



**TOBACCO SETTLEMENT REVIEW**

**NPBS – ST. JOSEPH’S HOSPITAL**

**UNCOMPENSATED CARE PAYMENT**

**YEAR 2012**

**COMMONWEALTH OF PENNSYLVANIA**

**EUGENE A. DEPASQUALE - AUDITOR GENERAL**

**DEPARTMENT OF THE AUDITOR GENERAL**





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**EUGENE A. DePASQUALE  
AUDITOR GENERAL**

July 23, 2014

Ms. Peggy Boemmel  
Chief Financial Officer  
NPHS – St. Joseph’s Hospital  
801 West Girard Avenue  
Philadelphia, Pennsylvania 19122

Dear Ms. Boemmel:

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 NPHS – St. Joseph’s 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 \$1,231,612.33 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 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 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, 2008, 2009, and 2010; 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, 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 12 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 3 data elements, the following variances were noted:

### **Uncompensated Care Costs**

- For the fiscal year ended June 30, 2009, we found that uncompensated care costs were overstated when comparing your facility's internal income statements and audited financial statements to the amount utilized by the DPW. Your facility understated its total operating revenue and total patient charges and overstated its total operating expense, which are factors of uncompensated care costs, when reporting this data element to the PHC4. As a result, we decreased your facility's uncompensated care costs by \$96,666.

For the fiscal year ended June 30, 2010, we found that uncompensated care costs were understated when comparing your facility's internal income statements and audited financial statements to the amount utilized by the DPW. Your facility understated its charity care expense and overstated its bad debt expense, total operating revenue, net patient revenue, total operating expense and total patient charges, 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 \$359,289.

### **Net Patient Revenue**

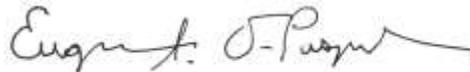
- For the fiscal year ended June 30, 2010, we found that net patient revenue utilized by the DPW to calculate your facility's payment was overstated by \$3,485,575 based on our review of your facility's audited financial statements.

The UC score used by the DPW to calculate the original payment was 72.8818%. The results of our review determined that the UC score for NPHS – St. Joseph's Hospital should increase to 73.1036%. This revised score could affect your 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 NPHS – St. Joseph's Hospital's 2012 uncompensated care entitlement.

We thank the staff of NPHS – St. Joseph's 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 Children and Youth Services at 717-787-1159.

Sincerely,



EUGENE A. DEPASQUALE  
Auditor General

**NPHS – ST. JOSEPH’S HOSPITAL  
REPORT DISTRIBUTION  
2012 UNCOMPENSATED CARE PAYMENT**

This report was initially distributed to:

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