



**San Joaquin County Clinics (SJCC) Finance Committee
Minutes of May 21, 2020 Meeting**

**San Joaquin General Hospital (SJGH)
Web Conference Meeting
French Camp, CA**

Present

Rod Place (SJCC Board Chair); Brian Heck (SJCC Board Member); Esgardo Medina (SJCC Board Member); David Culbertson (SJGH CEO); Greg Diederich (HCS Director); Tenisha Dunham (SJCC CFO); Dr. Farhan Fadoo (SJCC Executive Director); Lynn Kelly (SJGH Pt. Financial Services Deputy Director); Monica Nino (SJ County Administrator); Chris Roberts (SJGH CFO); Alice Soulligne (SJCC COO); Carlos Jimenez (Wipfli Consultant); Kris Zuniga (Wipfli Consultant); Adelé Gribble (SJCC ACS OTC)

Absent

Luz Maria Sandoval (SJCC Board Treasurer)

I. Call to Order

The meeting was called to order by Rod Place at 4:03 p.m.

II. Approval of Minutes from April 28, 2020 (Rod Place)

A quorum was established for today's Finance Committee. The minutes were reviewed by present board members. Esgardo Medina made a motion to approve the minutes from 04/28/2020. Greg Diederich seconded the motion and all board members present unanimously approved the minutes.

III. Introductions (Rod Place)

There were no introductions for this meeting.

IV. Presentation of March 2020 Financials (inclusive of EMMI update) (Kris Zuniga)

Kris Zuniga discussed the SJCC income statement as of March 2020 as shown in the table below.

IV

San Joaquin County Clinics Income Statement As of March 31, 2020													
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	YTD Actual	YTD Budget	Variance	% Var
Total Visits	9,995	11,065	10,018	11,580	9,453	9,396	13,424	10,688	6,492	92,129	81,438	10,691	13.1%
Blended Visits	9,436	10,356	9,516	10,768	8,938	8,923	12,848	10,382	6,136	87,254	76,717	10,537	13.7%
Patient Revenue													
Medicare	236,026	397,379	330,364	293,258	318,229	318,833	532,369	832,211	339,653	2,549,019	1,412,737	1,136,282	150.7%
Medi-Cal Fee-for-Service	205,608	219,088	282,602	390,358	326,511	233,111	592,990	769,477	326,510	3,246,273	2,060,619	1,185,655	57.3%
Medi-Cal Managed Care	939,051	2,119,472	2,303,051	2,250,224	1,790,024	1,771,824	3,486,176	1,539,148	2,201,011	22,115,980	13,318,760	8,797,220	66.0%
Insurance	13,134	22,250	25,360	26,009	22,648	23,734	69,409	77,616	42,962	336,213	276,510	59,703	10.0%
Self Pay	68,636	68,201	86,780	94,384	68,480	79,545	178,791	267,604	65,882	988,311	496,929	491,382	101.1%
Indigent	108	146	83	154	193	16	220	180	22,251	33,208	2,500	20,707	833.3%
Gross Patient Revenue	1,496,992	2,826,374	3,088,229	3,063,807	2,431,136	2,427,963	4,860,969	7,186,558	3,992,269	30,949,004	17,846,887	13,102,117	72.2%
Contractual Adjustments	(1,496,713)	(1,493,678)	(2,282,339)	(2,023,993)	(1,496,994)	(1,693,124)	(3,408,011)	(5,074,028)	(1,939,253)	(20,118,207)	(8,524,144)	(11,594,063)	-145.4%
Other Allowances	(1,200,492)	(400,742)	(1,293)	(812)	901	3,442	(2)	(799)	(340)	(159,700)	(9,239)	(150,461)	-162.8%
Net Patient Revenue	837,382	1,291,960	794,683	1,039,200	738,544	732,381	1,452,957	2,093,927	1,062,678	9,970,798	9,368,135	602,663	6.3%
Other Revenue													
Incentives & Pay-for-Performance Revenues	60,833	60,833	60,833	60,833	60,833	60,833	60,833	60,833	60,833	547,497	547,497	0	0.0%
Capitation Revenue	446,765	421,203	431,389	425,593	443,790	439,413	429,356	426,956	427,093	3,908,891	4,901,239	(992,348)	-10.2%
Grant Revenue	0	0	0	0	0	0	0	0	132,117	132,117	132,117	100.0%	
Total Other Revenue	507,618	512,036	499,202	516,428	504,563	500,246	490,641	487,789	619,880	4,638,505	5,448,726	(810,221)	-14.9%
Total Net Revenue	1,345,000	1,803,996	1,293,886	1,545,628	1,243,204	1,232,627	1,943,623	2,519,717	1,672,658	14,609,303	14,816,861	(207,558)	-1.4%
Operating Expense													
Salaries	909,780	1,042,139	917,997	1,103,834	849,351	855,631	850,294	967,933	619,403	8,116,364	7,292,951	(823,413)	-11.3%
Benefits	425,187	447,809	438,518	436,607	449,829	455,351	612,611	734,023	396,229	4,436,452	3,969,835	(466,617)	-11.8%
Total Salaries & Benefits	1,364,967	1,490,048	1,356,515	1,540,441	1,299,180	1,310,982	1,472,905	1,661,970	1,015,632	12,552,816	11,262,786	(1,290,030)	-11.3%
Professional Fees/Registery	69,022	183,388	62,720	108,139	66,503	89,211	34,874	101,000	106,624	823,269	568,053	(255,216)	-44.9%
Supplies	69,094	123,443	77,166	123,773	68,204	108,849	73,891	74,442	31,274	776,869	750,660	26,209	3.5%
Purchased Services	39,180	76,359	42,011	92,288	41,656	35,859	126,587	131,327	136,331	701,379	823,123	(121,744)	-24.0%
Depreciation	22,696	22,687	22,686	22,427	22,426	22,426	22,426	19,533	19,533	196,839	196,839	0	0.0%
Other Expense	39,477	49,971	39,543	79,393	40,217	22,884	48,241	37,838	21,661	395,633	393,796	(1,837)	-0.5%
Total Direct Expense	1,596,414	1,712,384	1,596,664	1,914,251	1,388,962	1,389,991	1,978,723	1,868,090	1,324,731	16,342,408	13,883,251	(2,459,157)	-15.0%
Net Income (Loss)	(251,414)	(124,598)	(302,808)	(371,423)	(298,758)	(387,064)	(30,102)	653,627	351,945	(2,232,105)	933,600	(3,164,705)	-37.4%
Revenues from Supplemental Sources													
Public Hospital Reorganization	868,746	868,746	868,746	868,746	868,746	868,746	868,746	868,746	868,746	7,816,714	7,816,714	0	0.0%
Incentives in Medi-Cal (PRIME)	974,250	974,250	974,250	974,250	974,250	974,250	974,250	974,250	974,250	5,150,200	5,150,200	0	0.0%
Quality Incentive Program (QUIP)	674,532	613,987	679,792	809,502	649,442	670,850	835,022	787,490	489,613	6,388,111	5,826,791	(561,320)	-8.8%
Net Income (Loss) w/ OIA Allocation	532,868	502,532	444,988	505,870	492,796	433,892	675,672	1,367,133	1,369,226	6,838,061	6,840,693	(2,642,632)	-38.6%
Key Ratios													
Gross Pt Revenue/Blended Visit	\$ 154.37	\$ 272.13	\$ 324.53	\$ 283.07	\$ 272.00	\$ 272.00	\$ 378.32	\$ 691.16	\$ 488.64	\$ 346.68	\$ 228.98	\$ 117.70	51.4%
Net Revenue/Blended Visit (excl OIA Rev)	\$ 142.54	\$ 173.69	\$ 185.97	\$ 143.37	\$ 132.76	\$ 132.76	\$ 251.66	\$ 249.06	\$ 252.04	\$ 149.92	\$ 139.10	\$ (7.18)	-4.4%
Direct Costs/Blended Visit	\$ 149.40	\$ 129.69	\$ 167.79	\$ 177.82	\$ 172.12	\$ 172.12	\$ 156.00	\$ 121.49	\$ 216.21	\$ 175.83	\$ 100.97	\$ 5.18	2.8%
Indirect Costs/Blended Visit	\$ 71.48	\$ 76.36	\$ 70.81	\$ 75.04	\$ 72.66	\$ 75.18	\$ 64.99	\$ 76.59	\$ 78.82	\$ 73.33	\$ 76.59	\$ 3.04	4.0%
Total Medical Cost/Blended Visit	\$ 240.88	\$ 246.05	\$ 238.59	\$ 252.85	\$ 244.84	\$ 253.34	\$ 218.99	\$ 253.08	\$ 295.03	\$ 249.16	\$ 207.33	\$ (1.17)	-3.2%
Net Income (Loss)/Blended Visit	\$ 54.97	\$ 48.39	\$ 48.80	\$ 24.09	\$ 50.13	\$ 46.29	\$ 44.82	\$ 127.13	\$ 213.38	\$ 66.91	\$ 104.81	\$ (37.80)	-36.2%
Net Pt Rev as % of Gross Rev	37.5%	45.7%	25.7%	33.7%	30.3%	30.2%	30.0%	28.6%	33.3%	33.0%	33.3%	(-0.3%)	-0.8%
Total Net Rev as % of Gross Rev	92.3%	63.6%	41.9%	50.6%	50.2%	50.2%	42.1%	35.3%	50.0%	42.3%	42.3%	(-0.0%)	-42.7%
Benefits as % of Salaries	50.0%	43.0%	47.6%	39.6%	51.9%	53.2%	96.6%	55.2%	64.0%	54.7%	54.4%	(-0.2%)	-0.4%
Overhead % of Direct Exp	42.2%	42.2%	42.2%	42.2%	42.2%	42.2%	42.2%	42.2%	36.5%	41.7%	42.2%	0.5%	1.2%

Kris advised from a visit perspective; we experienced some effects of COVID-19 during the month of March. In general, SJCC sees approximately ten thousand billable visits per month. Even with an approximate 40% reduction of visits to six thousand visits, we did manage to post fairly good patient revenues. See above table for details. We are still realizing some effects of the visits that were under accrued for dates of services 12/31/19 and prior.

In other revenue, we have a new line item called Grant Revenue. This is a Title X grant that we billed the entire budget year in the month of March. When we bill a whole budget year it is usually at the end of the budget period (which March was) and then begins a new budget year if we had been awarded again. Kris advised we received more in this new year than in the previous year. \$132K is for the grant year that is ending. The award is \$300K for that that.

In the month of March, because of our observed reduction in visits, SJCC management (Dr. Fadoo and Alice Soulligne) decided to reduce our workforce in response to that contraction. Because we reduced clinic staff, we saw reduced salaries and benefits expenses in this month. Similarly, the rest of the expenses for the operation of the month also saw a reduction. Comparing the March levels to the preceding months, we saw roughly a 30% reduction in salaries and benefits and a 24% reduction in other operating expenses vs the previous eight months of operations.

IV

EMMI Collection Time on Paid Claims

Row Labels	Average of Visit-to-Claim	Average of Claim-to-Payment	Average of Collection Time	Sum of Payment Amount
2020-01	11	34	45	1,317,022
AETNA	17	23	40	622
BLUE CROSS	12	33	45	2,589
C.C.S.	7	34	41	129
COMMERCIAL INS	7	50	57	252
HEALTH PLAN SAN JOAQUIN	11	32	43	939,489
HILL PHYSICIAN	9	49	58	16
KAISER OUTSIDE	22	25	47	387
MEDI-CAL	11	27	38	208,814
MEDI-CAL MANAGED CARE	11	28	40	74,396
MEDICARE	11	74	85	79,290
PRIVATE PAY	11	6	17	10,273
SENIOR PLANS	9	67	76	709
UNITED HEALTHCARE	9	70	79	56
2020-02	7	26	33	1,205,341
BLUE CROSS	8	28	36	1,468
BLUE SHIELD	8	11	20	160
C.C.S.	6	19	25	774
HEALTH PLAN SAN JOAQUIN	7	25	32	879,441
MEDI-CAL	6	22	28	172,410
MEDI-CAL MANAGED CARE	7	23	30	72,219
MEDICARE	7	50	57	68,840
PRIVATE PAY	7	11	18	9,926
UNITED HEALTHCARE	6	21	26	104
2020-03	3	17	20	622,361
BLUE CROSS	7	(2)	5	220
C.C.S.	2	18	20	129
HEALTH PLAN SAN JOAQUIN	3	15	19	472,127
MEDI-CAL	3	20	23	78,622
MEDI-CAL MANAGED CARE	3	20	23	34,955
MEDICARE	3	30	33	31,811
PRIVATE PAY	3	1	4	4,315
UNITED HEALTHCARE	2	12	14	181
2020-04	12	6	18	4,580
HEALTH PLAN SAN JOAQUIN	13	7	20	3,670
PRIVATE PAY	7	(6)	1	910
Grand Total	8	27	35	3,149,303

Carlos Jimenez commented the reductions in expenses were required and were prudent on management's part. Part of the reason for that is SJCC are organized as look-alikes, they are not Section 330 Grantees like many other FQHCs. As a look-alike, SJCC did not qualify for a lot of the funds that Health Resources and Services Administration (HRSA) granted to all of the various grantees. In lieu of receiving those extra funds which might have changed the actions; the reduction of expenses and number of steps taken were really required. You might have heard from other FQHC sites they had gotten some money; they were able to do some different things.

Kris added the hospital was a recipient of some relief funds, a portion of that is assignable to the FQHC but that would be in the month of April. Although we did see this billable visit reduction in the month of March, we were able to rebound in the month of April to more traditional levels we have seen in our fiscal year. We did engage active marketing (telephone marketing) for telephonic and other digital

visits using our residents to contact our patients and another measure that we employed was increased efficiencies particularly in the Primary Medicine Clinic.

Monica Nino asked if one of the positive factors as a result of billing and receiving the revenue more timely. She stated the revenue looks proportionately more in line, even though there are reduced visits, it still running higher than expected based on past history. She wondered if there are still some actuals that are coming in that we didn't bill correctly. Kris advised we are seeing those effects but the greatest degree of effect that we are experiencing in our financials have to do with the claims that took us a while to get out the door for dates of service 12/31/19 and prior. That really had a dramatic effect particularly in February but also in March. They performed a calculation of the Net Patient revenue solely on the six thousand visits. They came up with approximately \$600K. \$600K of this \$1M we could describe as current billable visits vs. \$400K of retro billable visits.

Below is the table for individual clinics' profit and loss statements. In addition to the line item we saw for Grant Revenue in March, we now have a new column for grants we are conducting for the FQHC. We are administering more one grant, but this particular revenue recognition is for one grant, Title X associated with family planning services in our clinics.

San Joaquin General Hospital-FQHC LAL Clinics
Income Statement
For the YTD Ending
March 31, 2020

IV

Children's Health Services (#7080)	Family Medicine (#7092)	Family Practice - Ca (#7093)	Primary Medicine (#7096)	Healthy Beginnings				EO Grants	EO Admin.	Total	YTD Budget	YTD Variance - Fav.(Unf.)	% Var - Fav. (Unf.)	
				Healthy Beginnings - Ca (#7182)	French Camp (#7183)	Hazleton Clinic (#7184)	Manteca Clinic (#7185)							
Total Visits	15,778	16,753	4,086	29,724	7,981	3,787	4,075	10,145	-	81,129	81,438	10,691	13.1%	
Billable Visits	14,120	15,961	3,891	28,770	7,981	3,654	2,900	9,807	-	67,254	76,717	10,557	13.7%	
Productive FTEs (Provider)	3.4	2.4	1.6	10.5	2.0	1.2	1.3	4.6	-	27.0	28.3	1.2	4.3%	
Productive FTEs (Non-Provider)	14.1	15.6	6.5	25.7	13.2	5.6	7.5	13.4	-	114.5	105.3	(9.2)	-8.7%	
Total FTEs	17.5	18.0	8.2	36.2	15.2	6.8	8.8	17.9	-	141.5	133.6	(8.0)	-6.0%	
Total Hours/Visit	2.81	4.57	1.62	1.85	2.66	1.98	1.56	1.46	-	2.18	1.83	(0.35)	-18.9%	
Revenue														
Patient Revenue														
Medicare	1,409	722,542	224,348	2,126,224	58,965	45,564	108,027	263,847	0	3,549,019	1,415,737	2,133,284	150.7%	
Medi-Cal	825,702	543,318	37,712	385,319	729,905	230,028	214,148	280,142	0	3,246,273	2,060,619	1,185,655	57.5%	
Medi-Cal Managed Care	4,985,501	3,873,662	917,933	6,199,843	2,022,100	919,647	635,900	2,581,284	0	22,115,980	13,119,760	8,996,220	66.0%	
Insurance	23,140	89,132	35,344	184,214	30,509	26,529	18,851	18,889	0	326,213	2,765,510	49,703	18.0%	
Self Pay	42,190	300,918	44,794	291,527	77,836	31,966	47,528	132,451	0	698,811	491,382	496,928	101.1%	
Indigent	0	23,207	0	0	0	0	0	0	0	23,208	20,707	2,501	128.2%	
Gross Revenue	5,857,936	5,552,780	1,260,132	9,087,227	2,917,315	1,252,632	1,044,454	3,276,528	0	30,249,004	17,566,507	12,682,496	72.2%	
Contractual Adjustments	(4,296,614)	(5,584,024)	(881,599)	(9,070,423)	(2,073,733)	(1,732,753)	(620,754)	(3,205,917)	0	(20,116,507)	(6,182,144)	(11,934,363)	-145.6%	
Other Allowances	(3,047)	(6,405)	(1,410)	(9,315)	(504)	(1,732)	(6,665)	(40,542)	0	(159,700)	(9,339)	(150,461)	-162.6%	
Net Patient Revenue	1,558,275	1,962,281	377,322	3,407,489	843,188	469,149	327,025	1,030,069	0	9,970,798	9,365,125	605,672	6.5%	
Incentives & Pay-For-Performance Revenues	105,297	97,151	25,632	174,595	42,447	22,188	14,836	67,441	0	547,497	547,497	0	0.0%	
Physician Capitation - PAMA	746,930	702,409	185,345	1,261,823	306,929	160,438	107,290	407,658	0	3,658,891	4,901,238	(1,242,347)	-31.2%	
Grant Revenue	0	0	0	0	0	0	0	0	132,117	132,117	0	132,117	100.0%	
Total Operating Revenue	2,408,502	2,761,901	588,299	4,843,827	1,194,563	645,774	449,151	1,585,168	132,117	14,609,303	14,813,851	(204,548)	-1.4%	
Expenses														
Salaries	929,715	883,681	410,284	2,253,351	744,119	364,684	488,508	1,103,261	124,068	814,693	8,116,364	7,292,951	(823,414)	-11.3%
Benefits	529,238	501,805	261,050	1,053,096	487,798	216,532	341,252	642,104	42,347	380,389	4,436,652	3,969,355	(467,296)	-11.9%
Total Salaries & Benefits	1,458,953	1,385,486	671,334	3,307,287	1,231,917	581,216	829,761	1,745,365	166,415	1,195,082	12,553,016	11,262,306	(1,290,710)	-11.5%
Professional Fees/Registration	29,625	100,900	0	118,140	169,279	9,800	0	8,000	387,526	823,269	568,033	(255,236)	-44.9%	
Supplies	58,313	175,953	29,882	218,741	70,595	57,392	45,819	74,232	6,291	42,351	776,969	780,660	3,691	0.5%
Purchased Services	26,590	15,869	15,571	779	57,812	40,023	1,140	1,620	0	542,286	701,578	923,112	221,533	28.9%
Depreciation	5,812	19,987	1,458	1,337	10,245	21,646	0	111,589	0	24,766	196,839	85,324	(111,515)	-30.7%
Other Expense	39,484	15,667	24,348	13,842	28,288	4,619	866	158,747	0	4,772	290,633	283,796	(6,837)	-2.3%
Total Expenses	1,618,767	1,711,962	742,593	5,660,126	1,546,125	714,695	877,586	2,091,554	180,706	2,196,882	15,342,106	15,885,251	(1,458,855)	-10.5%
Allocation of Direct Admin Exp	425,442	409,279	91,519	695,914	211,875	99,974	75,851	337,963	0	(2,106,482)	0	0	0.0%	
Total Expenses excl Hosp OH	2,044,209	2,114,342	834,112	4,320,101	1,760,010	805,669	953,441	2,329,517	180,706	-	15,342,106	15,885,251	(1,458,855)	-10.5%
Profit/(Loss) before Hosp OH	364,294	647,559	(245,813)	523,727	(565,447)	(159,895)	(504,291)	(744,350)	(45,590)	-	(732,802)	930,600	(1,663,402)	-178.7%
Revenues from Supplemental Sources														
Public Hospital Redesign and Incentives in Medi-Cal (PRIME)	1,475,168	1,387,399	366,051	2,492,071	606,177	316,860	211,875	983,113	0	-	7,818,714	7,818,714	0	0.0%
Quality Incentive Program (QIP)	971,705	913,891	241,121	1,643,547	399,294	206,719	139,583	634,410	0	-	5,150,250	5,150,250	0	0.0%
Overhead Allocation	862,656	892,252	351,995	1,823,082	742,724	339,992	402,352	983,056	0	6,398,111	5,858,731	(539,380)	-9.2%	
Net Income (Loss)	1,948,511	2,056,596	9,364	2,834,262	(302,701)	25,692	(555,205)	(129,883)	(45,590)	0	5,838,050	8,040,832	(2,202,782)	-27.4%

Below is the Financial Narrative for YTD – March 2020

Summary of Clinics Year to Date

Billable visits through March were favorable to budget by 10,537. Gross patient revenue is favorable to budget by \$12,682,497. Net patient revenue is favorable to budget by \$605,673.

Other Revenue has been augmented to reflect managed care incentives and grant revenues. YTD grant revenues total \$132,117 due to the Title X grant. YTD incentive and pay-for-performance revenues are \$547,497. Over the last two months, the YTD total revenue budget variance has reduced from <\$1,064,489> to <\$204,548>.

Salaries and benefits expenses benefited from managerial decisions to reduce clinic staffing in response to reduced patient visits. As a result, March salaries and benefits expenses were 30% lower than the average for the preceding eight months. Similarly, the remaining direct operating expenses for March were 24% lower than the average for the preceding eight months.

Over the last two months, net income <loss> as a percentage of total revenues has risen from <16.70%> in January to <5.02%> in March. Profitability in February and March were 25.94% and 20.97%, respectively, largely due to under-accrued revenues for encounters with dates-of-service of 12/31/19 and prior.

The Clinic financials include FYTD supplemental revenues earned by the Clinics in the amounts of \$7,818,714 for PRIME and \$5,150,250 for the Quality Incentive Program.

Additional Factors Impacting Clinic Performance Presentation

- 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.
- FQHC revenues will dramatically increase when the PPS rates for five clinics are finalized. We expect the final determination letter from DHCS to arrive on or before May 29, 2020. All YTD patient revenues will be revised based on the finalized rates.

V. **Accounts Receivables Status / KPI (Kris Zuniga / Lynn Kelly)**

Kris Zuniga presented PFS Accounts Receivable Aging Analysis for SJCC for the month of March 2020 (shown below)



PFS Accounts Receivable Aging Analysis For SJCC For the Month of March 2020								
Aging Category	MediCare	MediCal	Commercial	Self Pay	Total Aging This Month	Total Aging Last Month	\$ Increase (Decrease)	% Increase (Decrease)
DNFB	0	0	0	0	0	0	0	0.00%
1-30 Days	142,074	349,721	43,715	10,929	546,440	4,394,204	(3,847,764)	-87.56%
31-60 Days	124,526	306,525	38,316	9,579	478,946	1,432,393	(953,447)	-66.56%
61-90 Days	49,700	122,338	15,292	3,823	191,153	2,104,120	(1,912,967)	-90.92%
91-120 Days	151,571	364,735	34,606	14,709	565,620	1,630,403	(1,064,783)	-65.31%
121-180 Days	502,036	1,687,563	152,428	26,893	2,368,920	3,077,473	(708,553)	-23.02%
181-240 Days	476,216	1,395,663	126,107	33,262	2,031,248	1,167,543	863,705	73.98%
241-270 Days	127,653	271,276	38,778	13,810	451,517	249,053	202,464	81.29%
271-365 Days	433,062	580,906	87,266	45,207	1,146,441	879,732	266,709	30.32%
366 Days & Over	247,904	238,704	73,005	31,541	591,155	(105,357)	696,512	-661.10%
Total FC This Month	2,254,742	5,317,431	609,513	189,753	8,371,440	14,829,565	(6,458,124)	-43.55%
Total FC Last Month	3,838,528	9,487,703	1,229,257	274,076	14,829,565			
\$ Increase (Decrease)	(1,583,786)	(4,170,272)	(619,743)	(84,323)	(6,458,124)			
% Increase (Decrease)	-41.26%	-43.95%	-50.42%	-30.77%	-43.55%			
Monthly Management Summary								
	Beginning A/R Balance	Gross Services Billed	Disallowances/ Discounts	Payments	Adjustments	Ending A/R Balance		
March Activity	14,829,565	273,922	(2,028,071)	(2,840,272)	(1,863,704)	8,371,440		
PFS Key Performance Indicators for SJCC								
	March	February	January	December	November	October	September	Increase (Decrease)
Gross A/R Days	92	106	121	121	114	123	139	(14)
Net A/R	2,418,439	5,121,559	2,500,641	3,006,647	2,967,642	2,990,493	2,960,862	(2,703,120)
Net A/R Days	63	88	100	120	106	114	119	(25)

This analysis includes both Patient Financial Services (PFS) accounts receivable and EMMI's accounts receivable. The first three buckets are EMMI and the remaining buckets are PFS. Last month the schedule registered roughly \$15M. This month this schedule is registering \$8.4M. We have a summary of March activity taking us from that \$14.8M; we have gross services billed, disallowances but the biggest factor was payments this month. Payments on the EMMI side was \$1.6M and on the PFS side it was \$1.2M giving us our ending balance of \$8.4M. In terms of Net A/R days we go from 88 in February down to 63 in March.

Our Medicare, in particular with dates of service prior to 12/31/19, needs to be collected on. PFS is aware and has committed to make a goal of 1-1/2 months for collections on all our open claims in our A/R for PFS, focusing particularly on Medicare as they are easiest and quickest payers to collect from.

VI. **Wipfli Update on Rate Settings (Carlos Jimenez)**

Carlos Jimenez advised we are expecting to receive the final rate settings letter from Department of Health Care Services (DHCS) by May 29th. Below follows the summary and schedule provided to the Finance Committee to review.

SAN JOAQUIN COUNTY CLINICS (FQHCs)
FY 2015 FINAL PPS RATE SETTING COST REPORTS AUDIT
STATUS UPDATE
Prepared by Carlos Jimenez, Director – Wipfli LLP
May 21, 2020

1. *Final Medi-Cal PPS rate setting cost reports were filed for the five (5) original FQHC sites based on FYE 6/30/15 (FY 2015). The sites are:*
 - *Children’s Health Services – California St.*
 - *Family Medicine – French Camp*
 - *Primary Medicine – French Camp*
 - *Healthy Beginnings – California St.*
 - *Healthy Beginnings – French Camp*
2. *San Joaquin’s FQHCs appear on the hospital cost report and receive overhead allocations in that report. As such, the hospital’s Medi-Cal cost report audit must be completed before any rate setting audits can begin (~2.5 years after fiscal year end).*
3. *DHCS then has three (3) years to complete the FQHC audit and issue final PPS rates.*
4. *DHCS’ audit of the FY 2015 PPS rate setting cost reports is complete. We have received the final adjustments and are awaiting the audited reports and final PPS rates, which are due May 31. The audit process also entailed a re-audit of the hospital cost report for purposes of validating the hospital overhead allocations to the FQHCs.*
5. *Please note that the final projected PPS rates and accompanying analysis in our packet are based on the final audit adjustments we received. Nevertheless, we will need to review and validate the actual cost reports and rates once they are issued and if necessary, update our analysis.*
6. **OVERALL ASSESSMENT:** *The attached one-page analysis shows that the final projected PPS rates represent 87% to 94% of what was calculated (requested) in our as-filed reports. Based on our (Wipfli) experience, we typically advise clients that final rates representing 80% to 85% of the as-filed amounts should be considered a successful outcome. In addition, I recently concluded work on a multi-year audit and appeal for another County client (Change-in-Scope for 12 sites) where the final rates ranged from 53% to 90% of the as-filed amounts, with the overall average being 76%. Under these circumstances, I consider San Joaquin’s projected FY 2015 outcome not only very positive but beyond my expectations.*
7. **POTENTIAL APPEAL ISSUES:** *Two material issues that were not resolved in the audit are described below and the corresponding financial impact is shown in our analysis. These issues may be appealed at San Joaquin’s discretion and any such appeal would be due within sixty days of the date the final reports were issued.*
8. *The following is a brief summary of the remaining material disputed issues.*

“HOME OFFICE” ADJUSTMENTS (San Joaquin General Hospital)

- a. *FQHC Physician Compensation: DHCS determined that no hospital administrative overhead should be allocated to FQHC physician compensation. Without going into technical detail, DHCS’ position is that the Medicare regulations governing physician compensation in a “hospital” should apply. Our position is that the Medicare FQHC/RHC regulations should apply because under those rules, the professional and technical services rendered in an FQHC/RHC are considered to be “bundled”. We estimate that the potential impact of this disputed issue on Medi-Cal reimbursement could be in excess of \$500,000 per year.*

However, should San Joaquin proceed with its proposed plans to consolidate the three French Camp sites and the three California St. sites into one “surviving” site at each location, the potential impact of this appeal issue would be significantly reduced.

All other proposed home office adjustments were successfully resolved in the post-audit period that concluded a week ago.

FACILITY SPECIFIC ADJUSTMENTS

1. **FQHC Administrative Costs:** *San Joaquin records all directly identifiable FQHC administrative costs in the “FQ Admin” department in its general ledger. The total FQ Admin cost is then directly and proportionately allocated to each FQHC site in the hospital cost report. DHCS did not understand this approach and they had additional difficulty understanding the difference between FQ Admin costs and allocated “hospital” administrative costs. On that basis, they initially proposed a complete elimination of the reported \$2.4M in FQ Admin cost. Ultimately, we were successful in prevailing on this issue with the exception of the two adjustments described below.*

1) **eCW:** *This is a healthcare IT system, used by San Joaquin prior to the Cerner conversion, that is designed exclusively for use in Ambulatory Care settings and is used by hundreds of FQHCs throughout the country. It is both an EHR and revenue cycle management system that provides for practitioner care planning, compilation and storage of patient medical information, compilation and tracking of patient utilization, and other functions.*

At San Joaquin, the eCW contract (which is based in part on the number of “end-users”) was structured to include ALL county-affiliated physicians/practitioners who might potentially treat patients in the FQHCs or in San Joaquin General Hospital’s outpatient ambulatory clinics. Notwithstanding the documentation we furnished and multiple discussions on this issue, DHCS never understood the difference between eCW and the hospital’s EHR system.

However, should San Joaquin proceed with its proposed plans to consolidate the three French Camp sites and the three California St. sites into one “surviving” site at each location, the potential impact of this appeal issue would be significantly reduced.

2) **Transportation:** *Consistent with its customary audit practices, DHCS eliminated approximately \$89,000 in patient transportation cost that had been recorded in the FQ Admin department and directly allocated to the FQHC sites in the hospital cost report. These services, consistent with HRSA requirements, were furnished by El Concilio and properly documented. Nevertheless, DHCS has historically refused to allow such costs in rate setting or rebasing reports. We have determined that this is not an issue worth pursuing at appeal.*

Another set of significant adjustments pertaining to physician fringe benefits and payroll taxes were successfully resolved in the post-audit period that concluded a week ago. The remaining audit adjustments specific to each clinic were not disputed.

9. NEXT STEPS

- a. *Validate Medi-Cal utilization for all fiscal periods dating back to FY 2015.*
- b. *Projection and analysis of FY 2015 – FY 2019 PPS Reconciliation settlements in light of the final PPS rates for the original five FQHC sites.*
- c. *Calculate the projected impact of the final PPS rates on traditional Medi-Cal claims dating back to FY 2015.*
- d. *Review and recalculate the reserve for all PPS Reconciliation settlements currently on the books.*
- e. *Begin work on the FY 2016 final rate setting audit for the Family Practice California St. site.*
- f. *Proceed with the clinic consolidation project.*

SAN JOAQUIN COUNTY CLINICS
FQHC RATE SETTING AUDIT: PROJECTED PPS RATES AND OVERALL IMPACT
FYE 6/30/2015



5/12/2020

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	19,195,939
2	Actual Reported Visits		23,178	16,167	34,344	7,774	8,251	89,714
3	Productivity Adjusted Visits	RSCR W/S 6	25,428	16,167	35,721	8,715	9,618	95,649
	Percentage Change in Visits		9.71%	0.00%	4.01%	12.10%	16.57%	6.62%
4	As-Filed MCal PPS Rate	Line 1 / Line 3	183.40	232.59	158.26	249.52	306.14	
5	Clinic audit adjs		(58,316)	(166,044)	(275,077)	(71,769)	(217,693)	(788,899)
6	Home Office adjs		(222,105)	(224,088)	(295,173)	(208,559)	(144,642)	(1,094,567)
7	Total Audit adjs		(280,421)	(390,132)	(570,250)	(280,328)	(362,335)	(1,883,466)
8	Total Projected Audited Cost		4,382,963	3,370,122	5,082,967	1,894,280	2,582,141	17,312,473
9	Projected Audited Cost per Visit	Line 8 / Line 3	172.37	208.46	142.30	217.36	268.47	
	% of As-Filed Rate		94%	90%	90%	87%	88%	
10	Medi-Cal Interim Payment Rate		129.02	129.02	129.02	129.02	129.02	
11	Variance Audited to Interim Rate	Line 9 - Line 10	43.35	79.44	13.28	88.34	139.45	
12	Total Estimated MCal Visits in Rate Setting Year (Traditional + Managed Care)	Basis: Rev / Visit	19,140	16,000	27,616	7,316	7,525	
13	Medi-Cal Managed Care Visits	Per PPS Recon	14,328	5,546	22,518	3,626	4,060	
14	Imputed Traditional Medi-Cal Visits	Line 12 - Line 13	4,812	10,454	5,098	3,690	3,465	
	% Traditional	Line 14 / Line 12	25%	65%	18%	50%	46%	

Carlos stated we received what the DHCS advised are the final audited adjustments on the original five clinics (see above). Once we get the final rates, it will take a few days to do a validation process. On line one of the schedule are the actual expenses for each clinic for FY15. First thing that happens in the audit and this is likely to be the case in the next audit we are doing, on line two we have actual reported visits for each clinic total \$89,714. In rate setting reports, the department applies productivity standards. Line three shows the adjusted visits after productivity. Only one of the sites met the productivity standard. They impute visits if you don't meet it. It is not uncommon for county FQHCs to get hit with this because you are primarily physician driven. The standards were set in expectation that clinics would have more of a mix between physicians and mid-level providers. This is typical of a county FQHC. Line four are the rates we requested in the rate setting reports. There is a fairly significant range there and the correlation is for any clinic that you see more visits traditionally.

Carlos advised the percentages shown below line nine compared to his other county clients are the best that he has seen. Somewhere between 80-85% of the rates they ask for would be considered a very favorable outcome. SJCC is above that threshold. In the end, it was worthwhile persisting with our appeal.

Monica Nino asked how far this is retroactive to. Carlos advised depending on the type of Medi-cal patient they are, this is effective all the way back to July 2014. Line ten is the interim rates that SJCC has been paid since the inception. Generally, these are about the rates the reported revenue were based on. There is significant amount per visit difference in these rates; how they will be settled will depend on the nature of the visit itself.

The two significant issues that could be appealed are outlined in the handouts. In the case of county affiliated FQHCs like ours, the home office is the hospital. Administrative overhead, other types of services rendered to the clinics, gets allocated through the hospital cost report. The hospital cost report is very critical to this assignment of overhead, our financial statements have had approximately 40% factor of overhead. This will be tried up once we get the final report.

The clinics appear on the hospital cost report, they are not considered hospital costs, though they are connected to the hospital. The largest component of clinic costs would be salaries and physician compensation. DHCS looked at the physician compensation specific to the FQHCs and they decided they wanted to treat that compensation using Medicare hospital rules as opposed to Medicare FQHC rules. Suffice to say, the impact of that treatment meant that no administrative overhead was assigned to the FQHC physician compensation, which otherwise would have received a piece of administrative overhead based on the cost.

The impact of this adjustment on an annual basis is estimated in excess of \$500k a year. Monica asked for clarification regarding what is being disallowed. Carlos stated in the hospital cost report we have certain space related costs (capital costs), everyone on the report gets some allocation of that or not, depending. There are employee benefits that are done by the county through the hospital and the clinics get a piece of that. Additionally, there is administrative in general. This is what is at issue here with the physicians. This is everything administrative, but it excludes things like housekeeping, plant maintenance, plant operation, nursing administration, medical records, etc. It truly is what you would call the administrative departments that go into that bucket of overhead. Specific to this, it is that admin bucket that they reduced our basis by taking out the physician compensation. We were successful in defending allocations of housekeeping, plant operations, nursing admin, medical records, pharmacy and central supplies. In the original worst case scenario, they had proposed eliminating all of those allocations and we were successful in defending those and keeping those allocations in. In this case we are only talking about the administrative overhead costs attributable to FQHC physician compensation. It is a limited but significant piece.

Carlos advised once we get the reports, they will eventually make some assessments and there will be recommendations whether or not we go forward on appeal. There is another factor that could potentially impact the choice to appeal or not. There is a potential consolidation of the clinics which would mean the three clinics at French Camp would combine into one and the three clinics on California Street would combine into one. We would then have two remaining clinics for billing and cost purposes. Everything previously discussed today looks at the clinics individual (five clinics). If SJCC decides to proceed with the consolidation it renders moot any potential impact of going after an appeal on the clinics that aren't going to survive anyway. This would change the numbers significantly.

On the facilities themselves, we had two adjustments, one of which would be considered a potential appealable item.

We have the ability to go back to 2015 and use the methods that have subsequently been developed. At the bottom of the schedule (line 12), those are the estimated MediCal visits in this rate setting year by clinic site. We have submitted for this year and a number of others, a PPS reconciliation. In that report, Wipfli takes detailed MediCal paid claim information, detailed claim information from Health Plan of San Joaquin (HPSJ), run those together and come up with account for reporting purposes of actual billed MediCal managed care visits that are eligible for wraparound (line 13). Line 14 is the difference between what we might have thought were the MediCal visits in total. Below line 14 are percentages. There is no way you have that percentage of traditional MediCal business in the FQHC, you are much closer to 10% traditional MediCal. Carlos discuss the next steps as shown in the summary above. Because your traditional MediCal is only about 10%, what the State does is it takes the traditional claims and it recalculates what you should have been paid. Based on these estimates, using Family Medicine as an example, we were paid \$129, we should be paid \$172 so for every traditional MediCal visit that was processed, the department will go back and pay us another \$43 per visit (and a little more because the rates increase slightly every October 1st). These will come in lump sum payments. All of the Managed Care has to be settled through the PPS reconciliations. Carlos expects within ninety days after the rates are issued, the department will start to go back and audit the reconciliations in succession. The department currently is finishing up FY17.

The PPS reconciliation is made up of three things; what we have been paid by the HPSJ under capitation and on any fee for service claims. The second component is to the extent that we billed wrap-around claims to the MediCal program, based on those Managed Care Visits, we get wrap-around payments. You take your capitated and fee-for-service and wrap-around, get a certain amount,

take your PPS rate and that is your ultimate entitlement. The difference between what you were paid, and what you are entitled to is the settlement of the reconciliation. San Joaquin has been overpaid in a combination of both the wrap-around payment and what it gets for capitation and fee-for-service. Carlos suspects it there are going to be virtually all liabilities. There is a reserve in the balance sheet for this very reason. Carlos advised he would like to return to speak about this topic in further finance meetings. There is a silver lining, it appears the basis for those reserves anticipated rates significantly lower than what we have come up with. No cash was set aside, there will payments to be made but from a Profit & Loss perspective, we may have a pickup because it is likely the settlements will come in less than what we originally projected and reserved for.

Monica asked for confirmation of the amount in the Enterprise Fund from Chris Roberts who advised there was one line item and \$17M of that was for the FQHC. Carlos advised he is fairly confident we will have payables for every single year. We will owe a lot less. Monica would like this to be discussed further at another meeting once we have our numbers and stated this will be important for the committee to be aware of.

Carlos advised the State is under a statutory deadline, they must issue the letter by the end of the month.

VII. Adjournment (Rod Place)

There being no further discussion, Rod Place adjourned the meeting at 5:17 p.m.

Attachments: Minutes of April 28, 2020
Finance Narrative YTD through March 2020
Income Statement as of 03/31/20 and Income Statement for YTD ending 03/31/20 for individual clinics.
EMMI Collection Time Report April 2020
PFS Accounts Receivable Aging Analysis for SJCC – March 2020
SJCC FY15 Final PPS Rate Setting Cost Reports Audit Status Update
SJCC FQHC Rate Setting Audit: Projected PPS Rates & Overall Impact FY 6/30/15