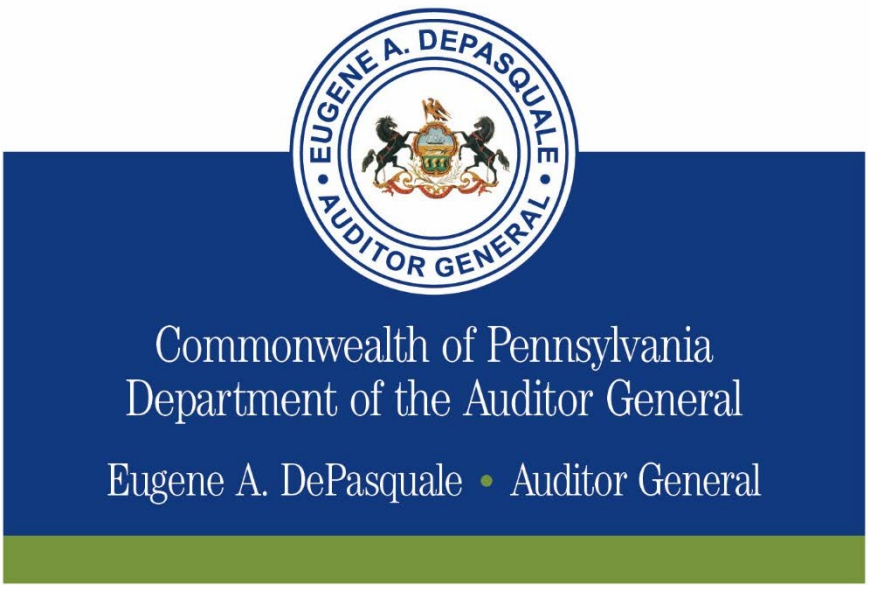
TOBACCO SETTLEMENT PROGRAM

Children's Hospital of Philadelphia

Tobacco Settlement Payment Data Review
Year 2019

July 2018



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen

EUGENE A. DEPASQUALE
AUDITOR GENERAL

June 18, 2018

Mr. Thomas Todorow
Chief Financial Officer
Children's Hospital of Philadelphia
100 East Penn Square
Philadelphia, PA 19107

Re: Children's Hospital of Philadelphia

Dear Mr. Todorow:

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 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.

At the request of DHS, the Department of the Auditor General performed a review[1] of Children's Hospital of Philadelphia's records to substantiate the claims data and days data it submitted to the Pennsylvania Health Care Cost Containment Council (PHC4) and the DHS, respectively.

The purpose of our review was to determine whether this facility could substantiate its fiscal year ended June 30, 2017 reported claims and verify whether corresponding patients were uninsured and the facility received no compensation from third party payers such as Medicare,

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

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 MA days as reported on its submitted MA-336 cost reports for the fiscal years ended June 30, 2015 and June 30, 2016.

The results of our review are as follows:

For Reported Claims:

Based on the PHC4 claims database for the fiscal year ended June 30, 2017, the facility reported 158 potentially eligible extraordinary expense claims, totaling $152,192,157.00, for review. We reviewed 69 of these reported claims, representing at least 75% of the hospital's total dollar value of reported claims.[2] While the results of our review disclosed that none of these extraordinary expense claims met the criteria to qualify as extraordinary expense claims, historically, the facility has self-reviewed and removed the majority of their initially reported claims (which are automatically transmitted to the PHC4 database) during the PHC4 "open window" period and elected payment under the uncompensated care method of the Tobacco Settlement Act. The chart below details the 69 reported claims we reviewed, the results of our review, and explains the adjustments that should be made to the PHC4 database. Since these 69 claims did not meet the criteria to qualify as extraordinary expense claims, this facility may not be eligible for payment under the extraordinary expense method for the 2019 Tobacco Settlement Payment unless, as detailed below, additional claims are submitted and deemed eligible or the facility determines during the self-review period that any of the remaining 89 claims above the minimum claim threshold are eligible. The lack of eligible extraordinary expense claims will not impact the facility's eligibility for an uncompensated care payment.

Claim No.	Originally Reported Total Charges	Substantiated Total Charges Based on Account Notes	Patient Payments Applied to Account	Qualify (Y/N) – Reason for Not Qualifying	Adjustment(s) Needed
1	$8,838,550.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
2	$5,299,617.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
3	$5,292,311.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing

[2] The facility is responsible for self-reviewing the remaining claims during the PHC4 "open window" period, as done in prior years.

Claim No.	Originally Reported Total Charges	Substantiated Total Charges Based on Account Notes	Patient Payments Applied to Account	Qualify (Y/N) – Reason for Not Qualifying	Adjustment(s) Needed
4	$4,927,154.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
5	$4,218,292.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
6	$3,567,926.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
7	$3,224,632.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
8	$2,975,053.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
9	$2,920,136.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
10	$2,730,885.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
11	$2,584,892.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
12	$2,513,380.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
13	$2,436,336.00	$0	$0	N – 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 (Y/N) – Reason for Not Qualifying	Adjustment(s) Needed
14	$2,426,658.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
15	$2,188,341.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
16	$2,077,662.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
17	$2,047,092.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
18	$1,926,205.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
19	$1,757,162.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
20	$1,686,405.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
21	$1,570,400.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
22	$1,538,092.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
23	$1,490,014.00	$0	$0	N – Still an active account	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 (Y/N) – Reason for Not Qualifying	Adjustment(s) Needed
24	$1,480,994.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
25	$1,388,865.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
26	$1,377,604.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
27	$1,368,813.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
28	$1,341,187.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
29	$1,320,562.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
30	$1,307,338.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
31	$1,306,273.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
32	$1,300,232.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
33	$1,271,954.00	$0	$0	N – 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 (Y/N) – Reason for Not Qualifying	Adjustment(s) Needed
34	$1,182,488.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
35	$1,169,311.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
36	$1,161,343.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
37	$1,120,968.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
38	$1,111,451.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
39	$1,110,868.00	$0	$0	N – Still an active account	Claim should be removed from self-pay listing
40	$1,064,113.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
41	$1,054,181.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
42	$1,029,943.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
43	$997,602.00	$0	$0	N – 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 (Y/N) – Reason for Not Qualifying	Adjustment(s) Needed
44	$973,453.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
45	$967,055.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
46	$904,575.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
47	$904,431.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
48	$871,278.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
49	$853,000.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
50	$830,156.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
51	$829,232.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
52	$808,594.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
53	$790,349.00	$0	$0	N – 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 (Y/N) – Reason for Not Qualifying	Adjustment(s) Needed
54	$770,180.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
55	$751,790.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
56	$741,666.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
57	$739,628.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
58	$731,894.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
59	$730,794.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
60	$719,628.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
61	$704,211.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
62	$701,079.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
63	$692,931.00	$0	$0	N – 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 (Y/N) – Reason for Not Qualifying	Adjustment(s) Needed
64	$685,354.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
65	$680,437.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
66	$671,816.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
67	$661,319.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
68	$658,840.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing
69	$643,086.00	$0	$0	N – Paid by insurance	Claim should be removed from self-pay listing

For MA Days:

For the total MA days for fiscal years ended June 30, 2015 and 2016, our results are as follows:

For FYE 6/30/15	Originally Submitted Number of Days	Substantiated Number Based on Source Documents	Explanation of Difference
FFS Days	3,977	3,977	N/A
HMO Days	38,647	38,647	N/A
OOS Days	23,165	23,165	N/A

For FYE 6/30/16	Originally Submitted Number of Days	Substantiated Number Based on Source Documents	Explanation of Difference
FFS Days	4,545	4,545	N/A
HMO Days	41,488	41,488	N/A
OOS Days	23,854	23,854	N/A

The DHS will use all substantiated reported claims and number of days to calculate Children's Hospital of Philadelphia'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 2019 Tobacco Settlement subsidy entitlement payment. DHS establishes the date that these payments will be distributed to all eligible hospitals.

Our office is currently reviewing all facilities that are potentially eligible for a 2019 Tobacco Settlement subsidy entitlement payment. After all the reviews are completed, we will prepare for DHS' use a report detailing the results of all of our reviews. The PHC4 and the DHS will contact you with instructions regarding entering adjustments to your facility's originally submitted claims and MA days data based on the results of our review.

As a reminder, Children's Hospital of Philadelphia may submit for our review any claims coded as having Medicare, Medicaid, or any other insurance when submitted to PHC4 for the fiscal year ended June 30, 2017, which the facility now believes qualify as self-pay claims, and which have total charges above Children's Hospital of Philadelphia's threshold of $258,674.04. We refer to these types of claims as "additional claims" and these additional claims must be submitted to the Department of the Auditor General no later than October 31, 2018. The results of our review of each facility's submitted additional claims data will be detailed in individualized reports sent to each respective hospital that submitted additional claims.

We thank the staff of Children's Hospital of Philadelphia 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

CHILDREN'S HOSPITAL OF PHILADELPHIA
REPORT DISTRIBUTION
2019 TOBACCO SETTLEMENT PAYMENT DATA

This report was initially distributed to:

Ms. Leesa Allen
Executive Deputy Secretary
Department of Human Services

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

Mr. David Bryan
Manager
Audit Resolution
Department of Human Services

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

Ms. Sandra Astorino
Director of Revenue and Reimbursement
Children's Hospital of Philadelphia

Ms. Michele Ulrich
Reimbursement Manager
Children's Hospital of Philadelphia

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

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

Ms. Erica Eisenacher
HSPS
Bureau of Managed Care
Department of Human Services

Mr. Thoms Todorow
Chief Financial Officer
Children's Hospital of Philadelphia

Ms. Ruth Paninsoro
Financial Analyst
Children's Hospital of Philadelphia

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.