Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

SOME HOSPITALS IN FLORIDA AND PUERTO RICO CLAIMED RESIDENTS AS MORE THAN ONE FULL-TIME EQUIVALENT

Inquiries about this report may be addressed to the Office of Public Affairs at Public.Affairs@oig.hhs.gov.

James P. Edert
Regional Inspector General
for Audit Services

August 2014
A-02-13-01014

Office of Inspector General

https://oig.hhs.gov

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

Office of Audit Services

The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

Office of Evaluation and Inspections

The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

Office of Investigations

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

Office of Counsel to the Inspector General

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC

at https://oig.hhs.gov

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

EXECUTIVE SUMMARY

Some teaching hospitals in Florida and Puerto Rico counted residents and interns as more than 1 full-time equivalent, resulting in excess Medicare reimbursement of approximately $457,000 over 2 years.

WHY WE DID THIS REVIEW

Prior Office of Inspector General reviews found that hospitals in two Medicare Administrative Contractor (MAC) jurisdictions counted residents and interns as more than one full-time equivalent (FTE) and, as a result, received excess Medicare graduate medical education (GME) reimbursement. (In this report, "resident" includes hospital interns.) Based on our findings, we initiated a nationwide series of reviews of hospitals' resident counts.

The objective of this review was to determine whether hospitals in MAC Jurisdiction 9 (consisting of Florida, Puerto Rico, and the U.S. Virgin Islands) claimed Medicare GME reimbursement for residents in accordance with Federal requirements.

BACKGROUND

Federal law authorizes two types of payments to teaching hospitals to support GME programs for physicians and other practitioners. Direct GME payments are Medicare's share of the direct costs of training residents, such as salaries and fringe benefits of residents and faculty and hospital overhead expenses. Indirect GME payments cover the additional operating costs that teaching hospitals incur in treating inpatients, such as the costs associated with using more intensive treatments, treating sicker patients, using a costlier staff mix, and ordering more tests.

A hospital claims reimbursement for both direct and indirect GME, in part, based on the number of FTE residents that the hospital trains and the portion of time those residents spend working at the hospital. No resident may be counted as more than one FTE.

The Centers for Medicare & Medicaid Services (CMS) makes available the Intern and Resident Information System (IRIS), a software application that hospitals use to collect and report information on residents working in approved residency training programs at teaching hospitals. The primary purpose of the IRIS is to ensure that no resident is counted by the Medicare program as more than one FTE employee in the calculation of payments for the costs of direct and indirect GME.

First Coast Service Options, Inc. (First Coast), is a MAC under contract with CMS to administer the Medicare Part A (hospital insurance) program for Jurisdiction 9. For fiscal years (FYs) 2009 and 2010, hospitals in MAC Jurisdiction 9 claimed GME reimbursement totaling approximately $155 million for direct GME and $330 million for indirect GME.

HOW WE CONDUCTED THIS REVIEW

We obtained and analyzed the IRIS data submitted by teaching hospitals in MAC Jurisdiction 9 to identify residents who were claimed by more than one hospital for the same period and whose total FTE count exceeded one. The FTE count for a resident exceeded 1 FTE when the total direct GME percentage and/or the total indirect GME percentage for overlapping rotational assignments, as reported in the IRIS, was greater than 100 percent. For each resident who was counted as more than one FTE during an overlapping period, we obtained and reviewed documentation from the hospitals to determine which hospital should have counted the resident.

WHAT WE FOUND

Hospitals in Florida and Puerto Rico within MAC Jurisdiction 9 did not always claim Medicare GME reimbursement for residents in accordance with Federal requirements. Specifically, 26 hospitals overstated direct and/or indirect FTE counts on cost reports covering FYs 2009 and 2010. As a result, 15 of the 26 hospitals received excess Medicare GME reimbursement totaling $456,914 for residents who were claimed by more than 1 hospital for the same period and counted in the IRIS as more than 1 FTE. For the remaining 11 hospitals, the FTE overstatements did not impact the hospitals' Medicare GME reimbursement.

The overstated FTE counts and excess reimbursement occurred because there was no Federal requirement for First Coast to review IRIS data that hospitals in MAC Jurisdiction 9 submitted to detect whether a resident had overlapping rotational assignments at more than one hospital. As a result, First Coast did not have procedures to adequately ensure that no resident was counted as more than one FTE in the calculation of Medicare GME payments.

WHAT WE RECOMMEND

We recommend that First Coast:

- recover $456,914 in excess Medicare GME reimbursement paid to 15 hospitals in MAC Jurisdiction 9,

- adjust the direct and indirect FTE counts claimed on the Medicare cost reports covering FYs 2009 and 2010 for each of the hospitals that did not always claim Medicare GME reimbursement in accordance with Federal requirements,

- consider developing procedures to ensure that no resident is counted as more than one FTE in the calculation of Medicare GME payments, and

- consider identifying and recovering any additional overpayments made to hospitals in MAC Jurisdiction 9 for residents whose FTE count exceeded one on Medicare cost reports submitted after FY 2010.

FIRST COAST SERVICE OPTIONS, INC., COMMENTS AND OUR RESPONSE

In written comments on our draft report, First Coast concurred with our first and second recommendations, partially concurred with our fourth recommendation, and disagreed with our third recommendation. Specifically, First Coast agreed with our findings related to FTE overstatements and excess Medicare GME reimbursement. However, First Coast agreed to adjust only the FTE counts on 28 cost reports (out of a total of 49 cost reports with errors) with a reimbursement impact of $422,558. First Coast stated that it will not reopen 21 final settled cost reports (with excess reimbursement totaling $33,309) because the overpayment amounts do not meet First Coast's materiality threshold for reopening final settled cost reports. The total dollars that First Coast agreed to adjust and the amount that it stated it will not recover does not equal our recommended recovery amount because First Coast used preliminary findings provided before issuance of our draft report when commenting.

Regarding our fourth recommendation, First Coast stated that it will continue to follow CMS instructions to make FTE adjustments based on the review of rotation schedules prepared by the hospitals. However, First Coast stated that it would consider the recovery and identification of additional overpayments in accordance with its MAC Jurisdiction 9 contract requirements. Similarly, First Coast disagreed with our third recommendation because CMS instructions contained in its MAC Jurisdiction 9 contract statement do not include procedures to ensure that no resident is counted as more than one FTE.

After reviewing First Coast's comments, we maintain that our findings and recommendations are valid. Federal regulations state that no individual may be counted as more than one FTE in the calculation of Medicare GME payments. The cost reports for the 26 hospitals included residents whose total FTE count exceeded one.

TABLE OF CONTENTS

INTRODUCTION

WHY WE DID THIS REVIEW

Prior Office of Inspector General (OIG) reviews found that hospitals in two Medicare Administrative Contractor (MAC) jurisdictions counted residents and interns[1] as more than one full-time equivalent (FTE) and, as a result, received excess Medicare graduate medical education (GME) reimbursement. Based on our findings, we initiated a nationwide series of reviews of hospitals' resident counts. Appendix A contains a list of related OIG reports.

OBJECTIVE

Our objective was to determine whether hospitals in MAC Jurisdiction 9 claimed Medicare GME reimbursement for residents in accordance with Federal requirements.

BACKGROUND

Medicare Payments for Graduate Medical Education

Since its inception in 1965, the Medicare program has shared in the costs of educational activities incurred by participating hospitals. The Centers for Medicare & Medicaid Services (CMS), which administers the Medicare program, makes two types of payments to teaching hospitals to support GME programs for physicians and other practitioners. Direct GME payments are Medicare's share of the direct costs of training residents, such as salaries and fringe benefits of residents and faculty and hospital overhead expenses. Indirect GME payments cover the additional operating costs that teaching hospitals incur in treating inpatients, such as the costs associated with using more intensive treatments, treating sicker patients, using a costlier staff mix, and ordering more tests.

A hospital claims reimbursement for both direct and indirect GME, in part, based on the number of FTE residents that the hospital trains and the portion of time those residents spend working at the hospital. FTE status is based on the total time necessary to fill a residency slot (42 CFR § 412.105(f)(1)(iii)(A)). If a resident is assigned to more than one hospital, the resident counts as a partial FTE based on the proportion of time worked in qualifying hospital areas[2] to the total time worked by the resident. A hospital cannot claim the time spent by residents training at another hospital.[3]

For payment purposes, the total number of FTE residents is the 3-year "rolling average" of the hospital's actual FTE count for the current year and the preceding two cost-reporting periods (42 CFR §§ 412.105(f) and 413.79(d)(3)). No individual may be counted as more than one FTE.[4]

[1] In this report, "resident" includes hospital interns.

[2] These areas are listed in 42 CFR § 412.105(f)(1)(ii).

[3] When referring to the time a resident spends at a hospital, the terms "working" and "training" are interchangeable.

[4] 42 CFR §§ 412.105(f)(1)(iii)(A) and 413.78(b).

Each time a hospital claims GME reimbursement for a resident it must provide CMS with information on the resident's program, year of residency, dates and locations of training (including training at other hospitals), and percentage of time working at those locations (42 CFR §§ 412.105(f) and 413.75(d)).

Intern and Resident Information System

CMS makes available the Intern and Resident Information System (IRIS), a software application that hospitals use to collect and report information on residents working in approved residency programs at teaching hospitals. Hospitals receiving direct and/or indirect GME payments must submit, with each annual Medicare cost report, IRIS data files that contain information on their residents, including, but not limited to, the dates of each resident's rotational assignment. The primary purpose of the IRIS is to ensure that no resident is counted by the Medicare program as more than one FTE employee in the calculation of payments for the costs of direct and indirect GME.[5]

First Coast Service Options, Inc.

First Coast Service Options, Inc. (First Coast), is a MAC under contract with CMS to administer the Medicare Part A (hospital insurance) program. First Coast administers the program for MAC Jurisdiction 9, which consists of Florida,[6] Puerto Rico, and the U.S. Virgin Islands. For fiscal years (FYs) 2009 and 2010, 47 hospitals in MAC Jurisdiction 9 collected and reported information to the IRIS on residents.

For FYs 2009 and 2010, hospitals in MAC Jurisdiction 9 claimed GME reimbursement totaling approximately $155 million for direct GME and $330 million for indirect GME.

HOW WE CONDUCTED THIS REVIEW

We obtained and analyzed the IRIS data submitted by teaching hospitals in MAC Jurisdiction 9 to identify residents who were claimed by more than one hospital for the same period and whose total FTE count exceeded one. The FTE count for a resident exceeded 1 FTE when the total direct GME percentage and/or the total indirect GME percentage for overlapping rotational assignments, as reported in the IRIS, was greater than 100 percent. For each resident who was counted as more than one FTE during an overlapping period, we obtained and reviewed documentation from the hospitals to determine which hospital should have counted the resident.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions

[5] 67 Fed. Reg. 48189 (July 23, 2002).

[6] Wisconsin Physicians Services, the MAC for Jurisdiction 5, administered the hospital insurance program for nine teaching hospitals in Florida that collected and reported information to the IRIS on residents for FYs 2009 and 2010. These nine hospitals were not part of our review.

based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix B contains the details of our audit scope and methodology.

FINDING

RESIDENT FULL-TIME EQUIVALENT COUNT EXCEEDED ONE

If a resident is assigned to more than one hospital, the resident counts as a partial FTE based on the proportion of time worked in the hospital to the total time worked by the resident. A hospital cannot claim the time spent by a resident training at another hospital.[7] In addition, no individual may be counted as more than one FTE in the calculation of Medicare GME payments.[8]

For Medicare cost reports covering FYs 2009 and 2010, 26 hospitals in Florida and Puerto Rico within MAC Jurisdiction 9 claimed GME reimbursement for a resident who was claimed by more than 1 hospital for the same period and whose total FTE count exceeded 1.[9, 10] Specifically, these 26 hospitals overstated FTE counts for direct GME reimbursement by a total of 37.24 FTEs for FY 2009 and 31.76 FTEs for FY 2010. In addition, the 26 hospitals overstated FTE counts for indirect GME reimbursement by a total of 33.20 FTEs for FY 2009 and 29.37 FTEs for FY 2010.

CONCLUSION

Fifteen of the twenty-six hospitals with overstated FTEs in MAC Jurisdiction 9 received excess Medicare GME reimbursement totaling $456,914. Specifically, we determined that these hospitals overstated, on Medicare cost reports for 2009 through 2012,[11] FTE counts for FYs 2009 and 2010. We determined this by using CMS's 3-year rolling average formula. The 15 hospitals overstated:

- direct GME reimbursement by $307,572 and
- indirect GME reimbursement by $149,342.

[7] 42 CFR § 412.105(f)(1)(iii)(A).

[8] 42 CFR §§ 412.105(f)(1)(iii)(A) and 413.78(b).

[9] For FYs 2009 and 2010, the 26 hospitals claimed GME reimbursement totaling approximately $131 million for direct GME and $288 million for indirect GME.

[10] None of the 26 hospitals were located in the U.S. Virgin Islands.

[11] The 2009 FTE overstatements affected GME costs claimed on FYs 2010 and 2011 Medicare cost reports. The FY 2010 FTE overstatements affected GME costs claimed on FYs 2011 and 2012 Medicare cost reports.

For the remaining 11 hospitals, the overstated FTEs did not impact Medicare GME reimbursement. Specifically, eight hospitals were still over their FTE caps[12] after adjusting the claimable direct and/or indirect FTE counts, the FTE adjustments for two hospitals were equal to zero when rounded to the nearest hundredth, and the remaining one hospital's FTE adjustment had an immaterial dollar effect.

The overstated FTE counts and excess reimbursement occurred because there was no Federal requirement for First Coast to review IRIS data that hospitals in MAC Jurisdiction 9 submitted to detect whether a resident had overlapping rotational assignments at more than one hospital. As a result, First Coast did not have procedures to adequately ensure that no resident was counted as more than one FTE in the calculation of Medicare GME payments.

RECOMMENDATIONS

We recommend that First Coast:

- recover $456,914 in excess Medicare GME reimbursement paid to 15 hospitals in MAC Jurisdiction 9,

- adjust the direct and indirect FTE counts claimed on the Medicare cost reports covering FYs 2009 and 2010 for each of the hospitals that did not always claim Medicare GME reimbursement in accordance with Federal requirements,

- consider developing procedures to ensure that no resident is counted as more than one FTE in the calculation of Medicare GME payments, and

- consider identifying and recovering any additional overpayments made to hospitals in MAC Jurisdiction 9 for residents whose FTE count exceeded one on Medicare cost reports submitted after FY 2010.

FIRST COAST SERVICE OPTIONS, INC., COMMENTS

In written comments on our draft report, First Coast concurred with our first and second recommendations, partially concurred with our fourth recommendation, and disagreed with our third recommendation. Specifically, First Coast agreed with our findings related to FTE overstatements and excess Medicare GME reimbursement. However, First Coast agreed to adjust only the FTE counts on 28 cost reports (out of a total of 49 cost reports with errors) with a reimbursement impact of $422,558. First Coast stated that it will not reopen 21 final settled cost reports (with excess reimbursement totaling $33,309) because the overpayment amounts do not meet First Coast's materiality threshold for reopening final settled cost reports.[13]

[12] Section 1886 of the Social Security Act established caps on the number of residents that a hospital may claim for Medicare direct and indirect GME reimbursement.

[13] The total dollars that First Coast agreed to adjust and the amount that it stated it will not recover does not equal our recommended recovery amount because First Coast used preliminary findings provided before issuance of our draft report when commenting.

Regarding our fourth recommendation, First Coast stated that it will continue to follow CMS instructions to make FTE adjustments based on the review of rotation schedules prepared by the hospitals. However, First Coast stated that it would consider the recovery and identification of additional overpayments in accordance with its MAC Jurisdiction 9 contract requirements. Similarly, First Coast disagreed with our third recommendation because CMS instructions as contained in its MAC Jurisdiction 9 contract statement do not include procedures to ensure that no resident is counted as more than one FTE.

First Coast's comments are included in their entirety as Appendix C.

OFFICE OF INSPECTOR GENERAL RESPONSE

After reviewing First Coast's comments, we maintain that our findings and recommendations are valid. The excess Medicare GME reimbursement amounts that we identified, including the $33,309 for 21 cost reports that First Coast stated that it will not reopen, are based on FTE overstatements that are inconsistent with Federal regulations. Therefore, we maintain that First Coast should adjust the direct and indirect FTE counts claimed on all 49 cost reports and recover any excess Medicare reimbursement. CMS's *Provider Reimbursement Manual – Part 1* (CMS Publication 15-1) Section 2931.2 states:

> Reopening Final Determination.—Whether or not the intermediary will reopen a determination, otherwise final, will depend upon whether new and material evidence has been submitted, or a clear and obvious error was made, or the determination is found to be inconsistent with the law, regulations and rulings, or CMS instructions.

Contrary to 42 CFR §§ 412.105(f)(1)(iii)(A) and 413.78(b), which state that no individual may be counted as more than 1 FTE in the calculation of Medicare GME payments, the cost reports for the 26 hospitals included residents whose total FTE count exceeded 1. Because the excess Medicare GME reimbursement amounts for the 21 cost reports that First Coast stated that it will not reopen are based upon FTE overstatements that are inconsistent with Federal regulations, we recommend that First Coast reopen these cost reports and recover the $33,309 in excess Medicare GME reimbursement. Further, we noted that First Coast's materiality thresholds for reopening settled cost reports are guidelines–not Federal regulations.

APPENDIX A: RELATED OFFICE OF INSPECTOR GENERAL REPORTS

Report Title	Report Number	Date Issued
Review of Resident Data Reported in the Intern and Resident Information System for Medicare Cost Reports Submitted to Highmark Medicare Services, Inc.	A-02-09-01019	01/03/2012
Review of Resident Data Reported in the Intern and Resident Information System for Medicare Cost Reports Submitted to National Government Services, Inc.	A-02-09-01021	10/13/2010
Review of Resident Data Reported in the Intern and Resident Information System for Medicare Cost Reports Submitted to Highmark Medicare Services, Inc., and National Government Services, Inc.	A-02-10-01006	04/02/2012
Review of Resident Data Reported in the Intern and Resident Information System for Medicare Cost Reports Submitted to National Government Services, Inc., and Highmark Medicare Services, Inc.	A-02-10-01007	04/02/2012

APPENDIX B: AUDIT SCOPE AND METHODOLOGY

SCOPE

We reviewed IRIS data that hospitals in MAC Jurisdiction 9 submitted to support resident training costs claimed on annual Medicare cost reports covering FYs 2009 and 2010. We did not assess First Coast's overall internal control structure. Rather, we limited our review of internal controls to those applicable to our audit, which did not require an understanding of all internal controls over the Medicare program.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and guidance;
- held discussions with First Coast officials to gain an understanding of First Coast's procedures for reviewing IRIS data submitted by hospitals in MAC Jurisdiction 9;
- obtained FYs 2009 and 2010 IRIS data from First Coast for all hospitals in MAC Jurisdiction 9;
- analyzed the IRIS data to identify residents claimed by more than one hospital for the same rotational assignment (e.g., weekly rotation schedule) and for whom the total FTE count exceeded one;
- obtained and reviewed rotation schedules and other documentation from each hospital in MAC Jurisdiction 9 for each resident for whom the total FTE count exceeded one to determine which hospital should have claimed Medicare GME reimbursement for the resident during an overlapping period;
- adjusted the claimable direct and/or indirect FTE counts for hospitals that should not have claimed GME reimbursement for residents during an overlapping period or provided conflicting documentation that did not resolve the overlapping rotation dates;[14]
- determined the net dollar effect of the adjustments to the direct and indirect FTE counts by recalculating each hospital's Medicare cost report(s);[15] and

[14] We contacted hospitals to determine which hospital was responsible for a resident's overlapping rotation date that exceeded one FTE. If the hospitals could not agree on which hospital should have claimed the resident, we questioned the overlapping FTE count for each hospital using procedures that other MAC contractors have in place.

[15] For 2009 and 2010 cost reports, we used Worksheet E-3, Part IV, to recalculate direct GME reimbursement and Worksheet E, Part A, for indirect GME reimbursement. For 2011 and 2012 cost reports, we used Worksheet E-4 to recalculate direct GME reimbursement and Worksheet E, Part A, for indirect GME reimbursement. (We analyzed different worksheets because CMS changed the worksheets during our audit period.)

- discussed the results of our review with First Coast officials.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objectives.

APPENDIX C: FIRST COAST SERVICE OPTIONS, INC., COMMENTS

Sandy Coston
President & CEO
First Coast Service Options, Inc.
Sandy.Coston@fcso.com

June 26, 2014

Mr. James P. Edert
Regional Inspector General for Audit Services
Office of Audit Services, Region II
Jacob K. Javits Federal Building
26 Federal Plaza, Room 3900
New York, NY 10278

Reference: A-02-13-01014

Dear Mr. Edert,

We received the U.S. Department of Health & Human Services, Office of Inspector General (OIG) draft report dated May 21, 2014 entitled, *"Intern and Resident Information System (IRIS)"* and reviewed the findings and recommendations. We appreciate the opportunity to provide comments prior to release of the final report.

In the draft report, you outlined four recommendations that we have addressed as follows:

Recommendation:

Recover $456,914 in excess Medicare GME reimbursement paid to 15 hospitals by the Medicare Administrative Contractor (MAC) for Jurisdiction 9 (J9).

Response:

First Coast concurs with the first recommendation with the following clarifications:

The OIG tested 26 hospitals and a total of 104 cost reports (26 hospitals x 4 years). Of the 26 hospitals tested, 11 (55 cost reports) were not overpaid according to the OIG's testing results.

Of the 49 cost reports that were overpaid, 17 of those cost reports have not been final settled as 15 of them are open, pending the Allina Case decision, and two are open pending Cost to Charge Ratio Outlier Reconciliations. Adjustments will be made to the FTE counts of those 17 cost reports before they are final settled. The total reimbursement impact of those 17 cost reports is $218,569.

The remaining 32 cost reports (49-17) have already been final settled. Eleven of those cost reports will be reopened and adjustments will be made to the FTE counts. The total

532 Riverside Avenue, Jacksonville, Florida 32202
P.O. Box 45274, Jacksonville, Florida 32234-5274
Tel: 904-791-8409
Fax: 904-361-0372
www.fcso.com

reimbursement impact of those 11 cost reports is $203,989. Twenty-one of the already final settled cost reports will not be reopened as their individual reimbursement impact is below our reopening threshold of $5,000. The total reimbursement impact of these 21 cost reports is $33,309. CMS publication 15-1 Chapter 29, Section 2931.2 states, "Whether or not the intermediary will reopen a determination, otherwise final, will depend upon whether new and material evidence has been submitted, or a clear and obvious error was made, or the determination is found to be inconsistent with the law, regulations and rulings, or general instructions. Information submitted in support of an amended cost report or the audit findings on a previously unaudited cost report could provide new and material evidence on which to base a reopening." CMS allows contractors to establish their own reopening threshold to determine if a potential reopening is considered material.

First Coast's reopening thresholds for hospitals are as indicated below:

There must be a minimum total Medicare reimbursement impact for all combined cost report reopening issues of at least $5,000, and a minimum Medicare reimbursement impact for each issue of at least $1,000.

Summarized treatment:

	Recovery	Cost Reports
Expected impact – open cost reports	$218,569	17
Expected impact – reopenings above threshold	203,989	11
Reopenings below threshold (will not be processed)	33,309	21
Total of cost reports with an overpayment	$455,867 (*)	49

(*) Reconciles to the OIG report tabular information

Recommendation:

Adjust the direct and indirect FTE counts claimed on the Medicare cost reports covering FYs 2009 and 2010 for each of the hospitals that did not always claim Medicare GME reimbursement in accordance with Federal requirements.

Response:

First Coast concurs with this recommendation with the clarifications provided in the first OIG recommendation (i.e. pending open cost reports and contractor reopening threshold).

Recommendation:

Consider developing procedures to ensure that no resident is counted as more than one FTE in the calculation of Medicare GME payments.

Response:

In regard to the recommendation, First Coast followed the CMS instructions as contained in the J9 contract Statement of Work (SOW). Should CMS provide additional procedures First Coast will implement in accordance with the CMS directive.

Recommendation:

Consider identifying and recovering any additional overpayments made to hospitals in MAC Jurisdiction 9 for residents whose FTE count exceeded one on Medicare cost reports submitted after FY 2010.

Response:

First Coast partially concurs with this recommendation:

> First Coast will consider the recovery and identification of additional overpayments in accordance with the J9 contract requirements. First Coast follows CMS instructions to make FTE adjustments. Our testing of FTEs is based on the review of rotation schedules as prepared by the hospitals. During testing First Coast identifies duplicates and other issues that may require adjusting the FTE counts.

Again, we appreciate the opportunity to review and provide comments prior to release of the final report. If you need any further information or clarification please contact Bill Tisdale at (813) 448-0436 or William.Tisdale@fcso.com.

Sincerely,

Sandra L. Coston

Sandra L. Coston
President and Chief Executive Officer
First Coast Service Options, Inc.

cc: Gregory W. England