

# TOBACCO SETTLEMENT PROGRAM

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## UPMC Children's Hospital of Pittsburgh Tobacco Settlement Payment Data Year 2026

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August 2025



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR  
AUDITOR GENERAL**

July 30, 2025

Mr. Mario Wilfong  
Chief Financial Officer  
UPMC Children's Hospital of Pittsburgh  
One Children's Hospital Drive  
4401 Penn Avenue  
Pittsburgh, PA 15224

Re: UPMC Children's Hospital of Pittsburgh

Dear Mr. Wilfong:

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 UPMC Children's Hospital of Pittsburgh (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.<sup>1</sup>

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<sup>1</sup> 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, 2024 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, 2023. 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, 2024, the facility reported 13 potentially eligible extraordinary expense claims. The results of our procedures disclosed that one of the 13 reported potentially eligible extraordinary expense claims met the criteria to qualify as an extraordinary expense claim. The chart below details our results and explains any adjustments that your facility should make to the PHC4 Database. Since we determined that one of the 13 reported claims submitted by the facility qualifies as an extraordinary expense claim, this facility could be eligible for payment under the extraordinary expense method for the 2026 Tobacco Settlement Payment Year.

Claim No.	Originally Reported Total Charges	Substantiated Total Charges Based on Account Notes	Patient Payments Applied to Account	Qualify (Yes/No) – Reason for Not Qualifying	Adjustment(s) Needed
1	\$8,443,290.76	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing
2	\$2,019,926.25	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing
3	\$1,628,298.55	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing
4	\$1,487,377.25	\$0.00	\$0.00	No – 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 (Yes/No) – Reason for Not Qualifying	Adjustment(s) Needed
5	\$1,355,232.05	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing
6	\$1,001,419.75	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing
7	\$862,676.75	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing
8	\$608,650.50	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing
9	\$515,408.25	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing
10	\$419,799.75	\$0.00	\$0.00	No – Paid by Insurance	Claim should be removed from self-pay listing
11	\$346,822.00	\$346,822.00	\$0.00	Yes	Not Applicable
12	\$316,593.50	\$0.00	\$0.00	No – Not a Self-Pay Claim	Claim should be removed from self-pay listing
13	\$284,404.75	\$0.00	\$0.00	No – Not a Self-Pay Claim	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, 2023, our results are as follows:

For FYE 6/30/23	Originally Submitted Number of Days	Substantiated Number Based on Source Documents	Explanation of Difference
Total Inpatient Days	90,936	90,936	Not Applicable

For FYE 6/30/23	Originally Submitted Number of Days	Substantiated Number Based on Source Documents	Explanation of Difference
FFS Days	2,651	2,651	Not Applicable

For FYE 6/30/23 HMO Days	Originally Submitted Number of Days	Substantiated Number Based on Source Documents	Explanation of Difference
Best Healthcare	25,867	25,867	Not Applicable
Gateway Health	10,034	10,034	Not Applicable
MedPlus	1,529	1,529	Not Applicable
PA MA MGD (SM)	2,078	2,078	Not Applicable
Aetna	618	618	Not Applicable
Geisinger Healthcare	706	706	Not Applicable
United Healthcare	36	36	Not Applicable

For FYE 6/30/23 OOS Days	Originally Submitted Number of Days	Substantiated Number Based on Source Documents	Explanation of Difference
Maryland	226	226	Not Applicable
New York	419	419	Not Applicable
Ohio	1,841	1,841	Not Applicable
Virginia	58	58	Not Applicable
West Virginia	1,978	1,978	Not Applicable
South Carolina	630	630	Not Applicable
Michigan	137	137	Not Applicable
Texas	51	51	Not Applicable
Other	392	0	No Overall Variance
Alabama	0	50	
Arkansas	0	3	
Arizona	0	3	
Connecticut	0	2	
Florida	0	4	
Georgia	0	31	
Indiana	0	30	
Kentucky	0	42	
Missouri	0	4	
Mississippi	0	3	
Montana	0	5	
North Carolina	0	31	
Pennsylvania <sup>2</sup>	0	177	
Vermont	0	7	

<sup>2</sup> The out-of-state days that are listed as Pennsylvania are for patients with out-of-state insurance but reside in Pennsylvania.

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.

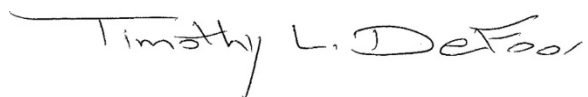
We are in the process of conducting engagements for all facilities that are potentially eligible for a 2026 Tobacco Settlement subsidy entitlement payment. After all the engagements are completed, we will prepare for DHS' use a report detailing the results of all of our engagements.

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 2026 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, 2024, which the facility now believes qualify as self-pay claims, and which have total charges above this facility's threshold of \$278,676.75. We refer to these types of claims as "additional claims" and these additional claims must be submitted to us no later than October 31, 2025. For facilities that submit additional claims, we will send the results of our procedure to each respective hospital.

We thank the staff of UPMC Children's Hospital of Pittsburgh 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,

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a horizontal line extending from the left side of the first name.

Timothy L. DeFoor  
Auditor General

**UPMC CHILDREN'S HOSPITAL OF PITTSBURGH  
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