# TOBACCO SETTLEMENT REVIEW

# Lehigh Valley Hospital – Muhlenberg

## Extraordinary Expense Payment
## Year 2014

August 2016

Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • 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**

August 3, 2016

Mr. Edward O'Dea
Chief Financial Officer
Lehigh Valley Health Network
2100 Mack Boulevard, 4th Floor
P.O. Box 4000
Allentown, PA 18103

Re: Lehigh Valley Hospital – Muhlenberg

Dear Mr. O'Dea:

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 Lehigh Valley Hospital – Muhlenberg'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 2014 extraordinary expense payment of $88,071.90 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 12 patient billings used to compute the extraordinary expense payment to the facility met the criteria to qualify for an extraordinary expense payment. We also reviewed an additional three claims that were not originally part of the PHC4's database of claims and determined that all three of these claims met the criteria to qualify for an extraordinary expense payment.

In 2014, 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 15 claims with total charges of $3,353,542.87 that would qualify for an extraordinary expense payment. The cost of these qualifying claims was determined to be $605,065.62. This cost will be used to compute the revised 2014 extraordinary expense payment for the facility.

Our office is currently reviewing all facilities that received extraordinary expense payments for year 2014. 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 Lehigh Valley Hospital – Muhlenberg's 2014 extraordinary expense entitlement.

We thank the staff of Lehigh Valley Health Network 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

**LEHIGH VALLEY HOSPITAL – MUHLENBERG**
**REPORT DISTRIBUTION**
**2014 EXTRAORDINARY EXPENSE PAYMENT**

This report was initially distributed to:

**Ms. Leesa Allen**
Deputy Secretary
Office of Medical Assistance Programs
Department of Human Services

**Mr. R. Dennis Welker**
Special Audit Services
Bureau of Audits
Office of the Budget

**Mr. Brendan Harris**
Executive Deputy Secretary
Department of Human Services

**Mr. Alexander Matolyak**
Director
Division of Audit and Review
Department of Human Services

**Ms. Karen Schneider**
Revenue Accounting Manager
Lehigh Valley Health Network

**Mr. David Bryan**
Manager
Audit Resolution
Department of Human Services

**Ms. Tina Long**
Director
Bureau of Financial Operations
Department of Human Services

**Ms. Erica Eisenacher**
HSPS
Bureau of Fiscal Management
Department of Human Services

**Mr. Edward O'Dea**
Chief Financial Officer
Lehigh Valley Health Network

**Mr. Bradley D. Hoppes**
Senior Revenue Accountant
Lehigh Valley Health Network

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov.