

RESTRICTED — Not to be released outside the General Accounting Office except on the basis of specific approval by the Office of Congressional Relations, a record of which is kept by the Distribution Section, Publications Branch, OAS

3.07.19

73-0088

12

09052A



COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

RELEASED

B-164031 (4)

CTR

JAN 10 1973

Dear Mr. Hechler:

Your letter of July 20, 1972, requested that the General Accounting Office examine certain complaints you had received from constituents concerning the Mountaineer Family Health Plan, Inc. (MFHP), and the Beckley Appalachian Regional Hospital, both of Beckley, West Virginia. MFHP is a non-profit corporation established to provide comprehensive health care to economically deprived citizens of Raleigh County, West Virginia. It is funded by the Health Services and Mental Health Administration (HSMHA), Department of Health, Education, and Welfare (HEW), under section 314(e) of the Public Health Service Act, as amended (42 U.S.C. 246(e)).

D. 2250

D. 2251

D. 1930

The specific matters in your letter concerned (1) a transfer of approximately \$85,000 from MFHP to the BAR Hospital and the effect of the transfer on salaries paid to MFHP employees, (2) increases in the per diem rate for services furnished to MFHP patients by the BAR Hospital and the hospital's policy on the treatment of indigent patients, and (3) the BAR Hospital's policy relating to writeoffs of certain large debts owed to the hospital by the United Mine Workers of America (UMW) Welfare and Retirement Fund and the effect of such writeoffs on the status of the hospital's cardiopulmonary laboratory. You stated also that the complaints tended to suggest that the BAR Hospital, and perhaps the entire Appalachian Regional Hospital complex, is being conducted on a less than fair basis which favors some organizations over others.

We reviewed the information furnished with your letter and discussed the complaints with officials of MFHP and the BAR Hospital and of the Appalachian Regional Hospitals, Inc., Lexington, Kentucky. We also interviewed several MFHP employees and reviewed a limited number of MFHP personnel records.

We conclude that the complaints are generally without merit and that they appear to be attributable to a lack of information or understanding on the part of some MFHP and BAR Hospital personnel as to the administrative procedures of those organizations.

~~904526~~ 090521

In accordance with discussions with your office, we are summarizing the information obtained on the complaints included in your letter.

TRANSFER OF FUNDS FROM
MFHP TO BAR HOSPITAL

Your letter questioned a transfer of approximately \$85,000 from MFHP to the BAR Hospital and indicated that, as a result of the transfer, lower salaries were being paid to MFHP personnel.

In May 1972 officials of MFHP reviewed the status of its fiscal year 1972 budget, including the actual expenditures through March 31, 1972, and the estimated expenditures and obligations for the remaining 4 months of the MFHP fiscal year ended July 31, 1972. This review showed that there would be an estimated unobligated balance of \$85,334 in the personal services account, resulting from resignations of personnel who were not replaced during the year and from MFHP's action in leaving certain previously authorized positions unfilled. The review also showed potential overobligations of \$83,570 in the patient care account and of \$1,746 in the insurance and the maintenance on office machines accounts.

Accordingly, on May 26, 1972, the MFHP Project Director-Medical Director requested HSMHA approval for the transfer of \$85,316 from the personal services account for allocation to the following accounts.

Patient care:	
Mental health	\$ 2,230
Physical therapy	5,800
Eyeglasses	2,500
X-ray services	8,500
Radiologist fees	7,500
Laboratory services	11,500
Inpatient hospitalization	40,840
Maintenance (garage)	2,500
Licensing of vehicles	<u>2,200</u>
Total patient care	83,570
Insurance	1,100
Maintenance on office machines	<u>646</u>
Total	<u>\$85,316</u>

On June 30, 1972, HSMHA approved the requested transfer of funds within the fiscal year 1972 budget.

With respect to the effect of the transfer of funds on salaries paid to MFHP employees, our review of a limited number of MFHP personnel records showed no instances where a promotion or a periodic salary increase had been denied when warranted by an employee's annual performance appraisal and his supervisor's recommendation. Salaries paid to MFHP employees were governed by a salary plan which prescribed specific salary levels for various skills and which was patterned generally after the Federal civil service pay schedule of December 1969. We noted, however, that neither the January 1971 nor the January 1972 Federal pay increases had been incorporated into the MFHP salary schedule.

On the basis of our discussions with MFHP employees, we believe that the complaint that the transfer of funds resulted in lower salaries being paid to MFHP employees came about because of the lack of communication between the nonprofessional employees and the administrative personnel of MFHP. It appeared that some of the nonprofessional employees had little understanding of MFHP's salary schedule and promotion policies and had little confidence in its grievance procedure. For example, we were told that some employees had tried to relate their salaries to the corresponding salaries for their grades shown in the latest Federal pay schedule (as of January 1972), even though MFHP's salary schedule was no longer comparable. Also, several employees told us that they had not been able to discuss their grievances with the Project Director-Medical Director.

HSMHA and MFHP are generally aware of this situation, and the MFHP Project Director-Medical Director has advised HSMHA that he will try to avoid future problems by improving channels of communication and permitting employees at all levels to present their grievances.

PER DIEM RATES AND ADMISSION POLICY
OF BAR HOSPITAL

Your letter commented on the increases in the per diem rate charged MFHP by the BAR Hospital and the hospital's admission policy. Our review showed that, over the past 3 years, there had been an increase of about 60 percent in the inpatient per diem rate charged MFHP by the BAR Hospital. The rate increased from \$52.14 in October 1969 to \$83.23 in August 1972.

The per diem rate charged MFHP by the BAR Hospital is based on the reimbursement formula used by the West Virginia Department of Welfare. Appalachian Regional Hospitals, Inc. (ARH) officials informed us that, during each fiscal quarter, the Department of Welfare computes--on the basis of the hospital's average actual cost per patient-day and adjusted for any previous overreimbursement or underreimbursement of actual costs--an individual inpatient per diem rate for each hospital in the State. Each hospital uses the computed per diem rate to bill the Department of Welfare for services provided to welfare patients who are hospitalized during the following fiscal quarter.

In August 1972 the per diem rate the BAR Hospital charged MFHP seemed to be in line with the rates charged other health plans for inpatient care. For example, compared with the MFHP per diem rate of \$83.23 (which was also used for State welfare patients and for patients affiliated with certain other health provider groups), the UMW's rate was \$83.60; the Workmen's Compensation rate was \$80.85; and the Medicare rate (which by law excludes certain hospital costs) was \$73.

Regarding the admission policy of the BAR Hospital, hospital officials informed us that it had always been the hospital's policy to admit patients without regard to ability to pay. This was an informal policy, however, and the hospital did not issue a written policy statement on this matter until February 1972. The statement provides that:

*** In so far as the physical limitations permit, all patients will be admitted and receive care without regard to race, color, religion, sex, age, economic status or national origin." (Underscoring supplied.)

BAR HOSPITAL'S POLICY CONCERNING
WRITEOFF OF LARGE UMW DEBTS AND EFFECT
ON STATUS OF CARDIOPULMONARY LABORATORY

Your letter questioned the BAR Hospital's policy with respect to certain writeoffs of large UMW debts and suggested that the UMW fund was being favored over the hospital's cardiopulmonary laboratory.

We discussed the BAR Hospital's policy concerning the writeoff of large UMW debts with a hospital official. He stated that the hospital does not write off large debts owed to it by the UMW Welfare and Retirement Fund, nor does it

favor the UMW fund at the expense of any of the hospital departments, such as the cardiopulmonary laboratory.

According to this hospital official, the UMW fund is billed at a flat rate for each service performed on outpatients who are beneficiaries of the fund. This billing rate is recomputed semiannually by dividing the total cost of hospitalwide outpatient services during the previous 6 months by the total number of outpatient services performed during that period, to arrive at an overall hospitalwide average cost per outpatient service. This average cost--subject to negotiation between ARH and the UMW fund--is then used as the billing rate for UMW beneficiaries for the next 6 months. At the time of our fieldwork, the UMW outpatient billing rate was \$11.85 for each service. The hospital bills other plans on the basis of a predetermined fee schedule for each individual outpatient service.

The hospital official advised us that, because the billing is an average rate, it does not necessarily represent the actual cost of performing any of the various services furnished in different hospital departments. In other words, the UMW outpatient is charged the same amount for each hospital service furnished, regardless of the nature of the service. Consequently, some hospital departments are not fully reimbursed for the actual cost of services while other departments receive more than full reimbursement. Thus, periodic adjustments in the accounting records are necessary.

We discussed the status of the hospital's cardiopulmonary laboratory with its director, who had originally questioned the hospital's billing practices. He stated that he had been concerned because the hospital had not replaced certain critical laboratory equipment and because he had been informed that the laboratory was losing money for the hospital. He stated also that it had been his understanding that the UMW fund was being undercharged for black-lung tests, thereby reducing the laboratory's income.

The director informed us, however, that the hospital had recently replaced the most critical item of laboratory equipment, so that there was no current danger of the laboratory closing down. He indicated that his original complaint had been based on a misconception of the hospital's billing procedure.