The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

ONE ASHBURTON PLACE, ROOM 1819
BOSTON, MASSACHUSETTS 02108

A. JOSEPH DeNUCCI
AUDITOR

TEL. (617) 727-6200

NO. 99-5069-3

INDEPENDENT STATE AUDITOR'S REPORT ON THE UNCOMPENSATED CARE POOL ADMINISTERED BY THE DIVISION OF HEALTH CARE FINANCE AND POLICY

OFFICIAL AUDIT REPORT

DECEMBER 20, 1999

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The Uncompensated Care Pool (UCP), within the Uncompensated Care Trust Fund, is administered by the Division of Health Care Finance and Policy (DHCFP) under Chapter 118G, Section 18 of the Massachusetts General Laws.

The Uncompensated Care Pool (UCP) is funded by $215 million in hospital assessments, $100 million in surcharges on payers of hospital bills, and $30 million from federal financial participation. From this trust fund, DHCFP reimburses acute care hospitals and community health care centers for eligible services provided to uninsured and underinsured residents of the Commonwealth. Total allowable free care costs expended in hospital fiscal year 1998 consisted of $307 million to acute care hospitals, $16 million to community health care centers, $2.4 million for demonstration programs, and $19.4 million in Reserves. (See Exhibit III)

The Special Commission on Uncompensated Care, in its report dated February 3, 1997, recommended a number of changes to the Uncompensated Care Pool through proposed legislation. In addressing the recommendations and proposed changes of the Commission, the Legislature passed Chapter 47 of the Acts of 1997 "An Act Assisting in Making Health Care Available to Low Income Uninsured and Underinsured Residents of the Commonwealth". The provisions of Chapter 47 were implemented through Chapter 118G of the Massachusetts General Laws and the Code of Massachusetts Regulations 114.6.

The Division of Health Care Finance and Policy and the Massachusetts Hospital Association anticipate that the initiatives implemented as a result of the passage of Chapter 203 of the Acts of 1996 and Chapter 47 of the Acts of 1997 will significantly reduce the uncompensated care shortfall over time. Such initiatives included the infusion of direct pool payments by third parties (surcharge) amounting to $100 million; resulting in reducing hospital pool assessments by the same, increased state funding from $15 million to $30 million, a federal funds transfer deemed to reduce pool demand by $70 million and, lastly, decreased demand on pool resources due to Medicaid expansion.

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- One hospital, owing $833,124, is on a quarterly payment plan and is current on payments.

- One hospital, owing $227,087, is delinquent on payment. The hospital filed for bankruptcy in February 1999. The Division has scheduled meetings with hospital personnel and their attorneys to discuss these obligations.

- One hospital, owing $3,684,484, closed in 1994 and DHCFP is participating in a legal dissolution of the assets.

- The compliance liabilities for the remaining 19 hospitals have been liquidated.

b) Unnecessary Free Care Payments Were Made to Community Health Centers (CHC): 12
The prior review disclosed that DMS, contrary to 117 CMR 8.04(2), did not request the medical record numbers of all patients being billed under the Uncompensated Care Pool (UCP) each month by the Community Health Centers. The report stated that since DMS did not enforce its own reporting requirements, no mechanism existed to compare the medical record numbers of patients of the UCP and the Center Care Program to identify and eliminate duplication. As a result, DMS could not assure that CHC's were not billing UCP and the Center Care Programs for the same patients. Our follow-up review revealed that the criteria for determining eligibility for free care at acute care hospitals and freestanding community health centers has been revised under DHCFP. According to 114.6 CMR 10.04(3)(b)(3), a patient enrolled in programs administered by the Department of Public Health such as Center Care, and who meets the UCP Free Care income eligibility criteria, may be eligible for Free Care for those Medically Necessary Services not covered by these programs.

c) Unassessed Surcharges Resulted in Approximately $740,000 in Lost Revenue to the UCP: 14
The prior review disclosed that, contrary to General Laws, Chapter 118F, Section 15 and 117 CMR 7.04, DMS did not assess surcharges to any hospitals that were delinquent in paying their liabilities for fiscal year 1995. We recommended that DHCFP, as the new administrator of the UCP, assess surcharges to all hospitals that were delinquent in payment of their UCP liabilities. In addition, we recommended that documentation be maintained by DHCFP for all waivers granted to those hospitals having financial difficulties. Our follow-up review revealed that the DMS regulation, established for enforcing UCP liability payments by assessing surcharges to hospitals for liabilities that were outstanding in excess of 45 days, was rewritten by DHCFP. In the new regulation, 114 CMR 11.04, the term surcharge is now known as penalties and interest, as the definition of surcharge has taken on a new meaning. The new regulation provides for certain penalties and interest to be charged for delinquent hospitals and discretion, by DHCFP, to reduce such penalties after considering the hospital's payment history, financial situation, and relative share of payments to the UCP. In addition, the extension of payment schedules may be given to hospitals pursuant to certain criteria and lastly, the regulation provides for notifying the Division of Medical Assistance to offset payments on the claims of

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hospitals or surcharge payers in the amount owed to the UCP, if such entities fail to make scheduled payments and/or maintains an outstanding obligation to the Pool for more than 45 days. As a result of these revised regulations, several payment plans were implemented and outstanding liabilities to the UCP have consistently decreased since July 1996. As of the date of our audit, only one hospital is delinquent. This hospital filed a Chapter 11 bankruptcy petition in February 1999.

INTRODUCTION

Background

The Uncompensated Care Pool (UCP), within the Uncompensated Care Trust Fund, is administered by the Division of Health Care Finance and Policy (DHCFP) under Chapter 118G, Section 18 of the Massachusetts General Laws.

The UCP is funded by $215 million in hospital assessments, $100 million in surcharges on payers of hospital bills (primarily insurance companies and HMOs) and $30 million from federal financial participation (FFP) which is passed through the Division of Medical Assistance and the general fund. From this trust fund, DHCFP reimburses acute care hospitals and community health care centers for eligible services provided to uninsured and underinsured residents of the Commonwealth. Total allowable free care costs expended in hospital fiscal year 1998 consisted of $307 million to acute care hospitals (Exhibit IV), $16 million to community health care centers (Exhibit III & VI), $2.4 million for demonstration programs (Exhibit III), and $19.4 million held in Reserves (Exhibit III).

The UCP was established in 1985 under the auspice of the Rate Setting Commission, to more equitably distribute the financial burden of free care and bad debt, known as uncompensated care, provided by acute hospitals across the state. The responsibility for the administration of this fund was transferred to the Department of Medical Security by Chapter 23 of the Acts of 1988, the Health Security Act. On July 1, 1996, the Department of Medical Security and the Rate Setting Commission were consolidated to create the Division of Health Care Finance and Policy within the Executive Office of Health and Human Services. In accordance with Chapter 118G of the Massachusetts General Laws, the administration of the uncompensated care pool was transferred to this newly created division.

Chapter 118G, Section 18 of the Massachusetts General Laws authorized DHCFP, as administrator of the uncompensated care pool, to develop regulations necessary to manage the pool that include, but are not limited to:

a) Detailing the definition of free care, including, but not limited to, defining the qualifications of eligible persons and the scope of eligible services, setting standards for reasonable efforts to

notify uninsured or underinsured persons of the various insurance options as well as the availability of free care, and setting standards for reasonable efforts to collect costs of emergency care and setting standards to determine medical hardship, that include the review of determinations of eligibility for free care and the establishment of penalties for acute hospitals or community health centers upon audit that show an excessive rate of incorrect eligibility determinations. In addition, regulations to develop and implement methods and procedures to verify the eligibility of individuals for free care to assure that other coverage options are utilized fully before free care is granted.

b) Detailing appropriate mechanisms for the determination of payments subject to surcharges that includes requirements for data to be submitted by such surcharge payors and a determination of the surcharge percentage to be applied to all payments that are subject to a surcharge, that will generate $100 million in revenues. In addition, regulations providing for an appropriate mechanism for enforcing a surcharge payors liability to the pool in the event that a surcharge payor does not make a scheduled payment to the pool.

c) Requiring data submissions from acute hospitals and community health centers that the division determines necessary to efficiently and effectively administer the pool, that includes setting pool audit standards and enforcement mechanisms such as a claims adjudication process for payments from the pool for noncompliance.

d) Detailing appropriate mechanisms for the interim determination and payment of an acute care hospital's liability to and from the pool, that includes a regulation for enforcing an acute care hospital's liability to the pool in the event that an acute care hospital does not make a scheduled payment to the pool, that may include the assessment of interest on any unpaid liability.

Overview of Eligibility Requirements to Receive Free Care

The eligibility categories, under 114 CMR 10, to qualify for free care from the Uncompensated Care Pool, consist of: Full Free Care, Partial Free Care, Medical Hardship and Emergency Bad Debt.

To be eligible for Full Free Care, a patient must be: (a) a Massachusetts resident whose family income is equal to or less than 200% of the Federal Poverty Income Guidelines, or (b) a non-Massachusetts resident who receives emergency or urgent care and whose family income is equal to or less than 200% of the Federal Poverty Income Guidelines, or (c) a person who receives benefits from Healthy Start, Center Care, or Emergency Aid to the Elderly, Disabled and Children (EAEDC) programs for Medically Necessary Services not covered by these programs, or (d) a participant in the Children's Medical Security Plan whose family income is equal to or less than 200% of the Federal Poverty Income Guidelines.

To be eligible for Partial Free Care, a patient must be: (a) a Massachusetts resident whose family income is from 201% to 400% of the Federal Poverty Income Guidelines, or (b) a non-Massachusetts resident receiving Emergency or Urgent Care whose family income is from 201% to 400% of the Federal Poverty Income Guidelines or (c) a participant in the Children's Medical Security Plan whose family income is from 201% to 400% of the Federal Poverty Income Guidelines.

To be eligible for Medical Hardship, a patient must be: (a) a Massachusetts resident, at any income level, whose Allowable Medical Expenses have so depleted the family's income and resources that he or she is unable to pay for Medical Necessary Services, or (b) a non-Massachusetts resident receiving Emergency or Urgent Care, at any income level, may qualify for Medical Hardship if Allowable Medical Expenses have so depleted the family's income and resources that he or she is unable to pay for Medical Necessary Services.

To be eligible for Emergency Bad Debt, a receivable must meet the following conditions: (a) the patient must be uninsured for the services provided; (b) the patient must have received Emergency Care; (c) the patient's condition must be determined by the hospital to require Emergency Care and in the Hospital's Credit and Collection Policy; and (d) the Hospital establishes that appropriate collection action was taken pursuant to written credit and collection policies that meet certain filing and content requirements of DHCFP, that includes the hospital's policy on the classifications which qualify as Emergency Care and Urgent Care.

Overview of Uncompensated Care in Massachusetts

Section 33 of Chapter 203 of the Acts of 1996 states;

> "It is hereby found and declared that the access of residents of the commonwealth to basic health services is a natural, essential, and unalienable right which is protected by Article I of Part the First of the Constitution;
>
> There live within the commonwealth many thousands of persons who lack access to basic health care services because they are not able to purchase health care insurance at a reasonable price or because they are restricted from purchasing health insurance by the practices of the insurance industry;
>
> Such lack of access to health care negatively affects the health status of the uninsured in the commonwealth by the delay or lack of medical treatments, thereby increasing the incidence of disease and illness in the commonwealth;

> The cost of providing hospital care to the uninsured is a burden on the taxpayers and certain businesses in the commonwealth;
>
> Most businesses in the commonwealth assist their employees in the purchase of health care insurance and that many other businesses are precluded from providing such assistance because of economic and cost concerns;
>
> The inability of certain businesses to offer health insurance benefits to their employees is a hindrance to their ability to compete for capable employees in the labor market and therefore has a negative economic impact on the commonwealth;
>
> Therefore, it is found it is in the public interest of the commonwealth to promote the accessibility of health care services for all its citizens, public purpose for which public money may be expended."

Section 30 of Chapter 203 of the Acts of 1996 directed the Special Commission on the Uncompensated Care Pool to "develop a suitable plan for dealing with both the issues of fair and equitable assessment to pay for uncompensated care, and the fair and equitable distribution of any assessment, while balancing the interests of providers, payers, consumers, employers and the Commonwealth." Certain considerations also included meeting the requirements of federal financial participation (FFP) and exemption from the Employee Retirement Income and Security Act (ERISA) preemption. ERISA preempts states from enacting legislation that affects employer health plans that choose to self-insure. Approximately half of Massachusetts workers are covered by self-insured plans. Pool payments are eligible for federal matching because they are funded by federally permissible provider taxes and they qualify for Medicaid reimbursable payments to hospitals that treat a disproportionate share of low-income patients. In order to retain the current level of federal matching funds generated by the Pool, mechanisms for Pool financing and reimbursement of hospital uncompensated care must adhere to both federal disproportionate share hospital laws and permissible provider tax laws. Pool payments qualify as legitimate Medicaid payments to disproportionate share hospitals because they reimburse legitimate free care to low income patients. Pool assessments qualify as a legitimate funding source by meeting the federal definition of a permissible provider tax; that is, the assessments must be broad-based, bona fide and uniform.

The commission found, through consultation with interested parties and the conducting of research and analysis, that:

a) 90,000, or two thirds, of the 135,000 uninsured children in the commonwealth live in families with incomes below 200% of the Federal Poverty Level (FPL).

b) 235,000, or 45% of the 518,000 uninsured adults have family incomes below 200% FPL, and of these 126,000, or 54%, are employed.

c) 72% of Pool patients treated at hospitals that serve primarily low-income patients have family incomes under 133% of the Federal Poverty Level (FPL). 5% had incomes between 133% and 200% FPL. Income data was unavailable for 18%.

d) 77% of Pool patients treated at other hospitals had incomes below 133% FPL, 8% had incomes 133% to 200% FPL, and income data was unavailable for 4%.

The Commission evaluated the extent to which the current pool assessment and shortfall on the acute hospital's financial condition as well as the financial condition of various third party payers in considering future options and developing policies for the future. The Commission also considered initiatives under development or consideration at the time that were expected to reduce the need for free care at hospitals and community health centers. These initiatives included the following:

a) Chapter 203 of the Acts of 1996 authorized the Commonwealth to implement a combination of programmatic reforms intended to increase health care coverage substantially among the Commonwealth's neediest populations, thus reducing the need for free care at hospitals and community health centers. The majority of reforms authorized in the Act were approved by the U.S. Department of Health and Human Services in April, 1995 under a Medicaid research and demonstration waiver granted in accordance with section 115 of the Social Security Act.

b) The Commonwealth plans to access new federal funds through an intergovernmental funds transfer to make supplemental payments totaling $70 million to the Boston Medical Center and the Cambridge Hospital to pay for free care provided by these facilities and their community health centers. These facilities provide a major portion of uncompensated care from the pool since they incur the highest uncompensated care charges of all the acute care hospitals.

The Commission issued its report on February 3, 1997, along with recommendations and a text of proposed legislation addressing the present and future requirements of the Uncompensated Care Pool.

Overview of the Sources and Uses and Calculation of the Uncompensated Care Pool Fund

During the course of the Hospital Fiscal Year, (October 1, 1997 to September 30, 1998) the Uncompensated Care Pool collected $215,000,000 from Acute Care Hospitals and $103,236,203 from

Surcharge Payers. The Commonwealth of Massachusetts transferred $30 million from FFP reimbursement bringing the total sources of funds to $348,236,203 (Exhibit III). Due to the fact that the Uncompensated Pool pays hospitals for free care prior to receiving hospital assessments, and only collects payments from hospitals in net amounts, the Commonwealth advances the Uncompensated Care Pool $30 million at the beginning of each State Fiscal Year with the stipulation that the funds be returned to the general fund by June 30th.

The disbursements consist of payments to acute care hospitals, Community Health Care Centers and to other qualified providers of health care for demonstration projects. During the course of the hospital fiscal year, acute hospitals are reimbursed monthly on an estimated basis for the free care provided; and these hospitals are billed for their estimated liability to the Pool. The amount the hospitals receive during the year equals the total pool less amounts withheld for payments for payments to Community Health Centers for free care, estimated Demo-project payments and Reserves for doubtful accounts and expenses. Upon final settlements, unspent amounts withheld and reserves are released to the hospitals. In the event that there exists a shortfall of pool revenue in any fiscal year to cover allowable free care payments, the DHCFP is required to allocate payments so that hospitals with the greatest proportional requirement for pool income receive a greater proportional payment from the Pool.

The gross proceeds paid to hospitals are eligible for FFP Funds, which are reimbursed to the State at a level of fifty percent.

The calculations of the uncompensated care pool for each hospital are complex. Each acute care hospital has both a liability to the UC Pool and a liability from the UC Pool. (Exhibit IV)

a) Liability to the UC Pool: Each hospital's liability to the UC Pool is based on a mathematical formula set forth in Chapter 118G, Section 18(e) of the Massachusetts General Laws. Each hospital's private sector charges are divided by the all hospital's private sector charges. This ratio is then multiplied by the level of private sector liability established by the legislature as follows:

$$\frac{\text{Individual Hospital Private Sector Charges}}{\text{All Hospitals' Private Sector Charges}} \text{ (X) [Private Sector Liability] = Hospital Liability to the UC Pool}$$

The Private sector liability is set by the legislature and for recent years it has been $215 million.

b) Liability from the UC Pool: The UC Pool liability to each hospital is based on a mathematical formula set forth in Chapter 118G, Section 18(h) of the Massachusetts General Laws. Free care compensation from the UC Pool is based on a mathematical formula composed of free care charges, cost to charge ratio and the UC Pool shortfall. Total free care charges consists of two components. The first component relates to hospital services provided to individuals who meet the DHCFP's income criteria, qualifying them for free care. This component is made up of full free care, partial free care and medical hardship. Patients are eligible for free care if their family income is less than 200% of the Federal Poverty Level (FPL). Partial free care (subsidized care) is available to those patients with incomes between 200% and 400% FPL. Medical hardship consists of those patients whose medical bills are so high that they could not possibly pay them. The second major component of free care is qualifying bad debt. The UC Pool reimburses hospitals for the bad debt resulting from emergency care provided to uninsured individuals where diligent hospital collection actions have failed. Each hospital's reported free care charges are added to emergency bad debt yielding the total free care charges. The product of this sum and the cost to charge ratio is designated as the total allowable free care charges. Because the total allowable free care charges for all hospitals exceeds the $345 million UC Pool, a shortfall adjustment is made, resulting in the adjusted free care charges. The steps for calculating the liability from the UC Pool for each hospital is as follows:

Step: 1	Free Care Charges	(+)	Emergency Bad Debt	=	Total Free Care Charges
Step: 2	Total Free Care Charges	(x)	Cost to Charge Ratio	=	Total Allowable Free Care Charges
Step: 3	Total Allowance Free Care Charges	(-)	Shortfall Allocation	=	Adjusted Free Care Charges

The final settlement of the pool's liability to a hospital equals the product of allowable actual free care charges, adjusted for any audit findings, less the shortfall allocation amount, multiplied by its final cost to charge ratio.

Legislative History

Since 1985, the year in which the UCP was created, the state legislature has enacted important legislative measures that together have had an enormous impact on the UCP. As shown below, the history of the legislation continues to evolve around the changes in the state health care landscape.

Chapter 574 of the Acts of 1985 established the UCP to provide access to health care for low-income uninsured and underinsured residents of the Commonwealth. The Act developed the funding mechanism to assist acute care hospitals and their affiliated community health centers in covering the cost of caring

for the uninsured, and to eliminate financial disincentives a hospital might have to provide such care. The Rate Setting Commission was assigned the administrative responsibility of the UCP fund.

Chapter 23 of the Acts of 1988 amended the UCP by setting a limit on private sector liability, which in fiscal year 1988 was capped at $325 million. A reduction in the cap through fiscal year 1990 brought the private sector liability to $315 million, where it has remained every fiscal year except 1992. Chapter 23 also made the Commonwealth liable for a portion of any shortfall, subject to the appropriation process. The Act also transferred administrative responsibility for the Uncompensated Pool from the Rate Setting Commission to the Department of Medical Security.

Chapter 495 of the Acts of 1991 brought significant changes to the UCP. The Act deregulated acute care hospital charges and allowed hospitals to contract with all payers. A new provision restricted UCP reimbursement to free care and to bad debts generated from emergency services provided to uninsured patients. Losses associated with bad debts for insured individuals and non-emergency services for uninsured individuals, not eligible for free care, would be absorbed by the hospitals that incurred them. Chapter 495 instituted the Greater Proportional Requirement method which states that “hospitals with the greater proportional requirement for Pool income shall receive a greater proportional payment from the Pool”. The Act also repealed the provision calling on the State to cover a portion of any shortfall. The Act authorized an explicit surcharge on hospital bills but, a year later, Chapter 289 of the Acts of 1992 repealed this authorization. The pool contributions were recast as hospital assessments for which hospitals were expected to pass on the cost of these assessments through the negotiating process with payers. Lastly, Chapter 495 made freestanding community health centers eligible for payments from the UCP.

Section 30 of Chapter 203 of the Acts of 1996 created the Special Commission on Uncompensated Care. The legislature established the Commission to:

a) to develop a suitable plan for dealing with both the issues of fair and equitable assessment to pay for uncompensated care, and the fair and equitable distribution of any assessment,

b) to include in said plan authorization for the Division of Medical Assistance to implement a program of employer tax credits and employee subsidies to encourage the purchase of group

health insurance; provided, however, that the said program shall be financed, in part, by the Uncompensated Care Trust Fund or other new sources of revenue, and

c) to prepare legislation which will implement the plan.

The Commission issued their report on February 3, 1997 with a summary of its recommendations and a text of proposed legislation.

Chapter 47 of the Acts of 1997 amended Massachusetts General Laws, Chapter 118G, by introducing surcharges as a major source of funds for the UCP. The Act was based on proposed legislation contained in the final report published by the Special Commission on Uncompensated Care on February 3, 1997. Under this Chapter, the term surcharges takes on a new and different meaning from the previously definition under Chapter 118F, Section 15 of the Massachusetts General Laws. All payments subject to surcharge consist of all amounts paid, directly or indirectly, by surcharge payers to acute hospitals for health services and ambulatory surgical centers for ambulatory surgical center services. However, payments subject to surcharge shall not include a) payments, settlements, and judgments arising out of third party claims for bodily injury which are paid under the terms of property or casualty insurance policies and b) payments made on behalf of Medicaid recipients, and/or Medicare beneficiaries. Surcharge payers consist of a individual or entity that pays for or arranges for the purchase of health care services provided by acute hospitals and ambulatory surgical center services but does not include Title XVIII and Title XIX programs and their beneficiaries or recipients, and the workers compensation program established pursuant to Chapter 152. By assessing a surcharge on third-party payments, $100 million will be generated as a source of funds for the pool.

The Act also provided for increasing the state's use of federal matching funds from $15 million to $30 million and an additional $70 million to come from a federally financed intergovernmental transfer (ITG) to be used specifically to cover allowable uncompensated care costs of Boston Medical Center and The Cambridge Hospital, two facilities that provide a major portion of uncompensated care. (Exhibit II)

The Act also sets the private sector liability for the uncompensated pool at $315 million from FY 1998 through FY 2002.

The Act provided for the revival of the Special Commission, established by Section 30 of Chapter 203, if at any time the Division of Health Care Finance and Policy estimates and certifies to the Executive Office of Health and Human Services and the Committee on Health Care that uncompensated care revenues, excluding any revenue in the MassHealth account, are less than 75% of allowable free care cost or greater than 125% of allowable free care cost.

Audit Scope, Objectives, and Methodology

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we have conducted an audit of the UCP, within the Uncompensated Care Trust Fund, administered by the Division of Health Care Finance and Policy, for the period October 1, 1997 to September 30, 1998. Our review was conducted in accordance with applicable generally accepted government auditing standards.

The specific objectives of our review were to assess management's control systems over:

a) eligibility requirements of individuals requesting free care,

b) reporting requirements of acute hospitals and community health centers,

c) payments from the Uncompensated Care Pool to acute care hospitals and community health centers,

d) revenues produced from acute hospital assessments and surcharges,

e) monitoring and auditing activities by DHCFP over the acute hospitals and community health center free care accounts to determine compliance with promulgated regulations, and

f) policies and procedures implemented by DHCFP to ensure compliance with applicable laws and regulations.

Secondly, we determined whether DHCFP had addressed the Office of the State Auditor's (OSA) audit results related to the UCP noted in our prior audit of the Department of Medical Security.

Third, we determined whether DHCFP had addressed the recommendations stated in the Report of the Special Commission on Uncompensated Care issued on February 3, 1997.

To meet our objectives, we interviewed DHCFP officials and reviewed relevant laws and regulations. We then assessed the system of administrative and accounting controls established by DHCFP over the UCP to obtain an understanding of the control environment and the flow of transactions through the fund.

We then used this assessment in planning and performing our audit tests. We also examined DHCFP's Monthly Calculation Reports and the documentation supporting the Uncompensated Care Reimbursement System consisting of billings and collections from acute care hospitals, allowable free care charges and the cost to charge ratio calculations to insure that the gross liability to the pool and the gross liability from the pool for each hospital was computed correctly. In addition, we reviewed documentation supporting payments to Community Health Care Centers.

We reviewed the Report of the Special Commission on Uncompensated Care dated February 3, 1997 and reviewed follow up action taken by DHCFP to address the recommendations in the report.

Based on our audit, we determined that, except for the matters described in the Audit Results section, the Department of Health Care Finance and Policy has maintained the accounting records of the UCP in accordance with the prescribed requirements and has complied with laws and regulations for those areas we reviewed.

AUDIT RESULTS

1. Corrective Action Taken on Prior Audit Results

We conducted a follow-up review of the Uncompensated Care Pool (UCP) deficiencies noted in our prior audit of the Department of Medical Security (DMS). DMS was the former administrator of the UCP. On July 1, 1996, the responsibility for the administration of the UCP was transferred to the newly created Division of Health Care Finance and Policy within the Executive Office of Health and Human Services.

The results of our review follow:

a) Inadequate Enforcement of Compliance Liability Payments Resulted in Approximately $2 Million in Uncollected Funds: The prior review disclosed that 23 hospitals had compliance liabilities outstanding, and 10 of these hospitals were not in compliance with their payment agreements, with 7 hospitals not making any payment during fiscal year 1995. We recommended that the Division of Health Care Finance and Policy, as the successor entity, enforce compliance liability payments. Our follow-up review revealed that:

- One hospital, owing $145,235, as of September 30, 1998, paid the liability in full on March 9, 1999.
- One hospital, owing $833,124, is on a quarterly payment plan and is current on payments.
- One hospital, owing $227,087, is delinquent on payment. The hospital filed for Chapter 11 bankruptcy in February 1999. The Division has scheduled meetings with hospital personnel and their attorneys to discuss these obligations.
- One hospital, owing $3,684,484, closed in 1994 and DHCFP is participating in a legal dissolution of the assets.
- The compliance liabilities for the remaining 19 hospitals have been liquidated.

b) Unnecessary Free Care Payments Were Made to Community Health Centers (CHC): The prior review disclosed that DMS, contrary to 117 CMR 8.04(2), did not request the medical record numbers of all patients being billed under the UCP each month, by the Community Health Centers. The report stated

that because DMS did not enforce its own reporting requirements, no mechanism existed to compare the medical record numbers of patients of the UCP and the Center Care Program to identify and eliminate duplication, and as a result, DMS could not be assured that CHC's were not billing UCP and the Center Care Programs for the same people.

Our follow-up review revealed that the criteria for determining eligibility for free care at acute care hospitals and freestanding community health centers have been revised under DHCFP Regulations. According to 114.6 CMR 10.04(3)(b)(3), a patient enrolled in programs administered by the Department of Public Health such as Center Care, Children's Medical Security Plan or Healthy Start and who meets the UC Pool Free Care income eligibility criteria may be eligible for Free Care for those Medically Necessary Services not covered by these programs, provided that the patient completes a condensed Free Care application and provides the hospital or community health center with a copy of his or her membership card. For example, a patient could qualify for primary and preventive care under the Center Care program and also qualify for Free Care for any impatient services that the patient needs at the Community Health Center. In addition, the new regulations also provide for certain standards and criteria for determining patients eligibility for free care and for the notification to patients of the availability of free care and public assistance programs. Specifically, hospitals and community health centers must screen patients for other sources of coverage and potential for eligibility in governmental programs before approving them for free care. Hospitals and community health centers are required to document the results of each screening. If a patient is enrolled in MassHealth on the date that the service is provided, the hospital or community health center may not bill the UCP for that service. Therefore, for any patient requesting Free Care, hospitals and community health centers must check the Division of Medical Assistance eligibility verification systems to determine the patient's MassHealth enrollment status. If the acute hospital or community health center determines that a patient is potentially eligible for Medicaid or another governmental program, said hospital or community health center shall encourage the patient to apply for such program and shall assist the patient in applying for benefits under such program. A

patient, who declines to apply for another governmental program may apply and, if eligible, be approved for Free Care.

c) Unassessed Surcharges Resulted in Approximately $740,000 in Lost Revenue to the UCP: The prior review disclosed that, contrary to General Laws, Chapter 118F, Section 15 and 117 CMR 7.04, DMS did not assess surcharges to any hospitals that were delinquent in paying their UCP liabilities for fiscal year 1995. We recommended that DHCFP, as the new administrator of the UCP, assess surcharges to all hospitals that are delinquent in payment of their UCP liabilities. In addition, we recommended that documentation be maintained by DHCFP for all waivers granted to those hospitals having financial difficulties. Our follow-up review revealed that the DMS regulation, established for enforcing UCP liability payments by assessing surcharges to hospitals for liabilities that were outstanding in excess of 45 days, was rewritten by DHCFP. In the new regulation, 114.6 CMR 11.04, the term surcharge is now known as penalties and interest, as the definition of surcharge, under Chapter 47 of the Acts of 1997, has taken on a new meaning.

The new regulation is summarized below:

a) A 1.5 % penalty will be assessed on the outstanding balance on the due date and an additional 1.5% penalty against the outstanding balance and prior penalties each month that a hospital remains delinquent;

b) Partial payments will be credited to the current outstanding balance, then to the penalty amount;

c) DHCFP may waive or reduce the penalty after considering the hospital's payment history, financial situation, and relative share of payments to the UCP;

d) DHCP may extend payment schedules due to financial hardship of a hospital pursuant to certain criteria; and

e) DHCP will notify the Division of Medical Assistance to offset payments on the claims of hospitals or surcharge payers in the amount owed to the UCP, if such entities fail to make scheduled payments and/or maintains an outstanding obligation to the Pool for more than 45 days.

As a result of these revised regulations, several payment plans were implemented and outstanding liabilities to the UCP have consistently decreased since July 1996. As of the date of our audit, only one hospital is delinquent. This hospital has declared bankruptcy under Chapter 11 in February 1999 and

DHCFP has scheduled meetings with hospital personnel and their attorneys to discuss their obligations to the Uncompensated Care Pool fund.

2. Improvements Needed in Monitoring and Auditing Controls over Hospitals and Community Health Centers

Our review of controls over the UCP disclosed inadequate controls by DHCFP in the formal scheduling and performance of reviews and on-site audits of the participating hospitals and community health centers. Specifically, we found that only one limited scope audit of a hospital had been conducted of the 77 participating hospitals, with the audit report not issued as of the date of the completion of our field work. In addition, we noted that DHCFP had only performed limited scope audits of three of the 31 community health centers, with only two of the reports issued.

Under 114.6 CMR 11.00, Administration of the UCP, the division may audit data submitted by hospitals and community health centers to ensure accuracy and that the division may adjust reported Free Care to reflect any audit findings. Under 114.6 CMR 10.00, the hospitals and community health centers are responsible for determining and documenting eligibility determinations of all patients that have applied for, and been approved for, Free Care. Hospitals and community health centers, in addition, are required to screen patients for other sources of coverage and potential for eligibility in governmental programs before approving them for Free Care.

The Audit, Compliance and Evaluation Group (ACE), within the Division of Health Care Finance and Policy, is responsible for conducting the auditing of the hospitals and community health centers that receive reimbursement from the Pool.

As a result of the lack of auditing controls by DHCFP over the claims for reimbursement by hospitals and community health centers, DHCFP does not have the necessary assurance as to:

a) whether the hospitals and community health centers have the required eligibility controls in place to provide reasonable assurance that only those eligible are receiving Free Care.

b) the propriety of costs used in computing the payments from the UCP to the hospitals and community health centers.

We were informed by the Director of the Audit Compliance and Evaluation Group that all audit work is scheduled and assigned by the Pricing Policy, and Financial Group, and therefore is not within the direct control of the unit. An organization chart provided by DHCFP showed an audit group consisting of 17 staff auditors, nine managers or supervisors and one director.

Management officials have also stated to us that regulations took longer to implement than expected upon the creation of the DHCFP, and that plans are in the process to perform desk reviews and field audits of the hospitals and community health centers, based on regulations which became effective October 1, 1998.

Recommendation: In order to improve the management of the UCP, ensure that payments to hospitals and community health centers are based on the best data available, and that only those eligible for the Pool are receiving required medical services, we recommend that DHCFP:

a) Schedule and conduct reviews and or audits of all hospitals and community health centers that receive payments from the Pool.

b) Remove the audit function from the Pricing Policy and Financial Group and set it up as a more autonomous unit so that it may conduct the necessary reviews.

Auditee's Response: At the exit conference held on September 28, 1999, the Executive Secretary of the Division of Health Care Finance and Policy indicated that the Division was in agreement with the audit results as presented.

EXHIBIT I

Glossary of Definitions Used in Auditor's Report

1. Allowable Free Care Costs - A hospital's total allowable Free Care Charges multiplied by its cost to charge ratio.

2. Allowable Medical Expenses - Family medical bills from any provider that, if paid, would qualify as deductible medical expenses for federal income tax purposes. Unpaid bills, for which the patient is still responsible, incurred prior to or after the date of the free care application, may be used. Paid bills, incurred after the date of the free care application, may also be included in the allowable medical expenses.

3. Ambulatory Surgical Center - Any distinct entity that operates exclusively for the purpose of providing surgical services to patients not requiring hospitalization and meets the Health Care Financing Administration requirements for participation in the Medicare program.

4. Bad Debt - An account receivable based on services furnished to any patient which (a) is regarded as uncollectible, following reasonable collection efforts consistent with regulations of the DHCFP, which regulations shall allow third party payers to negotiate with hospitals to collect the bad debt of its enrollees, (b) is charged as a credit loss, (c) is not the obligation of any governmental unit or the federal government or any agency thereof, and (d) is not free care.

5. Center Care Program - An ambulatory managed care program that offers primary and preventive health care services to low-income, uninsured adult patients of independently licensed community health centers, administered by the Department of Public Health, pursuant to MGL, c.111, and s24H.

6. Charge - The uniform price for a specific service charged by a hospital or community health center.

7. Community Health Center - A clinic which provides comprehensive ambulatory services and which (a) is licensed as a freestanding clinic by the Massachusetts Department of Public Health pursuant to MGL c.111. s.51; (b) meets the qualifications for certification or provisional certification by the Department of Medical Assistance and enters into a provider agreement pursuant to 130 CMR 405.000; (c) operates in conformance with the requirements of 42 USC s254(c), and (d) files cost reports as requested by DHCFP.

8. Compliance Liability Revenues - Amounts paid by hospitals into the Uncompensated Care Trust Fund pursuant to St.1991, c 495, and s.56.

9. Cost to Charge Ratio - A percentage used to determine the Pool's liability for each hospital. The ratio is the sum of each hospital's inpatient reasonable costs and actual outpatient costs, divided by the hospital's gross patient services revenues.

10. Disproportionate Share Hospital - Any acute hospital that exhibits a payer mix where a minimum of sixty-three percent of the acute hospital's gross patient service revenue is attributable to Title XVIII and Title XIX of the federal Social Security Act other governmental payors and free care.

11. Emergency Bad Debt - The amount of uncollectible debt for emergency services which meet the following conditions: (a) the patient must be uninsured for the services provided; (b) the patient must have received Emergency Care as defined below; (c) the patient's condition must be determined by

the responsible physician to require Emergency Care, as defined in 114.6 CMR 10.02 and in the Hospital's Credit and Collection Policy; and (d) the hospital establishes that appropriate collection action was taken pursuant to written approved Credit and Collection policies that in compliance with 114.6 CMR 10.05 and 10.09.

12. Emergency Care - Medically necessary services provided after the sudden onset of a medical condition, whether physical or mental, manifesting itself by acute symptoms of sufficient severity, including severe pain, which a prudent lay person would reasonably believe is an immediate threat to life or has a high risk of serious damage to the individual's health. Conditions include, but are not limited to those which may result in jeopardizing the patient's health, serious impairment to bodily functions, serious dysfunction of any bodily organ or part, or active labor in women. Examination or treatment for emergency medical conditions or such other service rendered to the extent required pursuant to 42 USC 1395(dd) qualifies as emergency care for Pool purposes.

13. Family - The patient, spouse and any minor dependents living in the household, and unborn children.

14. Family Income - The sum of annual earnings and cash benefits from all sources before taxes, less payments made for alimony and child support.

15. Federal Poverty Income Guidelines - The Federal Poverty Income Guidelines published annually by the federal Department of Health and Human services.

16. Free Care - Unpaid hospital or community health center charges for medically necessary services to (1) patients deemed financially unable to pay, in whole or part, for their care, pursuant to regulations of the DHCFP; (2) uninsured patients who receive emergency care in a hospital emergency room or who receive other hospital care associated with such emergency care services, for which the costs have not been collected after despite reasonable efforts in accordance with DHCFP; and (3) patients in situations of medical hardship in which major expenditures for health care have depleted or can reasonably be expected to deplete the financial resources of the individual to the extent that medical services cannot be paid, as determined by regulations of the DHCFP.

17. Gross Patient Service Revenue - The total dollar amount of a hospital's charges for services rendered in a fiscal year.

18. Medically Necessary Service - A service that is reasonably expected to prevent, diagnose, prevent the worsening of, alleviate, correct, or cure conditions that endanger life, cause suffering or pain, cause physical deformity or malfunction, threaten to cause or to aggravate a handicap. Or result in illness or infirmity. Medically necessary services shall include inpatient and outpatient services as mandated under Title XIX of the Federal Social Security Act. Medically necessary services shall not include: (a) non-medical services, such as social, educational, and vocational services, (b) cosmetic surgery, (c) canceled or missed appointments, (d) telephone conversations and consultations, (e) court testimony, (f) research or the provision of experimental or unproven procedures including, but not limited to, treatment related to sex-reassignment surgery, and pre-surgery hormone therapy, and (g) the provision for whole blood; provided, however, that administrative and processing costs associated with the provision of blood and its derivatives shall be payable.

19. Non-Emergency Bad Debt - Bad debts resulting from non-emergency services or from patients' liabilities after insurance (co-payments, deductibles, and disallowed services) which do not qualify for reimbursement from the Pool.

20. Private Sector Charges - Gross Patient Service Revenues attributable to all patients less Gross Patient Service Revenue attributable to Titles XVIII and XIX, other publicly aided patients, Free Care and bad debt.

21. Shortfall Amount - The difference between the sum of Allowable Free Care Costs for all hospitals and the revenue available for distribution to hospitals.

22. Surcharge Payor - An individual or entity that pays for or arranges for the purchase of health care services provided by acute hospitals and ambulatory surgical centers; provided, however, that the surcharge payor shall not include Title XVIII and Title XIX programs and their beneficiaries or recipients, other governmental programs of public assistance and their beneficiaries or recipients, and the workers compensation program established pursuant to Chapter 152.

23. Uncompensated Care - The sum of reported net free care and net emergency bad debt.

24. Urgent Care - Medically necessary services provided in a hospital or community health center after the sudden onset of a medical condition, whether physical or mental, manifesting itself by acute symptoms of sufficient severity (including severe pain) that a prudent lay person would believe that the absence of medical attention within 24 hours could reasonably expect to result in: (a) placing a patient's health in jeopardy, (b) impairment to bodily functions, or (c) dysfunction of any bodily organ or part. Additionally, urgent care services are provided for conditions that are not life threatening and do not pose a high risk of serious damage to an individual's health.

EXHIBIT II

Historical Analysis of the Uncompensated Care Pool

Fiscal Years Ended September 30, 1990 to 1998

Hospital Fiscal Year	Settlement Status	Hospital Assessment Funding	Surcharge Funding	State Funding	Release of Section 56 Funds	Intergovern-mental Transfer	Reserves and Expenses	Community Health Centers	Balance Payable to Hospitals	Allowable UC Costs	Shortfall	Percent Recognized	Hospital Uniform Assessment
1990	Final	$ 312,000,000	-	-	-	-	$ 630,152	-	$ 311,369,848	$ 411,641,176	$ 100,271,328	76%	10.18%
1991	Final	312,000,000	-	-	-	-	1,221,000	-	310,779,000	442,492,755	131,713,755	70%	9.86%
1992	Final	300,000,000	-	$35,000,000	-	-	3,347,273	$ 4,377,067	327,275,660	340,323,322	13,047,662	96%	8.51%
1993	Final	315,000,000	-	15,000,000	-	-	741,639	7,660,677	321,597,684	391,636,164	70,038,480	82%	6.93%
1994	Final	315,000,000	-	15,000,000	-	-	5,752,348	10,174,420	314,073,232	422,996,582	108,923,350	74%	6.89%
1995	In Progress*	315,000,000	-	15,000,000	-	-	3,038,679	12,996,321	313,965,000	443,450,305	129,485,305	71%	6.59%
1996	In Progress*	315,000,000	-	15,000,000	-	-	3,582,320	15,117,680	311,300,000	468,055,269	156,755,269	67%	6.27%
1997	Preliminary*	315,000,000	-	15,000,000	$ 12,500,000	$ 17,500,000 ***	4,569,702	16,030,298	321,900,000	427,939,621	106,039,621	75%	5.64%
1998**	Preliminary*	215,000,000	$ 103,236,203	30,000,000	-	70,000,000 ***	25,109,006 ****	16,027,197	307,100,000	366,850,053	59,750,053	84%	3.50%

*Amounts subject to change at Final Settlement

**Data as of September 30, 1998

***Amounts paid directly to certain hospitals by the Division of Medical Assistance (did not pass through Uncompensated Care Trust Fund). Represents a direct offset of allowable free care costs.

****Includes $2,471,002 in disbursements for demonstration programs authorized by Chapter 47 of the Acts of 1997.

EXHIBIT III

Sources and Uses of Funds of the Uncompensated Care Pool

October 1, 1997 to September 30, 1998

Revenues:	
State Contribution of FFP Funds	$ 30,000,000
Surcharges	103,236,203
Hospital Assessments	215,000,000
Total Revenues	$ 348,236,203
Disbursements and Reserves:	
Hospitals	$ 307,100,000
Community Health Centers	16,027,197
Demonstration Programs	2,471,002
Total Disbursed	$ 325,598,199
Miscellaneous General Reserves	17,400,000
Current Excess Demo Reserve	528,998
Current Excess Community Health Center Reserve	1,472,803
Subtotal	$ 345,000,000
Surcharge Receipts Above Estimated	3,236,203
Total Payments and Reserves	$ 348,236,203

EXHIBIT IV

Summary of the Uncompensated Care Pool Calculations by Hospital

October 1, 1997 to September 30, 1998

	Private Sector Charges	Uncompen-sated Care Percentage	Gross Liability to Pool	Total Free Care	Cost to Charge Ratio	Allowable Free Care Costs	IGT Transfer	TGT Net Allowable Free Care Costs	Shortfall Allocation	Adjusted Allowable Free Care Costs	Net Annual Liability from the Pool
Acute Care Hospital											
Anna Jaques Hospital	$ 38,495,517	3.633%	$ 1,398,700	$ 2,907,657	53.92%	$ 1,567,809	-	$ 1,567,809	$ 400,361	$ 1,167,448	$ (231,252)
Athol Memorial Hospital	6,784,247	3.633%	246,500	761,063	68.33%	520,034	-	520,034	116,329	403,705	157,205
Atlanticare Medical Center	43,149,900	3.633%	1,567,813	4,166,195	53.57%	2,231,831	-	2,231,831	603,306	1,628,525	60,712
Baystate Medical Center	241,274,006	3.633%	8,766,476	16,923,331	61.18%	10,353,694	-	10,353,694	2,506,826	7,846,868	(919,608)
Berkshire/ Hillcrest	63,724,364	3.633%	2,315,368	6,975,309	67.96%	4,740,420	-	4,740,420	948,128	3,792,292	1,476,924
Beth Israel Deaconess Medical Center	462,308,036	3.633%	16,797,550	27,227,992	64.41%	17,537,550	-	17,537,550	3,996,473	13,541,077	(3,256,473)
Boston City Hospital	49,603,170	3.633%	1,802,287	133,774,457	88.45%	118,323,507	$ 51,800,000 *	66,523,507	2,592,931	63,930,576	62,128,289
Boston Regional Medical Center	55,987,181	3.633%	2,034,244	815,510	58.38%	476,095	-	476,095	458,679	17,416	(2,016,828)
Brigham and Women's Hospital	405,070,337	3.633%	14,717,869	28,135,957	52.99%	14,909,244	-	14,909,244	3,848,764	11,060,480	(3,657,389)
Brockton Hospital	54,558,278	3.633%	1,982,326	16,016,424	56.80%	9,097,329	-	9,097,329	675,083	8,422,246	6,439,920
Cambridge / Somervlle Hospital	22,080,460	3.633%	802,274	90,309,102	80.13%	72,364,683	18,200,000 *	54,164,683	1,192,120	52,972,563	52,170,289
Cape Cod Hospital	55,168,325	3.633%	2,004,492	4,687,108	72.21%	3,384,561	-	3,384,561	926,328	2,458,233	453,741
Carney Hospital	36,500,863	3.633%	1,326,226	8,006,457	70.25%	5,624,536	-	5,624,536	687,861	4,936,675	3,610,449
Charlton Memorial Hospital	63,978,326	3.633%	2,324,595	5,006,441	63.00%	3,154,058	-	3,154,058	935,033	2,219,025	(105,570)
Children's Hospital	246,508,517	3.633%	8,956,667	13,792,405	73.40%	10,123,625	-	10,123,625	1,807,235	8,316,390	(640,277)
Clinton Hospital	4,791,840	3.633%	174,107	1,105,017	62.02%	685,332	-	685,332	80,404	604,928	430,821
Cooley Dickinson Hospital	33,656,686	3.633%	1,222,886	2,346,257	63.82%	1,497,381	-	1,497,381	426,868	1,070,513	(152,373)

EXHIBIT IV (Continued)

Summary of the Uncompensated Care Pool Calculations by Hospital

October 1, 1997 to September 30, 1998

	Private Sector Charges	Uncompen-sated Care Percentage	Gross Liability to Pool	Total Free Care	Cost to Charge Ratio	Allowable Free Care Costs	IGT Transfer	TGT Net Allowable Free Care Costs	Shortfall Allocation	Adjusted Allowable Free Care Costs	Net Annual Liability from the Pool
Deaconess Glover Hospital	$ 14,622,131	3.633%	$ 531,282	$ 514,759	55.60%	$ 286,206	-	$ 286,206	$ 161,489	$ 124,717	$ (406,565)
Emerson Hospital	85,618,741	3.633%	3,110,881	2,184,114	56.80%	1,240,577	-	1,240,577	517,398	723,179	(2,387,702)
Fairview Hospital	10,884,768	3.633%	395,488	888,446	54.34%	482,782	-	482,782	123,978	358,804	(36,684)
Falmouth Hospital	28,689,247	3.633%	1,042,398	1,363,986	68.74%	937,604	-	937,604	313,481	624,123	(418,275)
Faulkner Hospital	43,114,473	3.633%	1,566,526	3,510,533	65.44%	2,297,293	-	2,297,293	490,370	1,806,923	240,397
Franklin Medical Center	37,815,301	3.633%	1,373,985	3,770,306	56.21%	2,119,289	-	2,119,289	429,478	1,689,811	315,826
Good Samaritan Medical Center	80,058,622	3.633%	2,908,859	6,075,786	44.12%	2,680,637	-	2,680,637	614,579	2,066,058	(842,801)
Hahnemann Hospital, Inc	1,470,840	3.633%	53,442	27,675	56.76%	15,708	-	15,708	15,708	-	(53,442)
Hale Hospital	25,683,565	3.633%	933,189	2,335,040	58.60%	1,368,333	-	1,368,333	296,304	1,072,029	138,840
Harrington Memorial Hospital	26,654,425	3.633%	968,465	1,505,684	65.79%	990,590	-	990,590	276,643	713,947	(254,518)
Healthalliance	55,613,037	3.633%	2,020,650	3,281,691	57.28%	1,879,753	-	1,879,753	548,047	1,331,706	(688,944)
Henry Heywood Memorial Hospital	26,613,396	3.633%	966,974	2,451,566	59.22%	1,451,817	-	1,451,817	258,716	1,193,101	226,127
Holy Family Hospital	60,374,280	3.633%	2,193,646	5,449,126	56.50%	3,078,756	-	3,078,756	512,280	2,566,476	372,830
Holyoke Hospital	36,898,658	3.633%	1,340,680	3,890,829	53.38%	2,076,925	-	2,076,925	354,441	1,722,484	381,804
Hubbard Regional Hospital	12,163,438	3.633%	441,948	1,352,149	53.86%	728,267	-	728,267	109,175	619,092	177,144
JB Thomas Hospital D/B/A thc Boston	5,419,417	3.633%	196,910	98,043	56.76%	55,649	-	55,649	55,649	-	(196,910)
Jordan Hospital	54,156,529	3.633%	1,967,729	2,361,994	55.49%	1,310,670	-	1,310,670	461,607	849,063	(1,118,666)
Lahey Clinic Hospital, Inc	197,060,718	3.633%	7,160,025	5,298,798	60.16%	3,187,757	-	3,187,757	1,530,514	1,657,243	(5,502,782)
Lawrence General Hospital	59,845,675	3.633%	2,174,439	6,794,456	55.13%	3,745,784	-	3,745,784	556,188	3,189,596	1,015,157

EXHIBIT IV (Continued)

Summary of the Uncompensated Care Pool Calculations by Hospital

October 1, 1997 to September 30, 1998

	Private Sector Charges	Uncompen-sated Care Percentage	Gross Liability to Pool	Total Free Care	Cost to Charge Ratio	Allowable Free Care Costs	IGT Transfer	TGT Net Allowable Free Care Costs	Shortfall Allocation	Adjusted Allowable Free Care Costs	Net Annual Liability from the Pool
Lowell General Hospital	$ 82,951,229	3.633%	$ 3,013,959	$ 4,222,209	44.82%	$ 1,892,394	-	$ 1,892,394	$ 518,849	$ 1,373,545	$ (1,640,414)
Malden Hospital	21,615,334	3.633%	785,374	2,758,612	61.31%	1,691,305	-	1,691,305	472,680	1,218,625	433,251
Marlborough Hospital	21,475,620	3.633%	780,297	2,464,529	59.29%	1,461,219	-	1,461,219	207,830	1,253,389	473,092
Mary Lane Hospital	12,337,806	3.633%	448,283	1,117,935	57.11%	638,453	-	638,453	117,346	521,107	72,824
Mass Eye and Infirmary	49,139,696	3.633%	1,785,447	1,144,944	69.75%	798,598	-	798,598	365,688	432,910	(1,352,537)
Mass. General Hospital	469,452,164	3.633%	17,057,125	36,088,018	53.87%	19,440,615	-	19,440,615	4,419,648	15,020,967	(2,036,158)
Medical Center at Symmes	8,565,834	3.633%	311,232	406,055	65.80%	267,184	-	267,184	183,591	83,593	(227,639)
Melrose-Wakefield Hospital	55,196,725	3.633%	2,005,524	1,680,758	59.54%	1,000,723	-	1,000,723	591,757	408,966	(1,596,558)
Memorial Hospital, Inc	105,980,196	3.633%	3,850,696	5,038,124	67.96%	3,423,909	-	3,423,909	129,005	3,294,904	(555,792)
Mercy Hospital	64,157,603	3.633%	2,331,109	4,948,325	42.90%	2,122,831	-	2,122,831	617,120	1,505,711	(825,398)
Metrowest Medical Center, Inc	145,393,283	3.633%	5,282,735	7,551,001	51.26%	3,870,643	-	3,870,643	1,019,307	2,851,336	(2,431,399)
Milford- Whitinsville Hospital	61,841,635	3.633%	2,246,961	3,135,435	54.01%	1,693,448	-	1,693,448	348,046	1,345,402	(901,559)
Milton Hospital	23,469,852	3.633%	852,756	539,038	55.99%	301,807	-	301,807	275,272	26,535	(826,221)
Morton Hospital	63,821,364	3.633%	2,318,892	3,953,780	63.95%	2,528,442	-	2,528,442	495,159	2,033,283	(285,609)
Mount Auburn Hospital	91,940,441	3.633%	3,340,574	4,923,300	52.61%	2,590,148	-	2,590,148	815,521	1,774,627	(1,565,947)
Nantucket Cottage Hospital	5,616,133	3.633%	204,057	435,097	73.25%	318,709	-	318,709	60,360	258,349	54,292
Nasoba Community Hospital	14,158,623	3.633%	514,441	850,395	65.14%	553,947	-	553,947	159,355	394,592	(119,849)
New England Baptist Hospital	75,827,236	3.633%	2,755,115	1,107,378	53.40%	591,340	-	591,340	591,340	-	(2,755,115)
New England Medical Center	263,378,293	3.633%	9,569,615	16,645,877	59.95%	9,979,203	-	9,979,203	2,196,423	7,782,780	(1,786,835)
Newton- Wellesley Hospital	139,954,267	3.633%	5,085,113	2,867,853	53.02%	1,520,536	-	1,520,536	927,050	593,486	(4,491,627)

EXHIBIT IV (Continued)

Summary of the Uncompensated Care Pool Calculations by Hospital

October 1, 1997 to September 30, 1998

	Private Sector Charges	Uncompen-sated Care Percentage	Gross Liability to Pool	Total Free Care	Cost to Charge Ratio	Allowable Free Care Costs	IGT Transfer	TGT Net Allowable Free Care Costs	Shortfall Allocation	Adjusted Allowable Free Care Costs	Net Annual Liability from the Pool
North Adams Regional Hospital	$ 17,076,086	3.633%	$ 620,444	$ 1,517,779	53.20%	$ 807,458	-	$ 807,458	$ 236,948	$ 570,510	$ (49,934)
Northeast Hospital Corporation	107,679,609	3.633%	3,912,442	5,054,405	49.55%	2,504,458	-	2,504,458	952,987	1,551,471	(2,360,971)
Norwood Hospital	44,319,929	3.633%	1,610,325	2,251,986	62.69%	1,411,770	-	1,411,770	513,785	897,985	(712,340)
Quincy Hospital	48,993,123	3.633%	1,780,121	6,090,870	53.66%	3,268,361	-	3,268,361	560,779	2,707,582	927,461
Saint Vincent Hospital	78,436,745	3.633%	2,849,929	8,927,606	68.82%	6,143,978	-	6,143,978	1,089,659	5,054,319	2,204,390
Saints Memorial	54,213,405	3.633%	1,969,796	5,668,549	53.56%	3,036,075	-	3,036,075	579,952	2,456,123	486,327
Salem Hospital	85,626,802	3.633%	3,111,173	7,966,591	60.89%	4,850,857	-	4,850,857	926,880	3,923,977	812,804
South Shore Hospital, Inc	111,666,672	3.633%	4,057,309	3,863,780	67.62%	2,612,688	-	2,612,688	1,170,728	1,441,960	(2,615,349)
St.Anne's Hospital	41,606,677	3.633%	1,511,741	4,252,808	49.99%	2,125,979	-	2,125,979	392,383	1,733,596	221,855
St.Elizabeth's Hospital	80,185,257	3.633%	2,913,460	7,009,458	55.34%	3,879,034	-	3,879,034	1,454,643	2,424,391	(489,069)
St.Luke's/ Tobey	78,703,115	3.633%	2,859,607	8,408,811	60.24%	5,065,468	-	5,065,468	1,213,400	3,852,068	992,461
Sturdy Memorial Hospital	42,152,690	3.633%	1,531,580	2,401,782	62.60%	1,503,516	-	1,503,516	372,258	1,131,258	(400,322)
University Hospital	90,738,378	3.633%	3,296,898	27,963,520	57.59%	16,104,191	-	16,104,191	1,361,804	14,742,387	11,445,489
University of Mass.Medical Center	222,308,890	3.633%	8,077,395	22,833,360	50.43%	11,514,863	-	11,514,863	1,879,905	9,634,958	1,557,563
Waltham/ Weston Hospital	48,366,489	3.633%	1,757,353	3,124,804	49.20%	1,537,404	-	1,537,404	390,881	1,146,523	(610,830)
Whidden Memorial Hospital	18,954,017	3.633%	688,677	3,829,203	53.15%	2,035,221	-	2,035,221	378,701	1,656,520	967,843
Winchester Hospital	89,656,519	3.633%	3,257,590	2,051,458	55.12%	1,130,764	-	1,130,764	590,971	539,793	(2,717,797)
Wing Memorial Hospital	14,891,557	3.633%	541,074	2,169,718	74.76%	1,622,081	-	1,622,081	201,155	1,420,926	879,852
Totals	$5,917,305,123		$ 215,000,000	$ 647,250,982		$ 436,850,053	$ 70,000,000	$ 366,850,053	$ 59,750,053	$ 307,100,000	$ 92,100,000

EXHIBIT V

Schedule of Surcharge Payors

January 1, 1998 to September 30, 1998

Aetna, Inc.	$ 4,174,247
Blue Cross and Blue Shield (MA)	34,013,612
Community Health Plan	2,062,249
Connecticut General Life Insurance	2,665,391
Fallon Community Health Plan I	3,091,056
Harvard Community Health Plan	17,712,478
Health New England, Inc.	1,465,716
Healthsource Massachusetts, Inc.	1,412,914
Prudential Insurance Company of America	1,141,178
Total Health Plan, Inc.	2,858,511
Tufts Associated HMO, Inc.	7,604,103
Unicare Life and Health Insurance	4,860,639
United Healthcare Insurance Company	2,546,102
All Other Surcharge Payors	17,528,007
Total	$ 103,136,203

Records maintained by the Division of Health Care Finance and Policy indicate over 800 surcharge payors. The above table shows surcharge payors who paid over $1 million. The Commonwealth's Group Insurance Commission (GIC) informed us that it paid surcharges of $2,460,280 through its self-insured plans (Unicare, BCBS, PPO, and Options). In addition, it estimates that the HMOs it contracts with paid over $5 million in surcharges related to GIC claims. The surcharges were initiated by DHCFP on January 1, 1998.

EXHIBIT VI

Summary of Payments to Community Health Centers

October 1, 1997 to September 30, 1998

Community Health Center	Payments
Boston Evening Medical Center	$ 96,351
Brockton Neighborhood Health Center	590,142
Center for Health and Human Services	4,409
Dimock Community Development Service Center	300,206
Family Health and Social Service Center	820,512
Fenway Community Health Center	43,664
Geiger-Gibson Health Center	393,348
Great Brook Valley Health Center	1,104,952
Greater Lawrence Health Center	1,167,403
Greater New Bedford Community Health Center	1,220,178
Harvard Street Neighborhood Health Center	1,483,562
Health First Family Care Center, Inc.	481,849
Holyoke Health Center	210,796
Joseph Smith Community Health Center	542,650
Justice Resource Institute	17,212
Lowell Community Health Center	425,588
Lynn Community Health Center	718,323
Manet Community Health Center	710,944
Mattapan Community Health Center	870,150
Neponset Health Center	557,726
North End Community Health Center	147,394
North Shore Community Health Center	339,656
Outer Cape Health Services,Inc	357,353
Roxbury Comp Community Health Center	949,431
South Cove Community Health Center	757,462
South End Community Health Center	508,999
Springfield South West Community Health Center	249,258
Stanley Street Treatment and Resource	156,955
Uphams Corner Community Health	346,852
Whittier Street Neighborhood Health Center	282,345
Worthington Health Center Center (Hilltown)	171,527
Total Payments to Community Health Centers	$ 16,027,197