

# TOBACCO SETTLEMENT PROGRAM

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## Valley Forge Medical Center Tobacco Settlement Payment Data Review Year 2019

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November 2018



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE  
AUDITOR GENERAL**

November 1, 2018

Mr. Gregg Slocum  
Chief Financial Officer  
Valley Forge Medical Center  
1033 West Germantown Pike  
Norristown, PA 19403

Re: Valley Forge Medical Center

Dear Mr. Slocum:

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<sup>1</sup> of Valley Forge Medical Center'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 reported any potentially eligible extraordinary expense claims for the fiscal year ended June 30, 2017 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

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

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 the DHS, for the fiscal years ended June 30, 2015 and June 30, 2016.

The results of our review are as follows:

**For Claims:**

Based on the PHC4 claims database for the fiscal year ended June 30, 2017, the facility did not report any potentially eligible extraordinary expense claims.

Furthermore, we instructed all hospitals that they may submit for our review, by October 31, 2018, 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 the respective hospitals' charge thresholds; we refer to these types of claims as "additional claims." 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. However, as of October 31, 2018, Valley Forge Medical Center had not submitted any additional claims for review.

Therefore, because Valley Forge Medical Center did not report any potentially eligible extraordinary expense claims to PHC4 and did not submit any additional claims to our department, this facility is not eligible for payment under the extraordinary expense method for the 2019 Tobacco Settlement Payment Year.

**For MA Days:**

For the total MA days for fiscal years ended June 30, 2015 and 2016, the facility did not submit a cost report for these fiscal years; therefore, per the DHS, this facility's total MA days for these fiscal years will be excluded when the DHS calculates this facility's subsidy entitlement unless the facility submits outstanding cost report data to the DHS via the use (and submission of) the final attestation form which the DHS sends to all facilities prior to the DHS' calculation of each hospital's subsidy entitlement.

**Subsidy Entitlement Calculation:**

The DHS will use all substantiated claims (including additional claims) and number of days to calculate each 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 each respective facility to choose the method to be used to calculate the facility's 2019 Tobacco Settlement subsidy entitlement payment. However, since, as previously stated, Valley Forge Medical Center is not eligible under the extraordinary expense method for the 2019 Tobacco Settlement Payment Year, the DHS will use the uncompensated care method to calculate this facility's 2019 Tobacco Settlement subsidy entitlement payment provided this facility submits its outstanding cost report data to the DHS via the use (and submission of) DHS' final attestation form. 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 the DHS' use a report detailing the results of all of our reviews. The DHS will contact you with instructions regarding the submission of outstanding cost report data via the use (and submission of) the final attestation form.

We thank the staff of Valley Forge Medical Center 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,

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

**VALLEY FORGE MEDICAL CENTER  
REPORT DISTRIBUTION  
2019 TOBACCO SETTLEMENT PAYMENT DATA**

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**Mr. Gregg Slocum**  
Chief Financial Officer  
Valley Forge Medical Center

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