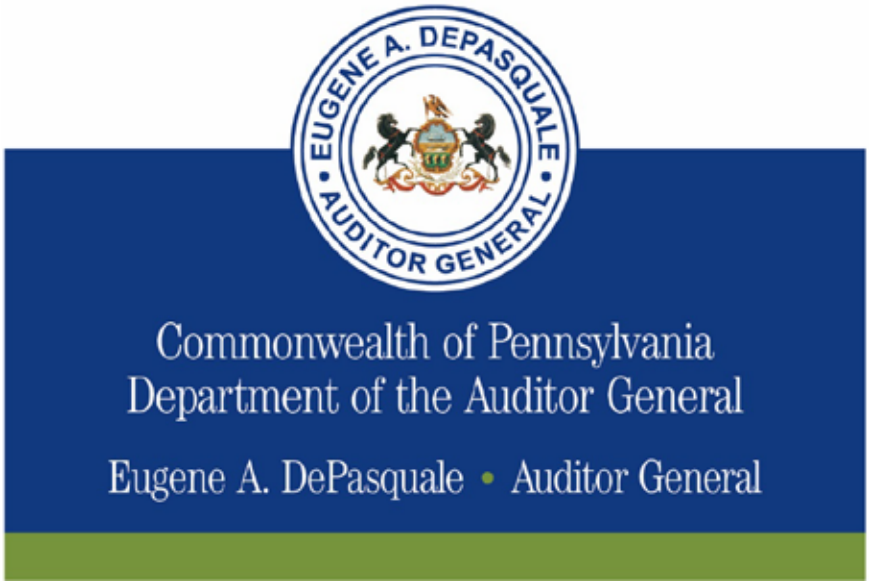
TOBACCO SETTLEMENT REVIEW

Charles Cole Memorial Hospital

Extraordinary Expense Payment
Year 2013

June 2015



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EUGENE A. DEPASQUALE
AUDITOR GENERAL

June 2, 2015

Mr. Ron Rapp
Chief Financial Officer
Charles Cole Memorial Hospital
1001 East Second Street
Coudersport, PA 16915

Dear Mr. Rapp:

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 Human Services (DHS) 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 Charles Cole Memorial Hospital's records to substantiate the claims data it submitted to the Pennsylvania Health Care Cost Containment Council (PHC4) 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 DHS used this claims data to calculate the year 2013 extraordinary expense payment of $12,406.17 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 their 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.

The purpose of our review was to determine whether the facility could substantiate its reported claims and verify that the patient was uninsured and received no compensation from third party payers such as Medicare, Medicaid, or Blue Cross. Payments made by the patients

themselves toward their financial obligations will reduce the allowable costs of that claim when determining eligibility.

The results of our review disclosed that the one patient billing used to compute the extraordinary expense payment to the facility met the criteria to qualify for an extraordinary expense payment.

In 2013, Tobacco Settlement funds were made available to qualified hospitals for uncompensated care payments that were calculated using the extraordinary expense approach. The amount of these funds made available was less than the total cost of uncompensated care services claims submitted by qualified hospitals. Therefore, the initial payment DHS made to each hospital was based on the percentage of each hospital's cost of claims to the total cost of claims for all qualified hospitals. The actual payment amount each hospital is entitled to receive cannot be determined until all hospitals' claims have been reviewed and a revised total cost of claims computed.

Our review of the claims data determined that the facility had one claim with total charges of $48,614.17 that would qualify for an extraordinary expense payment. The cost of this qualifying claim was determined to be $23,133.23. This cost will be used to compute the revised 2013 extraordinary expense payment for the facility.

Our office is currently reviewing all facilities that received extraordinary expense payments for year 2013. 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 DHS. After reviewing our summary report, the DHS will contact you with instructions regarding the settlement of Charles Cole Memorial Hospital's 2013 extraordinary expense entitlement.

We thank the staff of Charles Cole Memorial 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 Audits at 717-787-1159.

Sincerely,

EUGENE A. DEPASQUALE
Auditor General

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