



**TOBACCO SETTLEMENT REVIEW**

**MEMORIAL HOSPITAL YORK**

**UNCOMPENSATED CARE PAYMENT**

**YEAR 2011**

**COMMONWEALTH OF PENNSYLVANIA**

**EUGENE A. DEPASQUALE - AUDITOR GENERAL**

**DEPARTMENT OF THE AUDITOR GENERAL**





**Commonwealth of Pennsylvania  
Department of the Auditor General  
Harrisburg, PA 17120-0018  
Facebook: Pennsylvania Auditor General  
Twitter: @PAAuditorGen**

**EUGENE A. DePASQUALE  
AUDITOR GENERAL**

October 1, 2013

Mr. Brent Smith  
Chief Financial Officer  
Memorial Hospital York  
325 South Belmont Street  
Post Office Box 15118  
York, Pennsylvania 17405

Dear Mr. Smith:

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 Memorial Hospital York'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 \$183,833.88 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 8 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 7 data elements, the following variances/issues were noted:

- For the fiscal year ended June 30, 2008, we found that uncompensated care costs were overstated when comparing your facility's audited financial statements to the amount utilized by the DPW. Your facility overstated its cost-to-charge ratio, which is a factor of uncompensated care costs, when reporting this data element to the PHC4. As a result, we decreased your facility's uncompensated care costs by \$23,845.
- For the fiscal year ended June 30, 2009, we found that uncompensated care costs were understated when comparing your facility's audited financial statements to the amount utilized by the DPW. Your facility understated its cost-to-charge ratio, charity care costs, and bad debt expense, which are factors of uncompensated care costs, when reporting these data elements to the PHC4. As a result, we increased your facility's uncompensated care costs by \$169,114.

- For the fiscal year ended June 30, 2009, we found that net patient revenue utilized by the DPW to calculate your facility's payment was understated by \$1,052,383 based on our review of your facility's audited financial statements.
- For the fiscal years ended June 30, 2007 and 2008, we were unable to verify total MA days utilized by the DPW to calculate your facility's payment. Supporting documentation for fee-for-service days, which is a factor of total MA days, was not available during the course of our review due to the facility having new ownership.
- For the fiscal years ended June 30, 2007 and 2008, we were unable to verify total inpatient days utilized by the DPW to calculate your facility's payment. Supporting documentation for total inpatient days was not available during the course of our review due to the facility having new ownership.

The UC score used by the DPW to calculate the original payment was 20.75%. Because supporting documentation was not provided for 4 of the 15 data elements utilized by the DPW in calculating the 2011 uncompensated care payment made to Memorial Hospital York, we were unable to verify the calculation of Memorial Hospital York's UC score and, therefore, unable to determine whether your facility qualified for the uncompensated care payment it received.

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 Memorial Hospital York's 2011 uncompensated care entitlement.

We thank the staff of Memorial Hospital York 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,

A handwritten signature in cursive script, appearing to read "John M. Lori".

JOHN M. LORI  
Deputy Auditor General for Audits

**MEMORIAL HOSPITAL YORK  
REPORT DISTRIBUTION  
2011 EXTRAORDINARY EXPENSE PAYMENT**

This report was initially distributed to:

Mr. Vincent Gordon  
Deputy Secretary  
Office of Medical Assistance Programs  
Department of Public Welfare

Mr. Brendan Harris  
Chief of Staff  
Department of Public Welfare

Mr. John Kaschak  
Director  
Bureau of Audits  
Office of the Budget  
Governor's Office

Mr. Brent Smith  
Chief Financial Officer  
Memorial Hospital York

This report is a matter of public record and is available online at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us). Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: [news@auditorgen.state.pa.us](mailto:news@auditorgen.state.pa.us).