Tobacco Settlement Review

LOCK HAVEN HOSPITAL

Uncompensated Care Payment

Year 2011

Commonwealth of Pennsylvania

Eugene A. DePasquale - Auditor General

Department of the Auditor General

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EUGENE A. DEPASQUALE
AUDITOR GENERAL

September 20, 2013

Ms. April Strouse
Interim Chief Financial Officer
Lock Haven Hospital
24 Cree Drive
Lock Haven, Pennsylvania 17745

Dear Ms. Strouse:

The Tobacco Settlement Act of June 26, 2001 (P.L. 755, No. 77), as amended, 35 P.S. § 5701.101 et seq., mandated the Department of Public Welfare (DPW) to make payments to hospitals for a portion of uncompensated care services provided by these facilities. The Department of the Auditor General performed a review of Lock Haven Hospital's records to substantiate the data it submitted to the Pennsylvania Health Care Cost Containment Council (PHC4) and the Department of Public Welfare (DPW) for payments made under the Tobacco Settlement Act of June 26, 2001 (P.L. 755, No. 77), as amended, 35 P.S. § 5701.101 et seq. The DPW used this data to calculate the year 2011 uncompensated care payment of $57,483.71 it made to your facility for uncompensated care services.

Beginning with payments made under Chapter 11 of the Tobacco Settlement Act of June 26, 2001 (P.L. 755, No. 77), as amended, 35 P.S. § 5701.101 et seq., in June 2002, hospitals that qualify can receive payments using either an uncompensated care approach or an extraordinary expense approach. The uncompensated care score of each hospital is determined by using three-year averages from five main data elements (for a total of fifteen data elements). These data elements are uncompensated care costs, net patient revenues, Medicare supplemental security income (Medicare SSI) days, Medical Assistance (MA) days and total inpatient days. A hospital qualifies for an extraordinary expense payment based on its number of qualified claims. Qualified claims are those claims in which the cost of the claim exceeds twice the average cost of all claims for that particular facility and for which the hospital provided inpatient services to an uninsured patient.

Per the requirements of the Tobacco Settlement Act of June 26, 2001 (P.L. 755, No. 77), as amended, 35 P.S. § 5701.101 et seq., the 2011 uncompensated care payment was to be calculated based on three-year averages of the above listed data elements for the fiscal years ended June 30, 2007, 2008, and 2009. However, due to errors in data used by the Centers for Medicare and Medicaid Services (CMS) to calculate the Medicare SSI days for the fiscal years ended June 30, 2006, 2007, 2008, and 2009, the DPW chose to calculate the 2011 Medicare SSI days data element based on three-year averages of Medicare SSI days for the fiscal years ended June 30, 2003, 2004, and 2005, as these years represent the most recent data available for Medicare SSI days.

The purpose of our review was to determine whether proper documentation existed for the 15 data elements utilized by the Department of Public Welfare in calculating the 2011 uncompensated care payment received by your facility. Our review consisted of verifying: your facility's documentation supporting the uncompensated care costs and net patient revenues submitted to the PHC4 for the fiscal years ended June 30, 2007, 2008, and 2009; patients' census records supporting MA days and total inpatient days, as included on your facility's Medical Assistance cost reports submitted to the DPW for the fiscal years ended June 30, 2007, 2008, and 2009; and the Medicare SSI days, as determined by the CMS for the fiscal years ended June 30, 2003, 2004, and 2005.

Additionally, the purpose of our review was to verify the calculation of the UC score used to determine whether a facility qualifies for uncompensated care payment and to calculate the amount of the payment. The UC score is the sum of the three-year averages of uncompensated care costs as a percentage of net patient revenue, Medicare SSI days as a percentage of total inpatient days, and MA days as a percentage of total inpatient days.

The results of our review disclosed that 11 of the 15 data elements utilized by the DPW to calculate the year 2011 uncompensated care payment were properly supported and reconciled to applicable supporting documentation. For the remaining 4 data elements, the following variances were noted:

- For the fiscal year ended June 30, 2008, we found that total MA days were overstated by 84 days when comparing your facility's census records to the data utilized by the DPW to calculate your facility's payment. This overstatement was due to an error in fee-for-service days, which is a factor of total MA days, when reporting this data element to the DPW by your facility.

- For the fiscal year ended June 30, 2009, we found that total MA days were understated by 32 days when comparing your facility's census records to the data utilized by the DPW to calculate your facility's payment. This understatement was due to an error in fee-for-service days, which is a factor of total MA days, when reporting this data element to the DPW by your facility.

- For the fiscal year ended June 30, 2007, we found that total inpatient days were understated by 60 days when comparing your facility's census records to the data utilized by the DPW to calculate your facility's payment. This understatement was due to an error in total inpatient days when reporting this data element to the DPW by your facility.

- For the fiscal year ended June 30, 2008, we found that total inpatient days were overstated by 597 days when comparing your facility's census records to the data utilized by the DPW to calculate your facility's payment. This overstatement was due to an error in total inpatient days when reporting this data element to the DPW by your facility.

The UC score used by the DPW to calculate the original payment was 24.04%. The results of our review determined that the UC score for Lock Haven Hospital should increase to 24.37%. This revised score could affect your facility's eligibility for the 2011 uncompensated care payment.

Our office is currently reviewing all facilities that received uncompensated care payments for year 2011. Once all the reviews are completed, we will prepare a revised entitlement schedule based on the results of all our reviews and we will include that schedule in a final summary report to the DPW. After reviewing our summary report, the DPW will contact you with instructions regarding the settlement of Lock Haven Hospital's 2011 uncompensated care entitlement.

We thank the staff of Lock Haven Hospital for the cooperation extended to us during the course of our review. If you have any questions, please feel free to contact Tracie Fountain, CPA, Director, Bureau of Firefighter's Relief Association Audits at 717-787-1308.

Sincerely,

EUGENE A. DEPASQUALE
Auditor General

LOCK HAVEN HOSPITAL
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Ms. April Strouse
Interim Chief Financial Officer
Lock Haven Hospital

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