

TOBACCO SETTLEMENT PROGRAM

Lehigh Valley Hospital Tobacco Settlement Payment Data Year 2024

September 2023



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

August 18, 2023

Mr. Thomas Marchozzi
Executive Vice President and Chief Financial Officer
Lehigh Valley Health Network
LVHN – One City Center, 707 Hamilton Street,
Executive Suite, 9th Floor, P.O. Box 1806
Allentown, PA 18105

Re: Lehigh Valley Hospital

Dear Mr. Marchozzi:

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. Hospitals that qualify can receive payments using either an uncompensated care approach or an extraordinary expense approach. The uncompensated care approach is based on the hospital's uncompensated care score. The uncompensated care score 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. The extraordinary expense approach is based on the total costs of the 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.

Upon request from DHS, we developed procedures to be performed for each facility that may be eligible to receive a payment for the provision of uncompensated care services to determine the eligibility of reported claims and the accuracy of days data reported by the facility. DHS agreed that the procedures were appropriate to meet its needs and approved the procedures. We obtained records from Lehigh Valley Hospital (facility) and performed the established procedures to substantiate the claims data and days data it submitted to the Pennsylvania Health Care Cost Containment Council (PHC4) and DHS, respectively.¹

¹ This engagement was not required to be and was not conducted in accordance with professional auditing or attestation standards.

The purpose of this engagement was to determine whether this facility reported any potentially eligible extraordinary expense claims for the fiscal year ended June 30, 2022 and, if so, verify whether corresponding patients were uninsured and the facility received no compensation from third party payers such as Medicare, Medicaid, or Blue Cross. Payments made by the patients themselves toward their financial obligations may have reduced the allowable costs of the respective claim when determining eligibility. We also determined whether this facility could substantiate total inpatient days and total MA days as reported on its submitted MA-336 cost reports, if filed with DHS, for the fiscal year ended June 30, 2021. We obtained computer processed data from the facility (i.e. account notes and billing information for claims and census reports for days) to determine the eligibility of reported claims and the accuracy of days data reported by the facility. Because of the extensive amount of time that would be required to visit the facility and perform procedures to evaluate the reliability of this data in the facility’s information system, DHS management stated that the performance of such procedures is not necessary to meet DHS’ needs. As such, we have classified this computer processed data as data of undetermined reliability.

The results of our procedures are as follows:

For Reported Claims:

Based on the PHC4 claims database for the fiscal year ended June 30, 2022, the facility reported 80 potentially eligible extraordinary expense claims. The results of our procedures disclosed that 37 of the 80 reported potentially eligible extraordinary expense claims met the criteria to qualify as extraordinary expense claims. The chart below details our results and explains any adjustments that your facility should make to the PHC4 Database. Since we determined that 37 of the 80 reported claims submitted by the facility qualify as extraordinary expense claims, this facility could be eligible for payment under the extraordinary expense method for the 2024 Tobacco Settlement Payment Year.

Claim No.	Originally Reported Total Charges	Substantiated Total Charges Based on Account Notes	Patient Payments Applied to Account	Qualify (Yes/No) – Reason for Not Qualifying	Adjustment(s) Needed
1	\$1,941,653.60	\$0.00	\$0.00	No – Still an Active Claim	Claim should be removed from self-pay listing
2	\$1,180,642.28	\$0.00	\$0.00	No – Still an Active Claim	Claim should be removed from self-pay listing
3	\$1,066,695.44	\$1,066,695.44	\$0.00	Yes	Not Applicable
4	\$1,025,967.03	\$0.00	\$0.00	No – Paid by Medical Assistance	Claim should be removed from self-pay listing
5	\$985,417.86	\$985,417.86	\$0.00	Yes	Not Applicable
6	\$956,176.38	\$0.00	\$0.00	No – Still an Active Claim	Claim should be removed from self-pay listing

Claim No.	Originally Reported Total Charges	Substantiated Total Charges Based on Account Notes	Patient Payments Applied to Account	Qualify (Yes/No) – Reason for Not Qualifying	Adjustment(s) Needed
7	\$888,496.53	\$0.00	\$0.00	No – Paid by the Patient	Claim should be removed from self-pay listing
8	\$877,126.19	\$0.00	\$0.00	No – Still an Active Claim	Claim should be removed from self-pay listing
9	\$847,851.52	\$847,851.52	\$0.00	Yes	Not Applicable
10	\$773,474.16	\$773,474.16	\$0.00	Yes	Not Applicable
11	\$752,520.12	\$0.00	\$0.00	No – Paid by Medical Assistance	Claim should be removed from self-pay listing
12	\$729,028.01	\$729,028.01	\$1,759.88	Yes	Not Applicable
13	\$706,168.08	\$706,168.08	\$0.00	Yes	Not Applicable
14	\$696,378.02	\$0.00	\$0.00	No – Paid by Medical Assistance	Claim should be removed from self-pay listing
15	\$683,699.87	\$0.00	\$0.00	No – Paid by Health Resources and Services Administration	Claim should be removed from self-pay listing
16	\$670,346.14	\$670,346.14	\$0.00	Yes	Not Applicable
17	\$651,539.62	\$0.00	\$0.00	No – Paid by the Patient	Claim should be removed from self-pay listing
18	\$603,424.92	\$0.00	\$0.00	No – Not a Self-Pay Claim	Claim should be removed from self-pay listing
19	\$543,502.86	\$543,502.86	\$0.00	Yes	Not Applicable
20	\$528,367.50	\$528,367.50	\$0.00	Yes	Not Applicable
21	\$511,104.25	\$0.00	\$0.00	No – Still an Active Claim	Claim should be removed from self-pay listing
22	\$454,069.77	\$454,069.77	\$0.00	Yes	Not Applicable
23	\$400,541.35	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing
24	\$394,695.96	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing
25	\$384,730.95	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing

Claim No.	Originally Reported Total Charges	Substantiated Total Charges Based on Account Notes	Patient Payments Applied to Account	Qualify (Yes/No) – Reason for Not Qualifying	Adjustment(s) Needed
26	\$381,761.68	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing
27	\$361,964.81	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing
28	\$361,066.58	\$361,066.58	\$871.62	Yes	Not Applicable
29	\$356,681.85	\$0.00	\$0.00	No – Not a Self-Pay Claim	Claim should be removed from self-pay listing
30	\$356,200.38	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing
31	\$356,169.51	\$0.00	\$0.00	No – Not a Self-Pay Claim	Claim should be removed from self-pay listing
32	\$355,863.76	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing
33	\$355,598.29	\$355,598.29	\$0.00	Yes	Not Applicable
34	\$342,793.73	\$342,793.73	\$0.00	Yes	Not Applicable
35	\$341,800.39	\$341,800.39	\$39.00	Yes	Not Applicable
36	\$341,659.84	\$0.00	\$0.00	No – Paid by Medical Assistance	Claim should be removed from self-pay listing
37	\$341,185.37	\$341,185.37	\$0.00	Yes	Not Applicable
38	\$329,701.08	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing
39	\$329,084.44	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing
40	\$321,646.01	\$0.00	\$0.00	No – Still an Active Claim	Claim should be removed from self-pay listing
41	\$319,101.03	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing
42	\$314,257.29	\$0.00	\$0.00	No – Not a Self-Pay Claim	Claim should be removed from self-pay listing

Claim No.	Originally Reported Total Charges	Substantiated Total Charges Based on Account Notes	Patient Payments Applied to Account	Qualify (Yes/No) – Reason for Not Qualifying	Adjustment(s) Needed
43	\$304,408.95	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing
44	\$300,595.55	\$0.00	\$0.00	No – Paid by Medical Assistance	Claim should be removed from self-pay listing
45	\$294,092.60	\$0.00	\$0.00	No – Paid by Medical Assistance	Claim should be removed from self-pay listing
46	\$289,142.06	\$289,142.06	\$0.00	Yes	Not Applicable
47	\$289,011.27	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing
48	\$283,267.31	\$283,267.31	\$0.00	Yes	Not Applicable
49	\$276,116.55	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing
50	\$273,472.79	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing
51	\$268,042.36	\$268,042.36	\$0.00	Yes	Not Applicable
52	\$261,365.99	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing
53	\$257,491.55	\$257,491.55	\$0.00	Yes	Not Applicable
54	\$255,533.13	\$255,533.13	\$0.00	Yes	Not Applicable
55	\$254,177.72	\$254,177.72	\$0.00	Yes	Not Applicable
56	\$251,564.35	\$251,564.35	\$0.00	Yes	Not Applicable
57	\$245,576.68	\$0.00	\$0.00	No – Paid by the Patient	Claim should be removed from self-pay listing
58	\$244,121.87	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing
59	\$241,497.32	\$0.00	\$0.00	No – Not a Self-Pay Claim	Claim should be removed from self-pay listing
60	\$241,399.48	\$241,399.48	\$0.00	Yes	Not Applicable
61	\$238,653.18	\$238,653.18	\$0.00	Yes	Not Applicable
62	\$236,459.92	\$236,459.92	\$0.00	Yes	Not Applicable
63	\$234,010.74	\$234,010.74	\$5.00	Yes	Not Applicable
64	\$232,494.50	\$232,494.50	\$0.00	Yes	Not Applicable

Claim No.	Originally Reported Total Charges	Substantiated Total Charges Based on Account Notes	Patient Payments Applied to Account	Qualify (Yes/No) – Reason for Not Qualifying	Adjustment(s) Needed
65	\$232,183.34	\$232,183.34	\$7,894.23	Yes	Not Applicable
66	\$231,877.14	\$231,877.14	\$0.00	Yes	Not Applicable
67	\$231,213.60	\$231,213.60	\$0.00	Yes	Not Applicable
68	\$228,857.57	\$0.00	\$0.00	No – Paid by Medical Assistance	Claim should be removed from self-pay listing
69	\$228,196.13	\$228,196.13	\$0.00	Yes	Not Applicable
70	\$225,526.93	\$225,526.93	\$0.00	Yes	Not Applicable
71	\$223,921.75	\$0.00	\$0.00	No – Paid by Medical Assistance	Claim should be removed from self-pay listing
72	\$221,203.33	\$221,203.33	\$0.00	Yes	Not Applicable
73	\$220,258.62	\$0.00	\$0.00	No – Paid by Medical Assistance	Claim should be removed from self-pay listing
74	\$215,072.75	\$215,072.75	\$0.00	Yes	Not Applicable
75	\$213,327.75	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing
76	\$209,894.76	\$209,894.76	\$0.00	Yes	Not Applicable
77	\$209,093.38	\$209,093.38	\$0.00	Yes	Not Applicable
78	\$209,061.34	\$209,061.34	\$0.00	Yes	Not Applicable
79	\$205,835.62	\$0.00	\$0.00	No – Still an Active Claim	Claim should be removed from self-pay listing
80	\$205,699.52	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing

For Total Inpatient Days and Total MA Days:

For the total inpatient days and total MA days for fiscal year ended June 30, 2021, our results are as follows:

For FYE 6/30/21	Originally Submitted Number of Days	Substantiated Number Based on Source Documents	Explanation of Difference
Total Inpatient Days	326,204	326,204	Not Applicable

For FYE 6/30/21	Originally Submitted Number of Days	Substantiated Number Based on Source Documents	Explanation of Difference
FFS Days	28,749	28,672	Reporting Error

For FYE 6/30/21 HMO Days	Originally Submitted Number of Days	Substantiated Number Based on Source Documents	Explanation of Difference
Health Partners	145	145	Not Applicable
AmeriHealth Mercy Health Plan	18,135	18,135	Not Applicable
Gateway Health Plan	6,349	6,349	Not Applicable
Keystone Mercy Health	878	878	Not Applicable
Magellan	5,032	5,032	Not Applicable
UPMC for You	2,626	2,626	Not Applicable
Aetna Better Health	3,288	3,288	Not Applicable
United Health Care	3,209	3,209	Not Applicable
Geisinger Family	2,945	2,945	Not Applicable
Health Choices	161	161	Not Applicable

For FYE 6/30/21 OOS Days	Originally Submitted Number of Days	Substantiated Number Based on Source Documents	Explanation of Difference
Maryland	17	17	Not Applicable
New Jersey	166	166	Not Applicable
New York	940	964	Reporting Error
Ohio	24	24	Not Applicable
Virginia	19	19	Not Applicable
West Virginia	25	25	Not Applicable
Florida	74	74	Not Applicable
Connecticut	112	49	No Overall Variance
Massachusetts	35	31	
All Other	56	0	
District of Columbia	0	6	
California	0	67	
Georgia	0	12	
Illinois	0	3	
Michigan	0	10	
Montana	0	2	
Puerto Rico	0	9	
Rhode Island	0	2	
Texas	0	4	
Washington	0	4	
North Carolina	0	4	

PHC4 will contact you with instructions regarding entering adjustments to your facility's originally submitted claims during the self-verification process. The facility's failure to remove any claims identified as not qualifying as extraordinary expense claims from the PHC4 self-pay claims listing during the self-verification process will result in the facility's records in the PHC4 database being inaccurate and DHS concluding that the facility is ineligible for payment under the extraordinary expense method. In addition to completing adjustments in the PHC4 database, any revisions to originally submitted days data on your facility's MA-336 Cost Report should be submitted through the iPACRs system based on the results of our procedures.

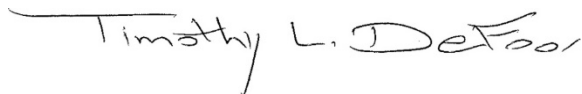
We are in the process of conducting engagements for all facilities that are potentially eligible for a 2024 Tobacco Settlement subsidy entitlement payment. After all the engagements are completed, we will prepare for DHS' use a report detailing the results of all of our engagements.

DHS will use each hospital's revised MA-336 Cost Report and PHC4 database to pull reported claims and number of days to calculate this facility's eligibility to receive, and if deemed eligible, its subsidy entitlement under both the extraordinary expense and uncompensated care methods. If eligible under both methods, DHS will allow the facility to choose the method to be used to calculate the facility's 2024 Tobacco Settlement subsidy entitlement payment. DHS establishes the date that these payments will be distributed to all eligible hospitals.

As a reminder, this facility may submit any claims coded as having Medicare, Medicaid, or any other insurance when submitted to the PHC4 for the fiscal year ended June 30, 2022, which the facility now believes qualify as self-pay claims, and which have total charges above this facility's threshold of \$205,548.48. We refer to these types of claims as "additional claims" and these additional claims must be submitted to us no later than October 31, 2023. We will include the results of our procedures for each facility's submitted additional claims data in individualized reports sent to each respective hospital that submitted additional claims.

We thank the staff of Lehigh Valley Health Network for the cooperation extended to us during the course of our engagement. If you have any questions, please feel free to contact the Bureau of County Audits – Hospital and Tobacco Division at 717-787-1159.

Sincerely,

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a horizontal line above the first name.

Timothy L. DeFoor
Auditor General

**LEHIGH VALLEY HOSPITAL
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2024 TOBACCO SETTLEMENT PAYMENT DATA**

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