



**San Joaquin County Clinics (SJCC) Finance Committee
Minutes of December 17, 2019 Meeting**

**San Joaquin General Hospital (SJGH)
Conference Room 2
French Camp, CA**

Present

Rod Place (SJCC Chair); David Culberson (SJGH CEO); Greg Diederich (HCS Director); Dr. Farhan Fadoo (SJCC Executive Director); Lynn Kelly (SJGH Deputy Director Patient Financial Services); Monica Nino (County Administrator); Ashley Rinehart (SJGH Deputy Director of Finance); Chris Roberts (SJGH CFO); Alice Soulligne (SJCC COO); Pat Oungpasuk (Wipfli); Carlos Jimenez (Wipfli); Renee Filson (Fiscal Solutions); Susan Thorner (Fiscal Solutions); Adélé Gribble (ACS Office Tech Coordinator)

I. Call to Order

The meeting was called to order by Rod Place at 3:39 p.m.

II. Approval of Minutes from 11/19/19

A quorum was not established for today's finance committee. Minutes will be brought back next month for vote of approval.

III. Introductions

Carlos Jimenez, Director with Wipfli; Pat Oungpasuk, Senior Consultant with Wipfli; Renee Filson, Fiscal Solutions (via conference call) and Susan Thorner with Fiscal Solutions (via conference call) were introduced as guests at today's meeting.

IV. Presentation of October 31 Financials (including A/R status / KPI) (Chris Roberts)

Chris Roberts presented the Financial Statement Comments YTD through October 2019 as shown below:

Summary of Agency Year to Date

Billable visits through October were favorable to budget by 6,879. Gross patient revenue is favorable to budget by \$2,589,629. However, net patient revenue is unfavorable to budget by <\$208,914> due to higher than anticipated contractual and other allowances.

Capitation revenue is unfavorable to budget. Assigned lives have been reduced by about 3,000 since July 2018. Budget assumed an increase in assigned lives, which explains the FYTD variance of <\$381,781>. Total net revenue is unfavorable to budget by <\$590,694>.

Total Direct Operating Expense is unfavorable to budget by <\$613,853>. This is primarily driven by Salaries Expense which is unfavorable by <\$510,488>. The Manteca Clinic and Primary Medicine Clinic's Physician Salary Expense exceeded budget by <\$223,315> and <\$291,922>, respectively. In addition, Professional Fees Expense is unfavorable to budget by <\$172,789> driven by Locums Physician Expense at Healthy Beginnings Clinic on California Street of <\$198,422> and <\$55,965> Contracted Physician and Consulting Expense at Family Medicine Clinic. These unfavorable variances are offset by a favorable variance in the FQ Administration cost center of \$95,552 for lower than anticipated consulting costs.

Purchased Service Expense is favorable to budget by \$180,484 due to a favorable variance in FQ Administration of \$56,259, Children's Health Services of \$23,139, Primary Medicine of \$43,563, and Healthy Beginnings – French Camp of \$33,037. The total FYTD Net Income <Loss> before hospital overhead of <\$1,295,038> is <\$1,204,548> unfavorable to the budgeted net loss of <\$90,490>.

Hospital overhead remains at 42.2% pending a detailed review by CFO and FQHC Finance

Director to identify a more appropriate overhead allocation for the clinics.
 Supplemental funding derived by the hospital (PRIME, DSH/GPP, QIP) as a result of work done by the FQHC clinics is not included in this reporting at this time.

Summary of Clinics Year to Date

Total FQHC loss was primarily due to the loss generated by the Manteca Clinic of <\$620,771>. Net patient revenue as a percent of gross revenue was 16.8% for this clinic which was driven by high contractual adjustments due to a cleanup effort of older encounters. Family Medicine is generating a profit for FYTD through October of \$255,138 before overhead allocations with net patient revenue as a percentage of gross revenue at 44.9%.

Currently, revenue from the clinics is not reflective of the actual visits in any given month. The Hospital Finance department is working with clinic staff to reconcile reports to actual visits checked out from each clinic. This will assist with developing the accrual methodology for revenues.

	Year to Date							
	Jul	Aug	Sep	Oct	YTD Actual	YTD Budget	Variance	% Var
Total Visits	9,995	11,085	10,018	11,580	42,678	35,362	7,316	20.7%
Billable Visits	9,436	10,386	9,516	10,788	40,126	33,247	6,879	20.7%
Patient Revenue								
Medicare	236,056	297,379	380,364	292,588	1,206,388	617,242	589,146	95.4%
Medi-Cal Fee-for-Service	205,608	219,088	282,602	390,358	1,097,656	932,061	165,596	17.8%
Medi-Cal Managed Care	933,051	2,219,472	2,303,051	2,250,224	7,705,798	5,945,164	1,760,634	29.6%
Insurance	13,134	22,250	25,360	26,099	86,843	122,922	(36,079)	-29.4%
Self Pay	68,636	68,201	96,780	94,384	328,000	216,872	111,129	51.2%
Indigent	106	(16)	63	154	307	1,103	(796)	-72.1%
Gross Patient Revenue	1,456,592	2,826,374	3,088,220	3,053,806	10,424,992	7,835,363	2,589,629	33.1%
Contractual Adjustments	(498,718)	(1,494,730)	(2,292,625)	(2,022,995)	(6,309,068)	(3,667,270)	(2,641,798)	-72.0%
Other Allowances	(120,492)	(38,627)	(1,258)	(612)	(160,989)	(4,244)	(156,745)	-3693.3%
Net Patient Revenue	837,382	1,293,017	794,337	1,030,199	3,954,935	4,163,849	(208,914)	-5.0%
Capitation Revenue	446,785	451,203	438,369	455,595	1,791,953	2,173,734	(381,781)	-17.6%
Total Net Revenue	1,284,167	1,744,220	1,232,706	1,485,795	5,746,888	6,337,583	(590,695)	-9.3%
Operating Expense								
Salaries	909,780	1,042,139	917,997	1,103,634	3,973,550	3,463,061	(510,488)	-14.7%
Benefits	455,187	447,909	438,518	436,607	1,778,221	1,797,237	19,016	1.1%
Total Salaries & Benefits	1,364,967	1,490,048	1,356,515	1,540,241	5,751,770	5,260,298	(491,472)	-9.3%
Professional Fees/Registry	69,022	185,386	62,720	108,129	425,257	252,468	(172,789)	-68.4%
Supplies	69,094	128,143	77,216	125,775	400,228	346,819	(53,410)	-15.4%
Purchased Services	39,160	56,359	42,011	92,288	229,818	410,303	180,484	44.0%
Depreciation	22,696	22,687	22,686	22,427	90,495	40,928	(49,567)	-121.1%
Other Expense	33,477	45,971	35,515	29,393	144,356	117,258	(27,098)	-23.1%
Total Direct Expense	1,598,416	1,928,594	1,596,664	1,918,252	7,041,926	6,428,073	(613,853)	-9.5%
Net Income (Loss)	(314,249)	(184,374)	(363,958)	(432,457)	(1,295,038)	(90,490)	(1,204,548)	1331.1%
Overhead Allocation	674,532	813,867	673,792	809,502	2,971,693	2,712,647	(259,046)	-9.5%
Net Income (Loss) w/ OH Allocation	(988,781)	(998,240)	(1,037,750)	(1,241,960)	(4,266,731)	(2,803,137)	(1,463,594)	52.2%

Key Ratios

Gross Pt Revenue/Billable Visit	\$ 154.37	\$ 272.13	\$ 324.53	\$ 283.07	\$ 259.81	\$ 235.67	\$ 24.14	10.2%
Net Revenue/Billable Visit (excl Oth Rev)	\$ 136.09	\$ 167.94	\$ 129.54	\$ 137.73	\$ 143.22	\$ 190.62	\$ (47.40)	-24.9%
Direct Costs/Billable Visit	\$ 169.40	\$ 185.69	\$ 167.79	\$ 177.81	\$ 175.50	\$ 193.34	\$ 17.84	9.2%
Indirect Costs/Billable Visit	\$ 71.48	\$ 78.36	\$ 70.81	\$ 75.04	\$ 74.06	\$ 81.59	\$ 7.53	9.2%
Total Medical Cost/Billable Visit	\$ 240.88	\$ 264.05	\$ 238.59	\$ 252.85	\$ 249.55	\$ 274.93	\$ 25.38	9.2%
Net Income(Loss)/Billable Visit	\$ (104.79)	\$ (96.11)	\$ (109.05)	\$ (115.12)	\$ (106.33)	\$ (84.31)	\$ 22.02	-26.1%
Net Pt Rev as % of Gross Rev	57.5%	45.7%	25.7%	33.7%	37.9%	53.1%	-15.2%	-28.6%
Total Net Rev as % of Gross Rev	88.2%	61.7%	39.9%	48.7%	55.1%	80.9%	-25.8%	-31.8%
Benefits as a % of Salaries	50.0%	43.0%	47.8%	39.6%	44.8%	51.9%	7.1%	13.8%
Overhead % of Direct Exp	42.2%	42.2%	42.2%	42.2%	42.2%	42.2%	0.0%	0.0%

Below is the Income Statement for the YTD ending 10/31/19 and PFS Accounts Receivable Aging Analysis for SJCC for the month of October 2019:

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	Children's Health Services (#7080)	Family Medicine (#7092)	Family Practice - Ca (#7093)	Primary Medicine (#7096)	Healthy Beginnings - Ca (#7182)	Healthy Beginnings - French Camp (#7183)	Hazelton Clinic (#7184)	Manteca Clinic (#7185)	FQ Admin.	Total	YTD Budget	YTD Variance - Fav (Unf)	% Var - Fav (Unf)
Total Visits	6,901	7,912	1,988	14,499	3,323	1,803	2,039	4,213	-	42,678	35,362	7,316	20.7%
Billable Visits	6,169	7,560	1,889	14,009	3,323	1,789	1,909	4,078	-	40,126	33,247	6,879	20.7%
Productive FTEs (Provider)	3.4	2.6	1.8	11.7	2.1	1.3	1.4	4.3	-	28.6	28.3	(0.4)	-1.4%
Productive FTEs (Non-Provider)	15.2	13.7	5.9	28.5	13.3	5.6	6.3	11.4	9.7	109.7	105.3	(4.4)	-4.2%
Total FTEs	18.6	16.3	7.7	40.2	15.4	6.9	7.7	15.8	9.7	138.3	133.6	(4.8)	-3.6%
Total Hours/Visit	1.77	2.86	1.04	1.17	1.55	1.31	0.91	0.92	-	2.04	1.15	(0.89)	-77.2%
Patience Revenue													
Medicare	0	257,537	85,626	725,471	23,415	19,107	17,247	77,985	0	1,206,388	617,242	589,146	95.4%
Medi-Cal	278,628	188,585	13,083	92,839	306,399	83,283	72,740	62,099	0	1,097,657	932,061	165,596	17.8%
Medi-Cal Managed Care	1,829,984	1,346,010	307,229	2,066,185	853,858	392,417	183,913	726,202	0	7,705,798	5,945,164	1,760,634	29.6%
Insurance	7,749	27,278	6,697	25,993	4,468	7,545	2,248	4,865	0	86,843	122,922	(36,079)	-29.4%
Self Pay / Indigent	21,037	107,037	17,041	87,271	27,898	12,537	38,961	0	0	328,000	216,872	111,128	51.2%
	0	0	0	0	0	0	0	0	0	307	1,103	(796)	-72.2%
Gross Revenue	2,137,399	1,926,754	429,676	2,997,758	1,216,038	514,890	292,365	910,111	0	10,424,992	7,835,363	2,589,629	33.1%
Contractual Adjustments	(1,570,055)	(1,055,306)	(215,622)	(1,768,872)	(625,860)	(248,007)	(111,420)	(713,926)	0	(6,309,068)	(3,667,270)	(2,641,798)	-72.0%
Other Allowances	(3,046)	(6,070)	(1,409)	(8,223)	(1,460)	(1,699)	(96,165)	(42,918)	0	(160,989)	(4,244)	(156,745)	-3693.3%
Net Patient Revenue	564,299	865,378	212,645	1,220,664	588,718	265,185	84,781	153,268	0	3,954,935	4,163,849	(208,914)	-5.0%
Physician Capitation - PMPM	317,476	323,895	84,735	611,617	132,969	78,867	48,844	195,550	0	1,791,953	2,173,734	(381,781)	-17.6%
Other Revenue	881,775	1,189,273	297,380	1,832,281	721,686	344,051	131,625	348,818	0	5,746,888	6,337,583	(590,695)	-9.3%
Total Operating Revenue	881,775	1,189,273	297,380	1,832,281	721,686	344,051	131,625	348,818	0	5,746,888	6,337,583	(590,695)	-9.3%
Expenses													
Salaries	458,153	434,358	192,079	1,277,443	372,331	204,553	227,510	516,135	290,989	3,973,550	3,463,061	(510,488)	-14.7%
Benefits	216,328	186,244	104,405	436,484	207,520	108,322	161,960	245,491	111,468	1,778,221	1,797,237	19,016	1.1%
Total Salaries & Benefits	674,481	620,602	296,484	1,713,927	579,851	312,873	389,470	761,625	402,457	5,751,771	5,260,298	(491,473)	-8.3%
Professional Fees/Registration	8,780	55,965	0	40,920	198,422	0	0	0	0	425,257	252,468	(172,789)	-68.4%
Supplies	32,273	100,618	12,204	102,683	39,383	35,024	21,257	35,510	21,276	400,228	346,819	(53,410)	-15.4%
Purchased Services	15,193	14,209	10,320	525	44,820	32,033	1,140	1,170	110,409	229,819	410,303	180,484	44.0%
Depreciation	2,588	9,317	648	594	4,553	9,621	0	49,595	13,579	90,495	40,928	(49,567)	-121.1%
Other Expense	21,215	9,344	15,166	11,395	18,062	3,270	363	63,078	2,463	144,356	117,258	(27,098)	-23.1%
Total Expenses	754,529	810,055	334,822	1,870,044	885,090	392,822	412,229	910,979	671,355	7,041,926	6,428,073	(613,853)	-9.5%
Allocation of Direct Admin Exp	137,446	124,080	27,671	195,052	78,311	33,158	18,828	38,610	(671,355)	0	0	0	0.0%
Total Expenses excl Hosp OH	892,174	934,135	362,492	2,065,096	963,402	425,980	431,057	949,589	-	7,041,926	6,428,073	(613,853)	-9.5%
Profit/(Loss) before Hosp OH	(10,399)	255,138	(65,113)	(230,815)	(241,715)	(61,929)	(299,432)	(620,771)	-	(1,295,038)	(90,490)	(1,204,548)	-1331.1%
Overhead Allocation	376,498	394,205	152,972	870,626	406,555	179,763	181,906	409,167	0	2,971,693	2,712,647	(259,046)	-9.5%
Total Expenses	1,268,672	1,328,340	515,464	2,933,722	1,369,957	605,743	612,963	1,378,756	(0)	10,013,618	9,140,720	(872,899)	-9.5%
Net Income (Loss)	(386,897)	(139,067)	(218,085)	(1,101,442)	(648,271)	(261,692)	(481,339)	(1,029,938)	0	(4,266,731)	(2,803,137)	(1,463,594)	-52.2%

	Children's Health Services (#7080)	Family Medicine (#7092)	Family Practice - Ca (#7093)	Primary Medicine (#7096)	Healthy Beginnings - Ca (#7182)	Healthy Beginnings - French Camp (#7183)	Hazelton Clinic (#7184)	Manteca Clinic (#7185)	FQ Admin.	Total	YTD Budget	YTD Variance - Fav (Unf)	% Var - Fav (Unf)
Net Pt Rev as % of Gross Rev	26.4%	44.9%	49.5%	40.7%	48.4%	51.5%	29.0%	16.8%	0.0%	37.9%	53.1%	(15.2%)	-28.6%
Total Net Rev as % of Gross Rev	41.3%	61.7%	69.2%	61.1%	59.3%	66.8%	45.0%	38.3%	0.0%	55.1%	80.9%	(25.8%)	-31.8%
Benefits as % of Salaries	47.2%	42.9%	54.4%	34.2%	55.7%	53.0%	71.2%	47.6%	38.3%	44.8%	51.9%	7.1%	13.8%
Overhead % of Direct Expenses	49.9%	48.7%	45.7%	46.6%	45.9%	45.8%	44.1%	44.9%	0.0%	42.2%	42.2%	0.0%	0.0%
Gross Revenue per Billable Visit	346.47	254.86	227.46	213.99	365.95	287.81	223.35	223.18	0.00	259.81	235.67	24.14	10.2%
Net Revenue per Billable Visit	142.94	157.31	157.43	130.79	217.18	192.31	100.55	85.54	0.00	143.22	190.62	(47.40)	-24.9%
Direct Costs/Billable Visit	122.31	107.15	177.25	133.49	266.35	219.58	314.92	223.39	0.00	175.50	193.34	17.84	9.2%
Indirect Costs/Billable Visit	61.03	52.14	80.98	62.15	122.35	100.48	138.97	100.34	0.00	74.06	81.59	7.53	9.2%
Total Medical Cost/Billable Visit	205.65	175.71	272.88	209.42	412.27	338.59	468.27	338.10	0.00	249.55	274.93	25.38	9.2%
Total Cost/Patient (1)	514.13	439.27	682.19	523.54	1,030.66	846.48	1,170.67	845.24	0.00	623.89	687.32	63.44	9.2%
Net Income/(Loss)/Billable Visit	(62.72)	(18.40)	(115.45)	(78.62)	(195.09)	(146.28)	(367.71)	(252.56)	0.00	(106.33)	(84.31)	(22.02)	-26.1%
Payer Mix													
Medicare	0.0%	13.4%	19.9%	24.2%	1.9%	3.7%	5.9%	8.6%	0.0%	11.6%	7.9%	3.7%	46.9%
Medi-Cal	13.0%	9.8%	3.0%	3.1%	25.2%	16.2%	24.9%	6.8%	0.0%	10.5%	11.9%	-1.4%	-11.5%
Medi-Cal Managed Care	85.6%	69.9%	71.5%	68.9%	70.2%	76.2%	62.9%	79.8%	0.0%	73.9%	75.9%	-2.0%	-2.6%
Insurance	0.4%	1.4%	1.6%	0.9%	0.4%	1.5%	0.8%	0.5%	0.0%	0.8%	1.6%	-0.7%	-6.9%
Self Pay / Indigent	1.0%	5.6%	4.0%	2.9%	2.3%	2.4%	5.5%	4.3%	0.0%	3.1%	2.8%	0.4%	13.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	0.0%	100.0%	100.0%	0.0%	0.0%

(1) Average Visits per Patient is 2.5; per a study conducted by the ACS Director

PFS Accounts Receivable Aging Analysis For SJCC For the Month of October 2019								
Aging Category	MediCare	MediCal	Commercial	Self Pay	Total Aging This Month	Total Aging Last Month	\$ Increase (Decrease)	% Increase (Decrease)
1-30 Days	223,417	1,021,488	117,120	(27,048)	1,334,977	1,696,612	(361,635)	-21.32%
31-60 Days	156,419	635,132	52,659	19,694	863,904	725,849	138,055	19.02%
61-90 Days	131,120	454,850	47,853	17,038	650,860	394,865	255,995	64.83%
91-120 Days	119,318	210,564	24,875	12,140	366,897	487,494	(120,597)	-24.74%
121-180 Days	217,837	505,119	66,758	32,996	822,711	812,499	10,212	1.26%
181-240 Days	237,094	373,783	44,869	37,423	693,169	768,366	(75,197)	-9.79%
241-270 Days	158,929	167,463	15,768	14,180	356,340	385,735	(29,395)	-7.62%
271-365 Days	528,991	547,596	70,121	42,589	1,189,297	1,456,094	(266,797)	-18.32%
366 Days & Over	121,159	922,234	166,572	67,389	1,277,354	1,632,641	(355,287)	-21.76%
Total FC This Month	1,894,284	4,838,228	606,596	216,401	7,555,509	8,360,155	(804,646)	-9.62%
Total FC Last Month	2,564,966	4,952,140	628,013	215,036	8,360,155			
\$ Increase (Decrease)	(670,682)	(113,912)	(21,417)	1,365	(804,646)			
% Increase (Decrease)	-26.15%	-2.30%	-3.41%	0.63%	-9.62%			
Monthly Management Summary								
	Beginning A/R Balance	Gross Services Billed	Disallowances/ Discounts	Payments	Adjustments	Ending A/R Balance		
October Activity	8,360,155	3,154,017	(2,092,376)	(1,014,870)	(851,418)	7,555,509		
PFS Key Performance Indicators for SJCC								
	October	September	August	Increase (Decrease)				
Gross A/R Days	123	139	153	(16)				
Net A/R	2,990,493	2,960,862	3,078,429	29,631				
Net A/R Days	114	119	125	(5)				

Chris explained going forward, this will be the format the committee attendees will receive. Once we get the rate settings we will make the changes for overhead allocations and readjust that. Rod Place asked if the sections reflected 365 days and over, are they all true write offs. Chris and Lynn Kelly advised they are reserved as write-offs whether they are collectable or not.

V. EMMI Agreement (Chris Roberts)

Chris Roberts advised the FQHC would like to move forward with an agreement with EMMI for billing and will need the board's approval (attached proposed agreement). The proposed agreement is for two years and there are opt out clauses if things don't work out. They will custom build what we need. They will do all the billing and collecting. The contract has had a lot of input from FQHC leadership, hospital leadership and staff. They have had legal review etc. Because of timing of the board meeting, they would like contingent approval from the board before moving forward. The cost to this contract is 8% collections. Chris advised he believes the 37.9% will improve by using EMMI as our biller. If there are any changes that come back from EMMI they will bring this back to the board.

Rod Place will bring this agenda item forward to the FQHC Board meeting for a vote later this afternoon.

VI. Wipfli Presentation (Carlos Jimenez & Pat Oungpasuk)

Carlos Jimenez directed the committee to the attachment called "FQHC Update and Pending Issues". For purposes of today's presentation, he will only be speaking about the original five FQHC sites. Below is the synopsis of his report.

1. Original five FQHC sites and locations: Family Medicine Clinic, Primary Medicine Clinic, Healthy Beginnings, Children's Health Services – Stockton (CA St), Healthy Beginnings – Stockton (CA St)
2. Medi-Cal Prospective Payment System (PPS) for FQHCs
 - A. Interim rate setting process upon Medi-Cal enrollment
 - i. Originally set at Medicare Upper Payment Limit at the time - \$129.02 per visit
 - ii. Later revised to 90% of the as-filed cost per visit in the final rate setting cost reports for each site
 - B. Final rate setting cost report based on first full fiscal year of operation; for San Joaquin's original five FQHC sites this was FY 2015
 - i. By statute, DHCS has three years from the report acceptance date to complete a rate setting audit and issue the final PPS rate
 - ii. For counties like San Joaquin where the county hospital is essentially the "home office" for the FQHCs, the rate setting audits take place AFTER the hospital audit has been completed
 - a. Since 2016, county-affiliated FQHCs have experienced several shifts in DHCS audit practices relating to the "home office"
 - iii. In actual practice, county FQHC rate setting audits are not typically completed almost 3 years after filing
3. Current status of FY 2015 rate setting audits
 - A. Worst-case and best-case scenarios (see handout)
 - B. Four key issues still under dispute
 - i. "FQHC Admin" department cost (home office cost)
 - ii. Treatment of FQHC physician compensation in hospital cost report (home office cost)
 - iii. Allocation of hospital Maintenance and Nursing Administration cost to the FQHCs (home office cost)
 - iv. Fringe benefits and payroll taxes related to physician compensation (direct clinic cost)

- C. Potential actions and timing
 - i. Current time waiver expires at the end of February; essentially giving us until the end of January to submit additional information
 - ii. Likely “escalation” of key disputed issues to DHCS-Sacramento if no concessions/revisions by auditors
 - iii. Potential informal appeal; briefly describe the process
- 4. PPS Reconciliation
 - A. FQHCs entitled to full PPS rate for all covered Medi-Cal visits
 - B. Most of San Joaquin’s Medi-Cal FQHC utilization comes through Medi-Cal Managed Care (MMC)
 - i. MMC pays either capitation or a fee-for-service and San Joaquin then bills the Medi-Cal program to get a “wraparound” payment.
 - ii. The “wraparound” payment rate is a set amount per visit, ideally representing the difference what was paid by the MMC and the PPS rate for the particular site
 - C. Currently, DHCS is running about 2-3 years behind in auditing and finalizing PPS Reconciliations
 - i. This process is often further delayed if the audit of the corresponding year’s rate setting or rate rebasing report has not been completed. This is the case with San Joaquin, where its PPS Reconciliations dating back to FY 2015 have not been audited and finalized.

Monica Nino stated her understanding was the reason behind the county creating the FQHC was to incentivize the public health system so there was an opportunity to provide uninsured health care that the Federal government was participating in. Carlos responded the system was designed as a place for primary care for underserved population was rendered in a relatively inexpensive and simplistic model. One of the things is productivity. In a county setting, we are physician driven. The way the productivity calculation works, physicians must have a certain level of productivity. This was never intended in the system, it was meant to be less physician and more mid-level providers doing the care. SJCC’s context is very different and all the challenges arise due to the way our facilities are set up.

Carlos advised we are in the middle of a State audit and the charts below reflect the findings. The State audits began around March 2019. We received proposed adjustments from the State. One of the things discussed was based on the nature of the adjustments, we needed more time to respond and negate some of these adverse adjustments.

Carlos advised the State approached us for one final time extension through the end of February 2020. After this happened we discovered a lot of the documentation that was supposed to have been submitted was not. We are gathering the information that was initially supposed to have been submitted in November.

There are four issues we see in the worse case scenario below.

1. SJCC has an FQHC Administration Department. Those costs get directly assigned; approximately 2.2 million dollars per year. The auditor did not understand this cost and asked us to submit a detailed general ledger for the FQHC admin account. They picked twenty transactions randomly throughout the year and asked for documentation. When the documents were retrieved by the staff it was discovered there were over two hundred documents. We must provide the data requested.
2. The State took a treatment of the FQHC physician compensation and they dealt with it in a certain way in the hospital cost report. The net result is the clinic is not getting overhead allocated to the physician fees (which is about fifteen to twenty cents on the dollar). The impact in one year of this single adjustment is over \$650,000 in MediCal reimbursement.
3. Allocation of hospital Maintenance and Nursing Administration cost to the FQHCs. The State is questioning whether any of the costs of these services from the hospital can be applied to the clinics. Mr. Culberson asked for more explanation of Nursing Administration costs. Dr. Fadoo explained this does not include Betty Jo’s costs which are directly in the FQHC Administration

costs, this would be all of Belva Snyder's administration team. For maintenance, this would include the cost of the maintenance staff who do maintenance for both the staff and the hospitals. Mr. Culberson stated we do not have a line item charge showing by project to the FQHC facilities. These figures can be seen in the spreadsheet titled "FQHC Rate Setting Home Office Audit Adjustment Impact" (see below)

SAN JOAQUIN COUNTY
FQHC RATE SETTING HOME OFFICE AUDIT ADJUSTMENTS IMPACT
FYE 6/30/2015

12/13/2019

Line	Description	Reference	Family Medicine Clinic NPI 1578803425	Children's Health Services NPI 1083955801	Primary Medicine Clinic NPI 1710228531	Healthy Beginnings California St. NPI 1538400353	Healthy Beginnings French Camp NPI 1629319447	TOTALS
1	Total As-Filed Home Office Cost		1,776,229	1,363,236	2,061,559	963,428	1,266,425	
a	Elimination of FQHC Admin		(560,179)	(463,062)	(698,226)	(234,195)	(324,289)	(2,279,951)
b	Impact of eliminating Phys Comp from A&G Stat		(184,956)	(101,319)	(226,116)	(59,026)	(81,411)	(652,828)
c	Elimination of Maint O/H		(56,435)	(27,392)	(47,880)	(61,359)	(78,300)	(271,366)
d	Elimination of Hskpg O/H			(42,623)		(95,475)		(138,098)
e	Elimination of Cafeteria O/H			(32,898)		(15,715)		(48,613)
f	Elimination of Nursing Admin O/H		(88,783)	(70,781)	(101,438)	(42,718)	(45,581)	(349,301)
g	Elimination of Pharmacy O/H		(68,110)	(49,524)	(83,705)	(27,398)	(35,931)	(264,668)
2	Total Proposed Home Office adjs		(958,463)	(787,599)	(1,157,365)	(535,886)	(565,512)	(4,004,825)
3	Revised Home Office Cost		817,766	575,637	904,194	427,542	700,913	

- Fringe benefits and payroll taxes related to physician compensation (direct clinic cost). The State did not adjust physician compensation but then got to fringe benefits and payroll taxes related to physicians and questioned this. Looking at everything that was submitted, there was one month out of twelve transactions that had variances on it. We provided all the contracts and explanations as to why physicians received compensations and staff do not receive this. See line 5 of the page below for the Clinic Specific Physician fringe benefits adjustment.

SAN JOAQUIN COUNTY
FQHC RATE SETTING AUDIT CLINIC ADJUSTMENTS IMPACT
FYE 6/30/2015

12/13/2019

Line	Description	Reference	Family Medicine Clinic NPI 1578803425	Children's Health Services NPI 1083955801	Primary Medicine Clinic NPI 1710228531	Healthy Beginnings California St. NPI 1538400353	Healthy Beginnings French Camp NPI 1629319447	TOTALS
1	Total As-Filed Allowable Cost	RSCR W/5 2	4,663,384	3,760,254	5,653,217	2,174,608	2,944,476	
2	As-Filed Productivity Adjusted Visits	RSCR W/5 6	25,428	16,167	35,721	8,715	9,618	95,649
3	As-Filed MCal PPS Rate per RSCR	Line 2 / Line 3	183.40	232.59	158.26	249.52	306.14	
4	General Clinic specific adjs		38,264	(77,146)	(188,093)	(37,765)	(156,414)	
5	Clinic specific physician fringe benefit adjs		(641,677)	(406,301)	(816,305)	(174,908)	(317,701)	
6	Total Adjs		(603,413)	(483,447)	(1,004,398)	(212,673)	(474,115)	

Carlos advised the current time waiver expires at the end of February. The sooner we get it to the State the better so we will send it at the end of January 2020 to give them a month to review.

He advised there is a process that California Primary Care Association worked out with the State called an Escalation Process. While they do not represent us since we are under the Public Hospital System, we do benefit from this. If we don't like what has happened in the audit, and/or we don't feel those who did our audit are being fair, we can now escalate to the chief of the FQHC section (Alison Clinton). Carlos stated Wipfli has had real positive outcomes from this escalation process. We may get some movement on the audits but he recommends the escalation on the issues pertaining to FQHC Administration and Physician Benefits.

A report will get issued the end of February, those will be for the time being for the final rates for the clinics. After that, we will have sixty days to file an informal appeal. Wipfli is under contract

with us and they will in turn file an appeal on our behalf which is in front on an administrative law judge, called a Hearing Audit. He can return to provide the update on that to the committee.

Carlos advised back when the reports were filed, (we were only getting \$129 per visit), a decision was made to ask for a much higher interim rate based on the as filed reports. It was decided at that time to take 90% of the as filed rate. We are currently being paid at 90%. We are reserved at 80%.

SAN JOAQUIN COUNTY
FQHC RATE SETTING AUDIT ANALYSIS
WORST CASE SCENARIO
FYE 6/30/2015

12/16/2019

Line	Description	Reference	Family Medicine Clinic NPI 1578803425	Children's Health Services NPI 1083955801	Primary Medicine Clinic NPI 1710228531	Healthy Beginnings California St. NPI 1538400353	Healthy Beginnings French Camp NPI 1629319447	TOTALS
1	Total As-Filed Allowable Cost	RSCR W/S 2	4,663,384	3,760,254	5,653,217	2,174,608	2,944,476	
2	As-Filed Productivity Adjusted Visits	RSCR W/S 6	25,428	16,167	35,721	8,715	9,618	95,649
3	As-Filed MCal PPS Rate per RSCR	Line 2 / Line 3	183.40	232.59	158.26	249.52	306.14	
4	Clinic audit adjs		(603,413)	(483,447)	(1,004,398)	(212,673)	(474,115)	
5	Home Office adjs		(958,463)	(787,599)	(1,157,365)	(535,886)	(565,512)	
6	Total Audit adjs		(1,561,876)	(1,271,046)	(2,161,763)	(748,559)	(1,039,627)	
7	Total Projected Audited Cost		3,101,508	2,489,208	3,491,454	1,426,049	1,904,849	
8	Projected Audited Cost per Visit	Line 7 / Line 2	121.97	153.97	97.74	163.63	198.05	
9	Interim Rate at 90% of As-Filed	Line 3 x 90%	165.06	209.33	142.43	224.57	275.53	
10	Variance per Visit Audited to Interim Rate	Line 8 - Line 9	(43.08)	(55.36)	(44.69)	(60.94)	(77.48)	
11	Estimated MCal Visits in Rate Setting Year (Traditional at 5% of Mgd Care + Mgd Care from PPS Recon)	Estimated	15,044	5,823	23,644	3,807	4,263	52,582
12	Projected Annual Cash Impact of Audit	Line 10 x Line 11	(648,171)	(322,383)	(1,056,692)	(232,020)	(330,287)	(2,589,553)
13	Reserve Rate per Visit at 80% of As-Filed	Line 3 x 80%	146.72	186.07	126.61	199.62	244.91	
14	Variance per Visit Audited to Reserve	Line 8 - Line 13	(24.74)	(32.10)	(28.87)	(35.99)	(46.86)	
15	Projected Annual P/L Impact of Audit	Line 14 x Line 11	(372,264)	(186,940)	(682,503)	(137,018)	(199,778)	(1,578,503)

Carlos went through the table above and explained each line item. The projected cash impact is about 2.6 million dollars per year. Because we are reserved at 80%, the P&L impact is about 1.6 million dollars per year. This will go forward if we cannot prevail on the issues noted earlier.

Carlos advised Pat ran a projection if we prevail on the FQHC admin it would bring us down from 2.6 million dollars to 1.3 million dollars from a cash standpoint. If we get the fringe benefits in, that takes us down to \$100,000 impact.

Best case scenario also assumes we can ultimately prevail on both the Maintenance and Nursing Admin overhead and Physician overhead allocation issue. This would turn us in the other direction to positive.

Due to time constraints, Carlos was unable to review the rest of the attachments provided to the committee. He stated there is an informal appeal process and then a formal appeal process if necessary. He anticipates the physician compensation to be presented in the formal appeal process. He advised Dr. Fadoo and Chris Roberts will know how to reach him should anyone have additional questions.

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SAN JOAQUIN COUNTY
 FQHC RATE SETTING AUDIT ANALYSIS
 BEST CASE SCENARIO
 FYE 6/30/2015

12/16/2019

Line	Description	Reference	Family Medicine Clinic NPI 1578803425	Children's Health Services NPI 1083955801	Primary Medicine Clinic NPI 1710228531	Healthy Beginnings California St. NPI 1538400353	Healthy Beginnings French Camp NPI 1629319447	TOTALS
1	Total As-Filed Allowable Cost	RSCR W/S 2	4,663,384	3,760,254	5,653,217	2,174,608	2,944,476	
2	As-Filed Productivity Adjusted Visits	RSCR W/S 6	25,428	16,167	35,721	8,715	9,618	95,649
3	As-Filed MCal PPS Rate per RSCR	Line 2 / Line 3	183.40	232.59	158.26	249.52	306.14	
4	Clinic audit adjs		38,264	(77,146)	(188,093)	(37,765)	(156,414)	
5	Home Office adjs		(253,066)	(150,843)	(309,821)	(86,424)	(117,342)	
6	Total Audit adjs		(214,802)	(227,989)	(497,914)	(124,189)	(273,756)	
7	Total Projected Audited Cost		4,448,582	3,532,265	5,155,303	2,050,419	2,670,720	
8	Projected Audited Cost per Visit	Line 7 / Line 2	174.95	218.49	144.32	235.27	277.68	
9	Interim Rate at 90% of As-Filed	Line 3 x 90%	165.06	209.33	142.43	224.57	275.53	
10	Variance per Visit Audited to Interim Rate	Line 8 - Line 9	9.89	9.16	1.89	10.70	2.15	
11	Estimated MCal Visits in Rate Setting Year (Traditional at 5% of Mgd Care + Mgd Care from PPS Recon)	Estimated	15,044	5,823	23,644	3,807	4,263	52,582
12	Projected Annual Cash Impact of Audit	Line 10 x Line 11	148,821	53,322	44,617	40,747	9,171	296,679
13	Reserve Rate per Visit at 80% of As-Filed	Line 3 x 80%	146.72	186.07	126.61	199.62	244.91	
14	Variance per Visit Audited to Reserve	Line 8 - Line 13	28.23	32.42	17.71	35.65	32.77	
15	Projected Annual P/L Impact of Audit	Line 14 x Line 11	424,729	188,765	418,806	135,749	139,680	1,307,729

SAN JOAQUIN COUNTY CLINICS
 IMPACT ANALYSIS: ELIMINATION OF PHYSICIAN COMPENSATION
 FROM A&G STATISTICAL ALLOCATION BASIS
 FINAL PPS RATE SETTING COST REPORTS FOR FY 2015

Line	Description	192.01 Children's Health Services CA St	192.02 Family Medicine	192.04 Primary Medicine	192.05 Healthy Beginnings CA St	192.06 Healthy Beginnings French Camp	Totals
1	A&G Cost assigned to FQHCs per Audited Medi-Cal Cost Report	468,384	568,820	703,907	242,042	333,819	2,316,972
2	Professional fees eliminated by DHCS from A&G allocation statistic	(635,969)	(1,160,952)	(1,419,312)	(370,501)	(511,007)	
3	A&G Unit Cost Multiplier per Audited Medi- Cal Cost Report	15.9314%	15.9314%	15.9314%	15.9314%	15.9314%	
4	Projected Reduction in allocated A&G Cost	(101,319)	(184,956)	(226,116)	(59,026)	(81,411)	(652,828)
5	A&G Percent Reduction	(22%)	(33%)	(32%)	(24%)	(24%)	(28%)

VII. Fiscal Solutions Presentation (Renee Filson & Susan Thorner)

Renee Filson and Susan Thorner presented a slideshow of the report outlined below. They were asked to come out in September to do an analysis and provide technical assistance. They have done a report and put in a dashboard format to present to the board.

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Fiscal Solutions, LLC was asked by San Joaquin County Clinics (SJCC) to conduct a three-day site visit to complete an analysis and provide technical assistance. The following contains a summary of the observations related to fiscal.

- ▶ Observations listed using **RED** require immediate action. Failure to do so will jeopardize SJCC's current FQHC Look A-Like designation and the organization's ability to apply for future federal 330 grant funding opportunities.
- ▶ Observations listed using **YELLOW** require action.
- ▶ Observations listed using **GREEN** are best practice recommendations.

It is important to note, the HRSA BPHC Health Center Compliance Manual is a working document and the most recent update was in April 2019. HRSA's expectation is that all Health Centers are in compliance at all times.

Rate Setting / Expansion

- ▶ SJCC should continue to develop processes to fill open patient appointment slots
- ▶ SJCC must develop a comparison budget using the reduction of FQHC's a French Camp to compare to the new proposed site
- ▶ SJCC staff must continue to work with hospital staff to determine what costs make up the overhead allocation
- ▶ SJCC must obtain a written guarantee from the third party that no harm will come to SJCC should SJCC decide to leave the portion of the fund party to the only one rate for all French Camp sites
- ▶ SJCC should consider combining its French Camp sites into one site. SJCC must complete a financial analysis to determine the new rate. If SJCC determines it is in its best interest to combine all three French Camp sites into one, it must proceed with notifying HRSA as well as all third-party payors as appropriate.

Billing

- ▶ SJCC must develop a fee schedule using local and prevailing rates. All CPT codes must have charges associated with them
- ▶ SJCC must bill claims within 14 days from the Date of Service
- ▶ SJCC should work with the hospital to develop a credentialing process for SJCC providers to ensure timely credentialing with insurance payors
- ▶ SJCC must correct its sliding fee discount program in its practice management system
- ▶ SJCC should include language provisions in the contract with CDM to safeguard the FQHC
- ▶ SJCC should provide FQHC coding training for its providers

Program Monitoring & Data Reporting

- ▶ SJCC must receive financial statements timely. SJCC must have systems in place to gather data needed for reporting and it must also show this data supports decision making

The above presentation pertains to the Finance portion of their findings and the rest will be presented to the board during the meeting following this one. Fiscal Solutions stated, it was observed when working with the management team at the clinics, it was obvious this is a solid and capable team.

Rod Place stated if all the red observations deem us at risk of losing our designation, how much time do we have to correct these items. Renee advised everything should be corrected before our next site visit. Our last visit was in November 2018 and we expect the next visit before July 2020.

Chris Roberts stated by going with a proprietary system, we should be able to resolve the piece of having reports available sooner.

Monica Nino inquired whether the fee schedule using local and prevailing rates has to do with us getting our costs correct. Carlos Jimenez stated it has to do with the sliding fee scale and the clinics, when they talk about local and prevailing, it has to do with what other clinics are charging for the same clinic services. In general, we would be comparing FQHC vs. FQHC when it comes to local and prevailing rates. Renee stated what was observed while they were there is the clinics are using the same rates the hospital is using, whether for labs or other services because it is one system rate. Alice Soulligne stated we are still 200 or 300 percent over what the average is in the community. We have never been able to get labs or diagnostic imaging rates down to a competitive price for what the other FQHCs in the community uses.

Renee stated that is correct as well as there also wasn't separation between the clinics for the FQHC vs. other hospital-based charges. Chris Roberts stated if we are discussing lab fees, we are speaking about a complete CDM overall with a second set and a much lower rate for the FQHCs. This can be done but you would need to duplicate the CDM in the lab with all the interfaces that it requires and create another set that has identifiers for the FQHC. Alice advised this was one of the findings in our last HRSA visit. Chris asked if there are any differences whether it is a hospital-based FQHC or standalone FQHC. Renee advised all FQHCs should follow the same regulations regardless of how they are structured.

Lynn Kelly stated, when our patients get lab services, it goes back to the hospital to be processed. She asked if there is a difference between the Point of Care testing that we do within the clinics, whether they are priced correctly or if Renee is referring to the labs ordered by the provider and the patient goes to the hospital lab and the labs processed and reported. Renee stated what the requirement is the point of care provided at the FQHC level as well as what is referred out. They are going to look at those costs whether the patients are receiving discounts under the sliding fee scale.

Lynn asked if it is therefore recommended that even though they are referred to the hospital that that rate is discounted for the FQHC patients. Carlos stated any referenced lab that we have an arrangement with should be compliant and in agreement with whatever our sliding scale would charge for that service. He stated there are many other counties that operate FQHCs and he recommended speaking to colleagues in other counties to get a sense of how they are complying. Susan recommended looking at what the rates are at FQHC facilities closest to us.

VIII. Adjournment

The meeting adjourned at 5:20 p.m.

Attachments: Minutes of November 19, 2019
Financial Statement Comments and Statements
Accounts Receivables Report for October 2019
EMMI Agreement
Wipfli – FQHC Update & Pending Issues
Fiscal Solutions Slideshow