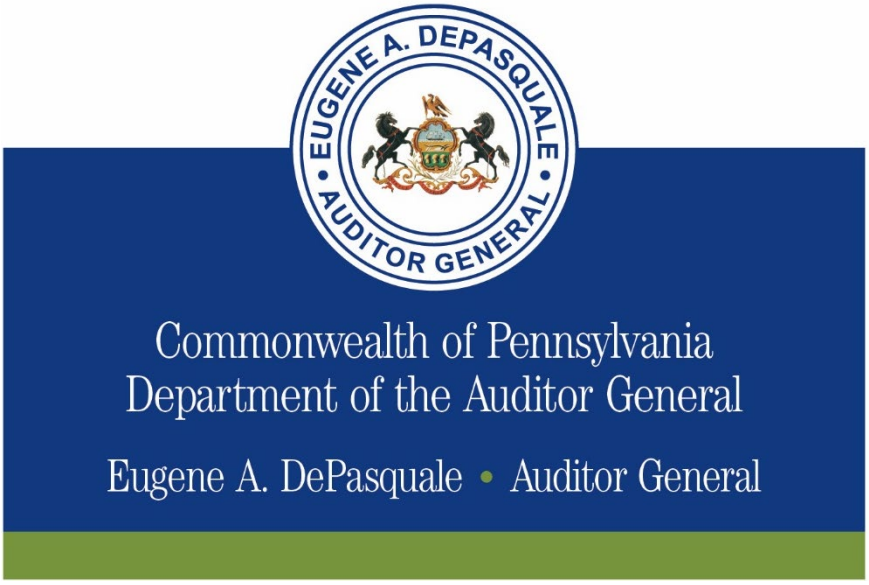
TOBACCO SETTLEMENT PROGRAM

Lehigh Valley Hospital
Tobacco Settlement Payment Data Review
Year 2020

October 2019



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

October 4, 2019

Mr. Thomas Marchozzi
Executive Vice President and Chief Financial Officer
Lehigh Valley Health Network
2100 Mack Boulevard, 4th Floor
Post Office Box 4000
Allentown, PA 18103

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 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 (facility) records to substantiate the claims data and days data it submitted to the Pennsylvania Health Care Cost Containment Council (PHC4) and DHS, respectively.

The purpose of our review was to determine whether this facility reported any potentially eligible extraordinary expense claims for the fiscal year ended June 30, 2018 and, if so, verify whether corresponding patients were uninsured and the facility received no compensation from

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

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 MA days as reported on its submitted MA-336 cost reports, if filed with DHS, for the fiscal year ended June 30, 2017.

The results of our review are as follows:

For Reported Claims:

Based on the PHC4 claims database for the fiscal year ended June 30, 2018, the facility reported 48 potentially eligible extraordinary expense claims, totaling $15,594,160.46, for review. We reviewed 32 of these reported claims, representing at least 80% of the hospital's total dollar value of reported claims.[2] The results of our review disclosed that 18 of these 32 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 18 of these 32 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 2020 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	$1,960,366.45	$1,960,366.45	$0	Yes	Not Applicable
2	$799,224.16	$0	$0	No – Paid by insurance	Claim should be removed from self-pay listing
3	$526,516.49	$0	$0	No – Paid by patient	Claim should be removed from self-pay listing
4	$487,970.47	$487,970.47	$0	Yes	Not Applicable
5	$466,845.53	$466,845.53	$0	Yes	Not Applicable
6	$461,664.13	$461,664.13	$0	Yes	Not Applicable
7	$451,147.33	$0	$0	No – Still an active account	Claim should be removed from self-pay listing
8	$435,318.52	$435,318.52	$0	Yes	Not Applicable
9	$402,706.48	$0	$0	No – Billing Error	Claim should be removed form self-pay listing
10	$368,976.89	$0	$0	No – 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.

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
11	$359,942.66	$0	$0	No – Still an active account	Claim should be removed from self-pay listing
12	$339,292.91	$0	$0	No – Not a self-pay claim	Claim should be removed from self-pay listing
13	$322,317.63	$322,317.63	$0	Yes	Not Applicable
14	$315,963.47	$0	$0	No – Not a self-pay claim	Claim should be removed from self-pay listing
15	$304,098.01	$0	$0	No – Paid by insurance	Claim should be removed from self-pay listing
16	$303,579.61	$303,579.61	$0	Yes	Not Applicable
17	$303,307.59	$303,307.59	$0	Yes	Not Applicable
18	$298,766.42	$298,766.42	$0	Yes	Not Applicable
19	$294,225.55	$294,225.55	$0	Yes	Not Applicable
20	$293,298.48	$293,298.48	$0	Yes	Not Applicable
21	$287,051.75	$287,051.75	$0	Yes	Not Applicable
22	$280,437.47	$280,437.47	$0	Yes	Not Applicable
23	$279,633.64	$0	$0	No – Paid by insurance	Claim should be removed from self-pay listing
24	$274,479.11	$274,479.11	$0	Yes	Not Applicable
25	$269,758.77	$0	$0	No – Paid by patient	Claim should be removed from self-pay listing
26	$262,084.05	$0	$0	No – Paid by insurance	Claim should be removed from self-pay listing
27	$254,080.14	$254,080.14	$0	Yes	Not Applicable
28	$239,131.52	$239,131.52	$0	Yes	Not Applicable
29	$226,612.06	$226,612.06	$0	Yes	Not Applicable
30	$226,019.67	$226,019.67	$0	Yes	Not Applicable
31	$222,549.32	$0	$0	No – Paid by patient	Claim should be removed from self-pay listing
32	$222,058.70	$0	$0	No – Paid by patient	Claim should be removed from self-pay listing

For MA Days:

For the total MA days for fiscal year ended June 30, 2017, our results are as follows:

For FYE 6/30/17	Originally Submitted Number of Days	Substantiated Number Based on Source Documents	Explanation of Difference
FFS Days	15,667	13,855	Change in Payer Type
HMO Days	48,794	48,794	Not Applicable
OOS Days	0	592	Reporting Error

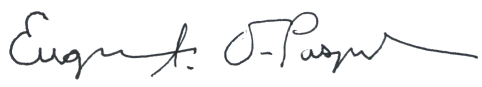
DHS will use all substantiated reported claims and number of days to calculate this facility's eligibility to receive, and if deemed eligible, its subsidy entitlement under both the extraordinary expense and uncompensated care methods. If eligible under both methods, DHS will allow the facility to choose the method to be used to calculate the facility's 2020 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 2020 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. PHC4 and 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, this facility 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, 2018, which the facility now believes qualify as self-pay claims, and which have total charges above this facility's threshold of $169,641.84. 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, 2019. 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 the Bureau of Children and Youth Services Audits at 717-787-1159.

Sincerely,



Eugene A. DePasquale
Auditor General

LEHIGH VALLEY HOSPITAL
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