



**TOBACCO SETTLEMENT REVIEW**

**DIVINE PROVIDENCE HOSPITAL**

**UNCOMPENSATED CARE PAYMENT**

**YEAR 2012**

**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**

April 2, 2014

Mr. Charles Santangelo  
Chief Financial Officer  
Susquehanna Health Systems  
Re: Divine Providence Hospital  
1205 Grampian Boulevard, 2<sup>nd</sup> Floor  
Williamsport, Pennsylvania 17701

Dear Mr. Santangelo:

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 Divine Providence 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 2012 uncompensated care payment of \$49,056.60 it made to this 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 2012 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, 2008, 2009, and 2010. 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 2012 Medicare SSI days data element based on three-year averages of Medicare SSI days for the fiscal years ended June 30, 2007, 2008, and 2009, 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 2012 uncompensated care payment received by this facility. Our review consisted of verifying: this facility's documentation supporting the uncompensated care costs and net patient revenues submitted to the PHC4 for the fiscal years ended June 30, 2008, 2009, and 2010; patients' census records supporting MA days and total inpatient days, as included on this facility's Medical Assistance cost reports submitted to the DPW for the fiscal years ended June 30, 2008, 2009, and 2010; and the Medicare SSI days, as determined by the CMS for the fiscal years ended June 30, 2007, 2008, and 2009.

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 2012 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 35 days when comparing this facility's census records to the data utilized by the DPW to calculate this facility's payment. This overstatement was due to errors in fee-for-service days and HMO days, which are factors of total MA days, when reporting these data elements to the DPW by this facility.
- For the fiscal years ended June 30, 2009 and 2010, we found that total MA days were understated by 174 days and 231 days, respectively, when comparing this facility's census records to the data utilized by the DPW to calculate this facility's payment. These understatements were due to errors in fee-for-service days and HMO days, which are factors of total MA days, when reporting these data elements to the DPW by this facility.

- For the fiscal year ended June 30, 2010, we found that total inpatient days were overstated by 23 days when comparing this facility's census records to the data utilized by the DPW to calculate this facility's payment. This overstatement was due to an error in total inpatient days when reporting this data element to the DPW by this facility.

The UC score used by the DPW to calculate the original payment was 37.64%. The results of our review determined that the UC score for Divine Providence Hospital should increase to 40.33%. This revised score could affect this facility's eligibility for the 2012 uncompensated care payment.

Our office is currently reviewing all facilities that received uncompensated care payments for year 2012. 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 Divine Providence Hospital's 2012 uncompensated care entitlement.

We thank the staff of Susquehanna Health Systems 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

**DIVINE PROVIDENCE HOSPITAL  
REPORT DISTRIBUTION  
2012 UNCOMPENSATED CARE PAYMENT**

This report was initially distributed to:

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

Ms. Tina Long  
Director  
Division of Financial Policy and Operations  
Bureau of Financial Operations  
Department of Public Welfare

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

Ms. Trudy Oberholtzer  
HSPS Supervisor  
Division of Rate Setting  
Bureau of Fee-For-Service Programs  
Department of Public Welfare

Mr. Brendan Harris  
Chief of Staff  
Department of Public Welfare

Mr. Charles Santangelo  
Chief Financial Officer  
Susquehanna Health Systems

Mr. Alexander Matolyak  
Audit Resolution Chief  
Department of Public Welfare

Mr. Gary Spies  
Senior Reimbursement Accountant  
Susquehanna Health Systems

Mr. David Bryan  
Manager, Audit Resolution  
Department of Public Welfare

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).