

**REPORT
ON THE
FEDERALLY QUALIFIED HEALTH CENTER
RATE SETTING COST REPORT REVIEW
STANISLAUS HSA – MCHENRY MEDICAL OFFICE
NPI NUMBER: 1093910275**

**FISCAL PERIOD ENDED
JUNE 30, 2009**

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

**Section Chief: Michael Harrold
Auditor: Emilee Hogg**



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



EDMUND G. BROWN JR.
GOVERNOR

January 14, 2014

Carol Dunbar, CPA
Chief Financial Officer
Stanislaus County Health Services Agency
830 Scenic Drive
P.O. Box 3271
Modesto, CA 95350

PROVIDER: STANISLAUS HSA – MCHENRY MEDICAL OFFICE
PROVIDER NO.: FHC70751F
NATIONAL PROVIDER IDENTIFIER: 1093910275
FISCAL PERIOD ENDED: JUNE 30, 2009

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 Paid Claims Summary 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 Date</u>
\$ 174.79	September 20, 2007

In addition, your rate will be increased to \$177.59, effective October 1, 2009, \$179.72, effective October 1, 2010, \$180.44, effective October 1, 2011 and \$181.52, effective October 1, 2012 to reflect the MEI increases of 1.60%, 1.20%, .40% and .60% respectively.

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
3. Audited Allocation of Home Office Cost

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 California Code of Regulations, Title 22, Section 51016, et seq.

Carol Dunbar
Page 3

If you have further questions regarding this report you may call the Audits Section - Fresno at (559) 446-2458.

Original Signed by

Michael A. Harrold, Chief
Audits Section - Fresno
Financial Audits Branch

Certified

COMPUTATION OF MEDI-CAL PROSPECTIVE PAYMENT SYSTEM RATE

Provider Name: STANISLAUS HSA - MCHENRY MEDICAL OFFICE	Provider NPI 1093910275	Fiscal Period Ended: JUNE 30, 2009
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PART A - DETERMINATION OF OVERHEAD APPLICABLE TO FQHC SERVICES	REPORTED	AUDITED
1. Cost of FQHC Services Excluding Overhead (Sch 2, L 29)	\$ 3,220,537	\$ 3,220,537
2. Nonreimbursable FQHC Costs Excluding Overhead (Sch 2, L 57)	0	0
3. Cost of All Services Excluding Overhead (L A1 + L A2)	\$ 3,220,537	\$ 3,220,537
4. Percentage of Nonreimbursable FQHC Costs (L A2 / L A3)	0.000000	0.000000
5. Total Overhead (Sch 2, L 53)	\$ 3,438,566	\$ 3,310,030
6. Overhead Applicable to Nonreimbursable FQHC Costs (L A4 * L A5)	0	0
7. Overhead Applicable to FQHC Services (L A5 - L A6)	3,438,566	3,310,030
8. Total Cost of FQHC Services (L A1 + L A7)	\$ 6,659,103	\$ 6,530,567
PART B - DETERMINATION OF FQHC RATE		
1. Total FQHC Costs (L A8)	\$ 6,659,103	\$ 6,530,567
2. Total FQHC Visits (Adj No)	37,363	37,363
3. Total FQHC Nonreimbursable Services Visits (Adj No)	0	0
4. Total FQHC Adjusted Visits (L B2 - L B3)	37,363	37,363
5. FQHC PPS Rate Per Visit (L B1 / L B4)	\$ 178.23	\$ 174.79

SCHEDULE OF TRIAL BALANCE EXPENSE

Provider Name:

Provider NPI

Fiscal Period Ended:

STANISLAUS HSA - MCHENRY MEDICAL OFFICE

1093910275

JUNE 30, 2009

Cost Center	REPORTED	ADJUSTMENTS (From Sch 2A)	AUDITED
FQHC Health Care Cost			
1. Physician	\$788,667	\$0	\$788,667
2. Physician Assistant	200,671	0	200,671
3. Nurse Practitioner	346,873	0	346,873
4. Other Nurse	398,247	0	398,247
5. Laboratory Technician	0	0	0
6. Education & Outreach	0	0	0
7. Case Management	0	0	0
8. Other Medical	697,712	0	697,712
9. Medical Records	0	0	0
10. Support Staff	273,135	0	273,135
11. Mental Health	0	0	0
12. Other	184,742	0	184,742
13. Subtotal-FQHC Health Care Costs	\$2,890,047	\$0	\$2,890,047
14. Physician Services Under Agreement	\$51,312	\$0	\$51,312
15. Physician Supervision	0	0	0
16.	0	0	0
17. Other Health Care Costs			
18. Pharmacy	\$163,279	\$0	\$163,279
19. Dental	0	0	0
20. Optometry	0	0	0
21. Medical Supplies	110,738	0	110,738
22. Depreciation-Medical Equipment	0	0	0
23. Professional Liability Insurance	0	0	0
24. Home Office Direct Cost	0	0	0
25. Laboratory	0	0	0
26. Radiology	0	0	0
27. Minor Medical Equip. & Rental/CME	5,161	0	5,161
28. Subtotal-Other Health Care Costs	\$279,178	\$0	\$279,178
29. Total Cost of FQHC Services (Sum of Lines 13, 14, 15, 16, and 28)	\$3,220,537	\$0	\$3,220,537
FQHC Overhead-Facility Cost			
30. Rent	\$324,147	\$0	\$324,147
31. Insurance	0	0	0
32. Interest Expense	0	0	0
33. Utilities	32,316	0	32,316
34. Depreciation-Building	7,097	0	7,097
35. Depreciation-Equipment	21,070	(3,743)	17,327
36. Housekeeping And Maintenance	134,915	0	134,915
37. Property Tax	0	0	0
38. Minor Equipment	0	0	0
39. Home Office Pool Costs	0	0	0
40.	0	0	0
41. Subtotal-Facility Costs (Lines 30-40)	\$519,545	(\$3,743)	\$515,802
FQHC Overhead-Administrative Cost			
42. Office Salaries	\$866,275	\$0	\$866,275
43. Depreciation-Office Equipment	0	0	0
44. Office Supplies	59,483	0	59,483
45. Legal	0	0	0
46. Accounting	0	0	0
47. Insurance (Specify)	190,949	(69,619)	121,330
48. Telephone	22,575	0	22,575
49. Fringe Benefits And Payroll Taxes	0	0	0
50. Home Office Pool Costs	943,952	(2,157)	941,795
51. Other (Specify)	835,787	(53,017)	782,770
52. Subtotal-Administrative Costs (Lines 42-51)	\$2,919,021	(\$124,793)	\$2,794,228
53. Total Cost Subject To Allocation (Sum of Lines 41 and 52)	\$3,438,566	(\$128,536)	\$3,310,030
54. Nonreimbursable Costs (Specify)	\$0	\$0	\$0
55.	0	0	0
56.	0	0	0
57. Subtotal Nonreimbursable Costs	\$0	\$0	\$0
58. Total FQHC Costs (Sum of Lines 29, 53, and 57)	\$6,659,103	(\$128,536)	\$6,530,567

ADJUSTMENTS TO REPORTED COSTS

Provider Name	Provider NPI	Fiscal Period Ended					
STANISLAUS HSA - MCHENRY MEDICAL OFFICE	1093910275	JUNE 30, 2009					
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	\$0						
2. Physician Assistant	0						
3. Nurse Practitioner	0						
4. Other Nurse	0						
5. Laboratory Technician	0						
6. Education & Outreach	0						
7. Case Management	0						
8. Other Medical	0						
9. Medical Records	0						
10. Support Staff	0						
11. Mental Health	0						
12. Other	0						
13. Subtotal-FQHC Health Care Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14. Physician Services Under Agreement	\$0						
15. Physician Supervision	0						
16.	0						
Other Health Care Costs							
17. Pharmacy	\$0						
18. Dental	0						
19. Optometry	0						
20. Medical Supplies	0						
21. Depreciation-Medical Equipment	0						
22. Professional Liability Insurance	0						
23. Home Office Direct Cost	0						
24. Laboratory	0						
25. Radiology	0						
26. Minor Medical Equip. & Rental/CME	0						
27. Subtotal-Other Health Care Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0
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	\$0						
31. Insurance	0						
32. Interest Expense	0						
33. Utilities	0						
34. Depreciation-Building	0						
35. Depreciation-Equipment	(3,743)		(2,800)	(943)			
36. Housekeeping And Maintenance	0						
37. Property Tax	0						
38. Minor Equipment	0						
39. Home Office Pool Costs	0						
40.	0						
41. Subtotal-Facility Costs (Lines 30-40)	(\$3,743)	\$0	(\$2,800)	(\$943)	\$0	\$0	\$0
FQHC Overhead-Administrative Cost							
42. Office Salaries	\$0						
43. Depreciation-Office Equipment	0						
44. Office Supplies	0						
45. Legal	0						
46. Accounting	0						
47. Insurance (Specify)	(69,619)				(69,619)		
48. Telephone	0						
49. Fringe Benefits And Payroll Taxes	0						
50. Home Office Pool Costs	(2,157)	(2,157)					
51. Other (Specify)	(53,017)	(3,350)				(51,086)	1,419
52. Subtotal-Administrative Costs (Lines 42-51)	(\$124,793)	(\$5,507)	\$0	\$0	(\$69,619)	(\$51,086)	\$1,419
53. Total Cost Subject To Allocation (Sum of Lines 41 and 52)	(\$128,536)	(\$5,507)	(\$2,800)	(\$943)	(\$69,619)	(\$51,086)	\$1,419
54. Nonreimbursable Costs (Specify)	\$0						
55.	0						
56.	0						
57. Subtotal Nonreimbursable Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0
58. Total FQHC Costs (Sum of Lines 29, 53, and 57)	(\$128,536)	(\$5,507)	(\$2,800)	(\$943)	(\$69,619)	(\$51,086)	\$1,419

Provider Name			Fiscal Period			Provider NPI		Adjustments
STANISLAUS HSA - MCHENRY MEDICAL OFFICE			JULY 1, 2008 THROUGH JUNE 30, 2009			1093910275		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								
1	2	50	2	50	Home Office Pooled Costs	\$943,952	(\$2,157)	\$941,795
	2	51	2	51	Other	835,787	(3,350)	832,437 *
To incorporate the provider's adjustments into the audit report that did not flow from worksheet 1B to worksheet 1, page 2, column 6. 42 CFR 413.20 and 413.24/CMS Pub. 15-1, Sections 2300 and 2304								
2	2	35	2	35	Depreciation - Equipment	\$21,070	(\$2,800)	\$18,270 *
To adjust depreciation expense to the straight-line basis. 42 CFR 413.20, 413.24, 413.50 and 413.134 CMS Pub. 15-1, Sections 102, 116, 120, 2300, 2302.4 and 2304								
3	2	35	2	35	Depreciation - Equipment	* \$18,270	(\$943)	\$17,327
To eliminate depreciation expense on asset that is fully depreciated and asset insufficiently documented. 42 CFR 413.20, 413.24, 413.50 and 413.134(b)(7) CMS Pub. 15-1, Sections 104,.17, 104.18, 122, 2300 and 2302.4								
4	2	47	2	47	Insurance	\$190,949	(\$69,619)	\$121,330
To adjust liability insurance to agree with audited liability insurance costs. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2162.7, 2162.8, 2300 and 2304								
5	2	51	2	51	Other	* \$832,437	(\$51,086)	\$781,351 *
To eliminate EMR expense for assets that should have been capitalized. 42 CFR 413.20 and 413.134 CMS Pub. 15-1, Sections 108, 108.1 and 2300								
6	2	51	2	51	Other	* \$781,351	\$1,419	\$782,770
To include depreciation expense related to assets that were capitalized. 42 CFR 413.20 and 413.134 CMS Pub. 15-1, Sections 108, 108.1 and 2300								
*Balance carried forward from prior/to subsequent adjustments								Page 1