



## INTEROFFICE MEMORANDUM

**TO:** Commissioner Emma I. Darnell, District 5  
 Fulton County Board of Commissioners  
  
**THROUGH:** David Ware, Interim County Manager  
  
**FROM:** Anthony Nicks, Director, Office of Internal Audit  
*(Anthony Nicks)*  
  
**DATE:** March 18, 2013  
  
**RE:** GMH 2012 MOU Compliance Report

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Outlined below is a summary of the report for the Grady Memorial Hospital 2012 Memorandum of Understanding (MOU) Compliance Report. This summary includes background information on the MOU as well as the types of files reviewed and findings.

### **Background**

Grady Memorial Hospital (GMH) is authorized under the direction of the Fulton-DeKalb Hospital Authority via a MOU. This MOU was amended and approved on November 2, 2011, to provide medical services to those Fulton County residents classified as indigent and charity patients or those residents seeking emergency services or Fulton County detainees or inmates or other uninsured Fulton County residents as stipulated in Section 2.1 Eligible Patient of the amended MOU, including those pending Medicaid eligibility determination. GMH is also 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 Reports received from Grady Memorial Hospital for eligible patients receiving health care services during the year ending December 31, 2012. The following health care statistics were accumulated from the reports:

Patient Types	Total Patients Served	*Adjusted Cost	Payments	ICTF/Grant Funding	Uncompensated Care Cost
Uninsured – Indigent	166,876	\$78,627,375	\$20,917,029	\$21,817,968	\$35,892,378
Uninsured – Charity	33,187	14,619,047	5,272,157	3,857,124	5,489,766
Uninsured--Emergency Svcs.	25,090	20,675,195	1,224,032	10,078,944	9,372,219
Uninsured – Other	19,902	3,948,720	421,715	6,030,828	(2,503,823)
Medicaid Pending	4,505	18,475,712	8,506,095	4,187,244	5,782,373
Inmates and Detainees	570	1,349,137	-	-	1,349,137
<b>Total</b>	<b>250,130</b>	<b>\$137,695,186</b>	<b>\$36,341,028</b>	<b>\$45,972,108</b>	<b>\$55,382,050</b>

\* Adjusted for the Indigent Uninsured Adjustment Factor (MOU).

In collaboration with Cherry, Bekaert & Holland and Banks, Finley, White & Co., we reviewed GMH's updated policies and procedures and, on a limited basis, tested the indigent and charity care eligibility controls and procedures. Three hundred and twenty three (323) patient files were selected and reviewed for the year ending

December 31, 2012. The files were selected using a statistical model, which is designed to provide a representative sample of the total population of 250,130 patients served. The sample selection model provides a 90% confidence level that the sample is representative of the population. The purpose of our review was to provide assurance that the uncompensated health care cost 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 patients as defined in the MOU. Per the MOU, patients are considered eligible if they meet both the income and residency requirements 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 251% of the Federal Poverty Limit Guidelines are eligible to receive services based on a sliding fee scale basis. (2) Those patients whose income falls at or below 126% of the Federal Poverty Limit Guidelines are eligible to receive a 100% discount.

**Residency**

The residency requirements state that a patient must have been a resident of Fulton County for at least 30 days at the time services were provided. In determining residency, the hospital has implemented several policies and procedures that the staff should follow 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 remain on file in the Internal Audit office.

As a result of our review, we found exceptions to GMH eligibility and documentation policies and procedures. The exceptions are classified as income, residency, or records unavailable for review. The overall results are summarized below:

**Income and Residency Exceptions Summary**

Patient records with no exceptions	318
Patient records unavailable for review	-
Patient records containing income exceptions only	-
Patient record containing residency exceptions only	5
Patient records containing residency & income exceptions	-
<b>TOTAL</b>	<b><u>323</u></b>

**Patient records unavailable for review**

All patients' records that were selected for our review were provided to us.

**Patient records containing income eligibility exceptions**

All patient financial files tested contained sufficient information to verify income eligibility. There were no findings of patients' income exceeding the income thresholds established in the MOU.

**Patient records containing residency exceptions only**

There were 5 patients determined not to be residents of Fulton County.

**Patient records containing both residency and income exceptions**

There were no records containing both residency and income exceptions.

Our procedures were limited to the review of patient charges incurred by eligible patients by the hospital, outpatient pharmacy, and nursing home for patients classified as indigent (K) and charitable (M). The scope of our audit did not include evaluating all of the internal controls of the hospital.

**Funding Reconciliation**

An important step in the audit process is the reconciliation of the amount of County funds appropriated to the hospital to the uncompensated cost of providing services to Fulton County residents. This calculation is done to ensure that the amount provided by the County does not exceed the amount of cost incurred by the hospital for indigent care of Fulton County residents. This calculation is presented as an attachment to this report.

Distribution of this report is restricted solely to the Fulton County Georgia Board of Commissioners and the Management of Fulton County.

This report concludes our review of the Grady Memorial Hospital MOU for 2012. If you have any questions or need additional information, please contact me at extension 21019. Thank you.

Cc: R. David Ware, Interim County Attorney  
Herman Hicks, Assistant Audit Manager, Office of Internal Audit

**Calculation for the Fulton County Indigent Care Analysis Report**

Indigent Patient Care Cost	
Indigent K	\$ 78,627,375.00
Charity M	14,619,047.00
Emergency Services	20,675,195.00
Other Uninsured	3,948,720.00
Medicaid Pending	18,475,712.00
Inmates and Detainees	<u>1,349,137.00</u>
Total Indigent Cost	\$ 137,695,186.00
less: Third Party Payments Received	<u>36,341,028.00</u>
Total Indigent Care Cost	\$ 101,354,158.00
less: deduction for non Fulton Residents*	<u>1,568,949.81</u>
Total Eligible Indigent Care Cost	\$ 99,785,208.19
Credit for ICTF and Grant Funds	<u>\$ 45,972,108.00</u>
Total Eligible minus PY ICTF and Grant Funds	\$ 53,813,100.19
Amount Disbursed by FC for Indigent Patient Care*	<u>52,100,000.03</u>
<b>Uncompensated Difference</b>	<b>\$ 1,713,100.16</b>

\* Deduction for non Fulton Residents is obtained by dividing the audit exceptions by the total number of items sampled. The calculation is as follows:

# of Exceptions = 5

Total items sampled = 323

% deduction for non Fulton Residents =  $5/323=0.01548$