



DEPARTMENT OF HEALTH & HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL

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JUN 23 2009

Report Number: A-03-08-00202

Theodore Dallas
Executive Deputy Secretary
Department of Public Welfare
Health and Welfare Building, Room 234
Harrisburg, Pennsylvania 17105-2675

Dear Mr. Dallas:

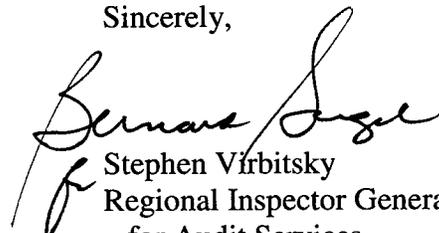
Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of Disproportionate Share Hospital Payments Made by Pennsylvania to State-Operated Institutions for Mental Diseases." We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

Pursuant to the Freedom of Information Act, 5 U.S.C. § 552, OIG reports generally are made available to the public to the extent that information in the report is not subject to exemptions in the Act. Accordingly, this report will be posted on the Internet at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me, or contact Robert Baiocco, Audit Manager, at (215) 861-4486, or through e-mail at Robert.Baiocco@oig.hhs.gov. Please refer to report number A-03-08-00202 in all correspondence.

Sincerely,


Stephen Virbitsky
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Jackie Garner
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Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF DISPROPORTIONATE
SHARE HOSPITAL PAYMENTS
MADE BY PENNSYLVANIA TO
STATE-OPERATED
INSTITUTIONS FOR MENTAL
DISEASES**



Daniel R. Levinson
Inspector General

June 2009
A-03-08-00202

Office of Inspector General

<http://oig.hhs.gov>

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Pursuant to the Freedom of Information Act, 5 U.S.C. § 552, Office of Inspector General reports generally are made available to the public to the extent that information in the report is not subject to exemptions in the Act.

OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

EXECUTIVE SUMMARY

BACKGROUND

Pursuant to Title XIX of the Social Security Act (the Act), the Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly fund and administer the Medicaid program. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements. In Pennsylvania, the Department of Public Welfare (the State agency) administers the Medicaid program. Pennsylvania's Federal share is approximately 55 percent.

Section 1923 of the Act requires that States make Medicaid disproportionate share hospital (DSH) payments to hospitals that serve a disproportionately large number of low-income patients. The Omnibus Budget Reconciliation Act of 1993 limits these payments to the annual costs incurred to provide services to Medicaid and uninsured patients less payments received for those patients. This limit is known as the hospital-specific DSH limit.

In State fiscal year (FY) 2006–07, Pennsylvania made \$291.9 million (\$158.8 million Federal share) in DSH payments to eight State-operated Institutions for Mental Diseases (IMD). Section 1905(i) of the Act and 42 CFR § 435.1010 define an IMD as “a hospital, nursing facility, or other institution of more than 16 beds, that is primarily engaged in providing diagnosis, treatment, or care of persons with mental diseases, including medical attention, nursing care and related services.”

OBJECTIVES

Our objectives were to determine whether the State agency (1) complied with Federal and State requirements when it calculated DSH payments to the eight State-operated IMDs for State FY 2006–07 and (2) did not exceed the hospital-specific limits imposed by section 1923(g) of the Act.

SUMMARY OF FINDING

The State agency did not comply with Federal and State requirements when it calculated the hospital-specific limits for the eight State-operated IMDs for State FY 2006–07. The State agency included in its calculations some patient days for individuals who were inmates being held involuntarily by the State's criminal justice system. We removed the unallowable days and recalculated the hospital-specific limits for each State-operated IMD. Our calculation totaled \$349,268,003. DSH payments to the eight State-operated IMDs totaled \$291,927,766 for State FY 2006–07. The appendix provides the calculation of the hospital-specific limit and the DSH payments made for each of the eight State-operated IMDs. The State agency's DSH payments did not exceed the corrected hospital-specific limits imposed by section 1923(g) of the Act for any of the eight State-operated IMDs.

Although the DSH payments did not exceed the hospital-specific limit for the eight State-operated IMDs, the State agency's inclusion of unallowable patient days in the hospital-specific limit calculation leads us to express our concern that the State may in the future make DSH payments in excess of the hospital-specific limit.

RECOMMENDATION

We recommend that the State agency amend its State plan to comply with Federal guidance to exclude costs associated with individuals under the control of the State's criminal justice system from its calculation of the hospital-specific DSH limits for the State-operated IMDs.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency did not concur with our recommendation to amend its State plan, but said that it would work with CMS to secure both a determination on the State-operated IMD's medical facility status and a more detailed determination regarding medical assistance eligibility for incarcerated patients. The State agency also said that Office of Inspector General's methodology for calculating the hospital-specific limit was based on incorrect patient census and payment data. The State agency's comments are presented in their entirety as Appendix B.

OFFICE OF INSPECTOR GENERAL RESPONSE

We revised Appendix A to clarify the patient days as noted by the State agency. This change had no effect on the calculation of the hospital-specific limit for the eight State-operated IMDs. However, nothing in the State agency's comments has given us cause to change our recommendation.

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INTRODUCTION

BACKGROUND

The Medicaid Program

Pursuant to Title XIX of the Social Security Act (the Act), the Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly fund and administer the Medicaid program. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements. In Pennsylvania, the Department of Public Welfare (the State agency) administers the Medicaid program. Pennsylvania's Federal share is approximately 55 percent.

Section 1905(a) of the Act and 42 CFR § 435.1009(a)(1) prohibit Medicaid funding for individuals who are inmates of public institutions.

Medicaid Disproportionate Share Hospital Program

The Omnibus Budget Reconciliation Act of 1981 established the Medicaid Disproportionate Share Hospital (DSH) program. Section 1902 of the Act requires State Medicaid programs to “. . . take into account (in a manner consistent with section 1923) the situation of hospitals which serve a disproportionate number of low-income patients with special needs” when determining payment rates for inpatient hospital care. This requirement is referred to as the Medicaid DSH payment adjustment.

Section 1923 of the Act requires that States make Medicaid DSH payments to hospitals that serve a disproportionately large number of low-income patients. The Omnibus Budget Reconciliation Act of 1993 limits these payments to the annual costs incurred to provide services to Medicaid and uninsured patients less payments received for those patients. This limit is known as the hospital-specific DSH limit.

In an August 1994 letter to State Medicaid directors, CMS clarified the DSH provisions of the Omnibus Budget Reconciliation Act of 1993. In regard to the costs of services under the DSH limit, CMS stated that it would:

. . . permit the State to use the definition of allowable costs in its State plan, or any other definition, as long as the costs determined under such a definition do not exceed the amounts that would be allowable under the Medicare principles of cost reimbursement. . . HCFA¹ believes this interpretation of the term “costs incurred” is reasonable because it provides States with a great deal of flexibility up to a maximum standard that is widely known and used in the determination of hospital costs.

¹CMS was formerly called the Health Care Financing Administration (HCFA).

Institutions for Mental Diseases

Section 1905(i) of the Act and 42 CFR § 435.1010 define an Institution for Mental Disease (IMD) as “a hospital, nursing facility, or other institution of more than 16 beds, that is primarily engaged in providing diagnosis, treatment, or care of persons with mental diseases, including medical attention, nursing care and related services.” Psychiatric hospitals (including State-operated and private psychiatric hospitals) and inpatient psychiatric residential treatment facilities with more than 16 beds are IMDs. Conversely, not all facilities that provide inpatient psychiatric care are classified as IMDs. Specifically, facilities that have fewer than 17 beds, and those facilities that are not primarily engaged in providing care to persons with mental diseases (regardless of the number of beds) are not IMDs.

Pennsylvania’s Institutions for Mental Diseases

During our audit period, the State agency operated eight IMDs (State-operated IMDs) for persons with serious mental illness. In State fiscal year (FY) 2006–07, the State agency made DSH payments to all of the State-operated IMDs:

- Allentown State Hospital, Allentown, Pennsylvania (Allentown)
- Clarks Summit State Hospital, Clarks Summit, Pennsylvania (Clarks Summit)
- Danville State Hospital, Danville, Pennsylvania (Danville)
- Mayview State Hospital, Bridgeville, Pennsylvania (Mayview)
- Norristown State Hospital, Norristown, Pennsylvania (Norristown)
- Torrance State Hospital, Torrance, Pennsylvania (Torrance)
- Warren State Hospital, North Warren, Pennsylvania (Warren)
- Wernersville State Hospital, Wernersville, Pennsylvania (Wernersville)

These facilities provide intensive treatment for patients needing extended psychiatric inpatient care. Mayview, Norristown, and Warren each provided services through forensic units as well as psychiatric units.² Forensic units serve individuals who require treatment in highly secure buildings.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

Our objectives were to determine whether the State agency (1) complied with Federal and State requirements when it calculated DSH payments to the eight State-operated IMDs for State FY 2006–07 and (2) did not exceed the hospital-specific limits imposed by section 1923(g) of the Act.

²Mayview has closed since our audit was conducted.

Scope

Our audit covered \$291,927,766 (\$158,842,420 Federal share) in DSH payments claimed by the State agency and made to its eight State-operated IMDs for State FY 2006–07.³ We did not perform an in-depth review of the State’s internal control structure; however, we made a limited assessment of the fiscal controls related to DSH claims submitted for Federal reimbursement.

We performed fieldwork during March and April 2008 at the offices of the State agency in Harrisburg, Pennsylvania.

Methodology

To accomplish our objectives, we:

- reviewed the Omnibus Budget Reconciliation Acts of 1981 and 1993, sections 1902 and 1923 of the Act, and other applicable DSH criteria;
- reviewed those pages of Attachment 4.19A of the Medicaid State plan that governed DSH payments;
- reconciled \$291.9 million (\$158.8 million Federal share) of DSH payments claimed by the State agency for State FY 2006–07 on the Quarterly Medicaid Statements of Expenditures for the Medical Assistance Program, Form CMS-64 (CMS-64);
- calculated the hospital-specific DSH limit for each of the State-operated IMDs for State FY 2006–07 through an analysis of hospital cost reports and other supporting documentation;
- compared the DSH payments to the hospital-specific DSH limits; and
- discussed the audit results with CMS and State agency officials.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusion based on our audit objectives.

FINDING AND RECOMMENDATION

The State agency did not comply with Federal and State requirements when it calculated the hospital-specific limits for the eight State-operated IMDs for State FY 2006–07. The State agency included in its calculations some patient days for individuals who were inmates being

³This is one of two audits that reviewed the State agency’s DSH program for IMDs. The other was “Review of Pennsylvania’s Determination of Medicaid Disproportionate Share Hospital Eligibility for State–Operated Institutions for Mental Diseases,” (A-03-08-00203).

held involuntarily by the State’s criminal justice system. We removed the unallowable days and recalculated the hospital-specific limits for each State-operated IMD. Our calculation totaled \$349,268,003. DSH payments to the eight State-operated IMDs totaled \$291,927,766 for State FY 2006–07. The appendix provides the calculation of the hospital-specific limit and the DSH payments made for each of the eight State-operated IMDs. The State agency’s DSH payments did not exceed the corrected hospital-specific limits imposed by section 1923(g) of the Act for any of the eight State-operated IMDs.

Although the DSH payments did not exceed the hospital-specific limit for the eight State-operated IMDs, the State agency’s inclusion of unallowable patient days in the hospital-specific limit calculation leads us to express our concern that the State may in the future make DSH payments in excess of the hospital-specific limit.

FEDERAL REQUIREMENTS AND GUIDANCE

Section 1905(a)(xiii)(28) of the Act excludes Medicaid payment for all services to “A . . . any individual who is an inmate of a public institution (except as a patient in a medical institution . . .” Additionally, 42 CFR § 435.1009(a)(1) states that Federal funding is not available for services to “individuals who are inmates of public institutions as defined in Sec. 435.1010.” [sic.] Pursuant to 42 CFR § 435.1010, “[i]nmate of a public institution means a person who is living in a public institution. An individual is not considered an inmate if . . . (b) He is in a public institution for a temporary period pending other arrangements appropriate to his needs.” In a letter to Associate Regional Administrators dated December 12, 1997, CMS stated that “[a]n individual is an inmate when serving time for a criminal offense or confined involuntarily in State or Federal prisons, jails, detention facilities, or other penal facilities.” (Emphasis added.) CMS further clarified that inmates of correctional facilities are wards of the State, which is responsible for their medical coverage and therefore, the State agency cannot make DSH payments to cover the cost of their care (State Medicaid Director’s Letter 02-013, August 16, 2002).

42 CFR § 430.10 requires States to include assurances that the State plan is in compliance with Federal law, regulations, and official guidance issued by the U.S. Department of Health and Human Services.

UNALLOWABLE INPATIENT DAYS USED TO CALCULATE HOSPITAL-SPECIFIC LIMITS

The State agency incorrectly included in its calculation of the hospital-specific limits patient days excluded under section 1905(a)(xiii)(28) of the Act for individuals being involuntarily held in public institutions by the State’s criminal justice system. The State agency based its calculation of the hospital-specific limits on 650,031 inpatient days, which included 38,546 days related to individuals being held involuntarily by the State’s criminal justice system. Table 1 on the following page identifies the unallowable and adjusted patient days for each State-operated IMD.

Table 1: Patient Days Used in Hospital-Specific Calculation

Facility Name	Total Patient Days—State Calculated	Total Days for Incarcerated Individuals	Total Patient Days—OIG⁴ Calculated
Allentown	58,987	793	58,194
Clarks Summit	75,055	1,857	73,198
Danville	60,206	1,909	58,297
Mayview (Psychiatric Unit)	89,757	2,117	87,640
Mayview (Forensic Unit)	19,157	5,740	13,417
Norristown (Psychiatric Unit)	102,989	5,274	97,715
Norristown (Forensic Unit)	35,927	12,076	23,851
Torrance	72,748	932	71,816
Warren (Psychiatric Unit)	53,402	2,709	50,693
Warren (Forensic Unit)	8,840	2,994	5,846
Wernersville	72,963	2,145	70,818
Total	650,031	38,546	611,485

Using the corrected number of patient days, we determined the hospital-specific limit for each of the eight State-operated IMDs for State FY 2006–07 by calculating hospital costs based on per diem rates for inpatient stays and subtracting Medicaid payments and patient payments received by each of the State-operated IMDs. We subtracted DSH payments from the hospital-specific limits to calculate the remaining uncompensated care costs. (See Appendix A.) Table 2 summarizes the hospital-specific limit and DSH payment for each State-operated IMD.

Table 2: OIG Calculated Hospital-Specific Limit

Facility Name	OIG Calculated Hospital Specific Limit	State Agency DSH Payments
Allentown	\$34,351,456	\$27,045,382
Clarks Summit	41,865,733	31,694,595
Danville	33,041,690	23,181,386
Mayview (Psychiatric Unit included)	58,100,239	55,454,375
Norristown (Psychiatric Unit included)	67,744,087	66,874,950
Torrance	38,656,830	33,032,521
Warren (Psychiatric Unit included)	36,421,842	30,007,472
Wernersville	39,086,126	24,637,085
Total	\$349,268,003	\$291,927,766

⁴OIG denotes Office of Inspector General.

HOSPITAL-SPECIFIC LIMITS IMPROPERLY CALCULATED

The hospital-specific limits for the eight State-operated IMDs were inflated because they included patient days and related service costs for inmates under the control of the State's criminal justice system. Federal laws and guidance prohibit the inclusion of individuals who are inmates of public institutions, including correctional facilities. Although the State agency's DSH payments did not exceed the hospital-specific limits for the eight State-operated IMDs, we have some concern that DSH payments may exceed the hospital-specific limits in the future.

RECOMMENDATION

We recommend that the State agency amend its State plan to comply with Federal guidance to exclude costs associated with individuals under the control of the State's criminal justice system from its calculation of the hospital-specific DSH limits for the State-operated IMDs.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency did not concur with our recommendation to amend its State plan, but said that it would work with CMS to secure both a determination on the State-operated IMD's medical facility status and a more detailed determination regarding medical assistance eligibility for incarcerated patients. The State agency also said that OIG's methodology for calculating the hospital-specific limit was based on incorrect patient census and payment. It presented its calculation for Allentown State Hospital as an example of its calculation. The State agency's comments are presented in their entirety as Appendix B.

OFFICE OF INSPECTOR GENERAL RESPONSE

We revised Appendix A to clarify the patient days as noted by the State agency. This change had no effect on the calculation of the hospital-specific limit for the eight State-operated IMDs. The State agency's example represented its intended DSH payment for Allentown State hospital, not the hospital-specific limit, which we calculated. We did not question the State agency's DSH payments in our report. Accordingly, nothing in the State agency's comments has given us cause to change our recommendation.

APPENDIXES

HOSPITAL-SPECIFIC LIMITS AND UNCOMPENSATED CARE CALCULATIONS

The first line represents costs for services provided in psychiatric units in each of the eight State-operated Institutions for Mental Diseases (IMD). The calculation for Mayview, Norristown, and Warren State Hospitals include a second line representing costs for services provided in forensic units. The patient days did not include individuals under the control of the State's criminal justice system. State-operated IMD records classify patient types into three groups:

1) Individuals covered by the State's Medicaid program, 2) Patient Pay - individuals with no insurance who made payments for their services from personal funds, and 3) Indigent - individuals with no insurance who have made no payments for their services.

Allentown State Hospital					
Patient Days by Payer Type					
Medicaid	Patient Pay	Indigent	Total	Per Diem	Patient Costs
5,944	32,929	19,321	58,194	\$609.83	\$35,488,447
				Medicaid Payments	-288,064
				Patient Payments	-848,927
				Hospital-Specific Limit	\$34,351,456
				DSH Payments ¹	-27,045,382
				Uncompensated Care	\$7,306,074

Clarks Summit State Hospital					
Patient Days by Payer Type					
Medicaid	Patient Pay	Indigent	Total	Per Diem	Patient Costs
9,187	44,950	19,061	73,198	\$589.80	\$43,172,180
				Medicaid Payments	-273,657
				Patient Payments	-1,032,790
				Hospital-Specific Limit	\$41,865,733
				DSH Payments	-31,694,595
				Uncompensated Care	\$10,171,138

¹DSH denotes Disproportionate Share Hospital.

Danville State Hospital					
Patient Days by Payer Type					
Medicaid	Patient Pay	Indigent	Total	Per Diem	Patient Costs
8,698	32,601	16,998	58,297	\$588.88	\$34,329,937
				Medicaid Payments	-380,565
				Patient Payments	-907,682
				Hospital-Specific Limit	\$33,041,690
				DSH Payments	-23,181,386
				Uncompensated Care	\$9,860,304

Mayview State Hospital					
Patient Days by Payer Type					
Medicaid	Patient Pay	Indigent	Total	Per Diem	Patient Costs
11,202	43,830	32,608	87,640	\$564.04	\$49,432,466
0	3,261	10,156	13,417	\$750.67	10,071,739
				Medicaid Payments	-455,741
				Patient Payments	-948,225
				Hospital-Specific Limit	\$58,100,239
				DSH Payments	-55,454,375
				Uncompensated Care	\$2,645,864

Norristown State Hospital					
Patient Days by Payer Type					
Medicaid	Patient Pay	Indigent	Total	Per Diem	Patient Costs
13,145	45,391	39,179	97,715	\$534.27	\$52,206,193
0	11,380	12,471	23,851	\$733.58	17,496,617
				Medicaid Payments	-710,193
				Patient Payments	-1,248,530
				Hospital-Specific Limit	\$67,744,087
				DSH Payments	-66,874,950
				Uncompensated Care	\$869,137

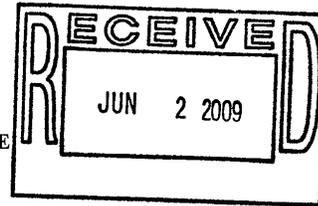
Torrance State Hospital					
Patient Days by Payer Type					
Medicaid	Patient Pay	Indigent	Total	Per Diem	Patient Costs
7,082	40,169	24,565	71,816	\$555.42	\$39,888,043
				Medicaid Payments	-220,100
				Patient Payments	-1,011,113
				Hospital-Specific Limit	\$38,656,830
				DSH Payments	-33,032,521
				Uncompensated Care	\$5,624,309

Warren State Hospital					
Patient Days by Payer Type					
Medicaid	Patient Pay	Indigent	Total	Per Diem	Patient Costs
6,563	26,068	18,062	50,693	\$647.91	\$32,844,502
0	1,820	4,026	5,846	\$784.16	4,584,199
				Medicaid Payments	-293,614
				Patient Payments	-713,245
				Hospital-Specific Limit	\$36,421,842
				DSH Payments	-30,007,472
				Uncompensated Care	\$6,414,370

Wernersville State Hospital					
Patient Days by Payer Type					
Medicaid	Patient Pay	Indigent	Total	Per Diem	Patient Costs
12,681	41,949	16,188	70,818	\$581.49	\$41,179,959
				Medicaid Payments	-868,650
				Patient Payments	-1,225,183
				Hospital-Specific Limit	\$39,086,126
				DSH Payments	-24,637,085
				Uncompensated Care	\$14,449,041



COMMONWEALTH OF PENNSYLVANIA
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Dear Mr. Virbitsky:

Thank you for your March 12 letter that transmitted the draft report entitled "Review of Disproportionate Share Hospital Payments Made by Pennsylvania to State-Operated Institutions for Mental Diseases" for the period July 1, 2006 through June 30, 2007.

This audit determined that the eight State-Operated Institutions for Mental Diseases (IMDs) received a total of \$291.9 million (\$158.8 million Federal share) in Disproportionate Share Hospital (DSH) payments. Based on the patient census data collected, the claims made for DSH payments were within each State-operated IMD's hospital specific limit.

Office of Inspector General (OIG) Recommendation: We recommend that the State agency amend its State plan to comply with Federal guidance to exclude costs associated with individuals under the control of the State's criminal justice system from its calculation of the hospital-specific DSH limits for the State-Operated IMDs.

Department of Public Welfare (DPW) Response: The OIG states on page 1 of the report that the objectives of this audit were to "determine whether the State agency (1) complied with Federal and State requirements when it calculated DSH payments to the eight State-operated IMDs for State FY 2006-07 and (2) did not exceed the hospital-specific limits imposed by section 1923(g) of the Act." The DPW believes that the OIG has published within this report several inaccuracies with regard to both the patient census data and calculation used to determine the Hospital-Specific Limit for each IMD.

Specifically, the days reflected in Table 1 of the report, Total Patient Days – State Calculated, are not the days actually reported on the claim for DSH payment. The OIG calculated the days from source data that the DPW Reimbursement Operations Section (ROS) does not utilize. A data dump showing State-Operated IMD's patients' Medical Assistance (MA) eligibility was provided by the DPW, Office of Income Maintenance

Mr. Stephen Virbitsky

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(OIM), and from the DPW's Client Information System (CIS). The OIG used this data dump to determine a patient's eligibility for Medical Assistance (MA), even though the patient is not eligible when institutionalized. If a patient is between the ages of 22 to 64 and institutionalized within the State-Operated IMD, then the DPW does not bill MA for the days. ROS provided the MA Charge Reconciliation Report as a source document for MA days to the OIG during this audit.

The OIG utilized a portion of the State Plan within the report that does not apply to the State-Operated IMDs, specifically page 25 titled "Additional Disproportionate Share Payment", which allows for additional DSH payments to Private Inpatient Hospitals. The additional payments claimed are determined by private hospitals after verification that the patient has met the "income and resource standards for the State's General Assistance Program." The OIG incorrectly applied this portion of the plan and the CIS data dump to qualify Self-Pay (Indigent) patients as General Assistance (GA). Patient days reported by the DPW include Medicaid, Indigent and Patient Pay. The State-Operated IMDs do not have categorized GA days.

Within the Appendix section of the audit report, the DPW records do not tie to the breakdown of patient days by payer type identified by the OIG, as the 06/07 MA days, as stated above, are being pulled from the wrong source document; therefore, MA days are clearly overstated. For example, Allentown State Hospital had 5,944 MA days according to the DPW's records; however, the OIG listed the total MA days as 16,266 days.

Additionally, in the Appendix, the calculation that the OIG used to arrive at the Hospital-Specific Limit seems to be overstated. For example, the DSH limit for Allentown State Hospital (ASH) according to the DPW's records is \$29,979,659 (as identified below) and the OIG calculated the limit within this audit report as \$34,351,456. Based on Allentown's calculation, the OIG reduced MA payments from the \$3,336,765 reported by the DPW to \$288,064. This results in understated MA Revenues of approximately \$3,048,701. Also, the DPW deducts revenues received for both Medicare Part B and Medicare Part D when determining the Hospital-Specific Limit, which the OIG did not adjust as part of their calculation.

The DPW's calculation of the Hospital-Specific Limit for ASH is as follows:

Total Costs	\$35,972,042
MA	\$(3,336,765)
Medicare Part B	\$(1,125,089)
Medicare Part D	\$(681,602)
Other	\$(848,927)
Hospital-Specific Limit	\$29,979,659

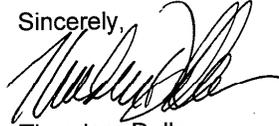
Mr. Stephen Virbitsky

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In the report, it was recommended that the State agency amend its State Plan to exclude costs associated with individuals under the control of the State's criminal justice system from its calculation of the Hospital-Specific DSH Limits for the State-Operated IMDs. The DPW is aware of the clarifications sent by the Centers for Medicare and Medicaid Services (CMS) to the MA program Administrators regarding the determination of inmates. However, the DPW has always viewed the State-Operated IMDs as medical facilities providing active treatment. As a result, the DPW will work with CMS to secure a determination on both the State-Operated IMD's medical facility status and a more detailed determination regarding MA eligibility for incarcerated patients, specifically juvenile offenders.

Thank you for the opportunity to respond to this report. If you need any further information, please contact Alex Matolyak, Bureau of Financial Operations, Audit Resolution Section, at (717) 783-7786, or via e-mail at amatolyak@state.pa.us.

Sincerely,



Theodore Dallas