



The Charlotte-Mecklenburg Hospital Authority

Office of General Counsel
704 355-3063
Fax 704 355-6330

May 20, 2011

Marvin A. Bethune, Esq.
Ruff, Bond, Cobb, Wade & Bethune, L.L.P.
831 E. Morehead Street, Suite 860
Charlotte, NC 28202

Dear Marvin:

I am writing to acknowledge Greg Gombar's receipt of a data request (copy attached) sent via electronic mail on May 18, 2011, from Dena Diorio, Director of Finance, Mecklenburg County. Given the substantial volume of data requested by Ms. Diorio, I want to let you know that Carolinas HealthCare System will need a reasonable period of time to review the request, determine how to collect the requested data and determine if requested data is unavailable for production, either because certain data does not exist or because certain data is subject to legal restrictions. We are in the process of reviewing the data request and will respond with the requested data or an explanation as to why requested data is not available.

I also want to point out that the data request sent by Ms. Diorio is unusual in scope, form and timing. The Restated Consolidated Shared Programs Joint Undertaking Agreement ("Joint Undertaking Agreement") dated November 2, 2000, sets forth a process, in Section III.E., for the County to engage a certified public accounting firm acceptable to Carolinas HealthCare System to perform annual reviews for the purpose of determining deficit funding for CMC-Randolph. Ms. Diorio's data request seeks information that is reviewed annually by the certified public accounting firm contemplated in Section III.E. of the Joint Undertaking Agreement. We are somewhat perplexed by the request, given that Deloitte & Touche LLP, the firm selected by Mecklenburg County in the past, delivered an independent report dated November 2010 to the County and found no exceptions to the procedures agreed upon by Mecklenburg County and Carolinas HealthCare System for cost allocation for CMC-Randolph. Please let me know if Ms. Diorio is requesting data for purposes of Section III.E. of the Joint Undertaking Agreement, and, if so, what certified public accounting firm the County proposes to use to review the information.

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The final item requested by Ms. Diorio reflects an apparent lack of understanding of the cost allocation for CMC-Randolph agreed upon by Mecklenburg County and Carolinas HealthCare System. The parties agreed, as reflected in the Joint Undertaking Agreement and the November 2010 report from Deloitte & Touche, LLP, that Carolinas HealthCare System would allocate costs for CMC-Randolph in the same manner that Carolinas HealthCare System internally allocates costs for other facilities it operates. Cost report allocations prepared for Medicare are separate and distinct calculations based on specific methodologies required by Medicare. The internal cost allocation system and the Medicare cost report costs are not intended to be, and are certainly not required to be, the same.

Finally, in the interest of having a single source for communication and requests, I ask that all future communications from Mecklenburg County related to the services provided to Mecklenburg County by Carolinas HealthCare System under the Joint Undertaking Agreement be directed to me. In recent media reports, staff of Mecklenburg County has suggested that Carolinas HealthCare System has not provided certain requested data to the County. We have not received any formal notice from the County about delinquent data requests. Our team has reviewed all requests for information from the County received over the past year and has determined that the majority of the requests have been fulfilled. The unfulfilled requests are in process and simply require more time because of their complexity. Having all of the information requests come through me will afford a central point of control to ensure timely response.

Please let me know if you would like to discuss this matter in greater detail.

Thank you.

Sincerely,



Keith A. Smith
Senior Vice President and General Counsel

KAS/j

Attachment

cc: Dena R. Diorio
Greg A. Gombar



MECKLENBURG COUNTY
Finance Department

Dena R. Diorio
Director of Finance

Greg A. Gombar, CPA
Executive Vice President and CFO
Carolinas HealthCare System
Charlotte, North Carolina

SENT VIA EMAIL

Dear Greg,

As Mecklenburg County continues to evaluate the services and the financial relationship with CHS, I am requesting that you provide the following information related to CMC Randolph:

1. For FY2010 and FY2011 through March, provide gross charges by revenue code and payer type.
2. For FY2010 and FY2011 through March, provide net charges by revenue code and payer type.
3. Provide an extract of all billing data or all 837 and 835 files for the last 12 months. The billing data should be provided in tab delimited flat file. If this cannot be provided, copies of all 837 and 835 files to all payers will suffice.
4. For FY2010 and FY2011 through March, provide the revenue deductions split into contractual allowances, charitable write-offs, DSH payments and denials/no authorization, by payer type.
5. How much was credited into the net revenue for DSH payments for the last 5 fiscal years?
6. For FY2010 and FY2011 through March, identify revenue for CMC Randolph by emergency room and inpatient for all admissions.
7. Provide copies of all negotiated contracts with insurance providers with agreed-upon fee schedules.
8. For FY2010 and FY2011 through March, provide your detailed line item profit and loss with actual expenses on a monthly basis.

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9. For FY2010 and FY2011 through March, provide your detailed line item budget compared to actual expenses on a monthly basis.
10. Intercompany expenses – provide the % that this represents of the total amount to be allocated to all entities, ie. Courier is \$32,320 and this is 10% of the total costs (total amount to be allocated is \$323,200 with remaining 90% allocated to other facilities).
11. Provide payroll by position for the last 12 payroll periods; this should be by individual staff member without the name – just list the position.
12. Provide monthly headcount by program; split between inpatient, emergency room/department and observation beds.
13. In July 2010, you provided a list of concerns related to the 1915b/c Medicaid Waiver. In that list item number 6 addresses the receipt of payments for basic DSH and graduated medical education. Provide the amount of payments attributable to CMC Randolph for the last three fiscal years and identify where this is accounted for in the provided financial statements.
14. In the same list of concerns about the 1915b/c Medicaid Waiver, item number 10 addresses reimbursement for the Medicaid Reimbursement Initiative. Provide the amount of reimbursements attributable to CMC Randolph for the last three fiscal years and identify where this is accounted for in the provided financial statements.
15. In the Intercompany Expense Breakdown for second quarter of FY11, the laundry services allocated to the hospital as directly assignable costs are \$52,443. In the Medicare Cost Report for 2009, Worksheet B Part I, Cost Allocation – General Service Costs, the entire laundry costs associated with subprovider 31 is \$1,167 for the entire year. Please explain the differences between allocations in the MC Cost Report and the financial statements used to determine Mecklenburg County's required funding. This explanation should provide a full crosswalk of the Medicare Cost Report to the financials. The total expenses for subprovider 31 in the 2009 Cost Report is \$12.5 million, a figure far less than any provided to Mecklenburg County as the basis for additional funding.

I appreciate your responding as soon as possible. If you have questions or need any clarification, please feel free to contact me.

Sincerely,

Dena R. Diorio

Dena R. Diorio