



INTER-OFFICE MEMORANDUM

**TO:** Zachary Williams, County Manager  
**FROM:** Anthony Nicks, Director of Internal Audit  
**DATE:** August 20, 2010  
**SUBJECT:** GMH Compliance Report

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Background

Grady Memorial Hospital (GMH) is authorized under the direction of the Fulton-DeKalb Hospital Authority and by the amended Memorandum of Understanding (MOU) dated November 4, 2009 to provide medical services to those citizens classified as indigent and charity patients as stipulated in Section 2, Item #1, Certification of Need of the MOU. GMH is obligated to deliver medical services in compliance with the standards of care established by the Joint Commission's Hospital Accreditation Standards and the Center for Medicare and Medicaid Services Guidelines.

We have reviewed the Fulton County Indigent Care Analysis Report received from Grady Memorial Hospital for patients receiving health care services, during the second quarter of 2010. The report disclosed the following statistics for indigent and charity patients served:

Patient Type	Number Served	Total Charges	Total Cost	Payment Received	Uncompensated Cost
Indigent	55,738	\$59,018,385	\$22,757,718	\$4,453,587	\$18,304,131
Charity	12,110	\$11,605,691	\$4,642,505	\$968,427	\$3,674,078

We also reviewed a sample of 288 patients' files from a population of 67,848 of Grady Memorial Hospital patients' accounts for the second quarter of 2010. The files were selected using a statistical model which is designed to provide a representative sample of the total population. The sample selection model provides a 95% confidence level of our audit results. The purpose of our review was to provide assurance that the uncompensated health care cost for the second quarter was the direct result of services delivered to Fulton County citizens eligible to receive indigent and charitable health care services. Our review focused on the eligibility of the patient as defined in the MOU. Per the MOU, patients are considered eligible if they meet both the income and residency requirements. The

requirements are explained as follows:

**Income**

The income requirements state that patients fall into two categories. (1) Those patients whose individual or family income is less than 250% of the Federal Poverty Limit Guideline are eligible to receive services on a sliding scale basis. (2) Those patients whose income falls at or below 125% of the Federal Poverty Limit Guideline are eligible to receive 100% discount.

**Residency**

The residency requirements state that a patient must be a verified resident of Fulton County for at least 30 days at the time of provision of services. In determining residency, the hospital has implemented several policies and procedures that the staff should implement prior to providing services. These policies are detailed under Grady Health System Operational Policy, Verification of Residency and Grady Health System- Financial Assistance Program/ Financial Eligibility Scale. The policies and procedures regarding verification of residency are on file in the Internal Audit office.

As a result of our review, we found exceptions which relate to compliance with GMH eligibility and documentation policies and procedures. The exceptions are listed as income and residency eligibility and documentation exceptions. Documentation exceptions are those caused by insufficient documentation to support identity, earnings, or charges. The results are summarized below.

Exception Summarized by Month	April	May	June	Total
Income eligibility exceptions	-	-	2	2
Residency eligibility exceptions	2	2	3	7
Residency and Income exceptions	1	1	3	5
Records not available for review	-	-	-	-
Patients records containing charge exceptions	1	1	-	2
<b>Total</b>	<b>5</b>	<b>4</b>	<b>8</b>	<b>17</b>

**Patient records containing identification documentation exceptions:**

There were 2 patients' financial files which contained no picture identification in the files.

The identification documentation exceptions require that the hospital personnel conduct additional screening procedures when sufficient identification is not provided and, as such, are not included in the reconciliation calculation. The 2 patients' financial files are not in compliance with GHS Operational and Patient Identification Policy Revised 09/17/08.

**Patient records containing income eligibility exceptions:**

- There were 7 patient files with insufficient documentation available to verify income eligibility.

This exception is not in compliance with the GHS Operational Policy – Financial Counseling Revised 08/03/09 and GHS Financial Assistance Program Requirements Revised 08/09.

**Patient records containing residency eligibility exceptions:**

- There were 5 patient financial files that contained insufficient information to verify residency eligibility at the current addresses reported.

These exceptions indicate non compliance with the GHS Operational Policy – Verification of Residency Revised -8/2/09.

**Patient records which were not provided for our review:**

- There was 1 patient record which was not located or submitted for our review.

This exception indicates non compliance with GHS Operational Policy – Verification of Residency Revised -8/2/09 and MOU May 2009 and GHS Operational Policy – Financial Counseling Revised 08/03/09.

**Patient records reviewed and charge discrepancies noted:**

- There was 1 charge billed as a level 4 service charge when it should have been billed as a level 5 service charge.
- For 1 patient the charge item recorded on the encounter form did not match the charge item posted in the billing system.

These exceptions are the result of our attempts to verify patients' eligibility and sample charges and are not tied to a specific policy or law.

We also noted in our sample of 288 patients that 1 patient was eligible for Medicare A only and 50 patients were eligible for Medicare A&B coverage. A total of 18 patients were eligible for both Medicaid and Medicare and a total of 16 patients were eligible for Medicaid and covered by 3<sup>rd</sup> party insurers. Based on our understanding, the charges incurred by these insured patients represent uncompensated care costs, which are partially reimbursed on a pro rata basis, while the balances remaining are written-off. Fulton County should consider receiving credit for the Medicaid and Medicare reimbursements received by Grady Health System.

The scope of our review is limited to the review of patients classified as indigent (K) and charitable (M). This report is intended solely for the use of the Fulton County, Georgia Board of Commissioners and the Management of Fulton County.

**Grady Hospital Corporation  
Payment Reconciliation**

	<b>2nd Quarter</b>
<b>Total Reimbursement Requested</b>	
<b>Indigent Patient Care</b>	
Type: Indigent K	\$ 18,304,131.00
Type: Charity M	<u>3,674,078.00</u>
<b>Total Reimb Requested</b>	\$ 21,978,209.00
less: deduction for non Fulton Residents 2.08 %	<u>457,872.03</u>
<b>Total Eligible Indigent Care</b>	<u>\$ 21,520,336.97</u>
<b>Prior Year ICTF Funds</b>	\$ 9,550,023.00
<b>Prior Year Allowable Grants</b>	<u>3,779,760.00</u>
<b>Total Amount of Credit</b>	<u>\$ 13,329,783.00</u>
<b>Total Eligible minus PY ICTF and Grant Funds**</b>	\$ 8,190,553.97
<b>Amount Disbursed by FC for Indigent Patient Care</b>	<u>13,558,152.80</u>
<b>Uncompensated Difference</b>	\$ (5,367,598.83)

Calculation of Non Fulton Residency  
Only residency exceptions were used to calculate the exception rate

Patients with insufficient residency Info	5
Patients whose files where not located	1
Files with insufficient residency and income Info	<u>0</u>
	6

<u>Calculation of Exception Percentage</u>	
Files with Residency Exceptions	6
Total Files Reviews	288
 % Deduction for the Quarter (6/288)	 0.020833333

\* Calculated as \$3,183,341 times each month in the quarter

\*\* Calculated as \$1,259,920 times each month in the quarter

\*\*\* Amount of overpayment for the quarter

Based on our calculation, it appears that we have overpaid Grady by \$5,367,598.83