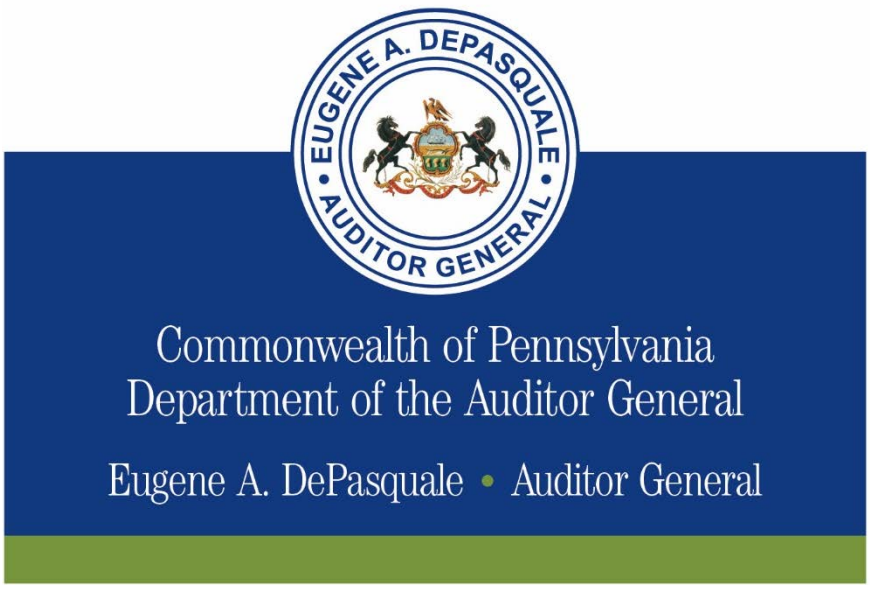
TOBACCO SETTLEMENT PROGRAM

Lehigh Valley Hospital
Tobacco Settlement Payment Data Review
Year 2019

September 2018



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
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EUGENE A. DEPASQUALE
AUDITOR GENERAL

September 21, 2018

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

Re: Lehigh Valley Hospital

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. 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 Lehigh Valley Hospital'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, Medicaid, or Blue Cross. Payments made by the patients themselves toward their financial

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

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 79 potentially eligible extraordinary expense claims, totaling $26,137,511.24, for review. We reviewed 45 of these reported claims, representing at least 75% of the hospital's total dollar value of reported claims.[2] The results of our review disclosed that 29 of the 45 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 should be made to the PHC4 Database. Since we determined that 29 of the 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 2019 Tobacco Settlement Payment Year.

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	$1,134,979.76	$0	$0	N – paid by insurance	Claim should be removed from self-pay listing
2	$811,928.44	$811,928.44	$0	Y	N/A
3	$766,254.04	$766,254.04	$0	Y	N/A
4	$678,295.00	$678,295.00	$0	Y	N/A
5	$671,938.77	$671,938.77	$0	Y	N/A
6	$654,485.79	$0	$0	N – paid by MA	Claim should be removed from self-pay listing
7	$636,453.78	$0	$0	N – paid by insurance	Claim should be removed from self-pay listing
8	$630,665.69	$630,665.69	$0	Y	N/A
9	$612,680.42	$612,680.42	$0	Y	N/A
10	$555,702.99	$0	$0	N – account is still active	Claim should be removed from self-pay listing
11	$544,413.30	$0	$0	N – paid by MA	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
12	$531,340.54	$531,340.54	$0	Y	N/A
13	$528,612.56	$528,612.56	$0	Y	N/A
14	$499,160.70	$0	$0	N – paid by MA	Claim should be removed from self-pay listing
15	$487,270.53	$0	$0	N – paid by MA	Claim should be removed from self-pay listing
16	$484,067.88	$0	$0	N – paid by insurance	Claim should be removed from self-pay listing
17	$480,573.20	$480,573.20	$0	Y	N/A
18	$477,873.74	$477,873.74	$0	Y	N/A
19	$448,387.90	$448,387.90	$0	Y	N/A
20	$432,970.45	$0	$0	N – paid by patient	Claim should be removed from self-pay listing
21	$424,898.10	$0	$0	N – paid by insurance	Claim should be removed from self-pay listing
22	$404,782.85	$404,782.85	$0	Y	N/A
23	$384,499.32	$384,499.32	$0	Y	N/A
24	$375,512.63	$375,512.63	$832.09	Y	N/A
25	$357,770.07	$0	$0	N – paid by patient	Claim should be removed from self-pay listing
26	$356,324.25	$0	$0	N – account is still active	Claim should be removed from self-pay listing
27	$354,499.93	$354,499.93	$0	Y	N/A
28	$325,258.28	$325,258.28	$0	Y	N/A
29	$299,583.29	$0	$0	N – paid by MA	Claim should be removed from self-pay listing
30	$296,884.14	$296,884.14	$0	Y	N/A
31	$295,731.59	$295,731.59	$0	Y	N/A
32	$295,123.27	$295,123.27	$0	Y	N/A
33	$294,423.34	$0	$0	N – account is still active	Claim should be removed from self-pay listing
34	$288,478.11	$288,478.11	$0	Y	N/A
35	$285,600.72	$285,600.72	$0	Y	N/A

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
36	$264,137.32	$264,137.32	$0	Y	N/A
37	$263,714.10	$0	$0	N – paid by insurance	Claim should be removed from self-pay listing
38	$261,285.60	$261,285.60	$0	Y	N/A
39	$261,194.99	$261,194.99	$0	Y	N/A
40	$254,974.42	$0	$0	N – paid by patient	Claim should be removed from self-pay listing
41	$251,428.89	$251,428.89	$0	Y	N/A
42	$250,798.79	$250,798.79	$0	Y	N/A
43	$249,949.68	$249,949.68	$0	Y	N/A
44	$245,984.23	$245,984.23	$0	Y	N/A
45	$241,806.26	$241,806.26	$0	Y	N/A

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	11,680	13,112	Reporting error and changes in payer type
HMO Days	29,379	28,650	Reporting error and changes in payer type
OOS Days	1,052	1,017	Reporting error

For FYE 6/30/16	Originally Submitted Number of Days	Substantiated Number Based on Source Documents	Explanation of Difference
FFS Days	11,055	13,338	Reporting error and changes in payer type
HMO Days	17,718	32,193	Reporting error and changes in payer type
OOS Days	1,231	669	Reporting error

The DHS will use all substantiated reported claims and number of days to calculate Lehigh Valley Hospital'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, Lehigh Valley Hospital 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 Lehigh Valley Hospital's threshold of $158,465.02. 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 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
REPORT DISTRIBUTION
2019 TOBACCO SETTLEMENT PAYMENT DATA

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