

**REPORT
ON THE
FEDERALLY QUALIFIED HEALTH CENTER
RATE SETTING COST REPORT AUDIT
COMMUNITY HEALTH CENTER – SANTA MARIA II**

NPI: 1851417703

**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: Jeanene Lopez**



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 – SANTA MARIA II
NATIONAL PROVIDER IDENTIFIER: 1851417703
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>
\$136.89	June 1, 2011

In addition, your rate will be increased to: \$137.44, effective October 1, 2011
 \$138.26, effective October 1, 2012
 \$139.37, 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.

In our opinion, there is an overpayment for the above period due the State in the amount of \$6,090.

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

The Medi-Cal overpayment will be incorporated into a Statement of Account Status, which may reflect tentative retroactive adjustment determinations, payments from the provider, and other financial transactions initiated by the Department. The Statement of Account Status will be forwarded to the provider by the State's fiscal intermediary. Instructions regarding payment will be included with the Statement of Account Status.

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

FQHC/RHC

COMPUTATION OF MEDICAL PROSPECTIVE PAYMENT SYSTEM RATE

Provider Legal Name:
COMMUNITY HEALTH CENTER - SANTA
MARIA II

Provider No. (NPI)
1851417703

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)	\$ 991,006	\$ 953,296
2. Nonreimbursable Costs Excluding Overhead (Sch 2, L 57)	9,500	9,500
3. Cost of All Services Excluding Overhead (L A1 + L A2)	\$ 1,000,506	\$ 962,796
4. Percentage of Nonreimbursable Costs (L A2 / L A3)	0.009495	0.009867
5. Total Overhead (Sch 2, L 53)	\$ 581,921	\$ 558,568
6. Overhead Applicable to Nonreimbursable Costs (L A4 * L A5)	5,525	5,511
7. Overhead Applicable to Medical Services (L A5 - L A6)	576,396	553,057
8. Total Cost of Medical Services (L A1 + L A7)	\$ 1,567,402	\$ 1,506,353

PART B - DETERMINATION OF PPS RATE

1. Total Medical Costs (L A8)	\$ 1,567,402	\$ 1,506,353
2. Total FQHC/RHC Visits (Adj No 12)	10,987	11,004
3. Total Nonreimbursable Services Visits	0	0
4. FQHC/RHC Adjusted Visits (L B2 - L B3)	10,987	11,004
5. FQHC/RHC PPS Rate Per Visit (L B1 / L B4)	\$ 142.66	\$ 136.89

PART C - OVERPAYMENTS

1. Duplicate Payments (Adj No. 13)	\$ 0	\$ (6,090)
2. Credit Balances	0	0
3. Total Overpayments	\$ 0	\$ (6,090)

**FQHC/RHC
SCHEDULE OF TRIAL BALANCE EXPENSES**

Provider Legal Name:

Provider No. (NPI)

Fiscal Period Ended:

COMMUNITY HEALTH CENTER - SANTA MARIA II

1851417703

JUNE 30, 2011

Cost Center	REPORTED	ADJUSTMENTS (From Sch 2A)	AUDITED
FQHC/RHC Health Care Cost			
1. Physician	\$177,347	(\$11,381)	\$165,966
2. Physician Assistant	1,440	0	1,440
3. Nurse Practitioner	0	0	0
4. Other Nurse	4,741	0	4,741
5. Laboratory Technician	0	0	0
6. Education and Outreach	519	0	519
7. Case Management	222	0	222
8. Other Medical	0	0	0
9. Medical Records	33,677	0	33,677
10. Support Staff	86,703	0	86,703
11. Mental Health	0	0	0
12. Other - Fringe Benefits	70,345	(4,570)	65,775
13. Subtotal-Health Care Costs	\$374,994	(\$15,951)	\$359,043
14. Physician Services Under Agreement	\$19,796	(\$6,611)	\$13,185
15. Physician Supervision	0	0	0
16.	0	0	0
17. Other Health Care Costs			
18. Pharmacy	\$14,760	(\$3,700)	\$11,060
19. Dental	425,614	(10,185)	415,429
20. Optometry	0	0	0
21. Medical Supplies	15,147	(2,245)	12,902
22. Depreciation-Medical Equipment	0	2,245	2,245
23. Professional Liability Insurance	14,378	0	14,378
24. Home Office Direct Cost (from H.O. cost report-sch 6)	7,573	0	7,573
25. Laboratory	4,681	0	4,681
26. Radiology	0	0	0
27. Other - Fringe Benefits	114,063	(1,263)	112,800
28. Subtotal-Other Health Care Costs	\$596,216	(\$15,148)	\$581,068
29. Total Health Care Costs (Sum of Lines 13, 14, 15, 16, and 28)	\$991,006	(\$37,710)	\$953,296
FQHC/RHC Overhead-Facility Cost			
30. Rent	\$66,370	\$0	\$66,370
31. Insurance	0	0	0
32. Interest on Mortgage or Loans	0	0	0
33. Utilities	18,653	0	18,653
34. Depreciation-Building	7,473	0	7,473
35. Depreciation-Equipment	0	0	0
36. Housekeeping And Maintenance	41,203	0	41,203
37. Property Tax	0	0	0
38. Minor Equipment	0	0	0
39. Home Office Direct Cost	0	0	0
40. Other - Schedule 1	29,998	(6,336)	23,662
41. Subtotal-Facility Costs (Lines 30-40)	\$163,697	(\$6,336)	\$157,361
FQHC/RHC Overhead-Administrative Cost			
42. Office Salaries	\$60,744	\$13,345	\$74,089
43. Depreciation-Office Equipment	0	0	0
44. Office Supplies	10,067	(5,641)	4,426
45. Legal	0	0	0
46. Accounting/Admin. Consultants	268	0	268
47. Insurance (Specify)	0	0	0
48. Telephone	36,852	0	36,852
49. Fringe Benefits/Payroll Taxes	20,315	4,321	24,636
50. Home Office Pool Costs (from H.O. cost report-sch 6)	263,459	(27,812)	235,647
51. Other - Schedule 2	26,519	(1,230)	25,289
52. Subtotal-Administrative Costs (Lines 42-51)	\$418,224	(\$17,017)	\$401,207
53. Total Cost Subject To Allocation (Sum of Lines 41 and 52)	\$581,921	(\$23,353)	\$558,568
54. Nonreimbursable Costs (Specify)			
55. Health Promotion	\$0	\$0	\$0
56.	9,500	0	9,500
57. Subtotal Nonreimbursable Costs	0	0	0
58. Total Costs (Sum of Lines 29, 53, and 57)	\$9,500	\$0	\$9,500
58. Total Costs (Sum of Lines 29, 53, and 57)	\$1,582,427	(\$61,063)	\$1,521,364

FQHC/RHC
ADJUSTMENTS TO REPORTED COSTS

Provider Legal Name	Provider No. (NPI)	Fiscal Period Ended					
COMMUNITY HEALTH CENTER - SANTA MARIA II	1851417703	JUNE 30, 2011					
Cost Center	Total	Adjustment (No. 1)	Adjustment (No. 2)	Adjustment (No. 3)	Adjustment (No. 4)	Adjustment (No. 5)	Adjustment (No. 6)
FQHC/RHC Health Care Cost							
1. Physician	(11,381)		(9,538)				
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	0						
10. Support Staff	0						
11. Mental Health	0						
12. Other - Fringe Benefits	(4,570)		(3,190)			(1,380)	
13. Subtotal-Health Care Costs	(15,951)	0	(12,728)	0	0	(1,380)	0
14. Physician Services Under Agreement	(6,611)				(6,611)		
15. Physician Supervision	0						
16.	0						
17. Other Health Care Costs							
18. Pharmacy	(3,700)						(3,700)
19. Dental	(10,185)			(3,807)			
20. Optometry	0						
21. Medical Supplies	(2,245)	(2,245)					
22. Depreciation-Medical Equipment	2,245	2,245					
23. Professional Liability Insurance	0						
24. Home Office Direct Cost (from H.O. cost report-sch 6)	0						
25. Laboratory	0						
26. Radiology	0						
27. Other - Fringe Benefits	(1,263)			(1,263)			
28. Subtotal-Other Health Care Costs	(15,148)	0	0	(5,070)	0	0	(3,700)
29. Total Health Care Costs (Sum of Lines 13, 14, 15, 16, and 28)	(37,710)	0	(12,728)	(5,070)	(6,611)	(1,380)	(3,700)
FQHC/RHC Overhead-Facility Cost							
30. Rent	0						
31. Insurance	0						
32. Interest on Mortgage or Loans	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 Direct Cost	0						
40. Other Health Care Costs	(6,336)						
41. Subtotal-Facility Costs (Lines 30-40)	(6,336)	0	0	0	0	0	0
FQHC/RHC Overhead-Administrative Cost							
42. Office Salaries	13,345		9,538	3,807			
43. Depreciation-Office Equipment	0						
44. Office Supplies	(5,641)						
45. Legal	0						
46. Accounting/Admin. Consultants	0						
47. Insurance (Specify)	0						
48. Telephone	0						
49. Fringe Benefits/Payroll Taxes	4,321		3,190	1,263		(132)	
50. Home Office Pool Costs (from H.O. cost report-sch 6)	(27,812)						
51. Other - Schedule 2	(1,230)						
52. Subtotal-Administrative Costs (Lines 42-51)	(17,017)	0	12,728	5,070	0	(132)	0
53. Total Cost Subject To Allocation (Sum of Lines 41 and 52)	(23,353)	0	12,728	5,070	0	(132)	0
54. Nonreimbursable Costs (Specify)	0						
55. Health Promotion	0						
56.	0						
57. Subtotal Nonreimbursable Costs	0	0	0	0	0	0	0
58. Total Costs (Sum of Lines 29, 53, and 57)	(61,063)	0	0	0	(6,611)	(1,512)	(3,700)

ADJUSTMENTS TO REPORTED COSTS

Provider Legal Name	Provider No.	Fiscal Period Ended					
COMMUNITY HEALTH CENTER - SANTA MARIA II	1851417703	JUNE 30, 2011					
Cost Center	Adjustment (No. 7)	Adjustment (No. 8)	Adjustment (No. 9)	Adjustment (No. 10)	Adjustment (No. 11)	Adjustment (No.)	Adjustment (No.)
FQHC/RHC Health Care Cost							
1. Physician				(1,843)			
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. Other - Fringe Benefits							
13. Subtotal-Health Care Costs	0	0	0	(1,843)	0	0	0
14. Physician Services Under Agreement							
15. Physician Supervision							
16.							
17. Other Health Care Costs							
18. Pharmacy							
19. Dental	(6,378)						
20. Optometry							
21. Medical Supplies							
22. Depreciation-Medical Equipment							
23. Professional Liability Insurance							
24. Home Office Direct Cost (from H.O. cost report-sch 6)							
25. Laboratory							
26. Radiology							
27. Other - Fringe Benefits							
28. Subtotal-Other Health Care Costs	(6,378)	0	0	0	0	0	0
29. Total Health Care Costs (Sum of Lines 13, 14, 15, 16, and 28)	(6,378)	0	0	(1,843)	0	0	0
FQHC/RHC Overhead-Facility Cost							
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 Health Care Costs			(6,336)				
41. Subtotal-Facility Costs (Lines 30-40)	0	0	(6,336)	0	0	0	0
FQHC/RHC Overhead-Administrative Cost							
42. Office Salaries							
43. Depreciation-Office Equipment							
44. Office Supplies			(5,641)				
45. Legal							
46. Accounting/Admin. Consultants							
47. Insurance (Specify)							
48. Telephone							
49. Fringe Benefits/Payroll Taxes							
50. Home Office Pool Costs (from H.O. cost report-sch 6)					(27,812)		
51. Other - Schedule 2		(602)	(628)				
52. Subtotal-Administrative Costs (Lines 42-51)	0	(602)	(6,269)	0	(27,812)	0	0
53. Total Cost Subject To Allocation (Sum of Lines 41 and 52)	0	(602)	(12,605)	0	(27,812)	0	0
54. Nonreimbursable Costs (Specify)							
55. Health Promotion							
56.							
57. Subtotal Nonreimbursable Costs	0	0	0	0	0	0	0
58. Total Costs (Sum of Lines 29, 53, and 57)	(6,378)	(602)	(12,605)	(1,843)	(27,812)	0	0

Provider Legal Name				Fiscal Period		Provider Number (NPI)		Adjustments	
CHC - SANTA MARIA II				JULY 1, 2010 THROUGH JUNE 30, 2011		1851417703		13	
Report References					Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted	
Adj. No.	Audit Report		Cost Report						
	Schedule	Line	Worksheet	Line					
RECLASSIFICATIONS TO REPORTED COSTS									
1	2A	21	1	21	Medical Supplies	\$15,147	(\$2,245)	\$12,902	
	2A	22	1	22	Depreciation - Medical Equipment	0	2,245	2,245	
To reclassify equipment depreciation for proper cost reporting. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304									
2	2A	1	1	1	Physician	\$177,347	(\$9,538)	\$167,809	*
	2A	12	1	12	Other - Fringe Benefits	70,345	(3,190)	67,155	*
	2A	42	1	42	Office Salaries	60,744	9,538	70,282	*
	2A	49	1	49	Fringe Benefits / Payroll Taxes	20,315	3,190	23,505	*
To reclassify administrative salaries and benefits for proper cost reporting. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304									
3	2A	19	1	19	Dental	\$425,614	(\$3,807)	\$421,807	*
	2A	27	1	27	Other - Fringe Benefits	114,063	(1,263)	112,800	
	2A	42	1	42	Office Salaries	* 70,282	3,807	74,089	
	2A	49	1	49	Fringe Benefits / Payroll Taxes	* 23,505	1,263	24,768	*
To reclassify administrative salaries and benefits for proper cost reporting. 42 CFR 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	
CHC - SANTA MARIA II				JULY 1, 2010 THROUGH JUNE 30, 2011		1851417703		13	
Report References					Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted	
Adj. No.	Audit Report		Cost Report						
	Schedule	Line	Worksheet	Line					
<u>ADJUSTMENTS TO REPORTED COSTS</u>									
4	2A	14	1	14	Physician Services Under Agreement To eliminate physician fees that are being separately billed for proper cost determination. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	\$19,796	(\$6,611)	\$13,185	
5	2A	12	1	12	Other - Fringe Benefits	*	\$67,155	(\$1,380)	\$65,775
	2A	49	1	49	Fringe Benefits / Payroll Taxes To adjust workers compensation expense to agree with premium invoices. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	*	24,768	(132)	24,636
6	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 405.2462, 405.2468, 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304 CMS Pub. 100-02, Chapter 13, Section 210.2 CMS Pub. 100-04, Chapter 9, Section 40.4		\$14,760	(\$3,700)	\$11,060
7	2A	19	1	19	Dental To adjust depreciation expense to the straight line basis. 42 CFR 413.20, 413.24 and 413.134 CMS Pub. 15-1, Sections 102, 116, 120, 2300 and 2304	*	\$421,807	(\$6,378)	\$415,429

*Balance carried forward from prior/to subsequent adjustments

Provider Legal Name					Fiscal Period	Provider Number (NPI)	Adjustments	
CHC - SANTA MARIA II					JULY 1, 2010 THROUGH JUNE 30, 2011	1851417703	13	
Report References					Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
Adj. No.	Audit Report		Cost Report					
	Schedule	Line	Worksheet	Line				
<u>ADJUSTMENTS TO REPORTED COSTS</u>								
8	2A	51	1	51	Other - Schedule 2 To adjust other overhead cost due to insufficient documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	\$26,519	(\$602)	\$25,917 *
9	2A	40	1	40	Other - Schedule 1	\$29,998	(\$6,336)	\$23,662
	2A	44	1	44	Office Supplies	10,067	(5,641)	4,426
	2A	51	1	51	Other - Schedule 2 To eliminate electronic health records expense that should have been capitalized and to agree with AHA guidelines. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 104, 108, 2300 and 2304	* 25,917	(628)	25,289
10	2A	1	1	1	Physician To adjust physician expense related to prior period for proper cost determination. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304	* \$167,809	(\$1,843)	\$165,966
11	2A	50	1	50	Home Office Pool Cost To adjust reported home office costs to agree with the Community Health Centers of Central Coast, Inc Home Office Audit Report for fiscal period ended June 30, 2011. 42 CFR 413.17 / CMS Pub. 15-1, Sections 2150.2 and 2304	\$263,459	(\$27,812)	\$235,647

*Balance carried forward from prior/to subsequent adjustments

Provider Legal Name					Fiscal Period		Provider Number (NPI)		Adjustments
CHC - SANTA MARIA II					JULY 1, 2010 THROUGH JUNE 30, 2011		1851417703		13
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 VISITS</u>									
12	1	B2	2	B2	Total FQHC Visits		10,987	17	11,004
					To increase total visits to include physician hospital visits and to agree with provider's records.				
					42 CFR 413.20 and 413.24				
					CMS Pub. 15-1, Sections 2300 and 2304				

Provider Legal Name				Fiscal Period		Provider Number (NPI)		Adjustments	
CHC - SANTA MARIA II				JULY 1, 2010 THROUGH JUNE 30, 2011		1851417703		13	
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 OTHER MATTERS</u>									
13	1	C1	N/A	Medi-Cal Duplicate Payments To recover Medi-Cal duplicate payments. CCR, Title 22, Section 51458.1		\$0	\$6,090	\$6,090	