

Issue:

The Department of Health Care Services- division of Audits and investigation (A&I) use the amount of Medi-Cal revenue recognized in an audited financial report in attempting to perform a tie back to the cash basis reporting of the Medi-Cal revenue recorded in the PPS reconciliation report.

Position:

A Federally Qualified Health Center (FQHC) is required to have an Audit reported in an accrual basis, which complies with Generally accepted accounting principles (GAAP) and this basis utilizes the “matching” principle. Accrual based revenue includes revenue the health center has earned although the revenue has not been “deposited” or is available to the health center at the end of the fiscal year.

Cash basis accounting recognizes the revenue that has been earned and deposited by the health center at the end of the fiscal year. Revenue that has been earned but not deposited would not be considered in the current fiscal period under a cash basis reporting system.

The total amount of Medi-Cal revenue a health center receives during a fiscal year is reported on an accrual basis and usually found within the notes to the audited financial report. This Medi-Cal revenue will be inclusive of the fee for service revenue, which is coded as code 01.

The Medi-Cal revenue reported on the Prospective payment system (PPS) reconciliation is cash based and does not factor in the fee for service (code 01) Medi-Cal revenue. Also, this revenue is based on the actual amount of Medi-Cal revenue received and deposited during the fiscal year, not the amount earned.

Consideration:

Based on the position statements above there is no comparison between the amount of Medi-Cal revenue in an audited financial report versus the amount of revenue reported on a PPS reconciliation. Both reports are based on the same time period-the fiscal year of the health center, however the amounts utilized for reporting the Medi-Cal revenue are two differing basis. The PPS reconciliation is more restrictive on the reporting of Medical revenue since the fee for service revenue is not included.