

TOBACCO SETTLEMENT PROGRAM

Lehigh Valley Hospital Tobacco Settlement Payment Data Year 2025

October 2024



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

October 8, 2024

Mr. Thomas Marchozzi
Executive Vice President and Chief Financial Officer
Lehigh Valley Health Network
LVHN – One City Center
707 Hamilton Street, Executive Suite, 9th Floor
Post Office Box 1806
Allentown, PA 18105

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 approach is based on the hospital's uncompensated care score. The uncompensated care score 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. The extraordinary expense approach is based on the total costs of the 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.

Upon request from DHS, we developed procedures to be performed for each facility that may be eligible to receive a payment for the provision of uncompensated care services to determine the eligibility of reported claims and the accuracy of days data reported by the facility. DHS agreed that the procedures were appropriate to meet its needs and approved the procedures. We obtained records from Lehigh Valley Hospital (facility) and performed the established procedures to substantiate the claims data and days data it submitted to the Pennsylvania Health Care Cost Containment Council (PHC4) and DHS, respectively.¹

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

The purpose of this engagement was to determine whether this facility reported any potentially eligible extraordinary expense claims for the fiscal year ended June 30, 2023 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 respective claim when determining eligibility. We also determined whether this facility could substantiate total inpatient days and total MA days as reported on its submitted MA-336 cost reports, if filed with DHS, for the fiscal year ended June 30, 2022. We obtained computer processed data from the facility (i.e. account notes and billing information for claims and census reports for days) to determine the eligibility of reported claims and the accuracy of days data reported by the facility. Because of the extensive amount of time that would be required to visit the facility and perform procedures to evaluate the reliability of this data in the facility’s information system, DHS management stated that the performance of such procedures is not necessary to meet DHS’ needs. As such, we have classified this computer processed data as data of undetermined reliability.

The results of our procedures are as follows:

For Reported Claims:

Based on the PHC4 claims database for the fiscal year ended June 30, 2023, the facility reported 72 potentially eligible extraordinary expense claims. The results of our procedures disclosed that 27 of the 72 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 your facility should make to the PHC4 Database. Since we determined that 27 of the 72 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 2025 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	\$2,463,719.88	\$2,040,432.46	\$0.00	Yes	An adjustment is needed to total charges
2	\$1,704,537.70	\$480,638.14	\$0.00	Yes	An adjustment is needed to total charges
3	\$1,265,227.00	\$1,265,226.71	\$0.00	Yes	Not Applicable ²
4	\$1,100,064.17	\$0.00	\$0.00	No – Paid by Medical Assistance	Claim should be removed from self-pay listing

² The difference between the originally reported total charges and the substantiated total charges based on account notes is immaterial, therefore, no adjustment is needed.

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
5	\$909,895.31	\$706,213.74	\$0.00	Yes	An adjustment is needed to total charges
6	\$810,274.02	\$568,800.13	\$0.00	Yes	An adjustment is needed to total charges
7	\$742,071.22	\$742,071.22	\$0.00	Yes	Not Applicable
8	\$724,535.65	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing
9	\$714,013.11	\$714,013.11	\$0.00	Yes	Not Applicable
10	\$688,831.88	\$0.00	\$0.00	No – Paid by Medical Assistance	Claim should be removed from self-pay listing
11	\$620,530.06	\$369,301.61	\$0.00	Yes	An adjustment is needed to total charges
12	\$576,971.71	\$576,971.71	\$0.00	Yes	Not Applicable
13	\$569,212.25	\$467,365.94	\$0.00	Yes	An adjustment is needed to total charges
14	\$569,212.25	\$0.00	\$0.00	No – Duplicate Claim ³	Claim should be removed from self-pay listing
15	\$560,168.30	\$0.00	\$0.00	No – Paid by Medical Assistance	Claim should be removed from self-pay listing
16	\$549,779.87	\$0.00	\$0.00	No – Still an Active Claim	Not Applicable
17	\$534,558.61	\$534,558.61	\$0.00	Yes	Not Applicable
18	\$515,805.78	\$515,805.78	\$0.00	Yes	Not Applicable
19	\$438,727.20	\$438,727.20	\$0.00	Yes	Not Applicable
20	\$428,334.64	\$428,334.64	\$0.00	Yes	Not Applicable
21	\$422,248.31	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing
22	\$416,350.04	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing

³ During our review, it was noted that the PHC4 database contained several duplicate claims, as confirmed by the provider. These claims should not be included twice in the PHC4 database and should be removed accordingly.

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
23	\$408,316.38	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing
24	\$404,557.94	\$0.00	\$0.00	No – Paid by the Patient	Claim should be removed from self-pay listing
25	\$376,904.88	\$0.00	\$0.00	No – Paid by Medical Assistance	Claim should be removed from self-pay listing
26	\$364,314.37	\$256,739.05	\$0.00	Yes	An adjustment is needed to total charges
27	\$358,708.44	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing
28	\$353,081.16	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing
29	\$352,257.11	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing
30	\$348,917.72	\$209,995.50	\$0.00	Yes	An adjustment is needed to total charges
31	\$347,387.19	\$0.00	\$0.00	No – Paid by Medical Assistance	Claim should be removed from self-pay listing
32	\$346,659.77	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing
33	\$345,495.92	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing
34	\$343,513.16	\$0.00	\$0.00	No – Allowable Charges are Below Threshold ⁴	Claim should be removed from self-pay listing

⁴ During our review, the provider noted that several claims had higher total charges in the PHC4 database than in the facility's records. Since the actual total charges for these claims is less than the facility's threshold of \$204,952.37, these claims do not qualify as extraordinary expense claims.

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
35	\$319,972.70	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing
36	\$314,930.60	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing
37	\$312,083.27	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing
38	\$306,826.76	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing
39	\$304,818.57	\$0.00	\$0.00	No – Allowable Charges are Below Threshold ⁴	Claim should be removed from self-pay listing
40	\$300,688.22	\$300,688.22	\$0.00	Yes	Not Applicable
41	\$298,679.67	\$0.00	\$0.00	No – Paid by Medical Assistance	Claim should be removed from self-pay listing
42	\$288,780.45	\$0.00	\$0.00	No – Paid by Medical Assistance	Claim should be removed from self-pay listing
43	\$288,676.93	\$0.00	\$0.00	No – Paid by Medical Assistance	Claim should be removed from self-pay listing
44	\$287,726.72	\$0.00	\$0.00	No – Allowable Charges are Below Threshold ⁴	Claim should be removed from self-pay listing
45	\$287,306.27	\$0.00	\$0.00	No – Allowable Charges are Below Threshold ⁴	Claim should be removed from self-pay listing
46	\$287,306.27	\$0.00	\$0.00	No – Duplicate Claim ³	Claim should be removed from self-pay listing
47	\$287,151.66	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing
48	\$279,505.13	\$279,505.13	\$0.00	Yes	Not Applicable

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
49	\$272,066.71	\$0.00	\$0.00	No – Allowable Charges are Below Threshold ⁴	Claim should be removed from self-pay listing
50	\$265,747.39	\$266,894.70	\$0.00	Yes	An adjustment is needed to total charges
51	\$262,909.82	\$0.00	\$0.00	No – Still an Active Claim	Claim should be removed from self-pay listing
52	\$262,300.73	\$0.00	\$0.00	No – Allowable Charges are Below Threshold ⁴	Claim should be removed from self-pay listing
53	\$260,293.27	\$260,293.27	\$0.00	Yes	Not Applicable
54	\$258,430.57	\$0.00	\$0.00	No – Paid by Medical Assistance	Claim should be removed from self-pay listing
55	\$246,297.84	\$0.00	\$0.00	No – Allowable Charges are Below Threshold ⁴	Claim should be removed from self-pay listing
56	\$245,430.80	\$0.00	\$0.00	No – Allowable Charges are Below Threshold ⁴	Claim should be removed from self-pay listing
57	\$245,430.80	\$0.00	\$0.00	No – Duplicate Claim ³	Claim should be removed from self-pay listing
58	\$241,755.71	\$0.00	\$0.00	No – Allowable Charges are Below Threshold ⁴	Claim should be removed from self-pay listing
59	\$240,998.55	\$240,998.55	\$0.00	Yes	Not Applicable
60	\$238,933.03	\$238,933.03	\$10,044.50	Yes	Not Applicable
61	\$236,010.18	\$236,021.61	\$0.00	Yes	Not Applicable ²
62	\$233,929.41	\$0.00	\$0.00	No – Allowable Charges are Below Threshold ⁴	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
63	\$233,567.64	\$0.00	\$0.00	No – Allowable Charges are Below Threshold ⁴	Claim should be removed from self-pay listing
64	\$227,452.16	\$227,452.16	\$0.00	Yes	Not Applicable
65	\$224,123.59	\$0.00	\$0.00	No – Allowable Charges are Below Threshold ⁴	Claim should be removed from self-pay listing
66	\$221,327.72	\$0.00	\$0.00	No – Paid by Medical Assistance	Claim should be removed from self-pay listing
67	\$220,672.19	\$220,672.19	\$0.00	Yes	Not Applicable
68	\$219,630.20	\$0.00	\$0.00	No – Paid by Medical Assistance	Claim should be removed from self-pay listing
69	\$218,182.62	\$218,182.62	\$0.00	Yes	Not Applicable
70	\$217,696.14	\$0.00	\$0.00	No – Paid by Medical Assistance	Claim should be removed from self-pay listing
71	\$214,051.01	\$214,051.01	\$0.00	Yes	Not Applicable
72	\$206,098.10	\$0.00	\$0.00	No – Allowable Charges are Below Threshold ⁴	Claim should be removed from self-pay listing

For Total Inpatient Days and Total MA Days:

For the total inpatient days and total MA days for fiscal year ended June 30, 2022, our results are as follows:

For FYE 6/30/22	Originally Submitted Number of Days	Substantiated Number Based on Source Documents	Explanation of Difference
Total Inpatient Days	338,886	338,886	Not Applicable

For FYE 6/30/22	Originally Submitted Number of Days	Substantiated Number Based on Source Documents	Explanation of Difference
FFS Days	27,345	27,345	Not Applicable

For FYE 6/30/22 HMO Days	Originally Submitted Number of Days	Substantiated Number Based on Source Documents	Explanation of Difference
Health Partners	184	184	Not Applicable
Amerihealth Caritas Comm Health Choices	20,857	20,857	Not Applicable
Gateway Health Plan	1,378	1,378	Not Applicable
Keystone First Medicaid	1,365	1,365	Not Applicable
CCBH Health Choices	414	414	Not Applicable
Magellan	5,580	5,580	Not Applicable
UPMC For You	3,692	3,692	Not Applicable
Highmark Wholecare Gateway Medicaid	4,943	4,943	Not Applicable
Aetna Better Health	4,743	4,743	Not Applicable
United Healthcare Community Plan	4,313	4,313	Not Applicable
Geisinger Health Plan	3,455	3,455	Not Applicable
PHW Community Healthchoices Medicaid	327	327	Not Applicable
Health Choices	293	293	Not Applicable

For FYE 6/30/22 OOS Days	Originally Submitted Number of Days	Substantiated Number Based on Source Documents	Explanation of Difference
Delaware	2	2	Not Applicable
Maryland	6	6	Not Applicable
New Jersey	513	513	Not Applicable
New York	824	824	Not Applicable
Virginia	28	28	Not Applicable
Georgia	28	28	Not Applicable
Connecticut	21	21	Not Applicable
Florida	233	233	Not Applicable
Multiple	147	0	No Overall Variance
Colorado	0	12	
Illinois	0	8	
Iowa	0	2	
Massachusetts	0	10	
Michigan	0	13	
New Hampshire	0	26	
North Carolina	0	18	

For FYE 6/30/22 OOS Days (Continued)	Originally Submitted Number of Days	Substantiated Number Based on Source Documents	Explanation of Difference
Oklahoma	0	3	No Overall Variance (Continued)
Oregon	0	21	
Puerto Rico	0	6	
Rhode Island	0	8	
Tennessee	0	6	
Texas	0	9	
Washington	0	5	

PHC4 will contact you with instructions regarding entering adjustments to your facility’s originally submitted claims during the self-verification process. The facility’s failure to remove any claims identified as not qualifying as extraordinary expense claims from the PHC4 self-pay claims listing during the self-verification process will result in the facility’s records in the PHC4 database being inaccurate and DHS concluding that the facility is ineligible for payment under the extraordinary expense method. In addition to completing adjustments in the PHC4 database, any revisions to originally submitted days data on your facility’s MA-336 Cost Report should be submitted through the iPACRs system based on the results of our procedures.

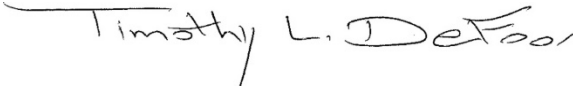
We are in the process of conducting engagements for all facilities that are potentially eligible for a 2025 Tobacco Settlement subsidy entitlement payment. After all the engagements are completed, we will prepare for DHS’ use a report detailing the results of all of our engagements.

DHS will use each hospital’s verified PHC4 database and revised MA-336 Cost Report to pull 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 2025 Tobacco Settlement subsidy entitlement payment. DHS establishes the date that these payments will be distributed to all eligible hospitals.

As a reminder, this facility may submit any claims coded as having Medicare, Medicaid, or any other insurance when submitted to the PHC4 for the fiscal year ended June 30, 2023, which the facility now believes qualify as self-pay claims, and which have total charges above this facility’s threshold of \$204,952.37. We refer to these types of claims as “additional claims” and these additional claims must be submitted to us no later than October 31, 2024. For facilities that submit additional claims, we will send the results of our procedure to each respective hospital.

We thank the staff of Lehigh Valley Health Network for the cooperation extended to us during the course of our engagement. If you have any questions, please feel free to contact the Bureau of County Audits – Hospital and Tobacco Division at 717-787-1159.

Sincerely,

Handwritten signature of Timothy L. DeFoor in black ink.

Timothy L. DeFoor
Auditor General

**LEHIGH VALLEY HOSPITAL
REPORT DISTRIBUTION
2025 TOBACCO SETTLEMENT PAYMENT DATA**

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