



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF PUBLIC WELFARE
BUREAU OF FINANCIAL OPERATIONS
3rd Floor, Bertolino Building
Harrisburg, Pennsylvania 17105-2675

KEVIN M. FRIEL
DIRECTOR

DEC 12 2007

TELEPHONE NUMBER
(717) 787-9200
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(717) 705-6334

Mr. Carmen Lemmo
Deputy Health Commissioner
Philadelphia Department of Public Health
1101 Market Street, 10th Floor
Philadelphia, Pennsylvania 19107

Dear Mr. Lemmo:

I am enclosing the final report of the Philadelphia Department of Public Health recently completed by this office. Your response has been incorporated into the final report and label as Appendix.

I would like to extend my appreciation to all the courtesy extended to my staff during the course of fieldwork. I understand that you were especially helpful to Timothy Rausch in expediting the audit process.

The final report will be forwarded to the Department's Office of Medical Assistance Program (OMAP) to bring the Department's resolution process concerning the report contents. The staff from the OMAP may be in contact with you to follow-up on the action taken to comply with the report's recommendations.

If you have any questions concerning this matter, please contact Tina Long, Audit Resolution Section, at (717) 705-2288.

Sincerely,

A handwritten signature in black ink that reads "Kevin Friel".

Kevin Friel

cc: Mr. Richard Britt
Mr. William Miller
Ms. Demielo C. Lockette



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF PUBLIC WELFARE
BUREAU OF FINANCIAL OPERATIONS
ROOM 525 HEALTH & WELFARE BUILDING
HARRISBURG, PA 17105-2675

DEC 12 2007

KEVIN M. FRIEL
DIRECTOR

TELEPHONE
(717) 772-2231
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(717) 787-3560

Mr. Michael Nardone
Deputy Secretary for Medical Assistance Programs
515 Health and Welfare Building
Harrisburg, Pennsylvania 17120

Dear Mr. Nardone:

In response to a request from your Division of Rate Setting the Bureau of Financial Operations (BFO) conducted a performance audit of the Philadelphia Department of Public Health (the Provider), a Federally Qualified Health Center (FQHC). The audit was directed to the providers Independent Auditing Firm's application of Agreed Upon Procedures (AUP) for the Cost Reports for the fiscal years ended June 30, 1999 and 2000. The primary objective of the audit was to determine an encounter rate which includes only actual allowable program costs.

Based upon the Independent Auditing Firm's application of AUP, encounter rates of \$145.57 and \$154.51 were established effective July 1, 1999 and 2000, respectively. This encounter rate is adjusted annually based on the Medicare Economic Index. As a result of such adjustments, the Provider's encounter rate as of October 1, 2006 is \$185.74. The intention of the Office for Medical Assistance Programs (OMAP) is to cost settle the annual encounter rates paid to the adjusted rates determined through audit.

Results In Brief

- The Cost Reports inadvertently omitted the value of eight social workers funded from grant revenues. Since "grant funded costs" are also considered as eligible program costs we added the salaries of the eight social workers plus a percentage that represented their fringe benefit rate to the cost reports. For fiscal years June 30, 1999 and 2000, salary costs were increased by \$299,294

Results In Brief (Continued)

and \$355,310, respectively, and fringe benefits costs were increased by \$72,968 and \$91,670, respectively.

- The Cost Reports included fringe benefits for all employees at the city wide rates. However, the employees who are funded by grant revenues are subject to a lower fringe benefit rate. The audit adjustments reduced the fringe benefits applicable to the grant funded employees to their applicable rate. This adjustment was made for both fiscal years in the amount of \$219,770 for 1999 and \$207,473 for 2000.
- The Cost Reports included an allocation of indirect costs related to Patient Grant expenses. An incorrect rate was used during this computation which resulted in an overstatement of eligible costs. For the years ended June 30, 1999 and 2000 costs were reduced by \$71,321 and \$43,766, respectively.
- For 1999, the Cost Report included Administrative Costs of \$106,051 that had been budgeted but were not incurred during the fiscal year. Our adjustments decreased eligible costs by the amount of the overcharge.
- For 1999, the Cost Report included direct costs for Lab Technicians which were less than actual costs incurred during the fiscal year. As a result, \$76,750 was added back to the Cost Report.
- For 1999, an administrative error resulted an excess \$3,902 included in the city wide overhead allocation; this amount was removed from the rate setting calculation.
- Based on actual expenses as audited, per diem rates of \$141.93 and \$149.87 for fiscal years ended June 30, 1999 and 2000, respectively, more accurately reflect allowable costs incurred in the provision of FQHC client care (Exhibits D and H). Taking into account Family Planning costs and encounters, reclassification per diem rates of \$146.06 and \$155.54, for the fiscal years ended June 30, 1999 and 2000, respectively, more accurately reflect allowable costs incurred in the provision of FQHC client care (Exhibits B and F).

Background

The Provider is a Department of the City of Philadelphia (the City), a City of the first class in the Commonwealth of Pennsylvania, located at 1101 Market Street, 10th Floor, Philadelphia, PA 19107. The City received its first approved per diem rate effective December 8, 1998.

Background (Continued)

The Provider is a separate Department within the City, a political subdivision of the Commonwealth. The Provider operates eight District Health Centers throughout Philadelphia with patients who have basic health maintenance needs for treatment of colds and flues, pregnancy, periodic check ups and injuries as well as a diagnostic point for more serious maladies like cancer, heart disease or other chronic conditions.

As addressed in the instructions for preparation of the FQHC Cost Report, in the absence of specific regulations, allowable costs are determined based on the Medicare Provider Reimbursement Manual (HIM-15). In addition, FQHC Cost Report reporting instructions and OMAP policy derived from MA Bulletins may be used to determine allocable costs and procedures.

The Provider submitted Cost Reports for the fiscal years ended June 30, 1999 and 2000 that were subject to audit by an Independent Certified Public Accounting Firm (IAF). The IAF based its audit on the Provider's adjusted general ledger and made several entries to reclassify and adjust the amounts to conform to its understanding of allowable and reimbursable expenditures. Based upon recommendations by the Program Office, the BFO concentrated its review on several areas of concern but reviewed all amounts for reasonability of amount and necessity. The BFO accepted the adjustments of the IAF except as otherwise noted.

Objective/Scope/Methodology

Our review was accomplished by meeting with the Provider's IAF, by analyzing and testing the Provider's expenditures incurred, testing selected transactions, examining underlying records, analyzing the cost allocation process and by making inquiries of the Provider's management. Accordingly, our specific review objective was as follows:

To determine the actual allowable cost of services to FQHC customers and to determine that the underlying expenditures are reasonably consistent with Medical Assistance cost principals and attributable to the Provider.

Government auditing standards require that we obtain an understanding of management controls that are relevant to the audit objective described above. The applicable controls were examined to the extent necessary to provide reasonable assurance of compliance with generally accepted accounting principals. Based on our understanding of the controls, no significant deficiencies came to our attention.

Objective/Scope/Methodology (Continued)

Our review of the Cost Reports was conducted intermittently between March 21, 2007 and October 22, 2007 and was performed in accordance with Government Auditing Standards and the General Instructions for Completion of the Medical Assistance Cost Report. This report, when presented in its final form, will be available for public inspection.

Results of Fieldwork

The Provider did not prepare the FQHC Cost Report in accordance with OMAP requirements as detailed in the instructions for HIM-15 Programs. As a result, certain adjustments were necessary to bring the Cost Reports into compliance. A summary of the adjustments and their effect on the encounter rate is presented in Exhibits A through D for the fiscal year ended June 30, 1999 and Exhibits E through H for the fiscal year ended June 30, 2000.

Issue No. 1 - Certain Social Workers Salaries and Fringe Benefits Were Omitted From Direct Costs

When the Cost Reports were prepared, only the eight social workers who were funded through the Departmental budget were included in the direct costs. During the audit, the Provider realized that an additional social worker was assigned to each of the eight District Health Centers. The additional social workers were funded by Grants. After confirming this fact with the social worker's supervisor, and reviewing other evidence as presented, the BFO agreed to make adjustments to increase the direct costs for the additional social workers salaries of \$299,294 and \$355,310 for the fiscal years ended June 30, 1999 and 2000, respectively.

Additionally, no provision for the related fringe benefits was made in the Cost Reports. As a result, allowable costs were also increased, to include fringe benefits, by \$72,968 and \$91,670 for fiscal years ended June 30, 1999 and 2000, respectively.

Recommendation

The BFO recommends that the Cost Reports include direct salaries for all 16 social workers, as well as the related fringe benefits, resulting in total increased costs of \$372,262 and \$446,980 for fiscal years ended June 30, 1999 and 2000, respectively.

Results of Fieldwork (Continued)

Issue No. 2 - The Fringe Benefit Rates For The Employees Funded By Grants Were Overstated

The Provider used the same fringe benefit rates for all employees. However, the employees funded by grant revenues were subject to a lower fringe benefit rate. The audit adjustments for both years decrease the fringe benefit amounts for grant funded employees to the reduced rates applicable to such employees. For the fiscal year ended June 30, 1999, direct costs were reduced by \$193,165 and overhead costs were reduced by \$26,605. For the fiscal year ended June 30, 2000, direct costs were reduced by \$185,267 and overhead costs were reduced by \$22,206.

Recommendation

The BFO recommends that the Provider use two different rates for fringe benefits, one for general fund employees and a second, lower rate, for grant funded employees.

The BFO also recommends allowable costs be decreased by \$219,770 and \$207,473 for the periods ending June 30, 1999 and 2000 respectively.

Issue No. 3 - Administrative Costs Related to Patient Grants Were Overstated

Administrative costs associated with grant expenditures were included as part of the cost allocation plan (CAP) on the FQHC cost reports. The amounts included for the periods ending June 30, 1999 and 2000 were \$296,996 and \$344,638 respectively.

These costs were derived as part of the agencies CAP. In total the FQHC'S direct cost were increased each year by 6.6 M and 6.8M in four separate categories. Analysis of the CAP resulted in acceptance of indirect cost in three of the four categories.

In the Grant administrative cost category an incorrect rate was used in one segment of the computation resulting in an overstatement of costs. For the years ended June 30, 1999 and 2000 costs were overstated by \$71,321 and \$43,766, respectively.

Recommendation

The BFO recommends allowable costs be decreased by \$71,321 and \$43,766 for the periods ending June 30, 1999 and 2000 respectively.

Results of Fieldwork (Continued)

Issue No. 4 - The Cost Report For 1999 Was Overstated By \$29,301

The intermediary who prepared the cost report for the Provider inadvertently used budgeted costs as a basis for reporting certain FQHC expenses. As a result, for fiscal year ended June, 30, 1999, the following costs were not stated correctly.

- Administrative costs that were budgeted, but not actually incurred, were included on the cost report as administration expense. An adjustment of \$106,051, removing these costs from the rate setting calculation was made.
- Direct costs incurred for lab technicians exceed the amount budgeted and included on the cost report. An adjustment of \$76,750 was made to increase the costs related to lab technicians.

The net effect of these two adjustments reduced allowable costs for fiscal year 1999 by \$29,301. No similar adjustments were necessary for fiscal year 2000.

Recommendation

The BFO recommends the fiscal year 1999 cost report be decreased by the net amount of \$29,301 based on the two adjustments detailed above.

Issue No. 5 - An Overstatement Of The City Wide Overhead Allocation Occurred On The June 30, 1999 Cost Report

In calculating the city wide overhead allocation for fiscal year 1999, an overstatement of \$3,902 was included. This appeared to be an error which affected only the 1999 cost report and is not expected to recur.

Recommendation

The BFO recommends that an adjustment of \$3,902 be made to decrease the city wide overhead allocation.

Exit Conference Summary

The provider did not request an exit conference. The provider response is attached as an appendix to the report. At the provider's request, two additional schedules (I and J) were prepared to detail both the medical and dental reimbursable rates. No other changes were made to the draft report.

Mr. Michael Nardone

-7-

In accordance with our established procedures, please provide a response within 60 days to the Audit Resolution Section concerning actions to be taken to ensure that the report recommendations are implemented.

If you have any questions concerning this matter, please contact Tina Long, Audit Resolution Section, at (717) 705-2288.

Sincerely,

A handwritten signature in black ink that reads "Kevin M. Friel". The signature is written in a cursive style with a large, looped initial "K".

Kevin M. Friel

Attachments

EXHIBITS

**Philadelphia Department of Public Health
 Summary Of Adjustments To Cost Report
 Fiscal Year Ended June 30, 1999
 With Family Planning Reclassification**

	Per Cost Report	BFO Adjustment	Final Allowable
Total Direct FQHC Costs	\$ 21,182,951	\$ 255,847	\$ 21,438,798
Non FQHC Costs	<u>4,549,350</u>		<u>4,549,350</u>
Total Direct Costs	25,732,301		25,988,148
Overhead Costs	<u>13,569,512</u>	<u>(207,879)</u>	<u>13,361,633</u>
 TOTAL	 <u>\$ 39,301,813</u>	 <u>\$ 47,968</u>	 <u>\$ 39,349,781</u>

BFO Adjustments

Line 5 - Laboratory Technicians - Additional Expenditures	\$ 76,750	
Line 17 - Social Workers Add Cost for Additional 8 Social Workers Funded By Grant Revenues	372,262	
Line 37 - Reduce Fringe Benefits for Compensation Funded by Grants	<u>(193,165)</u>	
<i>Increase in Total Direct FQHC Costs</i>		<u>255,847</u>
Line 70 - Reduce Fringe Benefits for Compensation Funded By Grants	(26,605)	
Line 76 - Arithmetic Error	(3,902)	
Line 77 - Disallowed Overhead Allocated to Grant Expenditures	(71,321)	
Line 78 - Administrative Amounts Not Paid or Incurred	<u>(106,051)</u>	
<i>Decrease in Overhead Costs</i>		<u>(207,879)</u>
 NET INCREASE IN COSTS		 <u>\$ 47,968</u>

EXHIBIT A

**Philadelphia Department of Public Health
 Schedule of Overhead Applicable to 1999
 Schedule of FQHC Reimbursable Rate
 Fiscal Year Ended June 30, 1999
 With Family Planning Reclassification**

FQHC Applicable Overhead

Line 1 - Total Direct FQHC Health Care Cost	Exhibit A	\$ 21,438,798
Line 2 - Total Direct Costs	Exhibit A	25,988,148
Line 3 - Percentage of Direct Costs Applicable To FQHC Services	(Line 1/Line 2)	82.49452%
Line 4 - Total Overhead Costs Applicable to FQHC	Exhibit A	13,361,633
Line 5 - Overhead Cost Applicable to FQHC	(Line 3 X Line 4)	11,022,615

Reimbursable Rate

Line 6 - Total Direct FQHC Health Care Costs (Line 1)		\$ 21,438,798
Line 7 - Overhead Cost Applicable to FQHC Service (Line 5)		11,022,615
Line 8 - Total Cost Applicable to FQHC Services	(Line 1 + Line 5)	32,461,413
Line 9 - Total Provider Encounters		222,254
Line 10 - Reimbursable Rate	(Line 8/Line 9)	\$ 146.06

**Philadelphia Department of Public Health
 Summary Of Adjustments To Cost Report
 Fiscal Year Ended June 30, 1999
 Without Family Planning Reclassification**

	Per Cost Report	BFO Adjustments	Final Allowable
Total Direct FQHC Costs	\$ 22,540,069	\$ 255,847	\$ 22,795,916
Non FQHC Costs	<u>3,192,232</u>		<u>3,192,232</u>
Total Direct Costs	25,732,301		25,988,148
Overhead Costs	<u>13,569,513</u>	<u>(207,879)</u>	<u>13,361,633</u>
 TOTAL	 <u>\$ 39,301,814</u>	 <u>\$ 47,968</u>	 <u>\$ 39,349,782</u>

BFO Adjustments

Line 5 - Laboratory Technicians - Additional Expenditures	\$ 76,750
Line 17 - Social Workers Add Cost for Additional 8 Social Workers Funded By Grant Revenues	372,262
Line 37 - Reduce Fringe Benefits for Compensation Funded By Grants	<u>(193,165)</u>
<i>Increase in Total Direct FQHC Costs</i>	<u>255,847</u>
Line 70 - Reduce Fringe Benefits for Compensation Funded by Grants	(26,605)
Line 76 - Arithmetic Error	(3,902)
Line 77 - Disallowed Overhead Allocated to Grant Expenditures	(71,321)
Line 78 - Administrative Amounts Not Paid or Incurred	<u>(106,051)</u>
<i>Decrease in Overhead Costs</i>	<u>(207,879)</u>
 NET INCREASE IN COSTS	 <u>\$ 47,968</u>

EXHIBIT C

**Philadelphia Department of Public Health
Schedule of Overhead Applicable to 1999
Schedule of FQHC Reimbursable Rate
Fiscal Year Ended June 30, 1999
Without Family Planning Reclassification**

FQHC Applicable Overhead

Line 1 - Total Direct FQHC Health Care Cost	Exhibit C	\$ 22,795,916
Line 2 - Total Direct Costs	Exhibit C	25,988,148
Line 3 - Percentage of Direct Costs Applicable To FQHC Services	(Line 1/Line 2)	87.71659%
Line 4 - Total Overhead Costs Applicable to F	Exhibit C	13,361,633
Line 5 - Overhead Cost Applicable to FQHC	(Line 3 X Line 4)	11,720,368

Reimbursable Rate

Line 6 - Total Direct FQHC Health Care Costs (Line 1)		\$ 22,795,916
Line 7 - Overhead Cost Applicable to FQHC Service (Line 5)		11,720,368
Line 8 - Total Cost Applicable to FQHC Services	(Line 1 + Line 5)	34,516,284
Line 9 - Total Provider Encounters		243,199
Line 10 - Reimbursable Rate	(Line 8/Line 9)	\$ 141.93

**Philadelphia Department of Public Health
 Summary Of Adjustments To Cost Report
 Fiscal Year Ended June 30, 2000
 With Family Planning Reclassification**

	Per Cost Report	BFO Adjustment	Final Allowable
Total Direct FQHC Costs	\$ 23,153,814	\$ 261,713	\$ 23,415,527
Non FQHC Costs	<u>4,728,404</u>		<u>4,728,404</u>
Total Direct Costs	27,882,218		28,143,931
Overhead Costs	<u>13,088,422</u>	<u>(65,972)</u>	<u>13,022,450</u>
 TOTAL	 <u>\$ 40,970,640</u>	 <u>\$ 195,741</u>	 <u>\$ 41,166,381</u>

BFO Adjustments

Line 17 - Social Workers - Add Cost for Additional 8 Social Workers Funded By Grant Revenues		\$446,980
Line 37 - Reduce Fringe Benefits for Compensation Funded By Grants		<u>(185,267)</u>
<i>Increase in Total Direct FQHC Costs</i>		<u>\$261,713</u>
 Line 70 - Reduce Fringe Benefits for Compensation Funded By Grants		(22,206)
Line 77 - Disallowed Overhead Allocated to Grant Expenditures		<u>(43,766)</u>
<i>Decrease in Overhead Costs</i>		<u>(65,972)</u>
 NET INCREASE IN COSTS		 <u>\$195,741</u>

**Philadelphia Department of Public Health
 Schedule of Overhead Applicable to 2000
 Schedule of FQHC Reimbursable Rate
 Fiscal Year Ended June 30, 2000
 With Family Planning Reclassification**

FQHC Applicable Overhead

Line 1 - Total Direct FQHC Health Care Cost	Exhibit E	\$ 23,415,527
Line 2 - Total Direct Costs	Exhibit E	28,143,931
Line 3 - Percentage of Direct Costs Applicable To FQHC Services	(Line 1/Line 2)	83.1992%
Line 4 - Total Overhead Costs Applicable to F	Exhibit E	13,022,450
Line 5 - Overhead Cost Applicable to FQHC	(Line 3 X Line 4)	10,834,574

Reimbursable Rate

Line 6 - Total Direct FQHC Health Care Costs	(Line 1)	\$ 23,415,527
Line 7 - Overhead Cost Applicable to FQHC Service	(Line 5)	10,834,574
Line 8 - Total Cost Applicable to FQHC Services	(Lines 6 + 7)	34,250,101
Line 9 - Total Provider Encounters		220,204
Line 10 - Reimbursable Rate	(Line 8/Line 9)	\$ 155.54

**Philadelphia Department of Public Health
 Summary Of Adjustments To Cost Report
 Fiscal Year Ended June 30, 2000
 Without Family Planning Reclassification**

	Per Cost Report	BFO Adjustment	Final Allowable
Total Direct FQHC Costs	\$ 24,487,314	\$ 261,713	\$ 24,749,027
Non FQHC Costs	<u>3,394,905</u>		<u>3,394,905</u>
Total Direct Costs	27,882,219		28,143,932
Overhead Costs	<u>13,088,420</u>	<u>(65,972)</u>	<u>13,022,448</u>
 TOTAL	 <u>\$ 40,970,639</u>	 <u>\$ 195,741</u>	 <u>\$ 41,166,380</u>

BFO Adjustments

Line 17 - Social Workers - Add Cost for Additional 8 Social Workers Funded By Grant Revenues	\$446,980
Line 37 - Reduce Fringe Benefits for Compensation Funded By Grants	<u>(185,267)</u>
<i>Increase in total Direct FQHC Costs</i>	<u>\$261,713</u>
 Line 70 - Reduce Fringe Benefits for Compensation Funded By Grants	 (22,206)
Line 77 - Disallowed Overhead Allocated to Grant Expenditures	<u>(43,766)</u>
<i>Decrease in Overhead Costs</i>	<u>(65,972)</u>
 NET INCREASE IN COSTS	 <u>\$195,741</u>

**Philadelphia Department of Public Health
 Schedule of Overhead Applicable to 2000
 Schedule of FQHC Reimbursable Rate
 Fiscal Year Ended June 30, 2000
 Without Family Planning Reclassification**

FQHC Applicable Overhead

Line 1 - Total Direct FQHC Health Care Cost	Exhibit G	\$ 24,749,027
Line 2 - Total Direct Costs	Exhibit G	28,143,932
Line 3 - Percentage of Direct Costs Applicable To FQHC Services	(Line 1/Line 2)	87.93735%
Line 4 - Total Overhead Costs Applicable to FQCH	Exhibit F	13,022,448
Line 5 - Overhead Cost Applicable to FQHC	(Lines 3 + 4)	11,451,595

Reimbursable Rate

Line 6 - Total Direct FQHC Health Care Costs	(Line 1)	\$ 24,749,027
Line 7 - Overhead Cost Applicable to FQHC Services	(Line 5)	11,451,595
Line 8 - Total Cost Applicable to FQHC Services	(Lines 5 + 6)	36,200,622
Line 9 - Total Provider Encounters		241,553
Line 10 - Reimbursable Rate	(Line 8/Line 9)	\$ 149.87

PHILADELPHIA DEPARTMENT OF HEALTH
 SCHEDULE OF FQHC REIMBURSABLE RATES
 FOR THE YEAR ENDED 1999
 (INCLUDES FAMILY PLANNING ADJUSTMENT)

	MEDICAL	DENTAL	TOTAL
1 Total Direct FQHC Health Care Costs	\$19,686,694	\$1,752,104	\$21,438,798
2 Percent of Distribution	91.83%	8.17%	100%
3 Overhead Costs Applicable To FQHC Services	\$10,122,067	\$900,548	\$11,022,615
4 Total Costs Applicable To FQHC Services (Line 1 + Line 3)	\$29,808,761	\$2,652,652	\$32,461,413
5 Total Provider Encounter	198,368	23,886	222,254
6 Reimbursable Rates (Line 4/ Line 5)	\$150.27	\$111.05	\$146.06

PHILADELPHIA DEPARTMENT OF HEALTH
 SCHEDULE OF FQHC REIMBURSABLE RATES
 FOR THE YEAR ENDED 1999
 (EXCLUDES FAMILY PLANNING ADJUSTMENT)

	MEDICAL	DENTAL	TOTAL
1 Total Direct FQHC Health Care Costs	\$21,043,812	\$1,752,104	\$22,795,916
2 Percent of Distribution	92.31%	7.69%	100%
3 Overhead Costs Applicable To FQHC Services	\$10,819,072	\$901,296	\$11,720,368
4 Total Costs Applicable To FQHC Services (Line 1 + Line 3)	\$31,862,884	\$2,653,400	\$34,516,284
5 Total Provider Encounter	219,313	23,886	243,199
6 Reimbursable Rates (Line 4/ Line 5)	\$145.28	\$111.09	\$141.93

EXHIBIT I

PHILADELPHIA DEPARTMENT OF HEALTH
 SCHEDULE OF FQHC REIMBURSABLE RATES
 FOR THE YEAR ENDED 2000
 (INCLUDES FAMILY PLANNING ADJUSTMENT)

	MEDICAL	DENTAL	TOTAL
1 Total Direct FQHC Health Care Costs	\$21,641,198	\$1,774,329	\$23,415,527
2 Percent of Distribution	92.42%	7.58%	100%
3 Overhead Costs Applicable To FQHC Services	\$10,013,313	\$821,261	\$10,834,574
4 Total Cost Applicable To FQHC Services(Line 1 + Line 3)	\$31,654,511	\$2,595,590	\$34,250,101
5 Total Provider Encounter	198,000	22,204	220,204
6 Reimbursable Rates (Line 4/ Line 5)	\$159.87	\$116.90	\$155.54

PHILADELPHIA DEPARTMENT OF HEALTH
 SCHEDULE OF FQHC REIMBURSABLE RATES
 FOR THE YEAR ENDED 2000
 (EXCLUDES FAMILY PLANNING ADJUSTMENT)

	MEDICAL	DENTAL	TOTAL
1 Total Direct FQHC Health Care Costs	\$22,974,697	\$1,774,328	\$24,749,025
2 Percent of Distribution	92.83%	7.17%	100%
3 Overhead Costs Applicable To FQHC Services	\$10,630,516	\$821,079	\$11,451,595
4 Total Costs Applicable To FQHC Services (Line 1 + Line 3)	\$33,605,213	\$2,595,407	\$36,200,620
5 Total Provider Encounter	219,349	22,204	241,553
6 Reimbursable Rates (Line 4/ Line 5)	\$153.20	\$116.89	\$149.87

ATTACHMENT



CITY OF PHILADELPHIA

DEPARTMENT OF PUBLIC HEALTH
1101 Market Street - 10th Floor
Philadelphia, PA 19107

JOHN F. DOMZALSKI, JD, MPH
Health Commissioner

November 29, 2007

Mr. Daniel Higgins, Audit Manager
Division of Audit and Review
Bureau of Financial Operations
Department of Public Welfare
502 Philadelphia State Office Building
1400 Spring Garden Street
Philadelphia, PA 19130

Dear Mr. Higgins:

I am writing with regard to a letter I received from Kevin M. Friel dated November 5, 2007. The letter referred to a draft audit report of the Philadelphia Department of Public Health by the Pennsylvania Division of Audit and Review. The report covers a review of our Independent Accountant's report on applying the Agreed Upon Procedures with respect to the administration of a Federally Qualified Health Center for the two fiscal years ended June 1999 and June 2000. We have reviewed this report and do not require an exit conference.

If you have any questions or require additional information you can contact me at 215-685-5304.

Sincerely,

A handwritten signature in cursive script that reads "Carmen Lemmo".

Carmen Lemmo
Deputy Health Commissioner

cc: Thomas Storey, M.D. Ambulatory Health Services Director
William Tierney, Consultant
Richard Britt, Fiscal Officer