

**REPORT
ON THE
RATE SETTING AUDIT**

**AYER HOUSE
GILROY, CALIFORNIA
PROVIDER NUMBER: LTC80115F AND
NPI NUMBER: 1275700239**

**FISCAL PERIOD ENDED
DECEMBER 31, 2009**

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

**Section Chief: Louise Wong
Audit Supervisor: Marisa Ho
Auditor: Marvin Reynolds**



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



EDMUND G. BROWN JR.
GOVERNOR

January 25, 2011

Dr. Brian Adams, Owner
South Valley Care Homes, Inc.
5810 Obata Way, Suite 1
Gilroy, CA 95020

PROVIDER: AYER HOUSE
PROVIDER NUMBER: LTC80115F
NPI NUMBER: 1275700239
FISCAL PERIOD ENDED DECEMBER 31, 2009

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	\$	407,923	\$ 186.95
Net Audit Adjustment		<u>(40,716)</u>	<u>(18.66)</u>
Audited Cost/Cost Per Day	\$	<u>367,207</u>	\$ <u>168.29</u>

This audit report includes the:

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

Dr. Brian Adams
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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:

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

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

Provider:
AYER HOUSE

Fiscal Period:
JANUARY 1, 2009 THROUGH DECEMBER 31, 2009

Provider Number:
LTC80115F

Provider NPI:
1275700239

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

	AS REPORTED	AS AUDITED
1. Medi-Cal Client Days (Adj)	2,182	2,182
2. Other Client Days (Adj)	0	0
3. Total Client Days	<u>2,182</u>	<u>2,182</u>
4. Total Client Care Expenses (From Sch. 2)	\$ <u>407,923</u>	\$ <u>367,207</u>
AVERAGE CLIENT COST PER DAY (Line 4 / Line 3)	\$ <u>186.95</u>	\$ <u>168.29</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:
AYER HOUSE

Fiscal Period:
JANUARY 1, 2009 THROUGH DECEMBER 31, 2009

Provider Number:
LTC80115F

NPI:
1275700239

Line No.	DESCRIPTION	ADJ NO.	AS REPORTED	AUDIT ADJUSTMENT	AS AUDITED
	EXPENSES: CLIENT SERVICES				
	Basic Facility Cost - Property Expenses				
045	Depreciation and Amortization		\$	\$	\$ 0
050	Leases and Rentals	1, 7	26,168	(22,253)	3,915
055	Real Property Taxes	1, 2	3,817	(681)	3,136
060	Personal Property Taxes	1	155	(51)	104
065	Mortgage Interest	3	0	15,435	15,435
070	Property Insurance	1	4,357	(103)	4,254
075	TOTAL PROPERTY EXPENSES (Lines 045 through 070)		\$ 34,497	\$ (7,653)	\$ 26,844
	Basic Facility Cost - General Home Expenses				
080	Home Operations and Maintenance	1	\$ 13,351	\$ (1,102)	\$ 12,249
085	Utilities	1	21,369	(913)	20,456
090	Client Transportation	1	110	(36)	74
095	Dietary		4,163	0	4,163
100	Personal Care and Laundry	1	11,739	(103)	11,636
105	TOTAL GENERAL HOME EXPENSES (Lines 080 through 100)		\$ 50,732	\$ (2,154)	\$ 48,578
110	TOTAL BASIC FACILITY COST (Lines 075 plus 105)		\$ 85,229	\$ (9,807)	\$ 75,422
	EXPENSES: DIRECT CARE STAFF COSTS				
115	QMRP Salaries	1	\$ 1,881	\$ (616)	\$ 1,265
120	QMRP Fringe Benefits	1	492	(161)	331
125	Lead Salaries	1, 4	62,430	(20,903)	41,527
130	Lead Fringe Benefits	1	9,647	(208)	9,439
135	Aides Salaries	1, 4	128,057	12,724	140,781
140	Aides Fringe Benefits	1	19,653	(323)	19,330
145	Other Salaries				0
150	Other Fringe Benefits				0
155	TOTAL DIRECT CARE STAFF COSTS (Lines 115 through 150)		\$ 222,160	\$ (9,487)	\$ 212,673

SUMMARY OF AUDITED FACILITY EXPENSES

Provider:
AYER HOUSE

Fiscal Period:
JANUARY 1, 2009 THROUGH DECEMBER 31, 2009

Provider Number:
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Line No.	DESCRIPTION	ADJ NO.	AS REPORTED	AUDIT ADJUSTMENT	AS AUDITED
EXPENSES: CONSULTANT COSTS					
160	Dietician Consultant		\$ 795	\$ 0	\$ 795
165	Speech Pathology Consultant				0
170	Physical Therapy Consultant	1	864	(36)	828
175	Occupational Therapy Consultant		2,188	0	2,188
180	Pharmacist Consultant				0
185	Nurse Consultant	1	13,953	(3,797)	10,156
190	Psychologist Consultant	6	1,300	(100)	1,200
195	Physician Consultant				0
200	Recreational Consultant				0
205	Social Service Consultant				0
210	Other Consultant	1	37,873	(12,148)	25,725
215	TOTAL CONSULTANT COST (Lines 160 through 210)		\$ 56,973	\$ (16,081)	\$ 40,892
EXPENSES: ADMINISTRATIVE COSTS					
220	Administrative Salaries	1	\$ 8,015	\$ (2,625)	\$ 5,390
225	Administrative Fringe Benefits	1	2,096	(686)	1,410
226	Quality Assurance Fees		23,338		23,338
230	Other Administrative and General	1, 5	10,111	(2,029)	8,082
235	TOTAL ADMINISTRATIVE COST (Lines 220 through 230) *		\$ 43,561	\$ (5,340)	\$ 38,220
	TOTAL COSTS RELATED TO CLIENT CARE (Lines 110, 155, 215 and 235) *		\$ 407,923	\$ (40,715)	\$ 367,207
			(To Sch. 1)		(To Sch. 1)
NON-CLIENT CARE EXPENSES					
240	Non-Program Services		\$ 0	\$ 0	\$ 0
245	TOTAL FACILITY EXPENSES (Lines 110, 155, 215, 235 and 240)*		\$ 407,923	\$ (40,715)	\$ 367,207

* As reported number does not foot due to \$1 rounding.

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Provider Name		Fiscal Period		Provider Number		Adjustments				
AYER HOUSE		JANUARY 1, 2009 THROUGH DECEMBER 31, 2009		LTC80115F		7				
Adj. No.	DHS 3076 Page or Exhibit	Report References		Line	Sch.	Col.	Col.	As Reported	Increase (Decrease)	As Adjusted
		Cost Report	Audit Report							
ADJUSTMENTS TO REPORTED COSTS										
1	4 of 6	050	4	2	2	50	3	\$26,168	(\$1,906)	\$24,262 *
	4 of 6	055	4	2	2	55	3	3,817	(251)	3,566 *
	4 of 6	060	4	2	2	60	3	155	(51)	104
	4 of 6	070	4	2	2	70	3	4,357	(103)	4,254
	4 of 6	080	4	2	2	80	3	13,351	(1,102)	12,249
	4 of 6	085	4	2	2	85	3	21,369	(913)	20,456
	4 of 6	090	4	2	2	90	3	110	(36)	74
	4 of 6	100	4	2	2	100	3	11,739	(103)	11,636
	4.1 of 6	115	4	2	2	115	3	1,881	(616)	1,265
	4.1 of 6	120	4	2	2	120	3	492	(161)	331
	4.1 of 6	125	4	2	2	125	3	62,430	(793)	61,637 *
	4.1 of 6	130	4	2	2	130	3	9,647	(208)	9,439
	4.1 of 6	135	4	2	2	135	3	128,057	(1,234)	126,823 *
	4.1 of 6	140	4	2	2	140	3	19,653	(323)	19,330
	4.1 of 6	170	4	2	2	170	3	864	(36)	828
	4.1 of 6	185	4	2	2	185	3	13,953	(3,797)	10,156
	4.1 of 6	210	4	2	2	210	3	37,873	(12,148)	25,725
	4.1 of 6	220	4	2	2	220	3	8,015	(2,625)	5,390
	4.1 of 6	225	4	2	2	225	3	2,096	(686)	1,410
	4.1 of 6	230	4	2	2	230	3	10,111	(1,213)	8,898 *
2	4 of 6	055	4	2	2	55	3	\$3,566	(\$430)	\$3,136
To adjust allocated home office costs based on the various participating homes census records performed by the Gilroy Administration. CMS Pub. 15-1, Sections 2205, 2300, 2304, 2306, and 2306.1										
3	4 of 6	065	4	2	2	65	3	\$0	\$15,435	\$15,435
To include mortgage interest expense in lieu of lease payments in conjunction with audit adjustment number 7. CMS Pub. 15-1, Sections 202.1, 202.2, 2300, and 2304										

*Balance carried forward from prior/to subsequent adjustments

Provider Name		Fiscal Period		Provider Number		Adjustments				
AYER HOUSE		JANUARY 1, 2009 THROUGH DECEMBER 31, 2009		LTC80115F		7				
Adj. No.	DHS 3076 Page or Exhibit	Report References		Audit Report		As Reported	Increase (Decrease)	As Adjusted		
		Line	Col.	Line	Col.					
ADJUSTMENTS TO REPORTED COSTS										
4	4.1 of 6	125	4	2	125	3	Lead Salaries	\$61,637	(\$20,110)	\$41,527
	4.1 of 6	135	4	2	135	3	Aides Salaries To adjust salaries to agree with provider Payroll Register. CMS Pub. 15-1, Sections 2300 and 2304	126,823	13,958	140,781
5	4.1 of 6	230	4	2	230	3	Other Administrative and General To eliminate penalties and late charges not related to patient care. CMS Pub. 15-1, Sections 2102.3 and 2122.1	\$8,898	(\$816)	\$8,082
6	4.1 of 6	190	4	2	190	3	Psychologist Consultant To adjust psychologist consultant costs to agree with provider records. CMS Pub. 15-1, Sections 2300 and 2304	\$1,300	(\$100)	\$1,200
7	4 of 6	050	4	2	50	3	Leases and Rentals To disallow mortgage interest expense, which also included principle payments, erroneously included as Leases and Rentals in conjunction with audit adjustment number 3. CMS Pub. 15-1, Sections 2300 and 2304	\$24,262	(\$20,347)	\$3,915

*Balance carried forward from prior/to subsequent adjustments