

**REPORT  
ON THE  
FEDERALLY QUALIFIED HEALTH CENTER  
RATE SETTING COST REPORT REVIEW  
MENDOCINO COAST CLINIC  
NATIONAL PROVIDER IDENTIFIER: 1861670093  
FISCAL PERIOD ENDED  
JUNE 30, 2009**

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

**Section Chief: Louise Wong  
Audit Supervisor: David Mui  
Auditor: Li Jing Yu**



TOBY DOUGLAS  
DIRECTOR

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



EDMUND G. BROWN JR.  
GOVERNOR

January 14, 2013

Paula Cohen  
Chief Financial Officer  
Mendocino Coast Clinic  
205 South Street  
Fort Bragg, CA 95437

MENDOCINO COAST CLINIC  
NATIONAL PROVIDER IDENTIFIER (NPI) 1861670093  
FISCAL PERIOD ENDED JUNE 30, 2009

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>
\$ 166.76	January 4, 2008 through September 30, 2009

In addition, your rate will be increased to \$169.43 effective October 1, 2009; \$171.46 effective October 1, 2010; \$172.15 effective October 1, 2011; and \$173.18 effective October 1, 2012; to reflect the MEI increase of 1.6%, 1.2%, 0.4%, and 0.6% respectively.

We have instructed the Provider Enrollment Division to adjust your interim Managed Care rate (Code 18) to \$141.74 and your interim Medi-Cal Crossover rate (Code 02) to \$85.26, effective February 1, 2013.

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:

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 95899-7413

**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.

Paula Cohen  
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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

## COMPUTATION OF MEDI-CAL PROSPECTIVE PAYMENT SYSTEM RATE

<b>Provider Name:</b>	<b>Provider NPI:</b>	<b>Fiscal Period Ended:</b>
<b>MENDOCINO COAST CLINIC</b>	<b>1861670093</b>	<b>JUNE 30, 2009</b>

PART A - DETERMINATION OF OVERHEAD APPLICABLE TO MEDICAL SERVICES	<b>REPORTED</b>	<b>AUDITED</b>
1. Cost of Services Excluding Overhead (Sch 2, L 29)	\$ 1,165,946	\$ 1,083,992
2. Nonreimbursable Costs Excluding Overhead (Sch 2, L 57)	12,118	12,118
3. Cost of All Services Excluding Overhead (L A1 + L A2)	\$ 1,178,064	\$ 1,096,110
4. Percentage of Nonreimbursable Costs (L A2 / L A3)	0.010286	0.011055
5. Total Overhead (Sch 2, L 53)	\$ 381,900	\$ 380,364
6. Overhead Applicable to Nonreimbursable Costs (L A4 * L A5)	3,928	4,205
7. Overhead Applicable to Medical Services (L A5 - L A6)	377,972	376,159
8. Total Cost of Medical Services (L A1 + L A7)	\$ 1,543,918	\$ 1,460,151
<b>PART B - DETERMINATION OF PPS RATE</b>		
1. Total Medical Costs (L A8)	\$ 1,543,918	\$ 1,460,151
2. Total FQHC Visits (Adjs 9,10)	7,823	8,756
3. Total Nonreimbursable Services Visits (Adj No )	0	0
4. FQHC Adjusted Visits (L B2 - L B3)	7,823	8,756
5. FQHC PPS Rate Per Visit (L B1 / L B4)	\$ 197.36	\$ 166.76

## SCHEDULE OF TRIAL BALANCE EXPENSES

Provider Name:

Provider NPI:

Fiscal Period Ended:

MENDOCINO COAST CLINIC

1861670093

JUNE 30, 2009

Cost Center	REPORTED	ADJUSTMENTS (From Sch 2A)	AUDITED
<b>FQHC Health Care Cost</b>			
1. Physician	\$0	\$0	\$0
2. Physician Assistant	0	0	0
3. Nurse Practitioner	0	0	0
4. Other Nurse	0	0	0
5. Laboratory Technician	0	0	0
6. Other (Specify)	0	0	0
7.	0	0	0
8.	0	0	0
9.	0	0	0
10.	0	0	0
11.	0	0	0
12.	0	0	0
13. Subtotal - Health Care Costs	\$0	\$0	\$0
14. Physician Services Under Agreement	\$0	\$0	\$0
15. Physician Supervision	0	0	0
16.	0	0	0
<b>17. Other Health Care Costs</b>			
18. Pharmacy	\$0	\$0	\$0
19. Dental	0	0	0
20. Optometry	0	0	0
21. Medical Supplies	0	0	0
22. Depreciation - Medical Equipment	0	0	0
23. Professional Liability Insurance	0	0	0
24. Home Office Cost (from H.O. cost report-sch 6)	1,165,946	(81,954)	1,083,992
25. Other (Specify)	0	0	0
26.	0	0	0
27.	0	0	0
28. Subtotal - Other Health Care Costs	\$1,165,946	(\$81,954)	\$1,083,992
29. Total Health Care Costs (Sum of Lines 13, 14, 15, 16, and 28)	\$1,165,946	(\$81,954)	\$1,083,992
<b>FQHC Overhead - Facility Cost</b>			
30. Rent	\$0	\$0	\$0
31. Insurance	0	0	0
32. Interest Expense	0	0	0
33. Utilities	0	0	0
34. Depreciation - Building	0	0	0
35. Depreciation - Equipment	0	0	0
36. Housekeeping And Maintenance	0	0	0
37. Property Tax	0	0	0
38. Home Office Cost (from H.O. cost report-sch 6)	0	0	0
39. Other (Specify)	0	0	0
40.	0	0	0
41. Subtotal - Facility Costs (Lines 30-40)	\$0	\$0	\$0
<b>FQHC Overhead-Administrative Cost</b>			
42. Office Salaries	\$0	\$0	\$0
43. Depreciation - Office Equipment	0	0	0
44. Office Supplies	0	0	0
45. Legal	0	0	0
46. Accounting	0	0	0
47. Insurance (Specify)	0	0	0
48. Telephone	0	0	0
49. Fringe Benefits And Payroll Taxes	0	0	0
50. Home Office Costs (from H.O. cost report-sch 6)	381,900	(1,536)	380,364
51. Other (Specify)	0	0	0
52. Subtotal - Administrative Costs (Lines 42-51)	\$381,900	(\$1,536)	\$380,364
53. Total Cost Subject To Allocation (Sum of Lines 41 and 52)	\$381,900	(\$1,536)	\$380,364
54. Nonreimbursable Costs	\$12,118	\$0	\$12,118
55.	0	0	0
56.	0	0	0
57. Subtotal Nonreimbursable Costs	\$12,118	\$0	\$12,118
58. Total Costs (Sum of Lines 29, 53, and 57)	\$1,559,964	(\$83,490)	\$1,476,474

ADJUSTMENTS TO REPORTED COSTS

Provider Name:

Provider NPI:

Fiscal Period Ended:

MENDOCINO COAST CLINIC

1861670093

JUNE 30, 2009

Cost Center	Total	Adjustment 1	Adjustment 2	Adjustment 3	Adjustment 4	Adjustment 5	Adjustment 6
<b>FQHC Health Care Cost</b>							
1. Physician	0						
2. Physician Assistant	0						
3. Nurse Practitioner	0						
4. Other Nurse	0						
5. Laboratory Technician	0						
6. Other (Specify)	0						
7.	0						
8.	0						
9.	0						
10.	0						
11.	0						
12.	0						
13. Subtotal - Health Care Costs	0	0	0	0	0	0	0
14. Physician Services Under Agreement	0						
15. Physician Supervision	0						
16.	0						
<b>17. Other Health Care Costs</b>							
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 Cost (from H.O. cost report-sch 6)	(81,954)	(1,290)	(11,183)			(2,402)	
25. Other (Specify)	0						
26.	0						
27.	0						
28. Subtotal - Other Health Care Costs	(81,954)	(1,290)	(11,183)	0	0	(2,402)	0
29. Total Health Care Costs (Sum of Lines 13, 14, 15, 16, and 28)	(81,954)	(1,290)	(11,183)	0	0	(2,402)	0
<b>FQHC Overhead - Facility Cost</b>							
30. Rent	0						
31. Insurance	0						
32. Interest Expense	0						
33. Utilities	0						
34. Depreciation - Building	0						
35. Depreciation - Equipment	0						
36. Housekeeping And Maintenance	0						
37. Property Tax	0						
38. Home Office Cost (from H.O. cost report-sch 6)	0						
39. Other (Specify)	0						
40.	0						
41. Subtotal - Facility Costs (Lines 30-40)	0	0	0	0	0	0	0
<b>FQHC Overhead-Administrative Cost</b>							
42. Office Salaries	0						
43. Depreciation - Office Equipment	0						
44. Office Supplies	0						
45. Legal	0						
46. Accounting	0						
47. Insurance (Specify)	0						
48. Telephone	0						
49. Fringe Benefits And Payroll Taxes	0						
50. Home Office Costs (from H.O. cost report-sch 6)	(1,536)			(308)	(640)		(588)
51. Other (Specify)	0						
52. Subtotal - Administrative Costs (Lines 42-51)	(1,536)	0	0	(308)	(640)	0	(588)
53. Total Cost Subject To Allocation (Sum of Lines 41 and 52)	(1,536)	0	0	(308)	(640)	0	(588)
54. Nonreimbursable Costs	0						
55.	0						
56.	0						
57. Subtotal Nonreimbursable Costs	0	0	0	0	0	0	0
58. Total Costs (Sum of Lines 29, 53, and 57)	(83,490)	(1,290)	(11,183)	(308)	(640)	(2,402)	(588)

ADJUSTMENTS TO REPORTED COSTS

Provider Name:

Provider No.

Fiscal Period Ended:

MENDOCINO COAST CLINIC

1861670093

JUNE 30, 2009

Cost Center	Adjustment 7	Adjustment 8	Adjustment	Adjustment	Adjustment	Adjustment	Adjustment
<b>FQHC Health Care Cost</b>							
1. Physician							
2. Physician Assistant							
3. Nurse Practitioner							
4. Other Nurse							
5. Laboratory Technician							
6. Other (Specify)							
7.							
8.							
9.							
10.							
11.							
12.							
13. Subtotal - Health Care Costs	0	0	0	0	0	0	0
14. Physician Services Under Agreement							
15. Physician Supervision							
16.							
<b>17. Other Health Care Costs</b>							
18. Pharmacy							
19. Dental							
20. Optometry							
21. Medical Supplies							
22. Depreciation - Medical Equipment							
23. Professional Liability Insurance							
24. Home Office Cost (from H.O. cost report-sch 6)	(59,922)	(7,157)					
25. Other (Specify)							
26.							
27.							
28. Subtotal - Other Health Care Costs	(59,922)	(7,157)	0	0	0	0	0
29. Total Health Care Costs (Sum of Lines 13, 14, 15, 16, and 28)	(59,922)	(7,157)	0	0	0	0	0
<b>FQHC Overhead - Facility Cost</b>							
30. Rent							
31. Insurance							
32. Interest Expense							
33. Utilities							
34. Depreciation - Building							
35. Depreciation - Equipment							
36. Housekeeping And Maintenance							
37. Property Tax							
38. Home Office Cost (from H.O. cost report-sch 6)							
39. Other (Specify)							
40.							
41. Subtotal - Facility Costs (Lines 30-40)	0	0	0	0	0	0	0
<b>FQHC Overhead-Administrative Cost</b>							
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							
55.							
56.							
57. Subtotal Nonreimbursable Costs	0	0	0	0	0	0	0
58. Total Costs (Sum of Lines 29, 53, and 57)	(59,922)	(7,157)	0	0	0	0	0

Provider Name					Fiscal Period	Provider NPI		Adjustments
MENDOCINO COAST CLINIC					JULY 1, 2008 THROUGH JUNE 30, 2009	1861670093		10
Report References					Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
Adj. No.	Audit Report		Cost Report					
	Schedule	Line	Worksheet	Line				
<b><u>RECLASSIFICATION TO REPORTED COSTS</u></b>								
1	N/A		N/A		Home Office - Mortgage Interest (Memorandum Adjustment Only)	\$0	\$116	\$116
	N/A		N/A		South Site - Mortgage Interest (Memorandum Adjustment Only)	0	1,174	1,174
	2	24	1	24	Home Office Direct Cost	1,165,946	(1,290)	1,164,656 *
					To reclassify USDA mortgage interest expense related to other sites for proper cost determination. 42 CFR 413.20, 413.24, and 405.2470 CMS Pub. 15-I, Sections 2300, 2304, and 2328			

\*Balance carried forward from prior/to subsequent adjustments

Provider Name					Fiscal Period	Provider NPI		Adjustments	
MENDOCINO COAST CLINIC					JULY 1, 2008 THROUGH JUNE 30, 2009	1861670093		10	
Report References					Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted	
Adj. No.	Audit Report		Cost Report						
	Schedule	Line	Worksheet	Line					
<b><u>ADJUSTMENTS TO REPORTED COSTS</u></b>									
2	2	24	1	24	Home Office Cost (Direct) To properly amortize financing cost through the life of the mortgage for proper cost determination. 42 CFR 413.20, 413.24, and 413.153 CMS Pub. 15-1, Sections 204, 2300, and 2304	*	\$1,164,656	(\$11,183)	\$1,153,473 *
3	2	50	1	50	Home Office Costs (Pooled) To adjust other interest expense allocated from the home office due to insufficient documentation and for proper cost determination. 42 CFR 413.20 and 413.24 CMS Pub. 15-I, Sections 2300 and 2304		\$381,900	(\$308)	\$381,592 *
4	2	50	1	50	Home Office Costs (Pooled) To adjust other interest expense allocated from the home office due to insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-I, Sections 2300 and 2304	*	\$381,592	(\$640)	\$380,952 *
5	2	24	1	24	Home Office Cost (Direct) To adjust directly assigned workers' compensation expense to agree with the provider's audit report issued by the insurance company. 42 CFR 413.20 and 413.24 CMS Pub. 15-I, Sections 2300 and 2304	*	\$1,153,473	(\$2,402)	\$1,151,071 *
6	2	50	1	50	Home Office Costs (Pooled) To adjust workers' compensation expense allocated from the home office to agree with the provider's audit report issued by the insurance company. 42 CFR 413.20 and 413.24 CMS Pub. 15-I, Sections 2300 and 2304	*	\$380,952	(\$588)	\$380,364

\*Balance carried forward from prior/to subsequent adjustments

Provider Name					Fiscal Period		Provider NPI		Adjustments			
MENDOCINO COAST CLINIC					JULY 1, 2008 THROUGH JUNE 30, 2009		1861670093		10			
Report References					Explanation of Audit Adjustments							
Adj. No.	Audit Report		Cost Report							As Reported	Increase (Decrease)	As Adjusted
	Schedule	Line	Worksheet	Line								
<b><u>ADJUSTMENTS TO REPORTED COSTS</u></b>												
7	2	24	1	24	Home Office Cost (Direct) To adjust estimated accrued payroll expense to agree with the provider's actual expense. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	*	\$1,151,071	(\$59,922)	\$1,091,149 *			
8	2	24	1	24	Home Office Cost (Direct) To adjust payroll expense to agree with the audit period and for proper cost determination. 42 CFR 413.5 and 413.24 CMS Pub. 15-1, Sections 2300, 2302.1, 2304, and 2306	*	\$1,091,149	(\$7,157)	\$1,083,992			

\*Balance carried forward from prior/to subsequent adjustments

Provider Name					Fiscal Period		Provider NPI		Adjustments			
MENDOCINO COAST CLINIC					JULY 1, 2008 THROUGH JUNE 30, 2009		1861670093		10			
Report References					Explanation of Audit Adjustments							
Adj. No.	Audit Report		Cost Report							As Reported	Increase (Decrease)	As Adjusted
	Schedule	Line	Worksheet	Line								
<b>ADJUSTMENTS TO REPORTED VISITS</b>												
9	1	4	2	B.2	Total FQHC Visits To include Acupuncture and CPSP visits to agree with the provider's records. 42 CFR 405.2446, 405.2448, 405.2463, 413.20, and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	7,823	523					
10					To include visits performed by contracted psychiatrists to agree with the provider's records. 42 CFR 405.2465, 405.2470, 413.20, and 413.24 CMS Pub. 15-1, Sections 2300 and 2304		410 933		8,756			