045	Depreciation and Amortization		\$ 4,089	\$	\$ 4,089
050	Leases and Rentals		2,841		2,841
055	Real Property Taxes				0
060	Personal Property Taxes				0
065	Mortgage Interest		6,081		6,081
070	Property Insurance		513		513
075	TOTAL PROPERTY EXPENSES (Lines 045 through 070)		\$ 13,524	\$ 0	\$ 13,524
	Basic Facility Cost - General Home Expenses				
080	Home Operations and Maintenance		\$ 1,914	\$	\$ 1,914
085	Utilities		5,978		5,978
090	Client Transportation		19,756		19,756
095	Dietary		7,510		7,510
100	Personal Care and Laundry		2,031		2,031
105	TOTAL GENERAL HOME EXPENSES (Lines 080 through 100)		\$ 37,189	\$ 0	\$ 37,189
110	TOTAL BASIC FACILITY COST (Lines 075 plus 105)		\$ 50,713	\$ 0	\$ 50,713
	EXPENSES: DIRECT CARE STAFF COSTS				
115	QMRP Salaries		\$ 10,880	\$	\$ 10,880
120	QMRP Fringe Benefits				0
125	Lead Salaries				0
130	Lead Fringe Benefits				0
135	Aides Salaries		197,632		197,632
140	Aides Fringe Benefits		39,154		39,154
145	Other Salaries				0
150	Other Fringe Benefits				0
155	TOTAL DIRECT CARE STAFF COSTS (Lines 115 through 150)		\$ 247,666	\$ 0	\$ 247,666

SUMMARY OF AUDITED FACILITY EXPENSES

Provider:
RCN PEDIATRIC CARE III

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

Provider Number:
LTC80344F

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Line No.	DESCRIPTION	ADJ NO.	AS REPORTED	AUDIT ADJUSTMENT	AS AUDITED
	EXPENSES: CONSULTANT COSTS				
160	Dietician Consultant		\$ 1,200	\$	\$ 1,200
165	Speech Pathology Consultant		135		135
170	Physical Therapy Consultant		1,811		1,811
175	Occupational Therapy Consultant		2,670		2,670
180	Pharmacist Consultant		260		260
185	Nurse Consultant		8,293		8,293
190	Psychologist Consultant				0
195	Physician Consultant	5	3,300	(1,800)	1,500
200	Recreational Consultant		1,920		1,920
205	Social Service Consultant				0
210	Other Consultant				0
215	TOTAL CONSULTANT COST (Lines 160 through 210)		\$ 19,589	\$ (1,800)	\$ 17,789
	EXPENSES: ADMINISTRATIVE COSTS				
220	Administrative Salaries	3	\$ 84,800	(42,548)	\$ 42,252
225	Administrative Fringe Benefits				0
226	Quality Assurance Fees		3,000		3,000
230	Other Administrative and General	1,2,4	50,095	(15,470)	34,625
235	TOTAL ADMINISTRATIVE COST (Lines 220 through 230)		\$ 137,895	\$ (58,018)	\$ 79,877
	TOTAL COSTS RELATED TO CLIENT CARE (Lines 110, 155, 215 and 235)		\$ 455,863	\$ (59,818)	\$ 396,045
	NON-CLIENT CARE EXPENSES		(To Sch. 1)		(To Sch. 1)
240	Non-Program Services		\$	\$	\$ 0
245	TOTAL FACILITY EXPENSES (Lines 110, 155, 215, 235 and 240)		\$ 455,863	\$ (59,818)	\$ 396,045

Provider Name		Fiscal Period		Provider Number		Adjustments	
RCN PEDIATRIC CARE III		JANUARY 1, 2008 THROUGH DECEMBER 31, 2008		LTC80344F		6	
Adj. No.	Report References		Line	Sch	Col.	Line	Audit Report
	Cost Report	DHS 3076 Page or Exhibit					
ADJUSTMENTS TO REPORTED COSTS							
1	4.1	230	4	2	230.00	Other General and Administrative To eliminate nonallowable Disney/land expense due to lack of documentation. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304	\$50,095 (\$350) \$49,745 *
2	4.1	230	4	2	230.00	Other General and Administrative To eliminate entertainment expense due to lack of documentation. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304	\$49,745 (\$500) \$49,245 *
3	4.1	220	4	2	220.00	Administrative Salaries To adjust owners' compensations based on provider's documentation. 42 CFR 413.102 CMS Pub. 15-1, Sections 901, 902.3, 904, 1005, 2103 and 2304	\$84,800 (\$42,548) \$42,252
4	4.1	230	4	2	230.00	Other General and Administrative To eliminate legal expense not related to patient care. 42 CFR 413.20 / CMS Pub. 15-1, Section 2102.3	\$49,245 (\$14,620) \$34,625 *
5	4.1	195	4	2	195.00	Physician Consultant To eliminate physician consultant costs that should have been billed separately. 42 CFR 413.5 and 413.9 / CMS Pub. 15-1, Sections 2108.1B and 2304	\$3,300 (\$1,800) \$1,800

*Balance carried forward from prior/to subsequent adjustments

Provider Name		Fiscal Period		Provider Number		Adjustments	
RCN PEDIATRIC CARE III		JANUARY 1, 2008 THROUGH DECEMBER 31, 2008		LTC80344F		6	
Adj. No.	Report References		Audit Report		As Reported	Increase (Decrease)	As Adjusted
	Cost Report	Line	Col.	Sch			
6	2	3	1	1	2,065	4	2,069
<p>1.00 Medi-Cal Patient Days</p> <p>To adjust total patient days to agree with the provider's patient census reports.</p> <p>42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Sections 2300 and 2304</p> <p><u>ADJUSTMENT TO REPORTED PATIENT DAYS</u></p>							