



Auditor of Public Accounts
Adam H. Edelen

FOR IMMEDIATE RELEASE

Contact: Stephenie Steitzer
stephenie.steitzer@auditor.ky.gov
502.564.5841
513.289.7667

Auditor Edelen releases QCCT examination, finds board governance of indigent care fund insufficient to provide accountability

Recommends new board structure and agreement; urges continued commitment to caring for the Metro area's most vulnerable citizens

FRANKFORT, Ky. (May 23, 2012) – Auditor Adam Edelen on Wednesday released an examination of the Quality and Charity Care Trust (QCCT), finding a lack of oversight of a fund responsible for annually disbursing more than \$30 million in state and local indigent care money to University Hospital in Louisville.

The exam found that the board structure was not suited for proper oversight, the agreement between University Medical Center (UMC) and state and local government to administer the money is outdated, and administrative processes failed to provide sufficient details for determining compliance with the agreement. Specifically, UMC did not have sufficient recordkeeping to support its claim that indigent care costs are derived from patients who met pre-defined criteria for indigence or medically needy. Auditors found no evidence that taxpayer dollars were abused.

“I applaud University of Louisville President James Ramsey for asking us to take a look at QCCT and acknowledge the good work the University does in caring for the indigent population,” Edelen said.

Questions had been raised in the media about the trust’s board, which had not been conducting regular meetings as required by its by-laws.

The trust collects about \$25 million a year from the state and \$7 million a year from Louisville Metro Government and uses it to help cover University Hospital’s cost of treating indigents.

“The responsibility for providing a safety-net for our most vulnerable is a critical one shared by the University, City and Commonwealth,” Edelen said. “While this audit underscores the need for modernization and reform of the governing structure, it does not provide justification for those who desire a retreat from that mission.”

The purpose of the examination was to ensure appropriate processes are in place to provide strong oversight of QCCT funds through a review of the QCCT board and UMC’s policies, QCCT board

governance, University of Louisville and QCCT internal controls and financial transactions relating to QCCT.

Six of the report's nine findings deal with weaknesses relating to the QCCT's board structure.

Auditors found that U of L has significant influence over the QCCT board and that because it administers the funds, this structure extends its management function rather than providing accountability. Edelen recommends appointments for the controlling number of board members be given to the Commonwealth and Louisville Metro.

Auditors also found that the board failed to meet as required by the QCCT bylaws, conducted meetings that were not effective for proper oversight, lacked written policies and procedures, did not have sufficient communication with the audit firm, and did not review or approve the annual funding calculation.

The exam found that QCCT does not have an updated agreement in place. The existing QCCT structure is largely the product of a 1983 agreement – one that has not been substantially updated despite changes in stakeholders and the merger of the Louisville and Jefferson County governments. It also doesn't specify whether the intent is to provide funding for specific individuals or to provide funding to UMC for general use to support the indigent care program.

Edelen recommends the agreement be updated to address the current parties and all funding arrangements, require funding be applied to individual patient accounts, clarify the residency requirements, reflect that reimbursement should be based on cost and address the intent of the funding.

“It is my hope that the stakeholders sit down and draft a new agreement that better reflects the core mission of the fund, which is to provide care for our most vulnerable citizens,” Edelen said. “It should be a deal that is fair to taxpayers and an institution that carries a heavy burden of treating thousands of indigents each year.”

Auditors also found that QCCT funds are not accounted for at the patient level. The agreement does not make clear that the funds should be applied to individual patient accounts, but it does stipulate that the local government's funding should be used to provide care for indigents who are residents of Jefferson County. Edelen recommends UMC apply QCCT funds to specific patient accounts to allow greater accountability.

In addition, auditors found that the indigent care log does not provide adequate information for proper accountability of QCCT funds. UMC did not require indigents to verify their income, making it difficult to ensure that QCCT funds were not being applied to non-indigents' accounts.

“Indigents and individuals who have the means but fail to pay should not be lumped in the same category as it relates to the QCCT fund,” Edelen said.

The [report](#) can be found on the auditor's website.

###

The Auditor of Public Accounts ensures that public resources are protected, accurately valued, properly accounted for, and effectively employed to raise the quality of life of Kentuckians.

For more information, visit auditor.ky.gov and follow Auditor Edelen on Twitter @AuditorKY, [facebook.com/AuditorKY](https://www.facebook.com/AuditorKY) and [youtube.com/AuditorKY](https://www.youtube.com/AuditorKY).