

# TOBACCO SETTLEMENT REVIEW

---

## Titusville Area Hospital Uncompensated Care Payment Year 2016

---

November 2017



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**

October 25, 2017

Ms. Jill Neely  
Chief Financial Officer  
Titusville Area Hospital  
406 West Oak Street  
Titusville, PA 16354

Dear Ms. Neely:

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<sup>1</sup> of Titusville Area Hospital's records to substantiate the data it submitted to the Pennsylvania Health Care Cost Containment Council (PHC4) and the Department of Human Services 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 data to calculate the year 2016 uncompensated care payment of \$35,963.55 it made to the 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.

---

<sup>1</sup> This review was not required to be and was not conducted in accordance with professional auditing or attestation standards.

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 2016 uncompensated care payment was calculated based on three-year averages of the above listed data elements for the fiscal years ended June 30, 2012, 2013, and 2014.

The purpose of our review was to determine whether proper documentation existed for the 15 data elements utilized by the Department of Human Services in calculating the 2016 uncompensated care payment received by the facility. Our review consisted of verifying, for the fiscal years ended June 30, 2012, 2013, and 2014: the facility's documentation supporting the uncompensated care costs and net patient revenues submitted to the PHC4; patients' census records supporting MA days and total inpatient days, as included on the facility's Medical Assistance cost reports submitted to the DHS; and the Medicare SSI days, as determined by the CMS.

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 DHS to calculate the year 2016 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 years ended June 30, 2013 and 2014, we found that total inpatient days were understated by 1,606 days and 1,651 days, respectively, when comparing the facility's census records to the data utilized by the DHS to calculate the facility's payment. These understatements were due to errors in calculating total inpatient days when reporting these data elements to the DHS by the facility.
- For the fiscal year ended June 30, 2014, we found that total MA days were overstated by 5 days when comparing the facility's census records to the data utilized by the DHS to calculate the facility's payment. This overstatement was due to an error in calculating fee-for-service days, which is a factor of total MA days, when reporting this data element to the DHS by the facility.
- For the fiscal year ended June 30, 2012, we found that uncompensated care costs were understated when comparing the facility's audited financial statements to the amount utilized by the DHS. The facility understated its cost-to-charge ratio, which is a factor of uncompensated care costs, when reporting this data element to the PHC4. As a result, we increased the facility's uncompensated care costs by \$4,063.

The UC score used by the DHS to calculate the original payment was 24.56%. The results of our review determined that the UC score for Titusville Area Hospital should decrease to 21.43%. This revised score could affect the facility's eligibility for the 2016 uncompensated care payment.

Our office is currently reviewing all facilities that received uncompensated care payments for year 2016. 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 the facility's 2016 uncompensated care entitlement.

We thank the staff of Titusville Area 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,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Eugene A. DePasquale  
Auditor General

**TITUSVILLE AREA HOSPITAL  
REPORT DISTRIBUTION  
2016 UNCOMPENSATED CARE PAYMENT**

This report was initially distributed to:

**Ms. Leesa Allen**  
Executive Deputy Secretary  
Department of Human Services

**Ms. Johanna Fabian-Marks**  
Chief of Staff  
Department of Human Services

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

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

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

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

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

**Ms. Jill Neely**  
Chief Financial Officer  
Titusville Area Hospital

**Ms. Karen Randall**  
Controller  
Titusville Area Hospital

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://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](mailto:news@PaAuditor.gov).