

Fill in this information to identify the case:

Debtor Borrego Community Health Foundation

United States Bankruptcy Court for the: Southern District of California
(State)

Case number 22-02384

**Official Form 410
Proof of Claim**

04/22

Read the instructions before filling out this form. This form is for making a claim for payment in a bankruptcy case. Do not use this form to make a request for payment of an administrative expense. Make such a request according to 11 U.S.C. § 503.

Filers must leave out or redact information that is entitled to privacy on this form or on any attached documents. Attach redacted copies or any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, judgments, mortgages, and security agreements. Do not send original documents; they may be destroyed after scanning. If the documents are not available, explain in an attachment.

A person who files a fraudulent claim could be fined up to \$500,000, imprisoned for up to 5 years, or both. 18 U.S.C. §§ 152, 157, and 3571.

Fill in all the information about the claim as of the date the case was filed. That date is on the notice of bankruptcy (Form 309) that you received.

Part 1: Identify the Claim

1. Who is the current creditor?	<u>California Department of Health Care Services</u> Name of the current creditor (the person or entity to be paid for this claim)	
	Other names the creditor used with the debtor _____	
2. Has this claim been acquired from someone else?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes. From whom? _____	
3. Where should notices and payments to the creditor be sent?	Where should notices to the creditor be sent?	Where should payments to the creditor be sent? (if different)
	See summary page	
	Federal Rule of Bankruptcy Procedure (FRBP) 2002(g)	
	Contact phone <u>916 345 8387</u>	Contact phone _____
Contact email <u>Mark.McClenning@dhcs.ca.gov</u>	Contact email _____	
Uniform claim identifier for electronic payments in chapter 13 (if you use one): _____		
4. Does this claim amend one already filed?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes. Claim number on court claims registry (if known) _____ Filed on _____ MM / DD / YYYY	
5. Do you know if anyone else has filed a proof of claim for this claim?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes. Who made the earlier filing? _____	



Part 2: Give Information About the Claim as of the Date the Case Was Filed

6. Do you have any number you use to identify the debtor? No
 Yes. Last 4 digits of the debtor's account or any number you use to identify the debtor: ____ _

7. How much is the claim? \$ 73,347,467.00. Does this amount include interest or other charges?
 No
 Yes. Attach statement itemizing interest, fees, expenses, or other charges required by Bankruptcy Rule 3001(c)(2)(A).

8. What is the basis of the claim? Examples: Goods sold, money loaned, lease, services performed, personal injury or wrongful death, or credit card.
Attach redacted copies of any documents supporting the claim required by Bankruptcy Rule 3001(c).
Limit disclosing information that is entitled to privacy, such as health care information.
Medi-Cal program overpayments

9. Is all or part of the claim secured? No
 Yes. The claim is secured by a lien on property.
Nature or property:
 Real estate: If the claim is secured by the debtor's principle residence, file a *Mortgage Proof of Claim Attachment* (Official Form 410-A) with this *Proof of Claim*.
 Motor vehicle
 Other. Describe: _____
Basis for perfection: _____
Attach redacted copies of documents, if any, that show evidence of perfection of a security interest (for example, a mortgage, lien, certificate of title, financing statement, or other document that shows the lien has been filed or recorded.)
Value of property: \$ _____
Amount of the claim that is secured: \$ _____
Amount of the claim that is unsecured: \$ _____ (The sum of the secured and unsecured amount should match the amount in line 7.)
Amount necessary to cure any default as of the date of the petition: \$ _____
Annual Interest Rate (when case was filed) _____ %
 Fixed
 Variable

10. Is this claim based on a lease? No
 Yes. Amount necessary to cure any default as of the date of the petition. \$ _____

11. Is this claim subject to a right of setoff? No
 Yes. Identify the property: _____



12. Is all or part of the claim entitled to priority under 11 U.S.C. § 507(a)?

- No
- Yes. Check all that apply:

A claim may be partly priority and partly nonpriority. For example, in some categories, the law limits the amount entitled to priority.

- | | |
|---|---|
| <input type="checkbox"/> Domestic support obligations (including alimony and child support) under 11 U.S.C. § 507(a)(1)(A) or (a)(1)(B). | Amount entitled to priority
\$ _____ |
| <input type="checkbox"/> Up to \$3,350* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use. 11 U.S.C. § 507(a)(7). | \$ _____ |
| <input type="checkbox"/> Wages, salaries, or commissions (up to \$15,150*) earned within 180 days before the bankruptcy petition is filed or the debtor's business ends, whichever is earlier. 11 U.S.C. § 507(a)(4). | \$ _____ |
| <input type="checkbox"/> Taxes or penalties owed to governmental units. 11 U.S.C. § 507(a)(8). | \$ _____ |
| <input type="checkbox"/> Contributions to an employee benefit plan. 11 U.S.C. § 507(a)(5). | \$ _____ |
| <input type="checkbox"/> Other. Specify subsection of 11 U.S.C. § 507(a)() that applies. | \$ _____ |

* Amounts are subject to adjustment on 4/01/25 and every 3 years after that for cases begun on or after the date of adjustment.

13. Is all or part of the claim pursuant to 11 U.S.C. § 503(b)(9)?

- No
- Yes. Indicate the amount of your claim arising from the value of any goods received by the debtor within 20 days before the date of commencement of the above case, in which the goods have been sold to the Debtor in the ordinary course of such Debtor's business. Attach documentation supporting such claim.

\$ _____

Part 3: Sign Below

The person completing this proof of claim must sign and date it. FRBP 9011(b).

If you file this claim electronically, FRBP 5005(a)(2) authorizes courts to establish local rules specifying what a signature is.

A person who files a fraudulent claim could be fined up to \$500,000, imprisoned for up to 5 years, or both. 18 U.S.C. §§ 152, 157, and 3571.

Check the appropriate box:

- I am the creditor.
- I am the creditor's attorney or authorized agent.
- I am the trustee, or the debtor, or their authorized agent. Bankruptcy Rule 3004.
- I am a guarantor, surety, endorser, or other codebtor. Bankruptcy Rule 3005.

I understand that an authorized signature on this *Proof of Claim* serves as an acknowledgement that when calculating the amount of the claim, the creditor gave the debtor credit for any payments received toward the debt.

I have examined the information in this *Proof of Claim* and have reasonable belief that the information is true and correct.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on date 03/08/2023
MM / DD / YYYY

/s/Mark McClenning
Signature

Print the name of the person who is completing and signing this claim:

Name Mark McClenning
First name Middle name Last name

Title Attorney III

Company California Department of Health Care Services
Identify the corporate servicer as the company if the authorized agent is a servicer.

Address _____

Contact phone _____ Email _____



KCC ePOC Electronic Claim Filing Summary

For phone assistance: Domestic (866) 967-0670 | International (310) 751-2670

Debtor: 22-02384 - Borrego Community Health Foundation		
District: Southern District of California, San Diego Division		
Creditor: California Department of Health Care Services P.O. Box 997413, M.S. 0010 Sacramento, CA, 95899 USA Phone: 916 345 8387 Phone 2: Fax: Email: Mark.McClenning@dhcs.ca.gov	Has Supporting Documentation: Yes, supporting documentation successfully uploaded Related Document Statement:	
	Has Related Claim: No Related Claim Filed By:	
	Filing Party: Authorized agent	
Other Names Used with Debtor:	Amends Claim: No Acquired Claim: No	
Basis of Claim: Medi-Cal program overpayments	Last 4 Digits: No	Uniform Claim Identifier:
Total Amount of Claim: 73,347,467.00	Includes Interest or Charges: No	
Has Priority Claim: No	Priority Under:	
Has Secured Claim: No Amount of 503(b)(9): No Based on Lease: No Subject to Right of Setoff: No	Nature of Secured Amount: Value of Property: Annual Interest Rate: Arrearage Amount: Basis for Perfection: Amount Unsecured:	
Submitted By: Mark McClenning on 08-Mar-2023 5:11:45 p.m. Eastern Time Title: Attorney III Company: California Department of Health Care Services		

1 services provided by the FQHC. Claims submitted by the FQHC to Medi-Cal are
2 paid either at the FQHC's full PPS rate or an interim PPS rate. An interim PPS rate
3 is less than the full PPS rate and accounts for payments to the FQHC on behalf of
4 Medi-Cal beneficiaries from other third-party payers, such as Medicare and Medi-
5 Cal managed care plans. At the end of each fiscal year, the Department reconciles
6 the interim PPS rate and all third-party payments received by the FQHC to the
7 FQHC's PPS rate. These audits are referred to as Reconciliation Requests. If the
8 total payments received by the FQHC exceed the FQHC's PPS rate, the FQHC
9 must remit the overpayments to the Department. If the total payments received are
10 less than the FQHC's PPS rate, the Department issues the payment difference to the
11 FQHC. Moreover, the Department also conducts billing reviews of FQHC claims.
12 Billing reviews detect inappropriate billings by the FQHC, such as services
13 provided by clinicians who might not be legally authorized to bill the Medi-Cal
14 Program or are unlicensed, services that do not meet the legal definition of an
15 FQHC covered benefit, or services billed at locations that are not federally
16 approved FQHCs. Following the billing review, the FQHC is required to remit any
17 identified overpayments for inappropriate billings to the Department.

18 3. For the audit period of July 1, 2014, through June 30, 2018, the
19 Department has determined, based on completed and issued audit reports related to
20 Reconciliation Requests, that Borrego was overpaid \$29,788,569.00 for Medi-Cal
21 health care services. An audit report is a document that presents the final audit and
22 is formally issued to the provider by the Department upon the completion of the
23 audit. For that period, Borrego is due \$6,547,704.00 from the State. The
24 Reconciliation Requests are completed by fiscal year for each site location (NPI)
25 separately. For select fiscal years and site locations, there is an amount due the
26 provider related to the difference in the interim payments and third party payments
27 to ensure the full PPS rate is paid. The net amount that Borrego owes the
28 Department for that time period is therefore \$23,240,865.00. The previously filed

1 Declaration Of Hanh Vo In Support Of Defendant/Creditor California Department
2 Of Health Care Services' Opposition To Debtor's Motion For The Entry Of (I) An
3 Order Approving Form Of Asset Purchase Agreement And (Ii) An Order
4 Authorizing The Sale Of Property Free And Clear Of All Claims, Liens, And
5 Encumbrances [ECF Doc No. 204, Case no. 22-02384-LT11] (hereinafter "Vo
6 Declaration") attaches true and correct copies of the completed and issued audit
7 reports for the audit period of July 1, 2014, through June 30, 2018. Vo Declaration,
8 ¶ 3, Exhibit 1.

9 4. A Rate Setting Cost Report audit was completed for the D Street Borrego
10 site after the Reconciliation Requests were issued. For the audit period July 1, 2016
11 through June 20, 2018, the Department has determined that a revision is required
12 for one Borrego clinic site to incorporate the final audited PPS rate. The PPS rate
13 revision reduces the amount due the Department by the amount of \$285,416, for a
14 total net settlement due the Department for the audit period of July 1, 2014 through
15 June 30, 2018 in the amount of \$22,955,449. The revised Reconciliation Request
16 audits have not been issued. After issuance of the revised Reconciliation Request
17 audits, the Department intends to amend its proof of claim to attach copies of the
18 same.

19 5. The Department is currently completing Reconciliation Request audits
20 for the period of July 1, 2018, through June 30, 2021. Because the audits have not
21 yet been completed, audit reports for this period have not yet been issued. However,
22 the Department is able to calculate approximate amounts due. The estimate is based
23 on documentation received from Borrego, as well as a reconciliation to the Fiscal
24 Intermediaries claims data as of November 17, 2022. The current approximate gross
25 amount due to the Department from the foregoing audits for the audit period of July
26 1, 2018, through June 30, 2021, is \$39,241,326.00. For that time period, Borrego is
27 due approximately \$3,464,223.00 from the State. The Reconciliation Requests are
28 completed by fiscal year for each site location (NPI) separately. For select fiscal

1 years and site locations, there is an amount due the provider related to the
2 difference in the interim payments and third party payments to ensure the full PPS
3 rate is paid. The net amount that Borrego owes the Department for that time period
4 is therefore approximately \$35,777,103.00. After issuance of audit reports for the
5 Reconciliation Request audits for period of July 1, 2018, through June 30, 2021, the
6 Department intends to amend its proof of claim to attach copies of the same.

7 6. For the period of approximately January 1, 2015, through July 1, 2022,
8 the Department is currently reconciling erroneous payment corrections (EPC). The
9 reconciliation of the erroneous payment corrections is not completed, but the
10 amounts can be estimated. The EPC is related to rate setting Cost Report audits for
11 four sites. The audited PPS rates are adjusted retroactively to the operational
12 effective date of the sites depending on whether the audited PPS rate is increased or
13 decreased from the interim PPS rate. The EPC reprocesses claims related to fee-for-
14 service beneficiaries to pay the difference between the interim PPS rate and the
15 final audited PPS rate. To estimate the EPC amount, the Department calculated the
16 difference in the interim rate and audited rate, and applied the difference to the fee-
17 for-service claims processed by the Medi-Cal Fiscal Intermediary. The approximate
18 gross amount from January 1, 2015 to July 1, 2022 due to the Department is
19 \$2,110,587.00 and the gross amount due to Borrego is \$1,659,076.00 from the State
20 for the increase in the PPS rate from the interim PPS rate to the audited PPS rate for
21 the D Street and Barstow clinic locations. The net amount of erroneous payment
22 corrections due to the Department, for that time period for the four sites, is
23 therefore approximately \$451,511.00.

24 7. A true and correct copy of the schedule of overpayments for pharmacy
25 and health care services due to the Department by Borrego, dated March 6, 2023, is
26 attached to this declaration as Exhibit A. The total net overpayments due to the
27 Department is \$73,347,467.00, which includes 340B overpayments in the amount
28 of \$14,163,404.00. The basis for the 340B overpayment amount of \$14,163,404.00

1 is set forth in the Amended Revised Declaration Of Firas Yaghmour In Support Of
2 Defendant California Department Of Health Care Services' Opposition To Debtor's
3 Motion For The Entry Of (I) An Order Approving Form Of Asset Purchase
4 Agreement And (II) An Order Authorizing The Sale Of Property Free And Clear Of
5 All Claims, Liens, And Encumbrances filed in the above-captioned matter on
6 November 18, 2022 [ECF Doc No. 204, Case No. 22-02384-LT11].

7 8. The estimated amounts for non-finalized reconciliation audits may
8 increase or decrease, and additional proofs of claim will be submitted after the
9 Department's audits are completed.

10 I declare under penalty of perjury under the laws of the State of California
11 and the United States of America that the foregoing is true and correct to the best of
12 my knowledge and based on the information available to me.

13 Executed on this 8th day of March 2023, in Sacramento, California.

14 DocuSigned by:
Allison Clinton
90DADBFE0A74438...
15 Allison Clinton

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Exhibit A

California Department of Health Care Services
Audits and Investigations Division
Lead Schedule of Debt Payable and Receivable from Borrego Community Health Foundation

Net Amount Due the State for Recons 2015-2020, EPC, 340B \$ (73,347,467)

Clinic	NPI	Total by NPI	
		Due to the State	Due from the State
Pharmacy (340 (b))	1659824837	\$ (12,970,089)	-
Pharmacy (340 (b))	1457873259	\$ (749,045)	-
Pharmacy (340 (b))	1689741175	\$ (444,270)	-
Total Pharmacy 340b (Due to State)		\$ (14,163,404)	

	NPI	Final Settlements (Audits Complete) Recon Settlement FYE 2015-2018		Revisions on Final Settlements Related to Rate Change for D Street Clinic (Revisions Not Issued) Recon Settlement FYE 2017-		Estimated Recon Settlement FYE 2019 -2021 (Billing Review/Audits Still in Process)		Estimated EPC (Difference between Interim Rate and Audited Rate) (has not been processed)	
		Due to the State	Due from the State	Due to the State	Due from the State	Due to the State	Due from the State	Due to the State	Due from the State
Centro Medico Escondido	1023349883	\$ (3,536)	\$ 1,007,003			\$ (2,560,811)	\$ -	\$ -	\$ -
Borrego Medical Clinic	1134144165	(1,378,898)	42,714			(126,943)	73,203	0	0
Centro Medicao El Cajon	1154480069	(10,037,989)	-			(12,455,438)	-	0	0
Desert Hot Springs Health and Wellness	1184065088	(24,644)	-			(24,438)	-	(1,398,519)	0
Centro Medico Oasis	1255490819	(116,001)	482,926			(378,995)	5,879	0	0
Desert Hot Springs Community Health	1275849283	(617,586)	1,179,704			(5,864,659)	-	0	0
Arlanza Family Health Center	1306131545	(1,862,200)	-			(2,238,079)	-	0	0
Desert Oasis Women's Health Center	1386069995	(637,564)	462,596			(2,216,644)	-	(712,068)	0
Barstow Community Health	1548795453	-	-			-	1,795,563	0	1,080,601
Women's Health and Wellness Center	1568747137	-	1,660,292			(416,567)	23,477	0	0
Centro Medico Cathedral City	1619036514	(14,448,448)	-			(2,946,203)	-	0	0
Centro Medio Coachella	1730249947	(153,977)	201,406			(128,147)	751,089	0	0
D Street Medical Center	1780038042	(161,461)	-	(72,944)	358,360	(4,875,131)	806,488	0	578,476
Eastside Health Center	1790075315	(346,265)	248,875			(4,593,745)	-	0	0
Anza Community Health Center	1942623657	-	1,262,188			(415,526)	8,524	0	0
Gross Amount (Due to State) Due From State		\$ (29,788,569)	\$ 6,547,704	\$ (72,944)	\$ 358,360	\$ (39,241,326)	\$ 3,464,223	\$ (2,110,587)	\$ 1,659,076
Net Amount (Due to State) Due From State		\$ (23,240,865)		\$ 285,416		\$ (35,777,103)		\$ (451,511)	

Total Due State (including 340B)	\$ (85,376,831)
Total Due Borrego	\$ 12,029,363
Net	\$ (73,347,467)

Net Amount (Due to State) Due From State	\$ (23,240,865)
Net Revision for NPI 1780038042	\$ 285,416
Revised Net Amount (Due to State) Due From State for FYE 2015-2018	\$ (22,955,449)

Note:
Reconciliations have not been finalized or issued for FY 2019 through 2022. FY 2019 and 2021 are estimates and do not include final billing review audit adjustments. FY 2022 has not been received.