

**Memorandum**

NOV 13 1992

Date

From

Bryan B. Mitchell *Bryan Mitchell*  
Principal Deputy Inspector General

Subject

Review of Fiscal Year 1991 General and Administrative Expenses  
Reported by Baptist Hospital of Miami (A-04-92-02043)

To

William Toby, Jr.  
Acting Administrator  
Health Care Financing Administration

This memorandum alerts you to the issuance on November 16, 1992 of the subject final report. A copy is attached.

This report discloses that the Baptist Hospital of Miami (BHM) claimed \$503,513 in general and administrative (G&A) costs which, in our opinion, were not related to patient care and were considered unallowable for Medicare reimbursement. We also identified \$209,960 in the Medicare allocation which we considered costs for concern. Generally these costs were incurred for the benefit of hospital employees. We believe that these costs were not necessary to provide patient care. Additionally, we reviewed some of the G&A costs which were not allocated to Medicare. These were costs BHM adjusted from the cost report because they were recognized as unallowable. Within these costs we identified \$1,591,049 which, in our opinion, were not necessary to provide patient care.

The purpose of our review was to determine the nature of costs incurred and to determine if the costs were related to patient care, reasonable, and allowable. The BHM reported about \$39.3 million of G&A and employee benefit costs as allocable to Medicare.

The report recommends that BHM discuss the costs with the fiscal intermediary (FI) auditors when they audit the Medicare cost report for the fiscal year (FY) ended September 30, 1991. Since inpatient costs are reimbursed through fixed payments and about 4.5 percent of BHM's costs are related to outpatient services, only about \$23,000 (.045 x \$503,513) of the unallowable costs identified in our review may be subject to recovery by the FI.

The BHM officials contend that the majority, if not all, of the G&A costs discussed in the report were related to patient care even if not allocable to the Medicare program under the

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Government's rules and regulations. The BHM also contends that adequate provisions were made in the cost report to more than offset the G&A costs in question.

However, BHM officials indicated that they had instructed their independent Medicare consultant to reconsider the accuracy of the FY 1991 cost report. They also stated that they had asked their independent external audit firm to participate in this process and that the review be done in consultation with the Medicare FI.

The BHM did not provide additional information to show that the G&A costs identified in our report were directly related to patient care. Further, BHM did not make sufficient adjustments to offset the unallowable costs.

For further information contact:

Emil A. Trefzger, Jr.  
Regional Inspector General  
for Audit Services, Region IV  
404-331-2446

Attachment



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General  
Office of Audit Services

REGION IV  
P O. BOX 2047  
ATLANTA GEORGIA 30301

CIN: A-04-92-02043

Mr. Ralph E. Lawson  
Vice President and Chief Financial Officer  
Baptist Hospital of Miami  
8900 North Kendall Drive  
Miami, Florida 33176-2197

Dear Mr. Lawson:

Enclosed are two copies of our final report entitled "Review of Fiscal Year 1991 General and Administrative Expenses Reported by Baptist Hospital, Miami, Florida." The objective of the review was to determine the nature of costs incurred by hospitals that service the Medicare program. The review was requested by the Congressional Subcommittee on Oversight and Investigations as part of their assessment of rapidly rising health care costs.

The review showed that about \$.5 million of general and administrative costs reported on cost reports were unallowable according to Medicare guidelines. The review also showed other costs not allocated to Medicare that may not be necessary in providing patient care. We are recommending that Baptist Hospital officials discuss these costs with the fiscal intermediary auditors during the settlement of the Fiscal Year 1991 cost report.

This report will be used by the Office of Inspector General (OIG) to prepare testimony before the subcommittee assessing health care costs. We have also provided a copy to Blue Cross and Blue Shield of Florida, the Medicare fiscal intermediary.

In accordance with the principles of the Freedom of Information Act (Public Law 90-23), HHS, OIG, Office of Audit Services reports are made available upon request to members of the press and general public to the extent information therein is not subject to exemptions in the Act which the Department chooses to exercise (See section 5.71 of the HHS Public Information Regulation, dated August 1974, as revised).

If you have any questions regarding this report, please contact Gerald Dunham at (404) 331-2446.

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To facilitate identification, please refer to the common identification number in all correspondence relating to this report.

Sincerely yours,

*Michael D. Hergen*  
for Emil A. Trefzger, Jr.  
Regional Inspector General  
for Audit Services, Region IV

Enclosures

## SUMMARY

This report provides the results of our review of the general and administrative (G&A) costs and employee benefit (EB) costs claimed by Baptist Hospital of Miami (BHM) on its Medicare cost report for the fiscal year (FY) ended September 30, 1991. The purpose of our review was to determine the nature of costs incurred and to determine if the costs were related to patient care, reasonable, and allowable. The BHM reported about \$39.3 million of G&A and EB costs as allocable to Medicare.

Our review identified \$503,513 in G&A costs which, in our opinion, were not related to patient care and were considered unallowable for Medicare reimbursement. The unallowable costs included such costs as:

- o donations to local charitable and community organizations and sponsorship of sporting events;
- o recreational activities for the Board of Trustees and the Medical Board during their annual retreats, tickets to sporting events, entertainment of physicians who were not employees of BHM, and entertainment of BHM executives;
- o gifts, plants, and flowers for the medical staff and the Medical Board, and payments to physicians for relocation, insurance, income guarantees, and recruiting;
- o membership in business luncheon clubs; and
- o purchased services from nursing homes, ambulances and other services for patients not covered by insurance, appraisal of real estate that BHM was planning to acquire but did not purchase, and a contingency fee paid to a consultant without documentation of actual hours worked.

We also identified \$209,960 in the Medicare allocation which we considered costs for concern. Generally, these costs were incurred for the benefit of hospital employees. We believe that these costs are not necessary to provide patient care. However, in some cases such costs have been considered allowable under current regulations and guidelines. We are concerned that such costs drive up the price of health care in general, and Medicare specifically. The costs for concern included such costs as:

- o catering services and rental of party equipment for employees and volunteers appreciation day;
- o holiday parties for the employees;

- o sponsorship of employees' participation in sporting and charitable events;
- o plaques and a reception for an award banquet for the employees; and
- o tickets for movies, football games, and other recreational activities.

Additionally, we reviewed some of the G&A costs which were not allocated to Medicare. These were costs BHM adjusted from the cost report because they were recognized as unallowable. Within these costs we identified \$1,591,049 which, we believe, were not necessary to provide patient care. These costs included advertising and marketing costs, costs related to community health, education, and athletic training.

Hospitals are, for the most part, reimbursed under the Medicare program for their G&A and EB costs through fixed payments which are based on the volume and type of services performed, regardless of actual costs. A portion of these costs, those associated with outpatient services, are reimbursed based on charges.

During FY 1991 about 4.5 percent of BHM's net costs allocable to Medicare pertained to Medicare outpatient services. Considering Medicare reimbursement methodology, about \$23,000 of the unallowable costs identified in our review may be subject to recovery by BHM's Medicare fiscal intermediary (FI).

We are recommending that the hospital discuss the results of our review with the FI when the FI audits the hospital's Medicare cost report for FY 1991. A copy of this report is being made available to the FI.

The hospital did not agree with our findings, and responded that the costs cited in our report as unallowable were directly related to patient care.

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## INTRODUCTION

### **BACKGROUND**

The House of Representatives, Subcommittee on Oversight and Investigations (Subcommittee) is conducting an inquiry into the Nation's health care system. As part of this inquiry, the Subcommittee is assessing the factors that contribute to rapidly rising health care costs. The Subcommittee requested the Office of Inspector General to conduct a review of hospital G&A and EB costs allocated to patient care and other activities financed by the Federal Government. The BHM, located in Miami, Florida, was one of the hospitals selected for review. The BHM is a 513-bed nonprofit hospital.

The Social Security Amendments of 1983 established the prospective payment system (PPS) of reimbursement to hospitals under Medicare. Effective with cost reporting periods beginning on or after October 1, 1983, Medicare payments for Part A hospital inpatient operating costs are made prospectively on a per discharge basis. Under the PPS, Medicare discharges are classified into diagnosis related groups (DRG). For periods beginning on or after October 1, 1986, a specific DRG payment rate, fixed nationally, was made to hospitals on the basis of the diagnosis classification system. These fixed DRG payments are based on the volume and type of services performed, regardless of actual costs. Thus, hospitals for the most part are reimbursed for inpatient services under the Medicare program, including their G&A and EB costs, through DRG payments.

By comparison, Medicare reimbursement to hospitals for Part B outpatient services is made on an interim basis. After the end of the year, these charges are settled on the lower of allowable costs or charges.

Thus, to the extent that G&A or EB costs were allocated to inpatient hospital care, BHM's reimbursement under Medicare was made through fixed payments under PPS and the unallowable costs have no direct effect on reimbursement. However, to some degree, the unallowable costs do directly affect the reimbursement of outpatient services.

For FY 1991, BHM reported total hospital costs of \$171,559,728. After reclassifications and adjustments, the net amount allocated to Medicare was \$164,014,649. Included in the Medicare allocation were G&A costs totaling \$37,240,855 and EB costs totaling \$2,097,682.

## SCOPE

Our review was performed in accordance with generally accepted government auditing standards to the extent that they were applicable to the scope of our review as defined in a nationwide audit guide. The audit guide was developed to ensure adequate audit coverage of the concerns expressed by the Subcommittee. The audit guide was limited to these concerns and, as such, a review of internal controls was not performed.

The primary objective of our review was to determine whether BHM's G&A and EB costs were related to patient care, reasonable, and allowable for Medicare reimbursement. We also reviewed G&A costs not allocated to the Medicare program to determine the nature of the costs and their relationship to patient care.

To accomplish these objectives, we reviewed BHM's as-filed FY 1991 Medicare cost report. We traced the costs reported to the official accounting records, performed analytical reviews of departmental costs, and discussed the contents and preparation of the cost report with BHM officials.

To determine the nature and allowability of the reported costs, we traced costs to source documents. We judgmentally selected G&A and EB costs for review from the general ledger. When selecting costs, we included only those items which we believed had the greater risk of noncompliance with Federal regulations. Therefore, our results cannot be considered to be representative of BHM's FY 1991 operations.

We used the cost principles published in the Provider Reimbursement Manual (PRM) and the Commerce Clearing House Medicare and Medicaid Guide to determine whether the costs were reasonable, allowable, and related to patient care. We also held discussions with BHM officials regarding certain costs and policies for charges reported as G&A and EB costs.

Our site work at BHM took place from February 6, 1992 through March 19, 1992.

We provided a draft report of our results to the hospital and requested their written comments. Their comments are summarized in the report and attached in their entirety as an Appendix.

## FINDINGS AND RECOMMENDATIONS

The BHM FY 1991 cost report included some G&A costs which were unallowable for Medicare reimbursement. These costs were either unreasonable or not related to patient care. Further, some of these costs could be considered unnecessary in the interest of holding down health care costs. The BHM recognized some of these costs as unallowable and excluded certain costs from the Medicare allocation. However, included in the costs allocated to Medicare were costs totaling \$503,513 which we considered unallowable and \$209,960 which we considered costs for concern. We also identified \$1,591,049 of costs which were not allocated to Medicare that we consider unnecessary for patient care. The results of our review are detailed in the following sections.

### **UNALLOWABLE G&A COSTS ALLOCATED TO MEDICARE**

Our review of various G&A costs allocated to Medicare identified \$503,513 which we considered unallowable based on Medicare cost principles. We believe that these costs were either unnecessary, unreasonable, unallocable, or not related to patient care.

The cost principles set forth in the PRM, part 1, section 2102.3 state that:

"Costs not related to patient care are costs which are not appropriate or necessary and proper in developing and maintaining the operation of patient care facilities and activities. Such costs are not allowable in computing reimbursable costs."

Further, section 2102.1 of the PRM states that:

"Reasonable costs of any services are determined in accordance with regulations establishing the method or methods to be used, and the items to be included. Reasonable cost takes into account both direct and indirect costs of providers of services, including normal standby costs. The objective is that under the methods of determining costs, the costs with respect to individuals covered by the program will not be borne by others not so covered, and the costs with respect to individuals not so covered will not be borne by the program."

The Medicare program recognizes that costs can and do vary from one institution to another as a result of variations in efficiency of operation, or the provision of amenities in plush surroundings. Commenting on the causes of variations in costs, the House Ways and Means Committee stated in Report No. 92-231:

"It is not the committee's view that if patients desire unusually expensive service they should be denied the service. However, it is unreasonable for medicare or medicaid (which are financed by almost all people in the country rather than the patient or community that wants the expensive services) to pay for it."

"Health care institutions, like other entities in our economy, should be encouraged to perform efficiently, and when they fail to do so should expect to suffer the financial consequences. Unfortunately, a reimbursement mechanism that responds to whatever costs a particular institution incurs presents obstacles to the achievement of these objectives. It is believed that they can only be accomplished by reimbursement mechanisms that limit reimbursement to the costs that would be incurred by a reasonably prudent and cost-conscious management."

Following are details of the unallowable costs by cost category.

#### **Purchased Services**

We reviewed \$372,043 in purchased services cost and identified \$287,652 which we considered to be unreasonable and/or unrelated to patient care, and therefore unallowable. The \$287,652 included the following costs:

- o Paid \$1,800 for the appraisal of real estate that BHM was planning to purchase. The transaction was never completed.
- o Incurred \$36,674 for fees to a consultant to reopen prior cost reports to identify additional reimbursement due BHM. The fees were based on a percentage of additional reimbursements to BHM. Paying a percentage of revenue to a consultant is not reasonable because such payments are not necessarily related to the cost of performing the contract. Section 109 of Public Law 97-248 (the Tax Equity and Fiscal Responsibility Act of 1982) prohibits, for a Medicare provider paid on a cost or cost related basis, recognition of any cost incurred by the provider under a contract where the amount of payment is based on a percentage, or other proportion, of the provider's charges, revenues, or claim for reimbursement.
- o Paid \$249,178 for charity work provided to patients at area nursing homes, and for an air-ambulance to transport a patient back to Argentina. The nursing home patients were former BHM patients whose Part A eligibility had been used up, and who needed additional health care but were unwilling or unable to pay for it.

The BHM elected to transfer them to nursing homes rather than to keep them at the hospital because it was more cost effective. Either way, the cost of providing services to these patients was an unallowable charity. The air-ambulance represents charity cost provided to an uninsured patient from Argentina who suffered a stroke while visiting Miami.

### **Miscellaneous**

We reviewed \$394,645 in miscellaneous expenses in the G&A cost centers and identified \$201,463 in unallowable costs. The unallowable costs included \$45,675 for donations and sponsorship of local sporting events and \$30,949 for entertainment and tickets to sporting events. The following is a detailed description of the unallowable costs:

- o Donated \$1,000 to the Mary Street Dance Theater to fund a community outreach program.
- o Donated \$100 to the Florida Conservation Society.
- o Paid \$1,250 in fees to the Internal Revenue Service for a revenue ruling related to the foundation, a separate entity whose objectives are to raise funds for BHM.
- o Donated \$1,000 to the Salvation Army.
- o Contributed \$25 for a high school reading contest.
- o Paid \$3,500 to sponsor a junior tennis tournament in south Dade County.
- o Donated \$6,000 to the United Way.
- o Paid \$3,000 to sponsor a high school baseball yearbook.
- o Donated \$2,000 to the Leukemia Society.
- o Paid \$1,000 to sponsor a high school economics class.
- o Paid \$2,000 to sponsor the Actors Playhouse 1991-1992 season.
- o Paid \$20,000 to sponsor the Lipton tennis championship.
- o Donated \$100 to the Coral Gables Junior Woman's Club.
- o Donated \$500 to the United Negro College Fund.
- o Donated \$250 to an elementary school.

- o Paid \$5,000 to sponsor an exhibit at a community organization.
- o Paid \$200 to sponsor a youth soccer team.
- o Paid \$41,984 for the publication of 5,000 copies of a photomural history of BHM for the use of employees, medical staff, and outsiders.
- o Paid \$1,070 in golf and tennis fees for the Board of Trustees at their retreat.
- o Paid \$513 in golf and tennis fees for the Medical Board at their annual retreat.
- o Paid \$13,058 for a dinner at the Lipton tennis championships for the Board of Trustees, the Foundation, and the Medical Board.
- o Paid \$700 for a reception for a fund raiser committee hosted by a BHM physician.
- o Charged \$1,694 on American Express for Nutri-Systems, Fitness Factory, and holiday gifts for the Medical Board of Directors.
- o Charged \$1,797 on American Express for Nutri-Systems, flowers, groceries, jewelry, entertainment at a cruise ship, and a local luxury hotel.
- o Paid \$1,334 for a banquet at the Lipton tennis tournament.
- o Paid \$1,000 to sponsor a tennis team at a local tournament.
- o Paid \$500 for tickets to a local play.
- o Paid \$4,991 for four season tickets to the local professional basketball games.
- o Paid \$3,145 for tickets to the Lipton tennis tournament for the Board of Trustees, Medical Board of Directors, and the Foundation.
- o Paid \$683 for four season tickets to the local university basketball games.
- o Paid \$464 for four season tickets to the local university football games.

- o Paid \$1,076 for gifts for the medical staff officers and the Medical Board of Directors.
- o Reimbursed \$2,500 to Baptist Medical Arts Building, Inc. for directing patients from the Medical Arts building to the hospital.
- o Purchased \$273 for plants for the medical staff.
- o Purchased \$116 for flowers for two physicians.
- o Paid \$10,416 for an income guarantee to a physician until the physician was able to generate gross billings equal to an agreed amount.
- o Incurred \$10,417 for fees to a physician to provide obstetric services in the BHM emergency department.
- o Incurred \$20,965 for two physicians' malpractice insurance coverage.
- o Paid \$391 for the printing of birthday cards for physicians.
- o Reimbursed \$35,000 to a physician for his cost of relocating to BHM.
- o Paid \$451 for hotel accommodations for a physician who was being recruited to practice at BHM.

#### **Dues and Subscriptions**

We reviewed \$91,304 in dues and subscriptions costs and identified \$2,366 which, we believe, was not related to patient care. The \$2,366 was comprised of:

- o annual dues of \$50 to the George Washington University Alumni Association.
- o fees of \$1,455 for membership in several private clubs.
- o fees of \$500 for membership in a local university booster club.
- o fees of \$361 for membership in a local community organization.

## **Recruitment**

We reviewed \$22,207 in recruitment costs and identified \$4,748 which we considered unallowable. The \$4,748 represented reimbursement to a physician for his cost of relocating to BHM and recruiting an employee for his office. The physician was not an employee of BHM. We believe these costs should have been personal costs of the physician and were not related to patient care.

## **Food**

Our review of food costs totaling \$81,741 identified \$342 expended for wine at a BHM event.

## **Legal Fees**

We reviewed legal fees totaling \$76,408 and identified \$6,942 in costs related to the reorganization of BHM and its affiliates, and costs for services provided to BHM's affiliates. We believe that costs of services provided for the benefit of other entities are not necessary for the provision of patient care at BHM.

## **Recommendations**

We recommend that BHM discuss the results of our review with the FI auditors when the hospital cost report for FY 1991 is audited.

## **Hospital Comments**

The hospital disagreed with our finding that \$503,513 in G&A costs were not related to patient care and were considered unallowable for Medicare reimbursement. The BHM believed that the majority, if not all, of the G&A costs identified as nonallowable by our review were in fact directly related to patient care even if not allocable to the Medicare program under the Government's rules and regulations.

Further, the hospital did not agree that these costs were allocated to the Medicare program, because BHM believes that adequate provisions were made in the cost report to more than offset the G&A costs in question.

In light of our report, BHM has instructed its Medicare consultant to reconsider the accuracy of the FY 1991 cost report. The hospital also stated that it had asked its independent external audit firm to participate in the review, and that the review be done in consultation with the Medicare FI.

## OIG Response

The hospital did not provide additional information to show that the unallowable G&A costs identified by our review were directly related to patient care. In addition, BHM's contention that provisions were made in the cost report to more than offset the G&A costs in question is unsupported. We did not find any offsetting adjustments to the administration and social services cost centers where most of the unallowable costs were recorded. We agree with BHM's decision to review the FY 1991 cost report and reconsider its accuracy.

## OTHER MATTERS

During our review, other matters came to our attention which we believe are noteworthy. Our review disclosed other hospital costs which tend to drive up the cost of health care. The hospital incurred \$1,591,049 of costs which were not allocated to Medicare, however, we believe these costs were not necessary to provide patient care. Additionally, we identified \$209,960 in the costs allocated to Medicare which we considered costs for concern. Following are details on these costs.

### COSTS NOT ALLOCATED TO MEDICARE

In response to the Subcommittee's request, we reviewed \$1,851,185 of the G&A and EB costs which BHM incurred but did not allocate to Medicare. The BHM recognized these costs as unallowable for Medicare reimbursement and excluded them from the Medicare allocation. Within these costs we identified \$1,591,049 which we considered unnecessary for providing patient care including the following:

- o expenses of \$608,721 for marketing, public relations costs, and advertising. This represents a 100 percent deduction of the advertising account, and a 50 percent deduction of the remaining cost in the marketing department (after excluding the advertising account) for unallowable advertising costs, such as brochures and newspaper ads, which seek to increase patient utilization at BHM.
- o expenses of \$956,828 for nine cost centers related to community health, education, and athletic training.
- o charges of \$25,500 for patient telephones.

### COSTS FOR CONCERN

We identified \$97,913 in G&A and \$112,047 in EB costs which we considered costs for concern. Generally, the costs were incurred for the benefit of hospital employees. We believe these costs were not necessary to provide patient care. However, in some cases such costs have been considered allowable under current regulations. We are concerned that such costs drive up the price of health care in general, and Medicare specifically.

The \$97,913 in G&A costs included:

- o expenses of \$36,500 related to sponsorship of employee participation in various sporting events including tennis tournaments and foot races; and

- o expenses of \$61,413 related to various employee social activities including parties, picnics, and other similar items.

The \$112,047 in EB costs included:

- o expenses of \$29,787 related to employee fitness programs and social activities including employee participation in sporting events, award banquets, plaques presented to employees at award banquets, and neon sunglasses given to employees during the hospital's sport tournaments; and
- o expenses of \$82,260 for the unreimbursed cost of movie tickets, football tickets, bowling league fees, and similar items provided to the employees free or at a discount.

We recognize that there has been some precedent established for allowing costs that appear to improve staff morale. For example, the Provider Reimbursement Review Board (PRRB) issued a decision in 1991 related to employee activities. This decision, (91-D60) agreed with the provider that the costs of football tickets provided to employees were an allowable expense. The PRRB found that these costs were reasonable and allowable as fringe benefits. Upon review, however, the Administrator of the Health Care Financing Administration (HCFA) overruled the PRRB decision. The Administrator stated that:

"...although the PRM recognizes certain usual fringe benefits to employees as allowable costs, to be allowable, the benefit must meet the test of reasonableness and be related to the provision of patient care. There is no indication that the furnishing of these football tickets and alcoholic beverages or the lack thereof has any bearing on the delivery of patient care by the Provider...."

We believe the principle cited by the Administrator in the above decision also applies to the types of costs that we are reporting. These costs may benefit BHM's staff, but we see no direct or even indirect relationship to patient care and Medicare beneficiaries. These costs relate more to amusement and entertainment than patient care.

#### **Recommendation**

We recommend that the hospital discuss these costs with the FI auditors when the cost report is audited to ensure that they comply with Medicare reimbursement guidelines. If questions arise regarding allowability, guidance should be obtained from HCFA.

### **Hospital Comments**

The hospital disagreed with our finding that \$1,591,049 in G&A and EB costs incurred by BHM, but not allocated to Medicare, were unnecessary for providing patient care. The BHM stated that these expenses not only enabled the hospital to educate, inform, and assist the community, but also helped BHM achieve significant cost effectiveness through higher patient utilization, which was consistent with providing patient care.

Addressing costs for concern, BHM indicated that some of the G&A and EB cost which we cited could be avoided. However, BHM stated its belief that these expenses were cost effective, and consistent with managing the hospital in an efficient and progressive fashion.

### **OIG Response**

The costs not allocated to Medicare may have enabled BHM to increase its stature in the community, and to increase patient utilization, but we do not believe that these costs were necessary to provide patient care.

We agree with BHM that the G&A and EB costs which we considered cost for concern could and should be avoided. We do not believe that these costs were necessary to provide patient care.



BAPTIST HOSPITAL  
OF MIAMI

June 9, 1992

Ralph E. Lawson, CPA  
Vice President of Finance and  
Chief Financial Officer

Common Identification No. A-04-92-02043

Mr. Emil A. Trefzger, Jr.  
Regional Inspector General  
for Audit Services  
Department of Health & Human Services  
OIG - OAS - Regional IV  
101 Marietta Tower, Ste. 1404  
Atlanta, GA 30323

Dear Mr. Trefzger:

I am writing in response to the report of the Office of Inspector General (the "OIG") entitled "Review of Fiscal Year 1991 General and Administrative Expenses Reported by Baptist Hospital of Miami, Florida". We have included an Executive Summary to provide a relatively concise overview of our response.

**EXECUTIVE SUMMARY**

Baptist Hospital of Miami, Inc. (BHM) is diligent in its efforts to comply with both the letter and the spirit of all Federal, state and local laws and regulations. The OIG's audit focused very narrowly on our compliance with one aspect of the Medicare program - namely, our reporting of general and administrative costs and employee benefit costs under Medicare law, regulations and guidelines. It did not address how we operate the Hospital or our commitment to superior patient care. It did not attempt to assess our overall compliance with Medicare law and regulation, which we would characterize as exceptional. Since the audit had such a narrow focus, it did not even provide a balanced or fair evaluation of the overall BHM FY 1991 Medicare Cost Report. The report does not mention, for example, that the Cost Report shows that the Medicare program still owes Baptist Hospital in excess of \$3,000,000 for services rendered to Medicare beneficiaries for FY 1991. And the report does not explain that even if the OIG were correct in all of their findings (which we respectfully dispute), that the effect would be to reduce the amount Medicare still owes Baptist Hospital for FY 1991 from approximately \$3,000,000 to \$2,977,000.

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In addition to the Medicare Cost Report issues, we understand that one of the primary purposes of the audit was to identify wasteful and extravagant practices in the hospital industry. In performing the audit, the OIG identified certain costs that it "considered unnecessary for providing patient care" or "costs for concern". These expenses were for community health and education programs, promotion of sports and health related activities, marketing the Hospital's services to the community or general employee benefits available to all of the Hospital's 3,200 employees. There are a number of important points that the audit does not reveal that we would like to raise now:

- Baptist Hospital is a well-run premier medical facility. If you became ill or injured in Dade County, I am confident that you would want to be treated at Baptist Hospital. And if you did not have the money to pay for your hospital bill, we would treat you with the same care, compassion and medical results.
- Baptist Hospital has consistently been rated as one of the most cost effective hospitals in South Florida by the Florida Healthcare Cost Containment Board (the state agency that regulates hospital rates and monitors hospitals costs and bills).
- We are a good corporate citizen, and we believe in supporting local community activities. We think it is appropriate that we occasionally provide modest financial support to other charitable and community-based organizations. Our modest corporate financial support also helps to encourage our employees and physicians to contribute to the community through active participation in local organizations. For example, the OIG noted that the Hospital contributed \$6,000 to the United Way during 1991. But our employees and physicians donated more than \$100,000 which is more than any other hospital in Dade, Broward, and Palm Beach counties. It maybe impossible to quantify the benefits, but we know that the collective community support efforts of the Hospital and its employees and physicians contribute importantly and positively to Dade county.
- The OIG apparently believes that it is inappropriate for Baptist to incur costs to sponsor employees in fitness events or give them a movie theater ticket on their birthday along with a card. Arguably we could avoid some of these expenses, but we believe that these small tokens of appreciation extended to all employees materially improve employee morale and effectiveness. They do cost money - but are they cost effective? Judge for yourself. Baptist Hospital is the only hospital in South Florida that has never used private agency nurses (which are quite expensive) to supplement our regular work force. Our turnover is quite low - probably the lowest of any major hospital in South Florida. We have been recognized as one of the country's model employers - competing with such giant organizations as IBM, Proctor & Gamble, and even the Federal government. We

Mr. Emil A. Trefzger, Jr.  
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view these costs as an investment in our human resources that make Baptist a superior hospital.

Following is a summary of the OIG audit findings by major category and other key points we wish to highlight regarding the OIG report:

- The OIG identified \$503,513 in G&A costs which, in the OIG's opinion, were not related to patient care and not allowable for Medicare reimbursement. Consistent with our past practices, we prepared the Medicare Cost Report conservatively following Medicare laws and regulations. We respectfully disagree with the OIG's audit finding, and continue to believe that adequate provisions have been made in the cost report to more than offset any A&G costs that are not allocable to the Medicare program. However, we certainly are not above making mistakes, and have instructed our independent consultants to review the correctness of the FY 1991 cost report with the Medicare Fiscal Intermediary in view of the OIG's audit findings. If it is determined that we have made a mistake on the FY 1991 cost report, we will promptly correct it. As stated previously, even if the OIG turns out to be completely correct, the effect will be to reduce our receivable from the Medicare program for FY 1991 by approximately \$23,000.
- The report identifies another \$1,591,049 which the OIG "...considered unnecessary for providing patient care." These costs were not allocated to the Medicare program, and consist of many different items - marketing, community relations expense, health education, public relations and other expenses we consider to be important to our business operations. Generally these expenditures help educate and inform the community. They also help us attain higher patient volumes at Baptist which enables us to realize greater economies of scale thereby operating at lower costs.
- A total of \$209,960 were identified as "costs for concern". The OIG correctly states that "generally, these costs were incurred for the benefit of hospital employees." Examples of these costs include movie theater tickets provided to all employees on their birthday (along with a birthday card), employee fitness programs, picnics, awards banquets, etc. We believe that the patient care and financial benefits of these small items of appreciation extended to all employees (regardless of their position in the Hospital) far outweigh the related cost. In short, these costs are incurred as part of the Hospital's overall efforts to build a high level of esprit de corps which we believe contributes significantly to our service excellence.

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- The original transmittal letter for the first draft of the OIG report stated that I should specifically include in our response "a statement of concurrence or nonconcurrence with each proposed cost adjustment." Since no cost adjustments were proposed, I have included no such statements in this response. We will be pleased to cooperate with the Medicare Fiscal Intermediary as they consider your findings when they audit the FY 1991 Medicare Cost Report.

### DETAILED DISCUSSION

#### OIG AUDIT FINDING:

"Our review identified \$503,513 in G&A costs which, in our opinion, were not related to patient care and were considered unallowable for Medicare reimbursement."

#### BHM RESPONSE:

We respectfully disagree with this audit finding. Consistent with our past practices, we conservatively prepared the FY 1991 Medicare Cost Report, and believe that adequate provisions have been made in the cost report as filed to more than offset these general and administrative costs.

Although this is probably not the appropriate forum to debate the issue, we would also like to point out our belief that the majority, if not all, of the G&A costs identified as non-allowable by the OIG are in fact directly related to patient care even if not allocable to the Medicare program under the government's rules and regulations. For example, the unallowable G&A costs identified by the OIG included \$249,178 (representing 50% of the total questioned costs of \$503,513) that the OIG properly described as "for charity work provided to patients at area nursing homes, and for an air ambulance to transport a patient back to Argentina". We believe it is self-evident from the OIG's description that these costs related directly to patient care, although the Medicare program makes no payment to the Hospital for these necessary services. We believe that the remainder of the G&A costs are either directly related to patient care or are ordinary and necessary business expenses for a socially aware business of our size.

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As stated above, one of the findings of the Inspector General is that the FY 1991 unaudited Medicare Cost Report reflected general and administrative expenses totalling \$503,513 that, in the opinion of the Inspector General, did not relate to patient care and should not have been allocated to the Medicare program. Because the amount of costs allocated to the Medicare program on the cost report have little impact on the amount of payment ultimately received by the Hospital for services provided to Medicare beneficiaries, the Inspector General estimates that the effect of this alleged error was to increase Medicare payments to the Hospital for FY 1991 by only approximately \$23,000.

We have discussed this matter with representatives of the Inspector General's office and disagree with the conclusion that these costs were allocated to the Medicare program. The Medicare cost report is a lengthy and exceptionally complex financial and statistical document that requires considerable expertise to fully interpret and understand. We were conservative when we prepared the Cost Report, and continue to believe that adequate provisions have been made in the cost report to more than offset the administrative and general costs in question. Our belief that the cost report has been conservatively prepared is based in part on our recent experience. To illustrate, the Medicare Fiscal Intermediary on May 1, 1992 conducted an exit conference to complete their audit of the Medicare Cost Report for FY 1990. As a result of this audit, the Medicare Fiscal Intermediary concluded that Baptist Hospital was owed \$2,000,000 more than what was reported on the cost report as originally filed.

Nevertheless, we certainly are not above making mistakes, despite our sincere desire to comply with the letter and spirit of all Federal and state regulatory requirements. The FY 1991 Medicare Cost Report was prepared by an independent Medicare consultant and was also reviewed by our external auditor. As a result of the OIG's criticism, we have instructed our independent Medicare consultant to reconsider the accuracy of the FY 1991 Cost Report in view of the OIG's findings. We have asked our independent external audit firm to participate in this process and we have asked that this review be done in consultation with the Medicare Fiscal Intermediary. If it is determined that we have made a mistake in preparing the FY 1991 Cost Report, we will promptly file an amended Cost Report.

#### OIG AUDIT FINDING:

"In response to the subcommittee's request, we reviewed \$1,851,185 of the G&A and EB cost which BHM incurred but did not allocate to Medicare... Within these costs we identified \$1,591,049 which we considered unnecessary for providing patient care."

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**BHM RESPONSE:**

The OIG separated these expenses into the following categories:

- \$608,721 for marketing, public relations costs and advertising;
- \$956,828 for community health and athletic training;
- \$25,500 for patient telephones.

In our judgement, all of the above expenses are ordinary and necessary expenses for an effective, patient driven healthcare institution. These expenses were incurred to inform the community about the Hospital and its services; to educate community members about their health and the services available at Baptist Hospital; to assist community members in selecting a physician or other medical professional; to promote the Hospital's image in sports medicine and other competitive markets; and, in the case of telephones, to provide a convenience for our patients. Most large businesses feel the need to incur marketing and promotional expenses as part of their business operations.

We believe that the OIG's opinion that these expenses were not necessary to provide patient care is unrealistic and not consistent with the preponderance of government policy. The Federal government has for years encouraged not-for-profit hospitals to behave more like private businesses by developing programs to encourage competition among providers. In fact, one of the tenets of the Prospective Payment System was to encourage competition and efficiency among hospitals for inpatient services.

We have responded to this challenge by developing marketing and public relations programs and advertising events that are consistent with our service capabilities and not-for-profit status. Our programs are designed to educate community members about their health, the range and cost effectiveness of our services, and the services of physicians who practice at Baptist Hospital. We also assist patients in selecting a physician or other medical professional that is appropriate for their medical needs. Of course, our marketing programs are intended to present Baptist Hospital to the community as a positive, friendly corporate neighbor.

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Our response to this challenge and our operating environment, however, is much more than promoting our services. We recognize that our ability to control costs and operate with a high level of efficiency and effectiveness is directly dependent on our patient utilization. Like all large hospitals, a very high percentage of our total costs are "fixed". For example, we can not shut down the emergency department when business is "slow" and we must be staffed to respond to any medical event or emergency even when we have a low census. We understand quite well that increased patient utilization of our facilities enables us to spread our fixed costs over a larger number of patients. Thus, our costs per patient and per procedure are lower as we realize these economies of scale.

Therefore, we believe that the amounts we spend on marketing and related expenses not only enable us to educate, inform and assist our community with their health care needs, but these expenses also help us achieve significant cost effectiveness through higher patient utilization. Our contention that Baptist Hospital is a low cost provider is supported by the Florida Healthcare Cost Containment Board. We have included one of our brochures that illustrates that Baptist Hospital charges are consistently below the average in Dade County. We encourage you to review this information, along with the graphs charting the cost of providing care at Baptist for selected illnesses. To summarize, we believe that the evidence suggests that the promotional dollars we spend at Baptist help us to achieve more cost effective operations, and we think this objective is entirely consistent with providing patient care.

**OIG AUDIT FINDING:**

"We identified \$97,913 in G&A and \$112,047 in EB cost which we considered costs for concern. Generally, the costs were incurred for the benefit of hospital employees."

**BHM RESPONSE:**

In discussing this audit finding, the OIG states their concern that "such costs drive up the price of health care in general, and Medicare specifically." In a later section, the OIG states "these costs may benefit BHM's staff, but we see no direct or even indirect relationship to patient care and Medicare beneficiaries."

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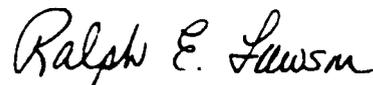
Arguably we could avoid some of these expenses, but we believe that these expenses are cost effective. They are incurred to benefit all of our 3,200 employees and include the cost of award banquets honoring employees for outstanding service to the Hospital, employee picnics, sponsorship of employee participation in community events such as the Miami Corporate Challenge race/walk, movie theater tickets distributed to employees on their birthdays along with a card, and similar items. We believe these costs, which are of insignificant monetary value on an individual employee basis, contribute positively to employee morale and to the enthusiasm with which our employees approach their work at the Hospital. These small tokens of appreciation for a job well done contribute in a major way to the culture that makes Baptist special. The extra efforts of our employees are genuinely respected and appreciated by the Board of Trustees, the physicians who practice at Baptist, our patients and the community. We believe these costs which are incidental to our overall operations are entirely consistent with managing the institution in an efficient and progressive fashion.

You may ask, "Are these expenses cost effective?" We believe they are and invite you to judge for yourself. Baptist Hospital is the only hospital in South Florida that has never used private agency nurses (which are quite expensive) to supplement our regular work force. Our turnover is quite low - probably the lowest of any major hospital in South Florida. As shown on the attached list of awards won by Baptist Hospital in the last few years, we have been recognized as one of the country's model employers - competing with such giant organizations as IBM, Proctor & Gamble, and even the Federal government. We view these costs as an investment in our human resources that make Baptist a superior hospital.

\* \* \* \* \*

I hope that you find the above comments to be informative, and a constructive and thoughtful response to your audit findings. I understand that this response will be incorporated in its entirety as part of your final report. Please do not hesitate to contact me if you have comments or questions.

Sincerely,



Ralph E. Lawson  
Vice President of Finance and  
Chief Financial Officer

REL:la

Attachments (3)

**A SUMMARY OF MAJOR AWARDS**

- 1989**      **Best Hospital in Dade County, *Modern Healthcare* Magazine**  
**Best Run Hospital in South Florida, *Florida Medical Business***  
**60 Best Companies for Working Mothers, *Working Mothers* Magazine**  
**16 Best Companies to Work for in South Florida, *South Florida***  
**Magazine**  
**Florida Nurse Executive of the Year - Charlotte Dison, Florida**  
**Nurses Association**
- 1990**      **Employer of the Year, Florida Nurses Association**  
**69 Top Companies in America for Working Mothers, *Good***  
***Housekeeping* Magazine**  
**1990 CEO Award - Society for Healthcare Planning and Marketing,**  
**American Hospital Association**  
**Outstanding Achievement in Human Resource Management for 1989,**  
**Personnel Association of Greater Miami**  
**Exemplary Dade Partner, Dade County Public Schools**
- 1991**      **Top 50 Cancer Centers in United States, *Coping* Magazine**  
**85 Best Companies for Working Mothers, *Working Mother* Magazine**  
**Best Run Hospital, Best Outpatient Services, *Medical Business***  
**Best Outpatient Services, *Medical Business***
- 1992**      **Healthcare Heroes - *New Miami* Magazine**  
**Sterling Award - Sterling Council**

# Taking Healthcare Costs Seriously



BAPTIST HOSPITAL  
OF MIAMI

At Baptist  
Hospital,  
you get  
top quality.

But you  
don't pay  
top dollar.

January 1992

Florida Health Care Cost Containment  
Board comparison of charges.

**Everybody knows that health care is expensive. But the best care the health care industry isn't necessarily the most expensive.**

Baptist Hospital is committed to cost-effective health care for its patients providing top quality health care without skimping on state-of-the-art technology or professional expense for you that means receiving outstanding medical care for less than you (or your insurance company) would pay at many other hospitals. This brochure contains information from the Florida Health Care Cost Containment Board. It lists average charges for several DRGs (diagnosis related groups) for the first six months of 1990. As you review these average charges, you will see that Baptist Hospital is one of the most reasonably priced hospitals in Dade County. In the final analysis, the most important gauge of any hospital's performance is the quality of care that its patients receive. So we asked the experts - our patients themselves - if they would choose Baptist again. Of those responding to the survey, a whopping 97% said "yes". Baptist Hospital has long been a leader in top quality health care. At Baptist, we're also concerned about healthcare costs. We know that price matters. Even when people tell us our care is priceless.

DRG 2430

Back Problems (Non-surgical)	
South Shore Hospital	\$ 8,123
Mt. Sinai Medical Center	\$ 6,437
Parkway Regional Medical Center	\$ 6,161
Humana Hospital Biscayne	\$ 5,723
Cedars Medical Center	\$ 5,561
Palm Springs Hospital	\$ 5,548
Westchester General Hospital	\$ 5,506
Mercy Hospital	\$ 5,473
Pan American Hospital	\$ 5,372
St. Francis Hospital	\$ 5,344
Hiialeah Hospital	\$ 5,087
Kendall Regional Medical Center	\$ 5,067
Average for the Region	\$ 5,027
Golden Glades Regional Medical Center	\$ 4,997
Coral Gables Hospital	\$ 4,887
Victoria Hospital	\$ 4,801
SMH Homestead Hospital	\$ 4,796
AMI Palmetto General Hospital	\$ 4,784
Miami Heart Institute	\$ 4,629
Deering Hospital	\$ 4,574
North Shore Medical Center	\$ 4,565
South Miami Hospital	\$ 4,496
Baptist Hospital of Miami	\$ 4,453
North Gables Hospital	\$ 4,373
Jackson Memorial Hospital	\$ 4,328
Doctors' Hospital	\$ 3,694
Larkin General Hospital	\$ 3,482
Miami Children's Hospital	\$ 2,037

DRG 3580

Hysterectomy	
Humana Hospital Biscayne	\$ 10,104
Kendall Regional Medical Center	\$ 9,819
Parkway Regional Medical Center	\$ 9,484
North Gables Hospital	\$ 9,031
Cedars Medical Center	\$ 8,764
Jackson Memorial Hospital	\$ 8,571
AMI Palmetto General Hospital	\$ 8,407
Victoria Hospital	\$ 8,248
Mercy Hospital	\$ 8,179
Golden Glades Regional Medical Center	\$ 7,930
Deering Hospital	\$ 7,771
Miami Heart Institute	\$ 7,739
Pan American Hospital	\$ 7,704
Average for the Region	\$ 7,584
Larkin General Hospital	\$ 7,551
Hiialeah Hospital	\$ 7,521
Palm Springs Hospital	\$ 7,491
Coral Gables Hospital	\$ 7,427
Westchester General Hospital	\$ 7,409
South Miami Hospital	\$ 7,186
St. Francis Hospital	\$ 6,936
North Shore Medical Center	\$ 6,866
SMH Homestead Hospital	\$ 6,449
Baptist Hospital of Miami	\$ 6,408
Mt. Sinai Medical Center	\$ 6,349
Doctors' Hospital	\$ 6,202

Hospitals that reported a limited number of discharges in any category were omitted.

DRG 1400

Angina Pectoris	
Hialeah Hospital	\$ 6,625
AMI Palmetto General Hospital	\$ 6,265
Cedars Medical Center	\$ 6,145
Mt. Sinai Medical Center	\$ 6,119
North Shore Medical Center	\$ 5,655
Kendall Regional Medical Center	\$ 5,571
St. Francis Hospital	\$ 5,542
Palm Springs Hospital	\$ 5,337
Average for the Region	\$ 5,207
Westchester General Hospital	\$ 5,108
Golden Glades Regional Medical Center	\$ 5,036
Humana Hospital Biscayne	\$ 5,011
Mercy Hospital	\$ 4,878
Miami Heart Institute	\$ 4,877
Pan American Hospital	\$ 4,859
Larkin General Hospital	\$ 4,824
Coral Gables Hospital	\$ 4,724
South Shore Hospital	\$ 4,618
Baptist Hospital of Miami	\$ 4,487
Parkway Regional Medical Center	\$ 4,342
SMH Homestead Hospital	\$ 4,288
Deering Hospital	\$ 4,222
Victoria Hospital	\$ 4,216
South Miami Hospital	\$ 4,045
North Gables Hospital	\$ 3,988
Jackson Memorial Hospital	\$ 3,755
Doctors' Hospital	\$ 3,685

DRG 1271

Heart Failure and Shock (Complications)	
Hialeah Hospital	\$ 11,664
Westchester General Hospital	\$ 11,466
AMI Palmetto General Hospital	\$ 11,359
Mt. Sinai Medical Center	\$ 11,282
Cedars Medical Center	\$ 11,009
Golden Glades Regional Medical Center	\$ 9,907
Palm Springs Hospital	\$ 9,804
Kendall Regional Medical Center	\$ 9,691
Humana Hospital Biscayne	\$ 9,429
St. Francis Hospital	\$ 9,371
North Shore Medical Center	\$ 9,184
Average for the Region	\$ 9,000
Miami Heart Institute	\$ 8,823
Pan American Hospital	\$ 8,818
Parkway Regional Medical Center	\$ 8,596
South Miami Hospital	\$ 8,511
Victoria Hospital	\$ 8,508
Larkin General Hospital	\$ 8,487
South Shore Hospital	\$ 8,352
SMH Homestead Hospital	\$ 8,208
Mercy Hospital	\$ 8,170
Baptist Hospital of Miami	\$ 8,125
Deering Hospital	\$ 8,124
North Gables Hospital	\$ 7,841
Coral Gables Hospital	\$ 7,392
Jackson Memorial Hospital	\$ 7,368
Doctors' Hospital	\$ 7,164

Hospitals that reported a limited number of discharges in any category were omitted.

DRG 1430

Chest Pain	
Westchester General Hospital	\$ 5,943
Hialeah Hospital	\$ 5,705
Cedars Medical Center	\$ 5,528
AMI Palmetto General Hospital	\$ 5,334
Mt. Sinai Medical Center	\$ 5,088
Kendall Regional Medical Center	\$ 4,943
Palm Springs Hospital	\$ 4,813
North Shore Medical Center	\$ 4,677
Humana Hospital Biscayne	\$ 4,479
St. Francis Hospital	\$ 4,330
Coral Gables Hospital	\$ 4,324
Average for the Region	\$ 4,317
SMH Homestead Hospital	\$ 4,073
Golden Glades Regional Medical Center	\$ 4,046
Mercy Hospital	\$ 3,899
Pan American Hospital	\$ 3,858
Deering Hospital	\$ 3,842
Miami Heart Institute	\$ 3,717
Parkway Regional Medical Center	\$ 3,501
South Miami Hospital	\$ 3,458
Baptist Hospital of Miami	\$ 3,435
Larkin General Hospital	\$ 3,412
Doctors' Hospital	\$ 3,376
Jackson Memorial Hospital	\$ 3,340
North Gables Hospital	\$ 2,788
Victoria Hospital	\$ 2,774



BAPTIST HOSPITAL  
 OF MIAMI

DRG 3910

**Normal Childbirth (Baby)**

Jackson Memorial Hospital	\$ 1,172
South Miami Hospital	\$ 1,045
Mercy Hospital	\$ 960
Average for the Region	\$ 944
AMI Palmetto General Hospital	\$ 900
Hialeah Hospital	\$ 853
Baptist Hospital of Miami	\$ 842
Mt. Sinai Medical Center	\$ 838
Parkway Regional Medical Center	\$ 826
SMH Homestead Hospital	\$ 695
St. Francis Hospital	\$ 615
North Shore Medical Center	\$ 546
Doctors' Hospital	\$ 474

DRG 3730

**Normal Childbirth (Mother)**

Hialeah Hospital	\$ 3,394
St. Francis Hospital	\$ 3,289
South Miami Hospital	\$ 3,157
Mercy Hospital	\$ 3,064
Mt. Sinai Medical Center	\$ 3,025
Parkway Regional Medical Center	\$ 2,928
AMI Palmetto General Hospital	\$ 2,922
Baptist Hospital of Miami	\$ 2,678
Doctors' Hospital	\$ 2,641
Average for the Region	\$ 2,512
North Shore Medical Center	\$ 2,241
SMH Homestead Hospital	\$ 2,232
Jackson Memorial Hospital	\$ 2,124

DRG 3911

**Normal Childbirth (Complications with Baby)**

Jackson Memorial Hospital	\$ 1,613
Average for the Region	\$ 1,483
Mercy Hospital	\$ 1,466
South Miami Hospital	\$ 1,463
Mt. Sinai Medical Center	\$ 1,337
AMI Palmetto General Hospital	\$ 1,313
Hialeah Hospital	\$ 1,231
Parkway Regional Medical Center	\$ 1,195
Baptist Hospital of Miami	\$ 1,176
SMH Homestead Hospital	\$ 1,080
North Shore Medical Center	\$ 959
St. Francis Hospital	\$ 734
Doctors' Hospital	\$ 686

DRG 3700

**Cesarean Childbirth (Mother)**

Hialeah Hospital	\$ 6,587
St. Francis Hospital	\$ 6,201
Parkway Regional Medical Center	\$ 6,032
AMI Palmetto General Hospital	\$ 6,013
Mt. Sinai Medical Center	\$ 5,805
Mercy Hospital	\$ 5,714
SMH Homestead Hospital	\$ 5,598
South Miami Hospital	\$ 5,536
Doctors' Hospital	\$ 5,516
Average for the Region	\$ 5,437
Jackson Memorial Hospital	\$ 4,977
Baptist Hospital of Miami	\$ 4,810
North Shore Medical Center	\$ 4,300

DRG 1821

**Digestive System Problems (Complications)**

St. Francis Hospital	\$ 7,534
Cedars Medical Center	\$ 7,244
Victoria Hospital	\$ 6,559
Westchester General Hospital	\$ 6,434
North Gables Hospital	\$ 6,365
University of Miami Hospitals/Clinics	\$ 6,358
Parkway Regional Medical Center	\$ 6,334
Kendall Regional Medical Center	\$ 6,109
Mt. Sinai Medical Center	\$ 6,054
Humana Hospital Biscayne	\$ 6,012
Mercy Hospital	\$ 5,929
AMI Palmetto General Hospital	\$ 5,792
Larkin General Hospital	\$ 5,708
Deering Hospital	\$ 5,671
Palm Springs Hospital	\$ 5,641
South Shore Hospital	\$ 5,519
Pan American Hospital	\$ 5,427
Average for the Region	\$ 5,360
South Miami Hospital	\$ 5,340
Coral Gables Hospital	\$ 5,107
Miami Heart Institute	\$ 5,071
Hialeah Hospital	\$ 4,940
North Shore Medical Center	\$ 4,936
SMH Homestead Hospital	\$ 4,925
Jackson Memorial Hospital	\$ 4,835
Baptist Hospital of Miami	\$ 4,622
Golden Glades Regional Medical Center	\$ 4,588
Doctors' Hospital	\$ 4,567
Miami Children's Hospital	\$ 4,475

Hospitals that reported a limited number of discharges in any category were omitted

DRG 0141

**Stroke**

SMH Homestead Hospital	\$ 15,919
Hiialeah Hospital	\$ 15,547
AMH Palmetto General Hospital	\$ 14,028
Mt. Sinai Medical Center	\$ 12,871
Kendall Regional Medical Center	\$ 12,785
Humana Hospital Biscayne	\$ 12,371
Mercy Hospital	\$ 11,748
St. Francis Hospital	\$ 11,704
Pan American Hospital	\$ 11,525
Jackson Memorial Hospital	\$ 11,117
North Shore Medical Center	\$ 11,015
Average for the Region	\$ 10,929
Cedars Medical Center	\$ 10,764
Victoria Hospital	\$ 10,685
Parkway Regional Medical Center	\$ 10,341
Palm Springs Hospital	\$ 9,906
Baptist Hospital of Miami	\$ 9,875
Golden-Glades Regional Medical Center	\$ 9,741
Deering Hospital	\$ 9,655
Coral Gables Hospital	\$ 9,365
South Miami Hospital	\$ 9,099
Miami Heart Institute	\$ 8,503
Larkin General Hospital	\$ 8,011
North Gables Hospital	\$ 7,957
South Shore Hospital	\$ 7,779
Doctors' Hospital	\$ 7,610



**BAPTIST HOSPITAL**  
 8900 North Kendall Drive  
 Miami, FL 33176-2197  
 (305) 596-1960

DRG 0020

**Simple Pneumonia and Pleurisy**

Cedars Medical Center	\$ 9,068
St. Francis Hospital	\$ 8,476
Mt. Sinai Medical Center	\$ 8,303
Humana Hospital Biscayne	\$ 7,620
AMH Palmetto General Hospital	\$ 7,555
Miami Heart Institute	\$ 7,516
Kendall Regional Medical Center	\$ 7,386
North Gables Hospital	\$ 7,258
Palm Springs Hospital	\$ 7,207
Larkin General Hospital	\$ 7,167
Hiialeah Hospital	\$ 6,768
Miami Children's Hospital	\$ 6,624
South Miami Hospital	\$ 6,510
South Shore Hospital	\$ 6,466
Pan American Hospital	\$ 6,398
Average for the Region	\$ 6,359
Coral Gables Hospital	\$ 6,265
Westchester General Hospital	\$ 6,174
Parkway Regional Medical Center	\$ 6,097
North Shore Medical Center	\$ 6,054
Mercy Hospital	\$ 5,931
Victoria Hospital	\$ 5,739
Golden Glades Regional Medical Center	\$ 5,514
SMH Homestead Hospital	\$ 5,138
Jackson Memorial Hospital	\$ 5,030
Doctors' Hospital	\$ 5,024
Baptist Hospital of Miami	\$ 4,609
Deering Hospital	\$ 4,122

Hospitals that reported a limited number of discharges in any category were omitted.