

**REPORT  
ON THE  
FEDERALLY QUALIFIED HEALTH CENTER  
RATE SETTING COST REPORT REVIEW  
COMMUNITY HEALTH CENTER - LOMPOC  
PROVIDER NUMBER: 1326065103**

**FISCAL PERIOD ENDED  
JUNE 30, 2011**

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

**Section Chief: Michael Harrold  
Audit Supervisor: Kathy Atkins  
Auditor: Susan Calvino**



TOBY DOUGLAS  
DIRECTOR

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



EDMUND G. BROWN JR.  
GOVERNOR

March 3, 2014

Bob Lotwala, CFO  
Community Health Centers of the Central Coast, Inc.  
150 Tejas Place  
Nipomo, CA 98446

PROVIDER: COMMUNITY HEALTH CENTER – LOMPOC  
NATIONAL PROVIDER IDENTIFIER: 1326065103  
FISCAL PERIOD ENDED: JUNE 30, 2011

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. Your rates and effective dates are as follows:

<u>PPS Rate</u>	<u>Effective Date</u>
\$130.05	August 5, 2009

In addition, your rate will be increased to:

- \$132.13, effective October 1, 2009
- \$133.72, effective October 1, 2010
- \$134.25, effective October 1, 2011
- \$135.06, effective October 1, 2012
- \$136.14, effective October 1, 2013

To reflect the MEI increases of 1.6%, 1.2%, 0.4%, 0.6%, 0.8% 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

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

Sincerely,

Original Signed by

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

Certified

## COMPUTATION OF MEDI-CAL PROSPECTIVE PAYMENT SYSTEM RATE

Provider Legal Name:  
COMMUNITY HEALTH CENTER -  
LOMPOC

Provider No. (NPI)  
1326065103

Fiscal Period Ended:  
JUNE 30, 2011

## PART A - DETERMINATION OF OVERHEAD APPLICABLE TO MEDICAL SERVICES

	REPORTED	AUDITED
1. Cost of Services Excluding Overhead (Sch 2, L 29)	\$ 2,313,720	\$ 2,219,005
2. Nonreimbursable Costs Excluding Overhead (Sch 2, L 57)	13,109	13,109
3. Cost of All Services Excluding Overhead (L A1 + L A2)	\$ 2,326,829	\$ 2,232,114
4. Percentage of Nonreimbursable Costs (L A2 / L A3)	0.005634	0.005873
5. Total Overhead (Sch 2, L 53)	\$ 1,217,430	\$ 1,113,610
6. Overhead Applicable to Nonreimbursable Costs (L A4 * L A5)	6,859	6,540
7. Overhead Applicable to Medical Services (L A5 - L A6)	1,210,571	1,107,070
8. Total Cost of Medical Services (L A1 + L A7)	\$ 3,524,291	\$ 3,326,075

## PART B - DETERMINATION OF PPS RATE

1. Total Medical Costs (L A8)	\$ 3,524,291	\$ 3,326,075
2. Total FQHC/RHC Visits (Adj No. 10)	25,512	25,575
3. Total Nonreimbursable Services Visits (Adj No )	0	0
4. FQHC/RHC Adjusted Visits (L B2 - L B3)	25,512	25,575
5. FQHC/RHC PPS Rate Per Visit (L B1 / L B4)	\$ 138.14	\$ 130.05

## SCHEDULE OF TRIAL BALANCE EXPENSES

Provider Legal Name:

Provider No. (NPI)

Fiscal Period Ended:

COMMUNITY HEALTH CENTER - LOMPOC

1326065103

JUNE 30, 2011

Cost Center	REPORTED	ADJUSTMENTS (From Sch 2A)	AUDITED
<b>FQHC/RHC Health Care Cost</b>			
1. Physician	\$474,246	(\$4,179)	\$470,067
2. Physician Assistant	3,676	0	3,676
3. Nurse Practitioner	0	0	0
4. Other Nurse	0	0	0
5. Laboratory Technician	0	0	0
6. Education & Outreach	23,877	0	23,877
7. Case Management	925	0	925
8. Other Medical	0	0	0
9. Medical Records	120,945	0	120,945
10. Support Staff	197,720	0	197,720
11. Mental Health	33,594	0	33,594
12. Other Fringe Benefits	212,634	(759)	211,875
13. Subtotal-FQHC Health Care Costs	\$1,067,617	(\$4,938)	\$1,062,679
14. Physician Services Under Agreement	\$200,415	(\$33,006)	\$167,409
15. Physician Supervision	0	0	0
16.	0	0	0
<b>17. Other Health Care Costs</b>			
18. Pharmacy	\$33,605	(\$9,082)	\$24,523
19. Dental	764,733	(44,736)	719,997
20. Optometry	0	0	0
21. Medical Supplies	16,576	0	16,576
22. Depreciation-Medical Equipment	15,448	(2,325)	13,123
23. Professional Liability Insurance	13,601	0	13,601
24. Home Office Direct Cost (schedule 6)	17,630	0	17,630
25. Laboratory	6,017	0	6,017
26. Radiology	0	0	0
27. Other Fringe Benefits	178,078	(628)	177,450
28. Subtotal-Other Health Care Costs	\$1,045,688 *	\$0	\$988,917
29. Total Cost of FQHC Services (Sum of Lines 13, 14, 15, 16, and 28)	\$2,313,720	(\$37,944)	\$2,219,005
<b>FQHC Overhead-Facility Cost</b>			
30. Rent	\$204,449	\$0	\$204,449
31. Insurance	0	0	0
32. Interest on Mortgage or Loans	0	0	0
33. Utilities	28,266	0	28,266
34. Depreciation-Building	37,668	(22,309)	15,359
35. Depreciation-Equipment	0	0	0
36. Housekeeping And Maintenance	58,077	0	58,077
37. Property Tax	0	0	0
38. Minor Equipment	0	0	0
39. Home Office Direct cost	0	0	0
40. Other Schedule 1	45,543	(11,088)	34,455
41. Subtotal-Facility Costs (Lines 30-40)	\$374,003	(\$33,397)	\$340,606
<b>FQHC Overhead-Administrative Cost</b>			
42. Office Salaries	\$113,820	\$0	\$113,820
43. Depreciation-Office Equipment	0	0	0
44. Office Supplies	19,848	(4,594)	15,254
45. Legal	0	0	0
46. Accounting/Admin Consultants	1,575	0	1,575
47. Insurance	0	0	0
48. Telephone	31,832	0	31,832
49. Fringe Benefits And Payroll Taxes	29,997	(107)	29,890
50. Home Office Pool Costs (from home ofc. cost report-sch 6)	593,244	(63,022)	530,222
51. Other - Schedule 2	53,111	(2,700)	50,411
52. Subtotal-Administrative Costs (Lines 42-51)	\$843,427	\$0	\$773,004
53. Total Cost Subject To Allocation (Sum of Lines 41 and 52)	\$1,217,430 *	(\$33,397)	\$1,113,610
54. Nonreimbursable Costs	\$0	\$0	\$0
55. Health Promotion	13,109	0	13,109
56. Nonreimbursable Costs (Other Non-Reimb)	0	0	0
57. Subtotal Nonreimbursable Costs	\$13,109	\$0	\$13,109
58. Total FQHC Costs (Sum of Lines 29, 53, and 57)	\$3,544,259 *	(\$71,341)	\$3,345,724

ADJUSTMENTS TO REPORTED COSTS

Provider Legal Name	Provider No. (NPI)	Fiscal Period Ended					
COMMUNITY HEALTH CENTER - LOMPOC	1326065103	JUNE 30, 2011					
Cost Center	Total	Adjustment (No.1)	Adjustment (No. 2)	Adjustment (No. 3)	Adjustment (No. 4)	Adjustment (No. 5)	Adjustment (No.6)
<b>FQHC/RHC Health Care Cost</b>							
1. Physician	(4,179)	(4,179)					
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 Fringe Benefits	(759)			(759)			
13. Subtotal-FQHC Health Care Costs	(4,938)	(4,179)	0	(759)	0	0	0
14. Physician Services Under Agreement	(33,006)						
15. Physician Supervision	0						
16.	0						
<b>17. Other Health Care Costs</b>							
18. Pharmacy	(9,082)		(9,082)				
19. Dental	(44,736)				(44,736)		
20. Optometry	0						
21. Medical Supplies	0						
22. Depreciation-Medical Equipment	(2,325)				(2,325)		
23. Professional Liability Insurance	0						
24. Home Office Direct Cost (schedule 6)	0						
25. Laboratory	0						
26. Radiology	0						
27. Other Fringe Benefits	(628)			(628)			
28. Subtotal-Other Health Care Costs	(56,771)	0	(9,082)	(628)	(47,061)	0	0
29. Total Cost of FQHC Services (Sum of Lines 13, 14, 15, 16, and 28)	(94,715)	(4,179)	(9,082)	(1,387)	(47,061)	0	0
<b>FQHC Overhead-Facility Cost</b>							
30. Rent	0						
31. Insurance	0						
32. Interest on Mortgage or Loans	0						
33. Utilities	0						
34. Depreciation-Building	(22,309)				(22,309)		
35. Depreciation-Equipment	0						
36. Housekeeping And Maintenance	0						
37. Property Tax	0						
38. Minor Equipment	0						
39. Home Office Direct cost	0						
40. Other Schedule 1	(11,088)						
41. Subtotal-Facility Costs (Lines 30-40)	(33,397)	0	0	0	(22,309)	0	0
<b>FQHC Overhead-Administrative Cost</b>							
42. Office Salaries	0						
43. Depreciation-Office Equipment	0						
44. Office Supplies	(4,594)						(4,594)
45. Legal	0						
46. Accounting/Admin Consultants	0						
47. Insurance	0						
48. Telephone	0						
49. Fringe Benefits And Payroll Taxes	(107)			(107)			
50. Home Office Pool Costs (from home ofc. cost report	(63,022)						
51. Other - Schedule 2	(2,700)					(1,601)	
52. Subtotal-Administrative Costs (Lines 42-51)	(70,423)	0	0	(107)	0	(1,601)	(4,594)
53. Total Cost Subject To Allocation (Sum of Lines 41 and 52)	(103,820)	0	0	(107)	(22,309)	(1,601)	(4,594)
<b>FQHC Overhead-Nonreimbursable Costs</b>							
54. Nonreimbursable Costs	0						
55. Health Promotion	0						
56. Nonreimbursable Costs (Other Non-Reimb)	0						
57. Subtotal Nonreimbursable Costs	0	0	0	0	0	0	0
58. Total FQHC Costs (Sum of Lines 29, 53, and 57)	(198,535)	(4,179)	(9,082)	(1,494)	(69,370)	(1,601)	(4,594)

ADJUSTMENTS TO REPORTED COSTS

Provider Legal Name	Provider No.				Fiscal Period Ended		
COMMUNITY HEALTH CENTER - LOMPOC	1326065103				JUNE 30, 2011		
Cost Center	Adjustment (No. 7)	Adjustment (No.8)	Adjustment (No. 9)	Adjustment (No. )	Adjustment (No. )	Adjustment (No. )	Adjustment (No. )
<b>FQHC/RHC Health Care Cost</b>							
1. Physician							
2. Physician Assistant							
3. Nurse Practitioner							
4. Other Nurse							
5. Laboratory Technician							
6. Education & Outreach							
7. Case Management							
8. Other Medical							
9. Medical Records							
10. Support Staff							
11. Mental Health							
12. Other Fringe Benefits							
13. Subtotal-FQHC Health Care Costs	0	0	0	0	0	0	0
14. Physician Services Under Agreement			(33,006)				
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 Direct Cost (schedule 6)							
25. Laboratory							
26. Radiology							
27. Other Fringe Benefits							
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	(33,006)	0	0	0	0
<b>FQHC Overhead-Facility Cost</b>							
30. Rent							
31. Insurance							
32. Interest on Mortgage or Loans							
33. Utilities							
34. Depreciation-Building							
35. Depreciation-Equipment							
36. Housekeeping And Maintenance							
37. Property Tax							
38. Minor Equipment							
39. Home Office Direct cost							
40. Other Schedule 1	(11,088)						
41. Subtotal-Facility Costs (Lines 30-40)	(11,088)	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/Admin Consultants							
47. Insurance							
48. Telephone							
49. Fringe Benefits And Payroll Taxes							
50. Home Office Pool Costs (from home ofc. cost report)		(63,022)					
51. Other - Schedule 2	(1,099)						
52. Subtotal-Administrative Costs (Lines 42-51)	(1,099)	(63,022)	0	0	0	0	0
53. Total Cost Subject To Allocation (Sum of Lines 41 and 52)	(12,187)	(63,022)	0	0	0	0	0
<b>54. Nonreimbursable Costs</b>							
55. Health Promotion							
56. Nonreimbursable Costs (Other Non-Reimb)							
57. Subtotal Nonreimbursable Costs	0	0	0	0	0	0	0
58. Total FQHC Costs (Sum of Lines 29, 53, and 57)	(12,187)	(63,022)	(33,006)	0	0	0	0

Provider Legal Name					Fiscal Period	Provider Number (NPI)		Adjustments
COMMUNITY HEALTH CENTER - LOMPOC					JULY 1, 2010 THROUGH JUNE 30, 2011	1326065103		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>								
1	2A	1	1	1	Physicians To eliminate prior period salaries expense for proper matching of visits and expenses. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300, 2302.1, and 2304	\$474,246	(\$4,179)	\$470,067
2	2A	18	1	18	Pharmacy To eliminate pneumococcal and influenza vaccine costs not included in the all inclusive rate and to be reimbursed separately. 42 CFR 405.2464, 405.2468, 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304 CMS Pub. 100-03, Chapter 13, Section 210.2.2 CMS Pub. 100-04, Chapter 9, Section 40.4	\$33,605	(\$9,082)	\$24,523
3	2A	12	1	12	Fringe Benefits	\$212,634	(\$759)	\$211,875
	2A	27	1	27	Fringe Benefits	178,078	(628)	177,450
	2A	49	1	49	Fringe Benefits/Payroll Taxes To adjust worker's compensation expense to agree with the premium invoices. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	29,997	(107)	29,890
4	2A	19	1	19	Dental	\$764,733	(\$44,736)	\$719,997
	2A	22	1	22	Depreciation - Medical Equipment	15,448	(2,325)	13,123
	2A	34	1	34	Depreciation - Building To adjust for a change in useful life to agree with the American Hospital Association Guidelines and due to a lack of documentation. 42 CFR 413.20, 413.24 and 413.134(b)(7) CMS Pub. 15-1, Sections 104.17, 104.18, 2300 and 2304	37,668	(22,309)	15,359

Provider Legal Name					Fiscal Period	Provider Number (NPI)		Adjustments
COMMUNITY HEALTH CENTER - LOMPOC					JULY 1, 2010 THROUGH JUNE 30, 2011	1326065103		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>								
5	2A	51	1	51	Administrative - Other To eliminate postage and printing expense due to insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	\$53,111	(\$1,601)	\$51,510 *
6	2A	44	1	44	Office Supplies To eliminate expense for computer assets that should have been capitalized. 42 CFR 413.20 and 413.134 CMS Pub. 15-1, Sections 104.8, 108.1 and 2300	\$19,848	(\$4,594)	\$15,254
7	2A	40	1	40	Other Health Care Costs	\$45,543	(\$11,088)	\$34,455
	2A	51	1	51	Administrative - Other To eliminate expense for assets associated with EHR that should have been capitalized. 42 CFR 413.20 and 413.134 CMS Pub. 15-1, Sections 104.8, 108.1 and 2300	* 51,510	(1,099)	50,411
8	2A	50	1	50	Home Office Pool Cost To adjust reported home office costs to agree with the Community Health Centers of the Central Coast, Inc. Home Office Audit Report for fiscal period ended 6/30/2011. 42 CFR 413.17 CMS Pub. 15-1, Sections 2150.2 and 2304	\$593,244	(\$63,022)	\$530,222
9	2A	14	1	14	Physician Services Under Agreement To eliminate contract physician expense for proper matching of visits and expenses and for physician services that are directly billed under the physician provider number. 42 CFR 413.5, 413.9, 413.20 and 413.24 CMS Pub. 15-1, Sections 2300, 2304 and 2182.3C	\$200,415	(\$33,006)	\$167,409

\*Balance carried forward from prior/to subsequent adjustments

Provider Legal Name					Fiscal Period	Provider Number (NPI)		Adjustments
COMMUNITY HEALTH CENTER - LOMPOC					JULY 1, 2010 THROUGH JUNE 30, 2011	1326065103		10
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 DAYS</u>								
10	1	B2	2	B2	Total FQCH/RHC Visits To adjust total FQHC visits to agree with provider's records. 42 CFR 405.2465 and 405.2470 CMS Pub. 15-1, Sections 2300 and 2304	25,512	63	25,575