



State of California—Health and Human Services Agency  
Department of Health Services



ARNOLD SCHWARZENEGGER  
Governor

November 19, 2004

Mr. Bob Coles  
Vice President & CFO  
Planned Parenthood of San Diego & Riverside Counties  
1075 Camino del Rio South, Suite 200  
San Diego, CA 92108

**PROVIDER NAME:** PLANNED PARENTHOOD OF SAN DIEGO & RIVERSIDE COUNTIES  
**PROVIDER NUMBERS:** See Attached Listing (Schedule 5)  
**AUDIT PERIOD:** July 1, 2002 To June 30, 2003 (Codes X1500 and X7706)  
February 2, 2003 To May 30, 2004 (Code X7722)

Dear Mr. Coles:

We have completed the audit of Planned Parenthood of San Diego and Riverside Counties (PPH) claims under the Family Planning, Access, Care and Treatment Program (Family PACT) for the above noted audit periods. This audit was conducted in accordance with California Welfare and Institutions (W & I) Code, Sections 14124.2 and 14170. In conducting this audit, the auditors compared medical, financial, and management records relating to your Family PACT services with paid claims information supplied by the fiscal intermediary. The auditors also reviewed correspondence from Planned Parenthood Affiliates of California (PPAC) to determine statewide policies and business practices in place for Planned Parenthood Providers.

In accordance with California Code of Regulations (CCR), Title 22, Section 51021, an Exit Conference was held with you on October 25, 2004. Prior to the exit conference you received a report of the preliminary findings. During the exit conference the audit team discussed the findings with you, and gave you the opportunity to submit additional documentation and/or missing records identified during the audit. The current findings reflect the evaluation of all relevant information received prior and subsequent to the exit conference.



The auditors identified problems in your Medi-Cal billing procedures related to the following Family PACT Codes:

- X1500 Contraceptive barrier products
- X7706 Oral Contraceptives
- X7722 Plan B products

Claims for services provided under the Family PACT program are governed by the Policies, Procedures and Billing manual (PPBI). This manual includes descriptions of the products and services covered by the program, billing codes and instructions. In accordance with Section **familyfact22 page 2** of the PPBI Provider's are required to document the name of the medication or supply dispensed, the quantity and the provider's cost per unit. Section **familyfact32** contains completed sample claims for the provider's reference. This requirement was in effect for the entire audit period. In December 2003, the Department issued a Medi-Cal Update, Medical Services Bulletin 353 which reminded providers of the existing policy that contraceptive supplies must be billed at cost.

During the audit review period, PPH did not comply with the published billing requirements. PPH submitted claims for program reimbursement based on their customary fee. For Oral Contraceptives, codes X7706 and X7722 PPAC has stated that the Planned Parenthood Organization has had a long standing relationship with manufacturers that allows the provider to receive deeply discounted prices, also known as "nominal prices". According to PPAC the nominal pricing arrangements exist outside of any legal mandate and as such are not subject to billing restrictions that would normally apply to federal discount programs such as the 340B program. According to PPAC, they bill Medi-Cal at their usual and customary fee which is higher than the amount they pay the drug companies, but lower than what would be considered the retail price of the product. PPAC believes this pricing methodology results in a sharing of the profits from the "nominal price" arrangements between the State and PPAC.

For barrier contraceptives and supplies, code X1500, PPH's claims were primarily for condoms. Based on our review of product invoices, "nominal pricing" was not an issue. The prices charged by the product distributors reflected normal wholesale pricing which would be available to any volume provider.

Failure to comply with Family PACT billing instructions has resulted in the Department reimbursing PPH for claims in excess of cost. Reimbursement in excess of cost for the

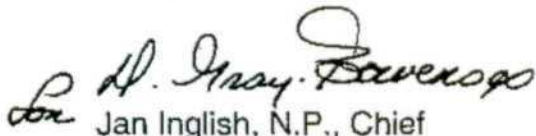


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audit period totaled \$5,213,645.92. The accompanying schedules detail the program reimbursement and product cost for each of the providers within the San Diego and Riverside region.

If you have any questions concerning these actions, please contact Stephan J. Edwards, Section Chief, at (619) 688-6465.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jan English".

Jan English, N.P., Chief  
Medical Review Branch  
Audits and Investigations

Enclosures

- Schedule 1 - Summary of Findings
- Schedule 2 - Cost and Reimbursement Code X7706
- Schedule 3 - Cost and Reimbursement Code X7722
- Schedule 4 - Cost and Reimbursement Code X1500
- Schedule 5 - Provider Numbers and Locations

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bcc:

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**PLANNED PARENTHOOD OF SAN DIEGO & RIVERSIDE COUNTY**  
**SUMMARY OF FINDINGS**  
**SCHEDULE 1**

Billing Code	Code Description	Amount Paid	Provider's Cost	Payments in Excess of Cost
X7706	Oral Contraceptives (From schedule 2)	\$5,030,347.00	\$859,569.10	\$4,170,777.90
X7722	Plan B Products (From schedule 3)	\$1,119,351.53	\$99,282.10	\$1,020,069.43
X1500	Contraceptive Barrier Products (From schedule 4)	\$35,117.30	\$12,318.71	\$22,798.59
<b>Totals</b>		<b>\$6,184,815.83</b>	<b>\$971,169.91</b>	<b>\$5,213,645.92</b>

**PLANNED PARENTHOOD OF SAN DIEGO & RIVERSIDE COUNTY**  
**COST AND REIMBURSEMENT CODE X7706**  
**SCHEDULE 2**

<i>PROVIDER #</i>	<i>NAME</i>	<i>Number of Cycles Paid</i>	<i>Average Cost Per Cycle</i>	<i>Providers Cost (Cycles paid x avg cost)</i>	<i>Amount Paid</i>	<i>Program Payments in excess of cost</i>
CMM70209F	First Avenue Center	32,547	\$2.05	\$66,721.35	\$390,486.00	\$323,764.65
ZZT12066F	Escondido Center	30,936	\$2.05	\$63,418.80	\$371,031.00	\$307,612.20
CMM70213F	El Cajon Center	25,000	\$2.05	\$51,250.00	\$299,931.00	\$248,681.00
CMM70210F	Kearny Mesa Center	28,591	\$2.05	\$58,611.55	\$343,081.00	\$284,469.45
CMM70200F	College Avenue Center	36,560	\$2.05	\$74,948.00	\$438,711.00	\$363,763.00
CMM70949F	Mission Bay Center	20,931	\$2.05	\$42,908.55	\$251,171.00	\$208,262.45
CMM70277F	Riverside Center	37,410	\$2.05	\$76,690.50	\$448,611.00	\$371,920.50
CMM70264F	Oceanside Center	33,420	\$2.05	\$68,511.00	\$400,989.00	\$332,478.00
CMM70299F	Euclid Avenue Center	15,579	\$2.05	\$31,936.95	\$186,927.00	\$154,990.05
CMM70393F	Mira Mesa Center	28,991	\$2.05	\$59,431.55	\$347,889.00	\$288,457.45
CMM70420F	Mission Valley Center	34,533	\$2.05	\$70,792.65	\$414,067.00	\$343,274.35
CMM70510F	Chula Vista Center	31,923	\$2.05	\$65,442.15	\$383,037.00	\$317,594.85
CMM70632F	Rancho Mirage Center	22,915	\$2.05	\$46,975.75	\$274,941.00	\$227,965.25
ZZT11780G	Encinitas Center	8,807	\$2.05	\$18,054.35	\$105,648.00	\$87,593.65
CMM70245F	Pacific Beach Express	23,597	\$2.05	\$48,373.85	\$283,086.00	\$234,712.15
CMM70963F	Moreno Valley Center	7,562	\$2.05	\$15,502.10	\$90,741.00	\$75,238.90
Total		419,302		<u>\$859,569.10</u>	<u>\$5,030,347.00</u>	<u>\$4,170,777.90</u>

(To Schedule 1)



PLANNED PARENTHOOD OF SAN DIEGO & RIVERSIDE COUNTY  
 COST AND REIMBURSEMENT CODE X7722  
 SCHEDULE 3

PROVIDER #	NAME	Number of Pills Paid	Average Cost Per Pill	Providers Cost (Pills paid x avg cost)	Amount Paid	Program payments in excess of cost
CMM70209F	First Avenue Center	3,776	\$1.85	\$6,985.60	\$78,759.50	\$71,773.90
ZZT12066F	Escondido Center	3,157	\$1.85	\$5,840.45	\$65,849.81	\$60,009.36
CMM70213F	El Cajon Center	2,609	\$1.85	\$4,826.65	\$54,418.53	\$49,591.88
CMM70210F	Kearny Mesa Center	2,820	\$1.85	\$5,217.00	\$58,819.34	\$53,602.34
CMM70200F	College Avenue Center	3,868	\$1.85	\$7,155.80	\$80,686.48	\$73,530.68
CMM70949F	Mission Bay Center	3,521	\$1.85	\$6,513.85	\$73,432.43	\$66,918.58
CMM70277F	Riverside Center	4,757	\$1.85	\$8,800.45	\$99,214.74	\$90,414.29
CMM70264F	Oceanside Center	3,051	\$1.85	\$5,644.35	\$63,643.86	\$57,999.51
CMM70299F	Euclid Avenue Center	3,688	\$1.85	\$6,822.80	\$76,926.47	\$70,103.67
CMM70393F	Mira Mesa Center	3,978	\$1.85	\$7,359.30	\$82,981.08	\$75,621.78
CMM70420F	Mission Valley Center	5,094	\$1.85	\$9,423.90	\$106,239.99	\$96,816.09
CMM70510F	Chula Vista Center	4,734	\$1.85	\$8,757.90	\$98,743.38	\$89,985.48
CMM70632F	Rancho Mirage Center	3,318	\$1.85	\$6,138.30	\$69,197.85	\$63,059.55
ZZT11780G	Encinitas Center	778	\$1.85	\$1,439.30	\$16,229.08	\$14,789.78
CMM70245F	Pacific Beach Express	2,007	\$1.85	\$3,712.95	\$41,850.39	\$38,137.44
CMM70963F	Moreno Valley Center	2,510	\$1.85	\$4,643.50	\$52,358.60	\$47,715.10
<b>Total</b>		<b>53,666</b>		<b>\$99,282.10</b>	<b>\$1,119,351.53</b>	<b>\$1,020,069.43</b>

(To Schedule 1)