

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

**LIFELONG MEDICAL CARE – HOWARD DANIEL CLINIC  
OAKLAND, CALIFORNIA  
NATIONAL PROVIDER IDENTIFIER: 1619145307**

**FISCAL PERIOD ENDED  
JUNE 30, 2010**

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

**Section Chief: Louise Wong  
Audit Supervisor: Diana Dong  
Auditors: Wenli Wei and Jonathan Pacheco**



TOBY DOUGLAS  
Director

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



EDMUND G. BROWN JR  
Governor

July 3, 2012

Marty Lynch, PhD, MPA  
Executive Director/CEO  
Lifelong Medical Care  
2344 Sixth Street  
Berkeley, CA 94710

LIFELONG MEDICAL CARE - HOWARD DANIEL CLINIC  
NATIONAL PROVIDER IDENTIFIER (NPI) 1619145307  
FISCAL PERIOD ENDED JUNE 30, 2010

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>
\$180.38	April 1, 2009 through September 30, 2010

In addition, your rate will be increased to \$182.54 effective October 1, 2010; \$183.27 effective October 1, 2011; to reflect the MEI increase of 1.2% and 0.4% respectively.

We have instructed the Payment Systems Division to adjust your interim Managed Care rate (Code 18) to \$122.34 and your interim Medi-Cal Crossover rate (Code 02) to \$79.40, effective July 1, 2012.

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  
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:

**United States Postal Service (USPS)**

Assistant Chief Counsel  
Department of Health Care Services  
Office of Legal Services  
MS 0010  
P.O. 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.

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>
LIFELONG MEDICAL CARE - HOWARD DANIEL CLINIC	1619145307	JUNE 30, 2010

PART A - DETERMINATION OF OVERHEAD APPLICABLE TO FQHC SERVICES	REPORTED	AUDITED
1. Cost of FQHC Services Excluding Overhead (Sch 2, L 29)	\$ 808,407	\$ 778,275
2. Nonreimbursable FQHC Costs Excluding Overhead (Sch 2, L 57)	24,296	24,296
3. Cost of All Services Excluding Overhead (L A1 + L A2)	\$ 832,703	\$ 802,571
4. Percentage of Nonreimbursable FQHC Costs (L A2 / L A3)	0.029177	0.030273
5. Total Overhead (Sch 2, L 53)	\$ 577,709	\$ 605,747
6. Overhead Applicable to Nonreimbursable FQHC Costs (L A4 * L A5)	16,856	18,338
7. Overhead Applicable to FQHC Services (L A5 - L A6)	560,853	587,409
8. Total Cost of FQHC Services (L A1 + L A7)	\$ 1,369,260	\$ 1,365,684
PART B - DETERMINATION OF FQHC RATE		
1. Total FQHC Costs (L A8)	\$ 1,369,260	\$ 1,365,684
2. Total FQHC Visits (Adj No )	7,571	7,571
3. Total FQHC Nonreimbursable Services Visits (Adj No )	0	0
4. Total FQHC Adjusted Visits (L B2 - L B3)	7,571	7,571
5. FQHC Rate Per Visit (L B1 / L B4)	\$ 180.86	\$ 180.38

## SCHEDULE OF TRIAL BALANCE EXPENSE

Provider Name:

Provider NPI:

Fiscal Period Ended:

LIFELONG MEDICAL CARE - HOWARD DANIEL CLINIC

1619145307

JUNE 30, 2010

Cost Center	REPORTED	ADJUSTMENTS (From Sch 2A)	AUDITED
<b>FQHC Health Care Cost</b>			
1. Physician	\$64,598	\$0	\$64,598
2. Physician Assistant	0	0	0
3. Nurse Practitioner	92,223	0	92,223
4. Other Nurse	42,178	0	42,178
5. Laboratory Technician	0	0	0
6. Education and Outreach	0	0	0
7. Case Management	2,562	0	2,562
8. Other Medical	1,394	0	1,394
9. Medical Records	57,560	(200)	57,360
10. Support Staff	90,514	0	90,514
11. Mental Health	5,451	0	5,451
12. Health Care Staff Benefits	90,546	0	90,546
13. Subtotal-FQHC Health Care Costs	\$447,026	(\$200)	\$446,826
14. Physician Services Under Agreement	\$157,920	\$0	\$157,920
15. Physician Supervision	0	0	0
16. Contract Mid-Level	117,000	0	117,000
<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	23,703	0	23,703
22. Depreciation - Medical Equipment	2,923	0	2,923
23. Professional Liability Insurance	3,295	(64)	3,231
24. Home Office Direct Cost (from H/O Cost Report - Schedule 6)	30,283	(29,868)	415
25. Laboratory	0	0	0
26. Radiology	0	0	0
27. Minor Medical Equipment and Rental / CME	26,257	0	26,257
28. Subtotal-Other Health Care Costs	\$86,461	(\$29,932)	\$56,529
29. Total Cost of FQHC Services (Sum of Lines 13, 14-16, and 28)	\$808,407	(\$30,132)	\$778,275
<b>FQHC Overhead-Facility Cost</b>			
30. Rent	\$60,000	\$0	\$60,000
31. Insurance	0	0	0
32. Interest Expense	0	0	0
33. Utilities	8,643	0	8,643
34. Depreciation - Building	0	0	0
35. Depreciation - Equipment	0	0	0
36. Housekeeping And Maintenance	35,927	0	35,927
37. Property Tax	0	0	0
38. Minor Equipment	24,144	0	24,144
39. Home Office Pool Costs (from H/O Cost Report - Schedule 6)	45,220	0	45,220
40. Maintenance Cost	656	0	656
41. Subtotal - Facility Costs (Lines 30-40)	\$174,590	\$0	\$174,590
<b>FQHC Overhead-Administrative Cost</b>			
42. Office Salaries	\$118,753	\$0	\$118,753
43. Depreciation-Office Equipment	3,294	(1,830)	1,464
44. Office Supplies	13,026	0	13,026
45. Legal	0	0	0
46. Accounting	0	0	0
47. Insurance (specify):	0	0	0
48. Telephone	8,468	0	8,468
49. Fringe Benefits And Payroll Taxes	29,955	0	29,955
50. Home Office Pool Costs (from H/O Cost Report - Schedule 6)	224,572	29,868	254,440
51. Miscellaneous	5,051	0	5,051
52. Subtotal - Administrative Costs (Lines 42-51)	\$403,119	\$28,038	\$431,157
53. Total Cost Subject To Allocation (Sum of Lines 41 and 52)	\$577,709	\$28,038	\$605,747
54. Nonreimbursable Costs (specify)	\$0	\$0	\$0
55. Home Office Pool Costs	24,296	0	24,296
56.	0	0	0
57. Subtotal Nonreimbursable Costs	\$24,296	\$0	\$24,296
58. Total FQHC Costs (Sum of Lines 29, 53, and 57)	\$1,410,412	(\$2,094)	\$1,408,318

ADJUSTMENTS TO AUDITED COSTS

Provider Name:

Provider NPI:

Fiscal Period Ended:

LIFELONG MEDICAL CARE - HOWARD DANIEL CLINIC

1619145307

JUNE 30, 2010

Cost Center	Total	Adjustment 1	Adjustment 2	Adjustment 3	Adjustment 4	Adjustment	Adjustment
<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. Education and Outreach	0						
7. Case Management	0						
8. Other Medical	0						
9. Medical Records	(200)				(200)		
10. Support Staff	0						
11. Mental Health	0						
12. Health Care Staff Benefits	0						
13. Subtotal-FQHC Health Care Costs	(200)	0	0	0	(200)	0	0
14. Physician Services Under Agreement	0						
15. Physician Supervision	0						
16. Contract Mid-Level	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	(64)		(64)				
24. Home Office Direct Cost (from H/O Cost Report - Schedule 6)	(29,868)	(29,868)					
25. Laboratory	0						
26. Radiology	0						
27. Minor Medical Equipment and Rental / CME	0						
28. Subtotal-Other Health Care Costs	(29,932)	(29,868)	(64)	0	0	0	0
29. Total Cost of FQHC Services (Sum of Lines 13, 14-16, and 28)	(30,132)	(29,868)	(64)	0	(200)	0	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. Minor Equipment	0						
39. Home Office Pool Costs (from H/O Cost Report - Schedule 6)	0						
40. Maintenance Cost	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	(1,830)			(1,830)			
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 Pool Costs (from H/O Cost Report - Schedule 6)	29,868	29,868					
51. Miscellaneous	0						
52. Subtotal - Administrative Costs (Lines 42-51)	28,038	29,868	0	(1,830)	0	0	0
53. Total Cost Subject To Allocation (Sum of Lines 41 and 52)	28,038	29,868	0	(1,830)	0	0	0
54. Nonreimbursable Costs (specify)	0						
55. Home Office Pool Costs	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)	(2,094)	0	(64)	(1,830)	(200)	0	0

ADJUSTMENTS TO AUDITED COSTS

Provider Name:

Provider No.

Fiscal Period Ended:

LIFELONG MEDICAL CARE - HOWARD DANIEL CLINIC

1619145307

JUNE 30, 2010

Cost Center	Adjustment						
<b>FQHC Health Care Cost</b>							
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. Health Care Staff Benefits							
13. Subtotal-FQHC Health Care Costs	0	0	0	0	0	0	0
14. Physician Services Under Agreement							
15. Physician Supervision							
16. Contract Mid-Level							
17. <b>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 Direct Cost (from H/O Cost Report - Schedule 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 Cost of FQHC Services (Sum of Lines 13, 14-16, and 28)	0	0	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. Minor Equipment							
39. Home Office Pool Costs (from H/O Cost Report - Schedule 6)							
40. Maintenance Cost							
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 Pool Costs (from H/O Cost Report - Schedule 6)							
51. Miscellaneous							
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. Home Office Pool Costs							
56.							
57. Subtotal Nonreimbursable Costs	0	0	0	0	0	0	0
58. Total FQHC Costs (Sum of Lines 29, 53, and 57)	0	0	0	0	0	0	0

Provider Name			Fiscal Period			Provider NPI		Adjustments
LIFELONG MEDICAL CARE - HOWARD DANIEL CLINIC			JULY 1, 2009 THROUGH JUNE 30, 2010			1619145307		4
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 OF REPORTED COSTS</u></b>								
1	2A	24	1	24	Home Office Direct Costs - Health Care	\$30,283	(\$29,868)	\$415
	2A	50	1	50	Home Office Pool Costs - Administrative	224,572	29,868	254,440
To reclassify medical director and other administrative staff's salaries and fringe benefits allocated from the home office to the appropriate cost center. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Section 2304								

Provider Name			Fiscal Period			Provider NPI		Adjustments
LIFELONG MEDICAL CARE - HOWARD DANIEL CLINIC			JULY 1, 2009 THROUGH JUNE 30, 2010			1619145307		4
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	2A	23	1	23	Professional Liability Insurance To reconcile the reported professional liability insurance expense to agree with the provider's general ledger. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Section 2304	\$3,295	(\$64)	\$3,231
3	2A	43	1	43	Depreciation - Office Equipment To reconcile the reported depreciation-office equipment expense to agree with the provider's fixed asset ledger. 42 CFR 413.20 and 413.24 / CMS Pub. 15-1, Section 2304	\$3,294	(\$1,830)	\$1,464
4	2A	9	1	9	Medical Records To abate medical records revenue against related costs. 42 CFR 413.5 and 413.9 / CMS Pub. 15-1, Section 2328	\$57,560	(\$200)	\$57,360