

**REPORT  
ON THE  
FEDERALLY QUALIFIED HEALTH CENTER  
RATE SETTING COST REPORT AUDIT  
COMMUNITY HEALTH CENTER - OCEANO  
NPI: 1336166248**

**FISCAL PERIOD ENDED  
JUNE 30, 2011**

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

**Section Chief: Michael Harrold  
Auditor: Sandy Feng**



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 – OCEANO  
NATIONAL PROVIDER IDENTIFIER: 1336166248  
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>
\$153.87	June 1, 2011

In addition, your rate will be increased to:	\$154.49, effective October 1, 2011
	\$155.41, effective October 1, 2012
	\$156.66, effective October 1, 2013

To reflect the MEI increases of .4%, .6%, and .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  
Page 3

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:

Provider No. (NPI)

Fiscal Period Ended:

COMMUNITY HEALTH CENTER - OCEANO 1336166248

JUNE 30, 2011

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

	REPORTED	AUDITED
1. Cost of Services Excluding Overhead (Sch 2, L 29)	\$ 426,141	\$ 399,771
2. Nonreimbursable Costs Excluding Overhead (Sch 2, L 57)	4,210	4,210
3. Cost of All Services Excluding Overhead (L A1 + L A2)	\$ 430,351	\$ 403,981
4. Percentage of Nonreimbursable Costs (L A2 / L A3)	0.009783	0.010421
5. Total Overhead (Sch 2, L 53)	\$ 367,923	\$ 324,663
6. Overhead Applicable to Nonreimbursable Costs (L A4 * L A5)	3,599	3,383
7. Overhead Applicable to Medical Services (L A5 - L A6)	364,324	321,280
8. Total Cost of Medical Services (L A1 + L A7)	\$ 790,465	\$ 721,051

## PART B - DETERMINATION OF PPS RATE

1. Total Medical Costs (L A8)	\$ 790,465	\$ 721,051
2. Total FQHC Visits (Adj No 14)	4,660	4,686
3. Total Nonreimbursable Services Visits (Adj No )	0	0
4. FQHC Adjusted Visits (L B2 - L B3)	4,660	4,686
5. FQHC PPS Rate Per Visit (L B1 / L B4)	\$ 169.63	\$ 153.87

## SCHEDULE OF TRIAL BALANCE EXPENSES

Provider Legal Name:

Provider No. (NPI)

Fiscal Period Ended:

COMMUNITY HEALTH CENTER - OCEANO

1336166248

JUNE 30, 2011

## Cost Center

	REPORTED	ADJUSTMENTS (From Sch 2A)	ACCEPTED AS FILED
<b>FQHC Health Care Cost</b>			
1. Physician	\$146,084	\$0	\$146,084
2. Physician Assistant	371	0	371
3. Nurse Practitioner	0	0	0
4. Other Nurse	2,772	0	2,772
5. Laboratory Technician	0	0	0
6. Education & Outreach	1,024	0	1,024
7. Case Management	0	0	0
8. Other Medical	0	0	0
9. Medical Records	32,725	0	32,725
10. Support Staff	64,708	0	64,708
11. Mental Health	0	0	0
12. Fringe Benefits	69,357	(175)	69,182
13. Subtotal-FQHC Health Care Costs	\$317,041	(\$175)	\$316,866
14. Physician Services Under Agreement	\$75,036	(\$20,316)	\$54,720
15. Physician Supervision	0	0	0
16.	0	0	0
<b>17. Other Health Care Costs</b>			
18. Pharmacy	\$13,678	(\$3,700)	\$9,978
19. Dental	0	0	0
20. Optometry	0	0	0
21. Medical Supplies	10,198	(2,179)	8,019
22. Depreciation-Medical Equipment	874	0	874
23. Professional Liability Insurance	3,886	0	3,886
24. Home Office Direct Cost (schedule 6)	3,216	0	3,216
25. Laboratory	2,212	0	2,212
26. Other (Other Medical Expenses)	0	0	0
27. Printing, Building/Equipment, Utilites, Phone, etc	0	0	0
28. Subtotal-Other Health Care Costs	\$34,064	(\$5,879)	\$28,185
29. Total Cost of FQHC Services (Sum of Lines 13, 14, 15, 16, and 28)	\$426,141	(\$26,370)	\$399,771
<b>FQHC Overhead-Facility Cost</b>			
30. Rent	\$43,245	(\$3,500)	\$39,745
31. Insurance	0	0	0
32. Interest on Mortgage or Loans	0	0	0
33. Utilities	10,617	(6,672)	3,945
34. Depreciation-Building	56,260	(19,082)	37,178
35. Depreciation-Equipment	0	0	0
36. Housekeeping and Maintenance	14,637	0	14,637
37. Property Tax	0	0	0
38. Minor Equipment	0	0	0
39. Home Office Direct Cost (schedule 6)	0	0	0
40. Other (Specify) Schedule 1	18,431	595	19,026
41. Subtotal-Facility Costs (Lines 30-40)	\$143,190	(\$28,659)	\$114,531
<b>FQHC Overhead-Administrative Cost</b>			
42. Office Salaries	\$55,608	\$0	\$55,608
43. Depreciation-Office Equipment	0	0	0
44. Office Supplies	9,983	(2,592)	7,391
45. Legal	0	0	0
46. Accounting/Admin. Consultants	30	0	30
47. Insurance (specify)	0	0	0
48. Telephone	7,324	0	7,324
49. Fringe Benefits / Payroll Taxes	15,565	(39)	15,526
50. Home Office Pool Costs (from home ofc. cost report-sch 6)	123,884	(11,970)	111,914
51. Other (Specify) Schedule 1	12,339	0	12,339
52. Subtotal-Administrative Costs (Lines 42-51)	\$224,733	(\$14,601)	\$210,132
53. Total Cost Subject To Allocation (Sum of Lines 41 and 52)	\$367,923	(\$43,260)	\$324,663
54. Nonreimbursable Costs (Health Education)	\$0	\$0	\$0
55. Health Promotion	4,210	0	4,210
56.	0	0	0
57. Subtotal Nonreimbursable Costs	\$4,210	\$0	\$4,210
58. Total FQHC Costs (Sum of Lines 29, 53, and 57)	\$798,274	(\$69,630)	\$728,644

ADJUSTMENTS TO REPORTED COSTS

Provider Legal Name	Provider No. (NPI)	Fiscal Period Ended					
COMMUNITY HEALTH CENTER - OCEANO	1336166248	JUNE 30, 2011					
Cost Center	Total	Adjustment (No. 1)	Adjustment (No. 2)	Adjustment (No. 3)	Adjustment (No. 4-5)	Adjustment (No. 6)	Adjustment (No. 7)
<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 & Outreach	0						
7. Case Management	0						
8. Other Medical	0						
9. Medical Records	0						
10. Support Staff	0						
11. Mental Health	0						
12. Fringe Benefits	(175)						(175)
13. Subtotal-FQHC Health Care Costs	(175)	0	0	0	0	0	(175)
14. Physician Services Under Agreement	(20,316)						
15. Physician Supervision	0						
16.	0						
<b>17. Other Health Care Costs</b>							
18. Pharmacy	(3,700)						
19. Dental	0						
20. Optometry	0						
21. Medical Supplies	(2,179)	(2,179)					
22. Depreciation-Medical Equipment	0						
23. Professional Liability Insurance	0						
24. Home Office Direct Cost (schedule 6)	0						
25. Laboratory	0						
26. Other (Other Medical Expenses)	0						
27. Printing, Building/Equipment, Utilities, Phone, etc	0						
28. Subtotal-Other Health Care Costs	(5,879)	(2,179)	0	0	0	0	0
29. Total Cost of FQHC Services (Sum of Lines 13, 14, 15, 16, and 28)	(26,370)	(2,179)	0	0	0	0	(175)
<b>FQHC Overhead-Facility Cost</b>							
30. Rent	(3,500)					(3,500)	
31. Insurance	0						
32. Interest on Mortgage or Loans	0						
33. Utilities	(6,672)						
34. Depreciation-Building	(19,082)				(19,082)		
35. Depreciation-Equipment	0						
36. Housekeeping and Maintenance	0						
37. Property Tax	0						
38. Minor Equipment	0						
39. Home Office Direct Cost (schedule 6)	0						
40. Other (Specify) Schedule 1	595	2,179	(1,584)				
41. Subtotal-Facility Costs (Lines 30-40)	(28,659)	2,179	(1,584)	0	(19,082)	(3,500)	0
<b>FQHC Overhead-Administrative Cost</b>							
42. Office Salaries	0						
43. Depreciation-Office Equipment	0						
44. Office Supplies	(2,592)			(2,592)			
45. Legal	0						
46. Accounting/Admin. Consultants	0						
47. Insurance (specify)	0						
48. Telephone	0						
49. Fringe Benefits / Payroll Taxes	(39)						(39)
50. Home Office Pool Costs (from home ofc. cost report-sch 6)	(11,970)						
51. Other (Specify) Schedule 1	0						
52. Subtotal-Administrative Costs (Lines 42-51)	(14,601)	0	0	(2,592)	0	0	(39)
53. Total Cost Subject To Allocation (Sum of Lines 41 and 52)	(43,260)	2,179	(1,584)	(2,592)	(19,082)	(3,500)	(39)
54. Nonreimbursable Costs (Health Education)	0						
55. Health Promotion	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)	(69,630)	0	(1,584)	(2,592)	(19,082)	(3,500)	(214)

ADJUSTMENTS TO REPORTED COSTS

Provider Legal Name	Provider No.				Fiscal Period Ended		
COMMUNITY HEALTH CENTER - OCEANO	1336166248				JUNE 30, 2011		
Cost Center	Adjustment (No. 8-10)	Adjustment (No. 11)	Adjustment (No. 12)	Adjustment (No. 13)	Adjustment (No. )	Adjustment (No. )	Adjustment (No. )
<b>FQHC 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. Fringe Benefits							
13. Subtotal-FQHC Health Care Costs	0	0	0	0	0	0	0
14. Physician Services Under Agreement	(20,316)						
15. Physician Supervision							
16.							
<b>17. Other Health Care Costs</b>							
18. Pharmacy		(3,700)					
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. Other (Other Medical Expenses)							
27. Printing, Building/Equipment, Utilites, Phone, etc							
28. Subtotal-Other Health Care Costs	0	(3,700)	0	0	0	0	0
29. Total Cost of FQHC Services (Sum of Lines 13, 14, 15, 16, and 28)	(20,316)	(3,700)	0	0	0	0	0
<b>FQHC Overhead-Facility Cost</b>							
30. Rent							
31. Insurance							
32. Interest on Mortgage or Loans							
33. Utilities			(6,672)				
34. Depreciation-Building							
35. Depreciation-Equipment							
36. Housekeeping and Maintenance							
37. Property Tax							
38. Minor Equipment							
39. Home Office Direct Cost (schedule 6)							
40. Other (Specify) Schedule 1							
41. Subtotal-Facility Costs (Lines 30-40)	0	0	(6,672)	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 (specify)							
48. Telephone							
49. Fringe Benefits / Payroll Taxes							
50. Home Office Pool Costs (from home ofc. cost report-sch 6)				(11,970)			
51. Other (Specify) Schedule 1							
52. Subtotal-Administrative Costs (Lines 42-51)	0	0	0	(11,970)	0	0	0
53. Total Cost Subject To Allocation (Sum of Lines 41 and 52)	0	0	(6,672)	(11,970)	0	0	0
<b>FQHC Overhead-Administrative Cost</b>							
54. Nonreimbursable Costs (Health Education)							
55. Health Promotion							
56.							
57. Subtotal Nonreimbursable Costs	0	0	0	0	0	0	0
58. Total FQHC Costs (Sum of Lines 29, 53, and 57)	(20,316)	(3,700)	(6,672)	(11,970)	0	0	0

Provider Legal Name					Fiscal Period	Provider Number (NPI)		Adjustments
COMMUNITY HEALTH CENTER - OCEANO					JULY 1, 2010 THROUGH JUNE 30, 2011	1336166248		14
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	2A	21	1	21	Medical Supplies	\$10,198	(\$2,179)	\$8,019
	2A	40	1	40	Other - Schedule 1	18,431	2,179	20,610 *
To reclassify telephone equipment maintenance expense to the appropriate cost center for proper cost determination. 42 CFR 405.2464, 405.2468, 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304								

\*Balance carried forward from prior/to subsequent adjustments

Provider Legal Name					Fiscal Period	Provider Number (NPI)		Adjustments	
COMMUNITY HEALTH CENTER - OCEANO					JULY 1, 2010 THROUGH JUNE 30, 2011	1336166248		14	
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	40	1	40	Other - Schedule 1 To eliminate software expenses related to assets that should have been capitalized. 42 CFR 405.2468, 413.134, 413.20 and 413.24 CMS Pub. 15-1, Sections 108, 108.1, 2300 and 2304	*	\$20,610	(\$1,584)	\$19,026
3	2A	44	1	44	Office Supplies To eliminate computer equipment expenses related to assets that should have been capitalized. 42 CFR 405.2468, 413.134, 413.20 and 413.24 CMS Pub. 15-1, Section 108, 108.1, 2300 and 2304		\$9,983	(\$2,592)	\$7,391
	2A	34	1	34	Depreciation - Building		\$56,260		
4					To eliminate depreciation expense that does not belong to the period under audit. 42 CFR 405.2468, 405.2470, 413.5, 413.20 and 413.24 CMS Pub. 15-1, Sections 2300, 2302.1 and 2304			(\$17,775)	
5					To adjust depreciation expense for a change in useful life to agree with the American Hospital Association Guidelines. 42 CFR 405.2468, 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			(1,307) (\$19,082)	\$37,178
6	2A	30	1	30	Rent To eliminate facility rent expense that does not belong to the period under audit. 42 CFR 405.2468, 405.2470, 413.5, 413.20 and 413.24 CMS Pub. 15-1, Sections 2300, 2302.1 and 2304		\$43,245	(\$3,500)	\$39,745

\*Balance carried forward from prior/to subsequent adjustments

Provider Legal Name					Fiscal Period	Provider Number (NPI)		Adjustments
COMMUNITY HEALTH CENTER - OCEANO					JULY 1, 2010 THROUGH JUNE 30, 2011	1336166248		14
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>								
7	2A	12	1	12	Other - Fringe Benefits	\$69,357	(\$175)	\$69,182
	2A	49	1	49	Fringe Benefits / Payroll Taxes To adjust workers compensation expense to agree with premium invoices. 42 CFR 405.2468, 405.2470, 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	15,565	(39)	15,526
	2A	14	1	14	Physician Services Under Agreement	\$75,036		
8					To eliminate contract physician expense that does not belong to the facility under audit. 42 CFR 405.2468, 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304		(\$6,080)	
9					To eliminate prior year's contract physician fees and due to lack of documentation. 42 CFR 405.2468, 405.2470, 413.5, 413.20 and 413.24 CMS Pub. 15-1, Sections 2300, 2302.1 and 2304		(6,741)	
10					To eliminate contract physician fees for proper matching of expenses and visits. 42 CFR 405.2463, 405.2470, 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304		(7,495) (\$20,316)	\$54,720
11	2A	18	1	18	Pharmacy To eliminate pneumococcal and influenza vaccines 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. 100-02, Chapter 13, Section 210.2.2 CMS Pub. 100-04, Chapter 9, Section 40.4	\$13,678	(\$3,700)	\$9,978

Provider Legal Name					Fiscal Period	Provider Number (NPI)		Adjustments
COMMUNITY HEALTH CENTER - OCEANO					JULY 1, 2010 THROUGH JUNE 30, 2011	1336166248		14
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>								
12	2A	33	1	33	Utilities To eliminate utilities expense that should not have been paid by the clinic. 42 CFR 405.2468, 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	\$10,617	(\$6,672)	\$3,945
13	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 the fiscal period ending 06/30/2011. 42 CFR 413.17, 413.20 and 413.24 CMS Pub. 15-1, Sections 2150.2, 2300 and 2304	\$123,884	(\$11,970)	\$111,914

Provider Legal Name					Fiscal Period		Provider Number (NPI)		Adjustments	
COMMUNITY HEALTH CENTER - OCEANO					JULY 1, 2010 THROUGH JUNE 30, 2011		1336166248		14	
Report References					Explanation of Audit Adjustments		As Reported	Increase (Decrease)	As Adjusted	
Adj. No.	Audit Report		Cost Report							
	Schedule	Line	Worksheet	Line						
<b><u>ADJUSTMENT TO REPORTED PATIENT VISITS</u></b>										
14	1	2	2	B2	Total FQHC Visits		4,660	26	4,686	
					To adjust total visits to agree with the provider's records. 42 CFR 405.2463, 405.2470, 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304					