

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF COST REPORT
SETTLEMENTS BY MUTUAL OF
OMAHA (MUTUAL) FOR MEDICARE
INPATIENT ACUTE CARE PROVIDERS
RECEIVING DISPROPORTIONATE
SHARE (DSH) PAYMENTS**



**JANET REHNQUIST
INSPECTOR GENERAL**

**JULY 2002
A-07-01-00134**

Office of Inspector General

<http://oig.hhs.gov/>

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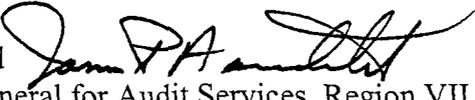


DEPARTMENT OF HEALTH & HUMAN SERVICES

Memorandum

Refer to:

Region VII
Federal Office Building
601 East 12th Street
Kansas City, Missouri 64106-2898

Date : JUL 24 2002
From : James P. Aasmundstad 
Regional Inspector General for Audit Services, Region VII
Subject: Review of Mutual of Omaha's Cost Report Settlements for Providers Which Received a Disproportionate Share Payment (CIN: A-07-01-00134)
To : Joe L. Tilghman, Regional Administrator
Centers for Medicare & Medicaid Services, Region VII

This report provides the results of our review of cost report settlements by Mutual of Omaha (Mutual) for Medicare inpatient acute care providers receiving disproportionate share (DSH) payments.

The objective of our review was to determine whether Mutual, at cost report settlement, had correctly calculated providers' DSH payments. We found that Mutual incorrectly calculated DSH payments for two of 45 providers we reviewed, and made other minor settlement errors for one of the two providers with a DSH payment error. Consequently, Mutual made a net Medicare underpayment of \$2,345 (Appendix A). Additionally, Mutual had not included a revised settlement for a provider in its working paper file. The overpayments occurred because of insufficient supervisory review of cost report settlements.

We brought this to Mutual's attention, and we verified our recommended adjustments. Mutual indicated the cost reports would be reopened and adjusted.

We recommend that the Centers for Medicare & Medicaid Services (CMS): (i) monitor Mutual's reopening of the cost reports for the two providers with settlement errors identified in our review; and, (ii) ensure that Mutual establishes sufficient supervisory review procedures for cost report settlements.

In its response to our draft report, CMS concurred with our audit findings. CMS stated that Mutual reopened, and recovered \$7,771, for the provider cost report with an overpayment. However, Mutual was unable to reopen the other cost report identified in our review because the 36-month reopening window had elapsed. CMS stated that Mutual held training conferences this year that emphasized the need for supervisory review of cost report settlements. Additionally, CMS will discuss the issue of supervisory review during a Technical Assistance visit in August 2002. The CMS response in its entirety is included in Appendix C.

BACKGROUND

The Consolidated Omnibus Budget Reconciliation Act of 1985, Public Law 99-272, established the Medicare DSH program, which provides that additional payments will be made to hospitals that serve a disproportionate share of low-income patients. The percentage of low-income patients is defined as the hospital's total number of inpatient days attributable to Medicare beneficiaries who also receive Federal Supplemental Income (SSI) payments divided by the total number of Medicare inpatient days, plus the number of Medicaid inpatient days divided by the total inpatient days.

Other factors included in the DSH payment calculation include: (i) hospital bed size; (ii) whether the hospital is rural or urban; (iii) whether the hospital is a sole community hospital (SCH), rural referral center, or Medicare dependent hospital; and (iv) the allowable DRG and outlier claims for the audited period eligible for the DSH payment. The Code of Federal Regulations (CFR), Section 412.106, provides the specific criteria for the calculation of DSH payments.

Mutual determines a hospital's allowable DSH payment retroactively at cost report settlement. Mutual obtains the hospital's percentage of SSI patient days from CMS. Other components for the DSH payment calculations are taken from the provider's audited Medicare cost report and the Provider Statistical & Reimbursement (PS&R) report. Mutual uses a worksheet to calculate the allowable DSH payment.

SCOPE

The objective of our review was to determine whether Mutual, at cost report settlement, properly determined allowable DSH payments. We performed a limited scope review of the DSH payment amounts included in providers' final cost report settlements according to Mutual's records.

We utilized the CMS Healthcare Cost Report Information System (HCRIS) to determine the providers that received a DSH payment at final cost report settlement, for which Mutual was the audit intermediary. From HCRIS, we obtained a listing of cost reports filed with Mutual with a beginning date in Federal fiscal years (FYs) 1997 or 1998 (October 1, 1996 through September 30, 1998). There were 254 cost reports with a beginning date in FYs 1997 or 1998 that had been settled, and that included a DSH payment to the provider. We judgmentally selected 45 cost report settlements for our review.

We obtained the working paper files for the 45 cost report settlements selected for our review. We determined the DSH payment Mutual allowed according to the final settlement worksheet. We reviewed Mutual's working papers to determine whether the DSH calculations were (i) in accordance with Federal criteria, and (ii) based on supporting records of the provider's Medicare claims and inpatient days. We did not review the accuracy of the providers' percentage of SSI patient days which Mutual obtained from CMS.

FINDINGS AND RECOMMENDATIONS

We found that Mutual incorrectly calculated DSH payments for two of 45 providers we reviewed, and made other minor settlement errors for one of the two providers with a DSH payment error. Consequently, Mutual made a net Medicare underpayment of \$2,345 (Appendix A). Additionally, Mutual had not included a revised settlement in its working paper files. The errors occurred because of insufficient supervisory review of cost report settlements.

Disproportionate Share

Mutual incorrectly calculated the DSH payment for two cost report settlements. For one provider, Mutual made a Medicare overpayment of \$7,773 (Appendix B, Page 1). Mutual included outlier payments made after October 1, 1997 in the DSH payment calculation. Additionally, the allowable DSH payment after October 1, 1997 was not reduced by one percent. According to CFR, Section 412.106, outlier claims after October 1, 1997 are not included in the DSH payment calculation, and the allowable DSH payment after October 1, 1997 must be reduced by one percent.

For another provider, Mutual made a Medicare underpayment of \$10,118 (Appendix B, Page 2). Mutual applied the incorrect DSH payment percentage to DRG payments. Also, Mutual overstated DRG payments, and did not properly split the DRG payments before, and after, October 1, 1997. The net effect was a Medicare underpayment of \$10,118.

We also found that Mutual had not included a revised settlement for a provider in its working paper files. This provider had received a Medicare overpayment of \$271,216 at its initial cost report settlement. The provider notified Mutual of the overpayment, and Mutual issued a revised settlement to recover the overpayment. However, Mutual did not include the revised settlement documentation in its working paper files.

The primary cause of the incorrect DSH calculations was insufficient supervisory review of DSH calculation working papers. Mutual officials stated the errors were infrequent; therefore, Mutual officials do not believe their supervisory review procedures should be revised.

Recommendations

We recommend that CMS:

- 1) Ensure that the two cost report settlements identified above are reopened, and that adjustments are made for the \$7,773 overpayment for Doctor's Hospital – Springfield and the \$10,118 under payment for Redding Specialty Hospital.
- 2) Review the adequacy of Mutual's cost report settlement supervisory review procedures.

CMS' COMMENTS

CMS concurred with our audit findings. CMS stated that Mutual reopened, and recovered \$7,771, for the provider cost report with an overpayment. However, Mutual was unable to reopen the other cost report identified in our review because the 36-month reopening window had elapsed. CMS stated that Mutual held training conferences this year that emphasized the need for supervisory review of cost report settlements. Additionally, CMS will discuss the issue of supervisory review during a Technical Assistance visit in August 2002.

OIG'S RESPONSE

We commend CMS and Mutual for their corrective actions. We recommend that CMS conduct routine evaluations of the adequacy of supervisory review of Mutual's cost report settlements.

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In accordance with the principles of the Freedom of Information Act, 5 U.S.C. 552, as amended by Public Law 104-231, Office of Inspector General, Office of Audit Services reports are made available to the public to the extent information contained therein is not subject to exemptions in the Act. (See 45 CFR Part 5). As such, within ten business days after the final report is issued, it will be posted on the world wide web at <http://oig.hhs.gov/>.

To facilitate identification, please refer to Common Identification Number A-07-01-00134 in all correspondence relating to this report.

Appendix A

**Review of Mutual of Omaha's Cost Report Settlements
For Providers Which Received A Disproportionate Share Payment
CIN: A-07-01-00134**

<u>Provider</u>	<u>Provider Number</u>	<u>Cost Reporting Period</u>	<u>Balance Due To/(From) Medicare</u>
Doctor's Hospital – Springfield	14-0285	01/01/97 - 12/31/97	\$ 7,773
Redding Specialty Hospital	05-0699	10/01/96 - 11/13/97	<u>(10,118)</u>
Net Balance Due from Medicare			<u>(\$ 2,345)</u>

**Review of Mutual of Omaha's Cost Report Settlements
For Providers Which Received A Disproportionate Share Payment
CIN: A-07-01-00134**

Doctor's Hospital - Springfield
Provider Number 14-0285
January 1, 1997 through December 31, 1997

<u>Cost Report Settlement Category</u>	<u>Mutual's Settlement</u>	<u>Less: OIG Audited Amount</u>	<u>Balance Due To/(From) Medicare</u>
DRG	\$ 5,442,101	\$5,442,101	\$ 0
Outliers	227,105	227,105	0
DSH	408,183	400,410	7,773
I/P Capital Costs	629,826	629,826	0
Bad Debts	127,853	127,853	0
Primary Payor Payments	(11)	(11)	0
Deductibles	(693,205)	(693,205)	0
Coinsurance	(20,330)	(20,330)	0
Total Amount Payable	\$6,121,522	\$6,113,749	\$7,773
Interim Payments	(6,000,231)	(6,000,231)	0
Balance Due	\$ 121,291	\$ 113,518	<u>\$7,773</u>

**Review of Mutual of Omaha's Cost Report Settlements
For Providers Which Received A Disproportionate Share Payment
CIN: A-07-01-00134**

Redding Specialty Hospital
Provider Number 05-0699
October 1, 1996 through November 13, 1997

<u>Cost Report Settlement Category</u>	<u>Mutual's Settlement</u>	<u>Less: OIG Audited Amount</u>	<u>Balance Due To/(From) Medicare</u>
DRG	\$ 246,842	\$ 244,743	1,739
DSH	123	12,237	(12,114)
I/P Capital Costs	19,019	19,019	0
Bad Debts	25,887	25,887	0
Exception Payment for I/P	14,780	14,523	257
Deductibles	(52,008)	(52,008)	0
Coinsurance	(1,656)	(1,656)	0
Recovery of Excess Depr.	<u>5,460,849</u>	<u>5,460,849</u>	<u>0</u>
Total Amount Payable	\$5,713,476	\$5,723,594	(\$10,118)
Interim Payments	<u>(243,988)</u>	<u>(243,988)</u>	<u>0</u>
Balance Due	\$5,469,488	\$5,479,606	<u>(\$10,118)</u>