

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

**CENTRO MEDICO—CATHEDRAL CITY
CATHEDRAL CITY, CALIFORNIA
PROVIDER NUMBER: FHC71173F
NATIONAL PROVIDER IDENTIFIER: 1619036514**

**FISCAL PERIOD ENDED
JUNE 30, 2008**

**Audits Section—San Diego
Financial Audits Branch
Audits and Investigations
Department of Health Care Services**

**Section Chief: Patricia M. Fox
Audit Supervisor: Woosung Lee
Auditors: Stacey Leon/Michelle Moreno/Kate Vvedenskaya/Elisa Diaz**



TOBY DOUGLAS
DIRECTOR

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



EDMUND G. BROWN JR.
GOVERNOR

November 1, 2012

Bruce Hebets, CEO
Centro Medico—Cathedral City
655 Palm Canyon Drive, Suites D and E
Borrego Springs, CA 92004

CENTRO MEDICO—CATHEDRAL CITY
PROVIDER NUMBER FHC71173F
NATIONAL PROVIDER IDENTIFIER (NPI) 1619036514
FISCAL PERIOD ENDED JUNE 30, 2008

We have examined the Clinic's Federally Qualified Health Center (FQHC) Medi-Cal rate setting cost report for the above-referenced fiscal period. Our examination was made under the authority of Section 14170 of the Welfare and Institutions Code. It was limited to a review of the rate setting cost report, accompanying financial statements, Medi-Cal Provider Claims Data Report, prior fiscal period's Medi-Cal program audit report, and Medicare audit report for the current fiscal period, if applicable and available.

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>
\$ 192.47	February 6, 2007 through September 30, 2008

In addition, your rate will be increased as follows:

<u>PPS Rate</u>	<u>MEI</u>	<u>Adjusted PPS Rate</u>	<u>Effective Dates</u>
\$192.47	1.8%	\$195.94	October 1, 2008 through September 30, 2009
195.94	1.6%	199.08	October 1, 2009 through September 30, 2010
199.08	1.2%	201.47	October 1, 2010 through September 30, 2011
201.47	0.4%	202.27	October 1, 2011 through September 30, 2012
202.27	0.6%	203.48	October 1, 2012 through September 30, 2013

Your interim Managed Care rate (Code 18) and Medi-Cal Crossover rate (Code 02) will not be adjusted at this time.

This Audit Report includes the:

1. Computation of Medi-Cal Prospective Payment System 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:

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 Title 22, California Code of Regulations, section 51016, et seq. Excerpts of the statute and regulations are included for your information.

If you have questions regarding this report, you may call the Audits Section—San Diego at (619) 688-3200.

Original Signed by

Patricia M. Fox, Chief
Audits Section—San Diego
Financial Audits Branch

Certified

SCHEDULE OF TRIAL BALANCE EXPENSES

Provider Legal Name:

Provider No. (NPI)

Fiscal Period Ended:

CENTRO MEDICO—CATHEDRAL CITY

FHC71173F (1619036514)

JUNE 30, 2008

Cost Center

	REPORTED	ADJUSTMENTS (From Sch 2A)	AUDITED
FQHC/RHC Health Care Cost			
1. Physician	\$360,912	(\$4,376)	\$356,536
2. Physician Assistant	145,189	(1,737)	143,452
3. Nurse Practitioner	33,254	(496)	32,758
4. Other Nurse	210,090	(2,630)	207,460
5. Laboratory Technician	27,458	(345)	27,113
6. Other (Specify)	0	0	0
7. Case Management	46,928	(587)	46,341
8. Other Medical - CPHW	88,496	(1,108)	87,388
9. Medical Records	55,793	(699)	55,094
10. Support Staff	148,957	(1,866)	147,091
11.	0	0	0
12. Front Office	165,425	(2,070)	163,355
13. Subtotal-Health Care Costs	\$1,282,502	(\$15,914)	\$1,266,588
14. Physician Services Under Agreement	\$7,149	(\$349)	\$6,800
15. Physician Supervision	0	0	0
16.	0	0	0
17. Other Health Care Costs			
18. Pharmacy	\$15,715	\$0	\$15,715
19. Dental	0	0	0
20. Optometry	0	0	0
21. Medical Supplies	28,657	0	28,657
22. Depreciation-Medical Equipment	0	0	0
23. Professional Liability Insurance	6,031	(6,031)	0
24. Home Office Costs (from H.O. cost report-sch 6)	1,107	6,287	7,394
25. Laboratory	10,163	0	10,163
26. Radiology	0	0	0
27. Minor Medical Equipment and Rental / CME	14,201	(4,956)	9,245
28. Subtotal-Other Health Care Costs	\$75,874	(\$4,700)	\$71,174
29. Total Health Care Costs (Sum of Lines 13, 14, 15, 16, and 28)	\$1,365,525	(\$20,963)	\$1,344,562
FQHC/RHC Overhead-Facility Cost			
30. Rent	\$146,685	(\$3,555)	\$143,130
31. Insurance	5,587	(5,363)	224
32. Interest Expense	124,747	(119,453)	5,294
33. Utilities	17,916	(2,007)	15,909
34. Depreciation-Building	3,066	(3,066)	0
35. Depreciation-Equipment	2,157	(2,157)	0
36. Housekeeping And Maintenance	120,803	(3,921)	116,882
37. Property Tax	0	0	0
38. Minor Equipment	0	0	0
39. Home Office Costs (from H.O. cost report-sch 6)	0	35,334	35,334
40.	0	0	0
41. Subtotal-Facility Costs (Lines 30-40)	\$420,961	(\$104,188)	\$316,773
FQHC/RHC Overhead-Administrative Cost			
42. Office Salaries	\$1,353,913	(\$188,511)	\$1,165,402
43. Depreciation-Office Equipment	0	0	0
44. Office Supplies	20,118	(2,455)	17,663
45. Legal	0	0	0
46. Accounting	7,562	(7,562)	0
47. Insurance (Specify)	558	(558)	0
48. Telephone	12,321	(4,555)	7,766
49. Fringe Benefits And Payroll Taxes	0	0	0
50. Home Office Costs (from H.O. cost report-sch 6)	0	264,703	264,703
51. Other (Specify)	330,677	(305,053)	25,624
52. Subtotal-Administrative Costs (Lines 42-51)	\$1,725,149	(\$243,991)	\$1,481,158
53. Total Cost Subject To Allocation (Sum of Lines 41 and 52)	\$2,146,110	(\$348,179)	\$1,797,931
54. Nonreimbursable Costs (Specify)	\$0	\$364,468	\$364,468
55.	0	0	0
56.	0	0	0
57. Subtotal Nonreimbursable Costs	\$0	\$364,468	\$364,468
58. Total Costs (Sum of Lines 29, 53, and 57)	\$3,511,635	(\$4,674)	\$3,506,961

ADJUSTMENTS TO REPORTED COSTS

Provider Legal Name:

Provider No. (NPI)

Fiscal Period Ended:

CENTRO MEDICO—CATHEDRAL CITY

FHC71173F (1619036514)

JUNE 30, 2008

Cost Center	Total	Adjustment (No. 1)	Adjustment (No. 2)	Adjustment (No. 3)	Adjustment (No. 4)	Adjustment (No. 5)	Adjustment (No.)
FQHC/RHC Health Care Cost							
1. Physician	(4,376)			(4,376)			
2. Physician Assistant	(1,737)			(1,737)			
3. Nurse Practitioner	(496)			(496)			
4. Other Nurse	(2,630)			(2,630)			
5. Laboratory Technician	(345)			(345)			
6. Other (Specify)	0						
7. Case Management	(587)			(587)			
8. Other Medical - CPHW	(1,108)			(1,108)			
9. Medical Records	(699)			(699)			
10. Support Staff	(1,866)			(1,866)			
11.	0						
12. Front Office	(2,070)			(2,070)			
13. Subtotal-Health Care Costs	(15,914)	0	0	(15,914)	0	0	0
14. Physician Services Under Agreement	(349)			(349)			
15. Physician Supervision	0						
16.	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	(6,031)			(6,031)			
24. Home Office Costs (from H.O. cost report-sch 6)	6,287			(1,107)		7,394	
25. Laboratory	0						
26. Radiology	0						
27. Minor Medical Equipment and Rental / CME	(4,956)			(4,956)			
28. Subtotal-Other Health Care Costs	(4,700)	0	0	(12,094)	0	7,394	0
29. Total Health Care Costs (Sum of Lines 13, 14, 15, 16, and 28)	(20,963)	0	0	(28,357)	0	7,394	0
FQHC/RHC Overhead-Facility Cost							
30. Rent	(3,555)			(3,555)			
31. Insurance	(5,363)			(5,363)			
32. Interest Expense	(119,453)	(101,353)		(18,100)			
33. Utilities	(2,007)			(2,007)			
34. Depreciation-Building	(3,066)			(3,066)			
35. Depreciation-Equipment	(2,157)			(2,157)			
36. Housekeeping And Maintenance	(3,921)			(3,921)			
37. Property Tax	0						
38. Minor Equipment	0						
39. Home Office Costs (from H.O. cost report-sch 6)	35,334					35,334	
40.	0						
41. Subtotal-Facility Costs (Lines 30-40)	(104,188)	(101,353)	0	(38,169)	0	35,334	0
FQHC/RHC Overhead-Administrative Cost							
42. Office Salaries	(188,511)			(220,439)	31,928		
43. Depreciation-Office Equipment	0						
44. Office Supplies	(2,455)			(2,455)			
45. Legal	0						
46. Accounting	(7,562)			(7,562)			
47. Insurance (Specify)	(558)			(558)			
48. Telephone	(4,555)			(4,555)			
49. Fringe Benefits And Payroll Taxes	0						
50. Home Office Costs (from H.O. cost report-sch 6)	264,703					264,703	
51. Other (Specify)	(305,053)		(263,115)	(41,938)			
52. Subtotal-Administrative Costs (Lines 42-51)	(243,991)	0	(263,115)	(277,507)	31,928	264,703	0
53. Total Cost Subject To Allocation (Sum of Lines 41 and 52)	(348,179)	(101,353)	(263,115)	(315,676)	31,928	300,037	0
54. Nonreimbursable Costs (Specify)	364,468	101,353	263,115				
55.	0						
56.	0						
57. Subtotal Nonreimbursable Costs	364,468	101,353	263,115	0	0	0	0
58. Total Costs (Sum of Lines 29, 53, and 57)	(4,674)	0	0	(344,033)	31,928	307,431	0

ADJUSTMENTS TO REPORTED COSTS

Provider Legal Name:

Provider No.

Fiscal Period Ended:

CENTRO MEDICO—CATHEDRAL CITY

FHC71173F (1619036514)

JUNE 30, 2008

Cost Center	Adjustment (No.)						
FQHC/RHC Health Care Cost							
1. Physician							
2. Physician Assistant							
3. Nurse Practitioner							
4. Other Nurse							
5. Laboratory Technician							
6. Other (Specify)							
7. Case Management							
8. Other Medical - CPHW							
9. Medical Records							
10. Support Staff							
11.							
12. Front Office							
13. Subtotal-Health Care Costs	0	0	0	0	0	0	0
14. Physician Services Under Agreement							
15. Physician Supervision							
16.							
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 Costs (from H.O. cost report-sch 6)							
25. Laboratory							
26. Radiology							
27. Minor Medical Equipment and Rental / CME							
28. Subtotal-Other Health Care Costs	0	0	0	0	0	0	0
29. Total Health Care Costs (Sum of Lines 13, 14, 15, 16, and 28)	0	0	0	0	0	0	0
FQHC/RHC Overhead-Facility Cost							
30. Rent							
31. Insurance							
32. Interest Expense							
33. Utilities							
34. Depreciation-Building							
35. Depreciation-Equipment							
36. Housekeeping And Maintenance							
37. Property Tax							
38. Minor Equipment							
39. Home Office Costs (from H.O. cost report-sch 6)							
40.							
41. Subtotal-Facility Costs (Lines 30-40)	0	0	0	0	0	0	0
FQHC/RHC Overhead-Administrative Cost							
42. Office Salaries							
43. Depreciation-Office Equipment							
44. Office Supplies							
45. Legal							
46. Accounting							
47. Insurance (Specify)							
48. Telephone							
49. Fringe Benefits And Payroll Taxes							
50. Home Office Costs (from H.O. cost report-sch 6)							
51. Other (Specify)							
52. Subtotal-Administrative Costs (Lines 42-51)	0	0	0	0	0	0	0
53. Total Cost Subject To Allocation (Sum of Lines 41 and 52)	0	0	0	0	0	0	0
54. Nonreimbursable Costs (Specify)							
55.							
56.							
57. Subtotal Nonreimbursable Costs	0	0	0	0	0	0	0
58. Total Costs (Sum of Lines 29, 53, and 57)	0	0	0	0	0	0	0

Provider Name					Fiscal Period	Provider Number, NPI	Adjustments	
CENTRO MEDICO—CATHEDRAL CITY					JULY 1, 2007 THROUGH JUNE 30, 2008	FHC71173F, 1619036514	6	
Report References					Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
Adj. No.	Audit Report		Cost Report					
	Schedule	Line	Worksheet	Line				
<u>RECLASSIFICATIONS TO REPORTED COSTS</u>								
1	2A	32	1	32	Interest Expense	\$124,747	(\$101,353)	\$23,394 *
	2A	54	1	54	Nonreimbursable Costs	0	101,353	101,353 *
					To reclassify the interest cost to A. Ratniewski not related to patient care. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections, 2100, 2102, 2300, and 2304			
2	2A	51	1	51	Other	\$330,677	(\$263,115)	\$67,562 *
	2A	54	1	54	Nonreimbursable Cost	* 101,353	263,115	364,468
					To reclassify the amortization of medical records costs not related to patient care. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections, 2100, 2102, 2300, and 2304			

*Balance carried forward from prior/to subsequent adjustments

Provider Name					Fiscal Period	Provider Number, NPI		Adjustments
CENTRO MEDICO—CATHEDRAL CITY					JULY 1, 2007 THROUGH JUNE 30, 2008	FHC71173F, 1619036514		6
Report References					Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
Adj. No.	Audit Report		Cost Report					
	Schedule	Line	Worksheet	Line				
ADJUSTMENTS TO REPORTED COSTS								
3	2A	1	1	1	Physician	\$360,912	(\$4,376)	\$356,536
	2A	2	1	2	Physician Assistant	145,189	(1,737)	143,452
	2A	3	1	3	Nurse Practitioner	33,254	(496)	32,758
	2A	4	1	4	Other Nurse	210,090	(2,630)	207,460
	2A	5	1	5	Laboratory Technician	27,458	(345)	27,113
	2A	7	1	7	Case Management	46,928	(587)	46,341
	2A	8	1	8	Other Medical - CPHW	88,496	(1,108)	87,388
	2A	9	1	9	Medical Records	55,793	(699)	55,094
	2A	10	1	10	Support Staff	148,957	(1,866)	147,091
	2A	12	1	12	Other - Front Office	165,425	(2,070)	163,355
	2A	14	1	14	Physician Services Under Agreement	7,149	(349)	6,800
	2A	23	1	23	Professional Liability Insurance	6,031	(6,031)	0
	2A	24	1	24	Home Office Costs	1,107	(1,107)	0 *
	2A	27	1	27	Minor Medical Equipment and Rental / CME	14,201	(4,956)	9,245
	2A	30	1	30	Rent	146,685	(3,555)	143,130
	2A	31	1	31	Insurance	5,587	(5,363)	224
	2A	32	1	32	Interest Expense	* 23,394	(18,100)	5,294
	2A	33	1	33	Utilities	17,916	(2,007)	15,909
	2A	34	1	34	Depreciation - Building	3,066	(3,066)	0
	2A	35	1	35	Depreciation - Equipment	2,157	(2,157)	0
	2A	36	1	36	Housekeeping and Maintenance	120,803	(3,921)	116,882
	2A	42	1	42	Office Salaries	1,353,913	(220,439)	1,133,474 *
	2A	44	1	44	Office Supplies	20,118	(2,455)	17,663
	2A	46	1	46	Accounting	7,562	(7,562)	0
	2A	47	1	47	Insurance	558	(558)	0
	2A	48	1	48	Telephone	12,321	(4,555)	7,766
	2A	51	1	51	Other	* 67,562	(41,938)	25,624
					To eliminate provider's Home Office Allocation because the provider's method of allocation is not appropriate. 42 CFR 413.24 and 413.50 CMS Pub. 15-1, Sections 2304, 2306 and 2328			

Provider Name					Fiscal Period	Provider Number, NPI	Adjustments		
CENTRO MEDICO—CATHEDRAL CITY					JULY 1, 2007 THROUGH JUNE 30, 2008	FHC71173F, 1619036514	6		
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>									
4	2A	42	1	42	Office Salaries To include billing staff salaries directly allocated to the clinic from the home office. 42 CFR 413.17 / CMS Pub. 15-1, Sections 2150.2 and 2304	*	\$1,133,474	\$31,928	\$1,165,402 *
5	2A	24	1	24	Home Office Costs	*	\$0	\$7,394	\$7,394
	2A	39	1	39	Home Office Costs		0	35,334	35,334
	2A	50	1	50	Home Office Costs To include home office pooled costs. 42 CFR 413.17 / CMS Pub. 15-1, Sections 2150.2 and 2304		0	264,703	264,703

*Balance carried forward from prior/to subsequent adjustments

Provider Name					Fiscal Period		Provider Number, NPI		Adjustments
CENTRO MEDICO—CATHEDRAL CITY					JULY 1, 2007 THROUGH JUNE 30, 2008		FHC71173F, 1619036514		6
Report References					Explanation of Audit Adjustments		As Reported	Increase (Decrease)	As Adjusted
Adj. No.	Audit Report		Cost Report						
	Schedule	Line	Worksheet	Line					
<u>ADJUSTMENT TO REPORTED PATIENT VISITS</u>									
6	1	B-2	3	25	Total FQHC/RHC Visits To adjust total visits, based on the sample review of El Cajon's May 2008 super bill count. 42 CFR 413.20 and 413.24 CMS Pub 15-1, Sections 2300 and 2304	14,165	170	14,335	