

**REPORT
ON THE
FEDERALLY QUALIFIED HEALTH CENTER
RATE SETTING AUDIT**

**BEACH FLATS HEALTH CENTER
SANTA CRUZ, CALIFORNIA
NATIONAL PROVIDER IDENTIFIER: 1356540587**

**FISCAL PERIOD ENDED
JUNE 30, 2008**

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

**Section Chief: Louise Wong
Audit Supervisor: Marisa Ho
Auditor: Ken Phelan**



TOBY DOUGLAS
Director

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



EDMUND G. BROWN JR
Governor

July 30, 2012

Dr. Zettie D. Page, III
Chief Executive Officer
Salud Para La Gente, Inc.
195 Aviation Way, Suite 200
Watsonville, CA 95076

BEACH FLATS HEALTH CENTER
NATIONAL PROVIDER IDENTIFIER (NPI) 1356540587
FISCAL PERIOD ENDED JUNE 30, 2008

We have examined the Clinic's Federally Qualified Health Center (FQHC) 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.

The prospective payment system (PPS) rate as presented in Schedule 1 represents a proper determination in accordance with the reimbursement principles of the program.

The rates and effective dates are as follows:

<u>PPS Rate</u>	<u>Effective Dates</u>
\$122.90	May 18, 2007 through September 30, 2008

In addition, your rate will be increased to \$125.12 effective October 1, 2008; \$127.12 effective October 1, 2009; \$128.64 effective October 1, 2010; and \$129.16 effective October 1, 2011; to reflect the MEI increase of 1.8%, 1.6%, 1.2% and 0.4% respectively.

We have instructed the Payment Systems Division to adjust your interim Managed Care rate (Code 18) to \$48.71 and your interim Medi-Cal Crossover rate (Code 02) to \$25.83, effective September 1, 2012.

This Audit Report includes the:

1. Determination of FQHC Rate (Schedule 1) and supporting schedules
2. Audit Adjustments

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
Office of Administrative Appeals and Hearings
1029 J Street, Suite 200
MS 0017
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:

<u>United States Postal Service (USPS)</u>	<u>Courier (UPS, FedEx, etc.)</u>
Assistant Chief Counsel	Assistant Chief Counsel
Department of Health Care Services	Department of Health Care Services
Office of Legal Services	Office of Legal Services
MS 0010	MS 0010
P.O. Box 997413	1501 Capitol Avenue, Suite 71.5001
Sacramento, CA 95899-7413	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—Richmond at (510) 620-3100.

Original Signed by

Louise Wong, Chief
Audits Section—Richmond
Financial Audits Branch

Certified

DETERMINATION OF FEDERALLY QUALIFIED HEALTH CENTER RATE

Provider Name: **Provider NPI:** **Fiscal Period Ended:**
BEACH FLATS HEALTH CENTER **1356540587** **JUNE 30, 2008**

PART A - DETERMINATION OF OVERHEAD APPLICABLE TO FQHC SERVICES	REPORTED	AUDITED
1. Cost of FQHC Services Excluding Overhead (Sch 2, L 29)	\$ 382,953	\$ 330,575
2. Nonreimbursable FQHC Costs Excluding Overhead (Sch 2, L 57)	12,038	11,729
3. Cost of All Services Excluding Overhead (L A1 + L A2)	\$ 394,991	\$ 342,304
4. Percentage of Nonreimbursable FQHC Costs (L A2 / L A3)	0.030477	0.034265
5. Total Overhead (Sch 2, L 53)	\$ 179,108	\$ 172,467
6. Overhead Applicable to Nonreimbursable FQHC Costs (L A4 * L A5)	5,459	5,910
7. Overhead Applicable to FQHC Services (L A5 - L A6)	173,650	166,557
8. Total Cost of FQHC Services (L A1 + L A7)	\$ 556,603	\$ 497,132
PART B - DETERMINATION OF FQHC RATE		
1. Total FQHC Costs (L A8)	\$ 556,603	\$ 497,132
2. Total FQHC Visits (Adj No. 8)	4,020	4,045
3. Total FQHC Nonreimbursable Services Visits	0	0
4. Total FQHC Adjusted Visits (L B2 - L B3)	4,020	4,045
5. FQHC Rate Per Visit (L B1 / L B4)	\$ 138.46	\$ 122.90

SCHEDULE OF TRIAL BALANCE EXPENSE

Provider Name:

Provider NPI:

Fiscal Period Ended:

BEACH FLATS HEALTH CENTER

1356540587

JUNE 30, 2008

Cost Center

	REPORTED	ADJUSTMENTS (From Sch 2A)	AUDITED
FQHC Health Care Cost			
1. Physician	\$182,759	(\$74,926)	\$107,833
2. Physician Assistant	18,288	24,710	42,998
3. Nurse Practitioner	0	0	0
4. Other Nurse	0	0	0
5. Laboratory Technician	0	0	0
6. Education and Outreach	0	0	0
7. Case Management	0	0	0
8. Other Medical	0	0	0
9. Medical Records	0	0	0
10. Support Staff	102,379	(605)	101,774
11. Mental Health	0	0	0
12. Other - Payroll Taxes	57,735	161	57,896
13. Subtotal - FQHC Health Care Costs	\$361,161	(\$50,660)	\$310,501
14. Physician Services Under Agreement	\$0	\$0	\$0
15. Physician Supervision	0	0	0
16. Medical Consultants	136	0	136
17. Other Health Care Costs			
18. Pharmacy	0	0	0
19. Dental	11,190	0	11,190
20. Optometry	0	0	0
21. Medical Supplies	1,463	0	1,463
22. Depreciation - Medical Equipment	0	0	0
23. Professional Liability Insurance	2,054	0	2,054
24. Home Office Direct Costs	4,395	836	5,231
25. Laboratory	2,554	(2,554)	0
26. Radiology	0	0	0
27. Minor Medical Equipment and Rentals / CME	0	0	0
28. Subtotal - Other Health Care Costs	\$21,656	(\$1,718)	\$19,938
29. Total Cost of FQHC Services (Sum of Lines 13, 14, 15, 16 and 28)	\$382,953	(\$52,378)	\$330,575
FQHC Overhead - Facility Cost			
30. Rent	\$15,752	(\$5,728)	\$10,024
31. Insurance	2,001	0	2,001
32. Interest Expense	0	0	0
33. Utilities	5,470	(2,211)	3,259
34. Depreciation - Building	0	0	0
35. Depreciation - Equipment	19,410	0	19,410
36. Housekeeping and Maintenance	7,971	(1,677)	6,294
37. Property Tax	0	0	0
38. Minor Equipment	0	0	0
39. Home Office Pool Costs	14,111	(5,160)	8,951
40. Leases and Rentals - Equipment	1,134	(1,134)	0
41. Subtotal - Facility Costs (Lines 30-40)	\$65,849	(\$15,910)	\$49,939
FQHC Overhead - Administrative Cost			
42. Office Salaries	\$0	\$0	\$0
43. Depreciation - Office Equipment	0	0	0
44. Office Supplies	2,221	(223)	1,998
45. Legal	0	0	0
46. Accounting	0	0	0
47. Insurance (Specify)	0	0	0
48. Telephone	9,112	(2,846)	6,266
49. Fringe Benefits and Payroll Taxes	0	0	0
50. Home Office Pool Costs	95,767	11,139	106,906
51. Other - Miscellaneous	6,159	1,199	7,358
52. Subtotal - Administrative Costs (Lines 42-51)	\$113,259	\$9,269	\$122,528
53. Total Cost Subject To Allocation (Sum of Lines 41 and 52)	\$179,108	(\$6,641)	\$172,467
54. Nonreimbursable Costs (Specify)			
55. Outreach and Social Workers	\$0	\$0	\$0
56. Outreach and Social Workers	12,038	(309)	11,729
57. Subtotal Nonreimbursable Costs	0	0	0
58. Total FQHC Costs (Sum of Lines 29, 53, and 57)	\$12,038	(\$309)	\$11,729
58. Total FQHC Costs (Sum of Lines 29, 53, and 57)	\$574,100	(\$59,328)	\$514,771

ADJUSTMENTS TO REPORTED COSTS

Provider Name:

Provider NPI:

Fiscal Period Ended:

BEACH FLATS HEALTH CENTER

1356540587

JUNE 30, 2008

Cost Center	Total	Adjustment (No. 1)	Adjustment (No. 2)	Adjustment (No. 3)	Adjustment (No. 4)	Adjustment (No. 5)	Adjustment (No. 6)
FQHC Health Care Cost							
1. Physician	(74,926)	(43,306)	(31,620)				
2. Physician Assistant	24,710	24,710					
3. Nurse Practitioner	0						
4. Other Nurse	0						
5. Laboratory Technician	0						
6. Education and Outreach	0						
7. Case Management	0						
8. Other Medical	0						
9. Medical Records	0						
10. Support Staff	(605)	(605)					
11. Mental Health	0						
12. Other - Payroll Taxes	161			(1,893)	2,054		
13. Subtotal - FQHC Health Care Costs	(50,660)	(19,201)	(31,620)	(1,893)	2,054	0	0
14. Physician Services Under Agreement	0						
15. Physician Supervision	0						
16. Medical Consultants	0						
17. Other Health Care Costs							
18. Pharmacy	0						
19. Dental	0						
20. Optometry	0						
21. Medical Supplies	0						
22. Depreciation - Medical Equipment	0						
23. Professional Liability Insurance	0						
24. Home Office Direct Costs	836					836	
25. Laboratory	(2,554)						(2,554)
26. Radiology	0						
27. Minor Medical Equipment and Rentals / CME	0						
28. Subtotal - Other Health Care Costs	(1,718)	0	0	0	0	836	(2,554)
29. Total Cost of FQHC Services (Sum of Lines 13, 14, 15, 16 and 28)	(52,378)	(19,201)	(31,620)	(1,893)	2,054	836	(2,554)
FQHC Overhead - Facility Cost							
30. Rent	(5,728)						
31. Insurance	0						
32. Interest Expense	0						
33. Utilities	(2,211)						
34. Depreciation - Building	0						
35. Depreciation - Equipment	0						
36. Housekeeping and Maintenance	(1,677)				(921)		
37. Property Tax	0						
38. Minor Equipment	0						
39. Home Office Pool Costs	(5,160)					(5,160)	
40. Leases and Rentals - Equipment	(1,134)				(1,134)		
41. Subtotal - Facility Costs (Lines 30-40)	(15,910)	0	0	0	(2,055)	(5,160)	0
FQHC Overhead - Administrative Cost							
42. Office Salaries	0						
43. Depreciation - Office Equipment	0						
44. Office Supplies	(223)				(223)		
45. Legal	0						
46. Accounting	0						
47. Insurance (Specify)	0						
48. Telephone	(2,846)						
49. Fringe Benefits and Payroll Taxes	0						
50. Home Office Pool Costs	11,139					11,139	
51. Other - Miscellaneous	1,199				2,278		
52. Subtotal - Administrative Costs (Lines 42-51)	9,269	0	0	0	2,055	11,139	0
53. Total Cost Subject To Allocation (Sum of Lines 41 and 52)	(6,641)	0	0	0	0	5,979	0
54. Nonreimbursable Costs (Specify)	0						
55. Outreach and Social Workers	(309)					(309)	
56.	0						
57. Subtotal Nonreimbursable Costs	(309)	0	0	0	0	(309)	0
58. Total FQHC Costs (Sum of Lines 29, 53, and 57)	(59,328)	(19,201)	(31,620)	(1,893)	2,054	6,506	(2,554)

ADJUSTMENTS TO REPORTED COSTS

Provider Name:

Provider NPI:

Fiscal Period Ended:

BEACH FLATS HEALTH CENTER

1356540587

JUNE 30, 2008

Cost Center	Adjustment (No. 7)	Adjustment	Adjustment	Adjustment	Adjustment	Adjustment	Adjustment
FQHC Health Care Cost							
1. Physician							
2. Physician Assistant							
3. Nurse Practitioner							
4. Other Nurse							
5. Laboratory Technician							
6. Education and Outreach							
7. Case Management							
8. Other Medical							
9. Medical Records							
10. Support Staff							
11. Mental Health							
12. Other - Payroll Taxes							
13. Subtotal - FQHC Health Care Costs	0	0	0	0	0	0	0
14. Physician Services Under Agreement							
15. Physician Supervision							
16. Medical Consultants							
17. Other Health Care Costs							
18. Pharmacy							
19. Dental							
20. Optometry							
21. Medical Supplies							
22. Depreciation - Medical Equipment							
23. Professional Liability Insurance							
24. Home Office Direct Costs							
25. Laboratory							
26. Radiology							
27. Minor Medical Equipment and Rentals / CME							
28. Subtotal - Other Health Care Costs	0	0	0	0	0	0	0
29. Total Cost of FQHC Services (Sum of Lines 13, 14, 15, 16 and 28)	0	0	0	0	0	0	0
FQHC Overhead - Facility Cost							
30. Rent	(5,728)						
31. Insurance							
32. Interest Expense							
33. Utilities	(2,211)						
34. Depreciation - Building							
35. Depreciation - Equipment							
36. Housekeeping and Maintenance	(756)						
37. Property Tax							
38. Minor Equipment							
39. Home Office Pool Costs							
40. Leases and Rentals - Equipment							
41. Subtotal - Facility Costs (Lines 30-40)	(8,695)	0	0	0	0	0	0
FQHC Overhead - Administrative Cost							
42. Office Salaries							
43. Depreciation - Office Equipment							
44. Office Supplies							
45. Legal							
46. Accounting							
47. Insurance (Specify)							
48. Telephone	(2,846)						
49. Fringe Benefits and Payroll Taxes							
50. Home Office Pool Costs							
51. Other - Miscellaneous	(1,079)						
52. Subtotal - Administrative Costs (Lines 42-51)	(3,925)	0	0	0	0	0	0
53. Total Cost Subject To Allocation (Sum of Lines 41 and 52)	(12,620)	0	0	0	0	0	0
54. Nonreimbursable Costs (Specify)							
55. Outreach and Social Workers							
56.							
57. Subtotal Nonreimbursable Costs	0	0	0	0	0	0	0
58. Total FQHC Costs (Sum of Lines 29, 53, and 57)	(12,620)	0	0	0	0	0	0

Provider Name					Fiscal Period		Provider NPI		Adjustments
BEACH FLATS HEALTH CENTER					JULY 1, 2007 THROUGH JUNE 30, 2008		1356540587		8
Report References					Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted	
Adj. No.	Audit Report		Cost Report						
	Schedule	Line	Worksheet	Line					
<u>ADJUSTMENTS TO REPORTED COSTS</u>									
1	2	1	1	1	Physician	\$182,759	(\$43,306)	\$139,453 *	
	2	2	1	2	Physician Assistant	18,288	24,710	42,998	
	2	10	1	10	Support Staff	102,379	(605)	101,774	
To adjust gross salaries expenses to agree with the provider's payroll records. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304									
2	2	1	1	1	Physician	* \$139,453	(\$31,620)	\$107,833	
To abate utilization review income against related expenses. 42 CFR 413.20, 413.24, and 413.9 CMS Pub. 15-1 Sections 2126, 2302.5, 2304, and 2328 CCR, Title 22, Sections 50009.1 and 51159									
3	2	12	1	12	Other - Payroll Taxes	\$57,735	(\$1,893)	\$55,842 *	
To adjust reported payroll taxes to agree with the provider's payroll records. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304									
4	2	12	1	12	Other - Payroll Taxes	* \$55,842	\$2,054	\$57,896	
	2	36	1	36	Housekeeping and Maintenance	7,971	(921)	7,050 *	
	2	40	1	40	Leases and Rentals - Equipment	1,134	(1,134)	0	
	2	44	1	44	Office Supplies	2,221	(223)	1,998	
	2	51	1	51	Other - Miscellaneous	6,159	2,278	8,437 *	
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									

*Balance carried forward from prior/to subsequent adjustments

Provider Name				Fiscal Period		Provider NPI		Adjustments
BEACH FLATS HEALTH CENTER				JULY 1, 2007 THROUGH JUNE 30, 2008		1356540587		8
Report References					Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
Adj. No.	Audit Report		Cost Report					
	Schedule	Line	Worksheet	Line				
<u>ADJUSTMENTS TO REPORTED COSTS</u>								
5	2	24	1	24	Home Office Direct Costs	\$4,395	\$836	\$5,231
	2	39	1	39	Home Office Pool Costs	14,111	(5,160)	8,951
	2	50	1	50	Home Office Pool Costs	95,767	11,139	106,906
	2	55	1	55	Outreach and Social Workers	12,038	(309)	11,729
					To adjust home office costs to agree with the Home Office cost report. 42 CFR 413.17 CMS Pub. 15-1, Sections 2150.2 and 2304			
6	2	25	1	25	Laboratory	\$2,554	(\$2,554)	\$0
					To eliminate outside laboratory costs as these services are separately billable. 42 CFR 405.2470 CMS Pub. 15-1, Sections 2102.1, 2200.1, 2302.7, and 2304 CCR, Title 22, Section 51501			
7	2	30	1	30	Rent	\$15,752	(\$5,728)	\$10,024
	2	33	1	33	Utilities	5,470	(2,211)	3,259
	2	36	1	36	Housekeeping and Maintenance	* 7,050	(756)	6,294
	2	48	1	48	Telephone	9,112	(2,846)	6,266
	2	51	1	51	Other - Miscellaneous	* 8,437	(1,079)	7,358
					To eliminate home office general administration expense for proper cost determination. 42 CFR 413.20, 413.24, and 413.50 CMS Pub. 15-1, Sections 2150.1, 2150.3D, 2300, 2304, and 2306			

*Balance carried forward from prior/to subsequent adjustments

Provider Name					Fiscal Period		Provider NPI		Adjustments			
BEACH FLATS HEALTH CENTER					JULY 1, 2007 THROUGH JUNE 30, 2008		1356540587		8			
Report References					Explanation of Audit Adjustments							
Adj. No.	Audit Report		Cost Report							As Reported	Increase (Decrease)	As Adjusted
	Schedule	Line	Worksheet	Line								
<u>ADJUSTMENT TO REPORTED VISITS</u>												
8	1	B 2	2	B 2	Total FQHC Visits To adjust total FQHC visits to agree with provider's records. 42 CFR 405.2464, 405.2470, 413.20, and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	4,020	25	4,045				