MAY 22 2006

TO: Wynethea Walker
Director, Audit Liaison Staff
Centers for Medicare & Medicaid Services

FROM: Joseph E. Vengrin
Deputy Inspector General for Audit Services

SUBJECT: Review of Controls to Report Wage Data at Florida Hospital Heartland for the Period of January 1, 2003, Through December 31, 2003 (A-04-05-02002)

Attached is an advance copy of our final report on Florida Hospital Heartland's (the hospital's) reported fiscal year (FY) 2003 wage data. We will issue this report to the hospital within 5 business days. This review is one in a series of reviews determining the accuracy of the wage data reported by inpatient prospective payment system (IPPS) hospitals that will be used by the Centers for Medicare & Medicaid Services (CMS) for developing the FY 2007 wage indexes.

Under the acute care hospital IPPS, Medicare payments for hospitals are made at predetermined, diagnosis-related rates for each hospital discharge. The payment system base rate is composed of a standardized amount that includes a labor-related share. CMS adjusts the labor-related share by the wage index applicable to the area in which the hospital is located.

The objective of our review was to determine whether the hospital complied with Medicare requirements for reporting wage data in its FY 2003 Medicare cost report.

The hospital did not fully comply with Medicare requirements for reporting wage data in its FY 2003 Medicare cost report. Specifically, the hospital reported the following inaccurate data, which affected the numerator and the denominator of the wage rate calculation:

- misstated hours, which overstated wage data by $482,558 and 36,917 hours;
- overstated home office costs, which overstated wage data by $367,298 and 910 hours;
- overstated physician Part A contract labor services, which overstated wage data by $60,000 and 202 hours; and
- overstated contract labor hours, which overstated wage-related hours by 14,866.

These errors occurred because the hospital did not sufficiently review and reconcile wage data to ensure that all amounts reported were accurate, supportable, and in compliance with Medicare regulations and guidance. As a result, the hospital overstated its wage data by $909,856 (numerator) and 52,895 hours (denominator) for the FY 2003 Medicare cost report period. Our

correction of the hospital's errors increased the average hourly wage rate 1.14 percent, from $24.62 to $24.90. If the hospital does not revise the wage data in its cost report, the FY 2007 Florida rural wage index will be understated, which will result in underpayments to this hospital and the other hospitals that use this wage index.

We recommend that the hospital:

- submit a revised FY 2003 Medicare cost report to the fiscal intermediary to correct the wage data overstatements totaling $909,856 and 52,895 hours and

- implement review and reconciliation procedures to ensure that the wage data reported on future Medicare cost reports are accurate, supportable, and in compliance with Medicare requirements.

In written comments on the draft report, the hospital agreed with the findings and recommendations except for the finding related to overstated home office costs resulting from unallowable supplemental executive compensation. The Office of Inspector General disagrees with the Hospital's position and maintains that the finding is valid.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact George M. Reeb, Assistant Inspector General for the Centers for Medicare & Medicaid Audits, at (410) 786-7104 or Lori S. Pilcher, Regional Inspector General for Audit Services, Region IV, at (404) 562-7750. Please refer to report number A-04-05-02002.

Attachment

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of Inspector General
Office of Audit Services

REGION IV
61 Forsyth Street, S.W., Suite 3T41
Atlanta, Georgia 30303

MAY 24 2006

Report Number: A-04-05-02002

Mrs. Yvette Cummings
Senior Revenue Officer
Adventist Health System
111 North Orlando Avenue
Winter Park, Florida 32789-3675

Dear Mrs. Cummings:

Enclosed are two copies of the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG) final report entitled "Review of Controls to Report Wage Data at Florida Hospital Heartland for the Period of January 1, 2003, Through December 31, 2003." A copy of this report will be forwarded to the action official named on the next page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act (5 U.S.C. § 552, as amended by Public Law 104-231), OIG reports issued to the Department's grantees and contractors are made available to members of the press and general public to the extent the information is not subject to exemptions in the Act that the Department chooses to exercise (see 45 CFR part 5).

Please refer to report number A-04-05-02002 in all correspondence.

Sincerely,

Lori S. Pilcher
Regional Inspector General
for Audit Services, Region IV

Enclosures

Direct Reply to HHS Action Official:

Mr. Roger Perez
Acting Regional Administrator
Centers for Medicare & Medicaid Services, Region IV
Department of Health and Human Services
61 Forsyth Street S.W., Suite 4T20
Atlanta, Georgia 30303

Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

REVIEW OF CONTROLS TO REPORT WAGE DATA AT FLORIDA HOSPITAL HEARTLAND FOR THE PERIOD OF JANUARY 1, 2003, THROUGH DECEMBER 31, 2003

Daniel R. Levinson
Inspector General

May 2006
A-04-05-02002

Office of Inspector General

http://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:

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OAS FINDINGS AND OPINIONS

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

EXECUTIVE SUMMARY

BACKGROUND

Under the inpatient prospective payment system for acute care hospitals, Medicare Part A pays hospitals at predetermined, diagnosis-related rates for patient discharges. The Centers for Medicare & Medicaid Services (CMS) adjusts hospital payments by the wage index applicable to the area in which each hospital is located.

CMS calculates a wage index for each core-based statistical area (CBSA) and one statewide rural wage index per State for areas that lie outside CBSAs. CMS will base the fiscal year (FY) 2007 wage indexes on wage data collected from the Medicare cost reports submitted by hospitals for their FYs that began during Federal FY 2003. Hospitals must accurately report wage data for CMS to determine the equitable distribution of payments and help ensure the appropriate level of funding to cover their costs of furnishing services.

Florida Hospital Heartland (the hospital) reported wage data of $36.8 million and 1.49 million hours on its FY 2003 Medicare cost report, which resulted in an average hourly wage rate of $24.62. The $24.62 average hourly wage rate is the quotient of $36.8 million (numerator) divided by 1.49 million hours (denominator). Arriving at the final numerator and denominator in this rate computation involves a series of calculations. Therefore, inaccuracies in either the dollar amounts or hours reported may have varying effects on the final rate computation.

As of FY 2005, the Florida statewide rural area wage index applied to the hospital and 22 other hospitals. Two urban CBSAs encompassing seven additional hospitals also used this wage index.

OBJECTIVE

The objective of our review was to determine whether the hospital complied with Medicare requirements for reporting wage data in its FY 2003 Medicare cost report.

SUMMARY OF FINDINGS

The hospital did not fully comply with Medicare requirements for reporting wage data in its FY 2003 Medicare cost report. Specifically, the hospital reported the following inaccurate data, which affected the numerator and the denominator of the wage rate calculation:

- misstated hours, which overstated wage data by $482,558 and 36,917 hours;
- overstated home office costs, which overstated wage data by $367,298 and 910 hours;
- overstated physician Part A contract labor services, which overstated wage data by $60,000 and 202 hours; and

- overstated contract labor hours, which overstated wage-related hours by 14,866.

These errors occurred because the hospital did not sufficiently review and reconcile wage data to ensure that all amounts reported were accurate, supportable, and in compliance with Medicare regulations and guidance. As a result, the hospital overstated its wage data by $909,856 (numerator) and 52,895 hours (denominator) for the FY 2003 Medicare cost report period. Our correction of the hospital's errors increased the average hourly wage rate 1.14 percent, from $24.62 to $24.90. If the hospital does not revise the wage data in its cost report, the FY 2007 Florida rural wage index will be understated, which will result in underpayments to this hospital and the other hospitals that use this wage index.[1]

RECOMMENDATIONS

We recommend that the hospital:

- submit a revised FY 2003 Medicare cost report to the fiscal intermediary to correct the wage data overstatements totaling $909,856 and 52,895 hours and

- implement review and reconciliation procedures to ensure that the wage data reported on future Medicare cost reports are accurate, supportable, and in compliance with Medicare requirements.

HOSPITAL COMMENTS

In written comments on the draft report, the hospital agreed with the findings and recommendations except for the finding related to overstated home office costs resulting from unallowable supplemental executive compensation. The hospital stated that, in accordance with generally accepted accounting principals (GAAP), it properly reported supplemental executive compensation in the wage index.

The complete text of the hospital's comments is included as Appendix B.

OFFICE OF INSPECTOR GENERAL RESPONSE

The Office of Inspector General disagrees with the hospital's position and maintains that the overstated home office costs finding is valid. The supplemental executive compensation related to a defined retirement plan for qualified executives only. While the Medicare Provider Reimbursement Manual, Part II, Chapter 36 states that in determining wage-related costs for the wage index, a hospital must use GAAP, the regulations also state that hospitals must continue to use Medicare payment principles to determine allowable fringe benefits. The defined retirement plan is a fringe benefit and because the plan was discriminatory in nature, the hospital should not have reported this cost. The Provider Reimbursement Manual, part I, section 2141 clearly states that for defined contribution plans " . . . no provision may discriminate in favor of certain employees, e.g., employees who are stockholders, supervisors, or highly paid personnel."

[1]The extent of underpayments cannot be determined until CMS finalizes its FY 2007 wage indexes.

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INTRODUCTION

BACKGROUND

Medicare Inpatient Prospective Payment System

Under the inpatient prospective payment system for acute care hospitals, Medicare Part A pays hospital inpatient costs at predetermined, diagnosis-related rates for patient discharges. Medicare Part B, on the other hand, pays for medical costs such as physicians' services rendered to patients, clinical laboratory services, and outpatient hospital services.

In fiscal year (FY) 2005, according to the Centers for Medicare & Medicaid Services (CMS), Medicare Part A expects to pay 3,900 acute care hospitals about $105 billion, an increase of about $5 billion over FY 2004.

Wage Index

The geographic designation of hospitals influences their Medicare payment. Under the hospital inpatient prospective payment system, CMS adjusts payments through a wage index to reflect labor cost variations among localities. CMS uses the Office of Management and Budget (OMB) metropolitan area designations to identify labor markets and to calculate and assign wage indexes to hospitals. In 2003, OMB revised its metropolitan statistical area definitions and announced new core-based statistical areas (CBSAs). CMS calculates a wage index for each CBSA and one statewide rural wage index per State for areas that lie outside CBSAs. The wage index for each CBSA and the statewide rural area is based on the average hourly wage rate of the hospitals in those areas divided by the national average hourly wage rate. All hospitals within a CBSA or within a rural statewide area receive the same labor payment adjustment.

To calculate wage indexes, CMS uses hospital wage data (which include wages, salaries, and related hours) collected 4 years earlier to allow time for the cost report settlement process and CMS's data review. Accordingly, wage data collected from the Medicare cost reports submitted by hospitals for their FYs that began during Federal FY 2003 will be used to calculate wage index values in FY 2007. A hospital's wage rate is the quotient of dividing total dollars (numerator) by total hours (denominator). Arriving at the final numerator and denominator in this rate computation involves a series of calculations. Therefore, inaccuracies in either the dollar amounts or hours reported may have varying effects on the final rate computation.

Hospitals must accurately report wage data for CMS to determine the equitable distribution of Medicare payments and ensure the appropriate level of funding to cover their costs of furnishing services. Section 1886(d)(3)(e) of the Social Security Act (the Act) requires that CMS update the wage indexes annually in a manner that ensures that aggregate payments to hospitals are not affected by changes in the indexes.

Furthermore, section 4410 of Public Law 105-33 enacted 42 U.S.C. § 1395ww (note), which provides that for discharges on or after October 1, 1997, the area wage index applicable to any hospital located in an urban area of a State may not be less than the area wage index applicable to hospitals located in rural areas of that State.

Florida Hospital Heartland

Florida Hospital Heartland (the hospital), part of the Adventist Health System, is a 111-bed not-for-profit facility in Sebring, Florida. In addition, it operates a 50-bed satellite facility in Lake Placid, Florida and a 25-bed facility in Wauchula, Florida. As of FY 2005, the Florida statewide rural area wage index applied to the hospital and 22 other hospitals. Because the calculated wage indexes for two Florida urban CBSAs were below the statewide rural wage index, the seven hospitals in these CBSAs also used the statewide rural wage index pursuant to 42 U.S.C. § 1395ww (note).

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of our review was to determine whether the hospital complied with Medicare requirements for reporting wage data in its FY 2003 Medicare cost report.

Scope

Our review covered the $36.8 million and 1.49 million hours that the hospital reported to CMS on Worksheet S-3, part II, of its FY 2003 (January 1, 2003, through December 31, 2003) Medicare cost report, which resulted in an average hourly wage rate of $24.62. We limited our review of the hospital's internal controls to the procedures that the hospital used to accumulate and report wage data for its FY 2003 Medicare cost report.

We performed our fieldwork at the Adventist Health System corporate office in Winter Park, Florida, from February through May 2005.

Methodology

To accomplish our objective, we:

- reviewed applicable Medicare laws, regulations, and guidance;
- obtained an understanding of the hospital's procedures for reporting wage data;
- verified that wage data on the hospital's trial balance reconciled to its audited financial statements;
- reconciled the total reported wages in the hospital's FY 2003 Medicare cost report to its trial balance;

- selected for testing wage data in the FY 2003 Medicare cost report from cost centers that accounted for at least 2 percent of the total hospital wages;

- tested a sample of transactions from these cost centers and reconciled wage data to payroll records;

- interviewed hospital staff regarding the nature of services that employees and contracted labor provided to the hospital;

- reviewed the reasonableness of the hospital's proposed adjustments to the wage data reported in its FY 2003 Medicare cost report; and

- determined the effect of the reporting errors by recalculating the hospital's average hourly wage rate using the CMS methodology for calculating the wage index, which includes an hourly overhead factor, in accordance with instructions published in the Federal Register (see Appendix A).

We conducted our review in accordance with generally accepted government auditing standards.

FINDINGS AND RECOMMENDATIONS

The hospital did not fully comply with Medicare requirements for reporting wage data in its FY 2003 Medicare cost report. Specifically, the hospital reported the following inaccurate data, which affected the numerator and the denominator of the wage rate calculation:

- misstated hours, which overstated wage data by $482,558 and 36,917 hours;

- overstated home office costs, which overstated wage data by $367,298 and 910 hours;

- overstated physician Part A contract labor services, which overstated wage data by $60,000 and 202 hours; and

- overstated contract labor hours, which overstated wage-related hours by 14,866.

These errors occurred because the hospital did not sufficiently review and reconcile wage data to ensure that all amounts reported were accurate, supportable, and in compliance with Medicare regulations and guidance. As a result, the hospital overstated its wage data by $909,856 (numerator) and 52,895 hours (denominator) for the FY 2003 Medicare cost report period. Our correction of the hospital's errors increased the average hourly wage rate 1.14 percent, from $24.62 to $24.90. If the hospital does not revise the wage data in its FY 2003 Medicare cost report, the FY 2007 Florida rural wage index will be understated, which will result in underpayments to this hospital and the other hospitals that use this wage index.[1]

[1]The extent of underpayments cannot be determined until CMS finalizes its FY 2007 wage indexes.

ERRORS IN REPORTED WAGE DATA

The errors in reported wage data are discussed in detail below, and the cumulative effect of the findings is presented in Appendix A.

Misstated Hours

The "Provider Reimbursement Manual" (the Manual), part II, section 3605.2, requires hospitals to ensure that the wage data reported on their Medicare cost reports are accurate. Section 3605.3 requires hospitals to record the number of paid hours corresponding to the amounts reported as regular time, overtime, paid holiday, vacation and sick leave, paid time off, and hours associated with severance pay. The Manual also requires that salaries applicable to the excluded areas be reported on line 8 of Worksheet S-3, Part II. Section 1861(b) of the Act describes excluded services as costs not covered under Part A inpatient hospital services.

Severance Payments Without Associated Hours

The hospital included $26,191 in severance payments without the associated hours. During our review, the hospital was not able to provide documentation for these hours. As a result of these unallowable payments, the hospital overstated its wage data by $26,191.

Understated Total Paid Hours

The hospital incorrectly accounted for total hours by including paid differential hours and excluding overtime hours, which understated total hours by 41,775. The hospital disclosed these errors during our review. As a result of these understated hours, the hospital understated its wage data by $103,469 and 46,442 hours after the overhead factor was included in the calculation.

Misstated Excluded Area Hours

The hospital included 60,262 hours for the home health agency that should have been reported as excluded costs because they are not covered under Part A inpatient hospital services. The hospital disclosed this error during our review. The hospital also reclassified $106,996 in home health agency salaries as excluded area costs, but it did not remove the related 4,508 hours. As a result of these errors, the hospital overstated its wage data by $559,836 and 83,359 hours after the overhead factor was included in the calculation.

Overstated Home Office Costs

The Manual, part I, section 2150.3, sets forth instructions for allocating direct costs to components. Allowable costs incurred for the benefit of, or directly attributable to, a specific provider or nonprovider activity must be allocated directly to the chain entity for which they were incurred. The Manual, part I, section 2141 also states that for defined contribution plans " . . . no provision may discriminate in favor of certain employees, e.g., employees who are stockholders, supervisors, or highly paid personnel."

Salaries Not Related to the Hospital

The hospital recorded $77,338 and 910 associated hours from the home office for 5 upper-management personnel who worked for a different entity. As a result, the hospital overstated its wage data by $77,338 and 910 associated hours.

Unallowable Supplemental Executive Compensation

The hospital included as wage data $289,690 in supplemental executive compensation from the home office for a defined retirement plan for qualified executives only. Because the plan was discriminatory in nature, the hospital should not have reported this cost. As a result of this error, the hospital overstated its wage data by $289,690.

Overstated Part A Contracted Physician Services

The Manual, part II, section 3605.2, requires hospitals to ensure that the wage data reported on their Medicare cost reports are accurate.

The hospital disclosed during our review that it had reported $60,000 and 202 hours in unsupported physician Part A contract labor services. As result, the hospital overstated its wage data by $60,000 and 202 hours.

Overstated Contract Labor Hours

The Manual, part II, section 3605.2, requires hospitals to ensure that the wage data reported on their Medicare cost reports are accurate.

The hospital was able to provide documentation for only 28,176 of the 43,042 hours that it reported for contract therapy services. As a result of this lack of documentation, the hospital overstated its wage data by 14,866 hours.

CAUSES OF WAGE DATA REPORTING ERRORS

The errors in reported wage data occurred because the hospital did not sufficiently review and reconcile wage data to ensure that all amounts reported were accurate, supportable, and in compliance with Medicare requirements.

OVERSTATED WAGE DATA AND POTENTIAL UNDERPAYMENTS

As a result of these reporting errors, the hospital overstated its wage data by $909,856 (numerator) and 52,895 hours (denominator) for the FY 2003 Medicare cost report period. Our correction of the hospital's errors increased its average hourly wage 1.14 percent, from $24.62 to $24.90. If the hospital does not revise the wage data in its cost report, the FY 2007 Florida rural wage index will be understated, which will result in underpayments to this hospital and the other hospitals that use this wage index.

RECOMMENDATIONS

We recommend that the hospital:

- submit a revised FY 2003 Medicare cost report to the fiscal intermediary to correct the wage data overstatements totaling $909,856 and 52,895 hours and

- implement review and reconciliation procedures to ensure that the wage data on future Medicare cost reports are accurate, supportable, and in compliance with Medicare requirements.

HOSPITAL COMMENTS

In written comments on the draft report, the hospital agreed with the findings and recommendations except for the finding related to overstated home office costs resulting from unallowable supplemental executive compensation. The hospital stated that, in accordance with generally accepted accounting principals (GAAP), it properly reported supplemental executive compensation in the wage index.

The complete text of the hospital's comments is included as Appendix B.

OFFICE OF INSPECTOR GENERAL RESPONSE

The Office of Inspector General disagrees with the hospital's position and maintains that the overstated home office costs finding is valid. The supplemental executive compensation related to a defined retirement plan for qualified executives only. While the Manual, Part II, Chapter 36 states that in determining wage-related costs for the wage index, a hospital must use GAAP, the regulations also state that hospitals must continue to use Medicare payment principles to determine allowable fringe benefits. The defined retirement plan is a fringe benefit and because the plan was discriminatory in nature, the hospital should not have reported this cost. The Manual, part I, section 2141 clearly states that for defined contribution plans " . . . no provision may discriminate in favor of certain employees, e.g., employees who are stockholders, supervisors, or highly paid personnel."

APPENDIXES

APPENDIX A

CUMULATIVE EFFECT OF FINDINGS

Components		Reported FY 2003 Wage Data	Overstated Contract Labor Therapy Services	Overstated Home Office Cost		Overstated Part A Contracted Physician Services	MISSTATED HOURS				Revised Wage Data
				Overstated Home Office Salaries	Unallowable Supp. Executive Defined Comp. Plan		Severance Payment Without the Associated Hours	Understated Total Paid Hours	Understated Excluded Area Hours	Overstated Excluded Area Hours	
Florida Hospital Heartland Medical Center											
Work Sheet S - 3, Part II											
Total Salaries											
line 1/col. 3	TOTAL SALARIES	$33,998,427.00					($26,191)				$33,972,236.00
	Excluded Salaries										
Line 4.01/col. 3	TEACHING PHYSICIAN SALARIES	$0.00									$0.00
line 5/col. 3	PHYSICIAN - PT B	$0.00									$0.00
line 6/col. 3	INTERNS AND RESIDENTS	$0.00									$0.00
line 7/col. 3	HOME OFFICE Personnel	$653,984.00									$653,984.00
line 8/col. 3	SNF SALARIES	$0.00									$0.00
line 8.01/col. 3	EXCLUDED AREA SALARIES	$6,056,706.00									$6,056,706.00
subtotal (subtract)		$6,710,690.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$6,710,690.00
	Additional Salaries										
line 9/col. 3	CONTRACT LABOR	$3,635,582.00									$3,635,582.00
line 10/col. 3	CONTRACT LABOR-Physician Part A	$180,000.00				(60,000.00)					$120,000.00
line 10.01/col. 3	Teaching Physician under contract										$0.00
line 11/col. 3	HOME OFFICE SAL AND WAGES	$3,061,575.00		($77,338.00)	($289,960.00)						$2,694,277.00
line 13/col. 3	WAGE-RELATED COST (CORE)	$5,280,746.00									$5,280,746.00
line 14/col. 3	Wage related costs-other	$0.00									$0.00
line 18/col. 3	Physician Part A	$0.00									$0.00
sub-tot-b (ADD)		$12,157,903.00	$0.00	($77,338.00)	($289,960.00)	(60,000.00)	$0.00	$0.00	$0.00	$0.00	$11,730,605.00
	adjusted salaries	$39,445,640.00	$0.00	($77,338.00)	($289,960.00)	(60,000.00)	($26,191.00)	$0.00	$0.00	$0.00	$38,992,151.00
Total Paid Hours											
line 1/col. 4	TOTAL HOURS	1,769,772.00						41,775.00			1,811,547.00
	Excluded Hours										
line 4.01/col. 4	TEACHING PHYSICIAN HOURS	0.00									0.00
line 5/col. 4	PHYS PT B HOURS	0.00									0.00
line 6/col. 4	INTERN AND RESIDENTS HOURS	0.00									0.00
line 7/col. 4	HOME OFFICE Personnel Hours	11,848.00									11,848.00
line 8/col. 4	SNF HOURS	0.00									0.00
line 8.01/col. 4	EXCLUDED AREAS HOURS	274,699.00							60,262.00	(4,509.00)	330,452.00
sub-tot-c (LESS)		286,547.00	0.00	0.00	0.00	0.00	0.00	0.00	60,262.00	(4,509.00)	342,300.00
	Additional Hours										
line 9/col. 4	CONTRACT LABOR HOURS	89,948.00	(14,866.00)								75,082.00
line 10/col. 4	CONTRACT LABOR-Physician Part A Hours	1,762.00				(202.00)					1,560.00
line 10.01/col. 4	Teaching Physician under contract	0.00									0.00
line 11/col. 4	HOME OFFICE SAL HOURS	55,466.00		(910.00)							54,556.00
sub-tot-d (ADD)		147,176.00	(14,866.00)	(910.00)	0.00	(202.00)	0.00	0.00	0.00	0.00	131,198.00
	adjusted hours	1,630,401.00	(14,866.00)	(910.00)	0.00	(202.00)	0.00	41,775.00	(60,262.00)	4,509.00	1,600,445.00

Components		Reported FY 2003 Wage Data	Overstated Contract Labor Therapy Services	Overstated Home Office Cost		Overstated Part A Contracted Physician Services	MISSTATED HOURS			Revised Wage Data
				Overstated Home Office Salaries	Unallowable Supp. Executive Defined Comp. Plan		Severance Payment Without the Associated Hours	Understated Total Paid Hours	Understated Excluded Area Hours	Overstated Excluded Area Hours	
Florida Hospital Heartland Medical Center											
Work Sheet S - 3, Part III											
OVERHEAD(OH) ALLOCATION											
line 13/col. 3	TOTAL OVERHEAD WAGES	$9,236,617.00									$9,236,617.00
line 13/col. 4	TOTAL OVERHEAD HOURS	582,165.00									582,165.00
	TOTAL HOURS	1,769,772.00						41,775.00			1,811,547.00
	LESS:										
	TEACHING PHYSICIAN HOURS	0.00									0.00
	PHYS PT B HOURS	0.00									0.00
	HOME OFFICE Personnel Hours	11,848.00									11,848.00
	INTERN AND RESIDENTS HOURS	0.00									0.00
	TOTAL OVERHEAD HOURS	582,165.00									582,165.00
	SUBTOTAL ->	594,013.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	594,013.00
	REVISED HOURS(revised hrs)	1,175,759.00	0.00	0.00	0.00	0.00	0.00	41,775.00	0.00	0.00	1,217,534.00
	OVERHEAD REDUCTION FOR EXCLUDED AREAS- HOURS										
	SNF HOURS	0.00						0.00			0.00
	EXCLUDED AREA HOURS (e.g., home health)	274,699.00						0.00	60,262.00	(4,509.00)	330,452.00
	SUBTOTAL -->	274,699.00	0.00	0.00	0.00	0.00	0.00	0.00	60,262.00	(4,509.00)	330,452.00
EXCLUDED OVERHEAD RATE											
[(snf+excluded area hrs)/revised hours]		0.2336						(0.0080)	0.0513	(0.0038)	0.2714
EXCLUDED OVERHEAD WAGES ($OH X Excluded OH rate)		$2,158,001.30						($74,043.52)	$473,410.80	($35,422.15)	$2,506,918.54
EXCLUDED OVERHEAD HOURS (OH Hrs X Excluded OH rate)		136,014.39						(4,666.81)	29,838.11	(2,232.59)	158,005.93
OVERHEAD RATE											
(oh hrs/(revised hrs + oh hrs)		0.3925						(0.0108)	0.0166	(0.0012)	0.3962
	WAGE-RELATED COST (CORE)	$5,280,746.00						$0.00	$0.00		$5,280,746.00
	WAGE-RELATED COST(OTHER)	$0.00						$0.00	$0.00		$0.00
	PHYSICIAN PART A	$0.00						$0.00	$0.00		$0.00
	SUBTOTAL	$5,280,746.00						$0.00	$0.00		$5,280,746.00
overhead work wage-related cost		$2,072,689.91						($56,778.11)	$87,777.71	($6,281.87)	$2,092,408.90
excluded work wage -related cost		$484,253.87						($29,425.54)	$131,239.95	($9,392.28)	$567,902.58
	Adjusted Salaries	$39,445,640.00		($77,338.00)	($289,960.00)	($60,000.00)	($26,191.00)	$0.00	$0.00		$38,992,151.00
	Less: excluded overhead salaries	$2,158,001.30						($74,043.52)	$473,410.80	($35,422.15)	$2,506,918.54
	excluded work related cost	$484,253.87						($29,425.54)	$131,239.95	($9,392.28)	$567,902.58
REVISED WAGES		$36,803,384.83		($77,338.00)	($289,960.00)	($60,000.00)	($26,191.00)	$103,469.06	($604,650.75)	$44,814.43	$35,917,329.87
(Per Federal register)		1.00000									1.00000
INFLATED WAGES (Adjusted Wages used in report) -		$36,803,384.83		($77,338.00)	($289,960.00)	($60,000.00)	($26,191.00)	$103,469.06	($604,650.75)	$44,814.43	$35,917,329.87
REVISED HOURS (Adjusted Hours used in report) - [adjusted hours - excluded oh hrs]		1,494,386.61	(14,866.00)	(910.00)	0.00	(202.00)		46,441.81	(90,100.11)	6,741.59	1,442,439.07
Average hourly wage		$24.62	>>>>> Increase of 1.14 percent >>>>>>								$24.90

The unadjusted wage rate is based on the August 12, 2005 Federal Register.

See auditor's notes: AS7.s

Overstated Home Office Cost	
Total Salaries	($367,298.00)
Total Hours	(910.00)

Misstated Hours:	(Grand Total)	Excluded Area(only)
Total Salaries	($482,558.26)	($559,836.32)
Total Hours	(36,916.71)	(83,358.52)

Total Wage Data Revisions:									TOTALS
Inflated Wages	$0.00	($77,338.00)	($289,960.00)	($60,000.00)	($26,191.00)	$103,469.06	($604,650.75)	$44,814.43	($909,856.26)
Revised Hours	(14,866.00)	(910.00)	0.00	(202.00)	0.00	46,441.81	(90,100.11)	6,741.59	(52,894.71)

ADVENTIST
HEALTH SYSTEM

April 20, 2006

Lori S. Pilcher
Regional Inspector General for Audit Services
Department of Health and Human Services
Region IV
61 Forsyth Street, S.W. Suite 3T41
Atlanta, GA 30303

Re: Report Number: A-04-05-02002

Dear Ms Pilcher:

Provided below is Florida Hospital Heartland's (the Hospital's) response to the audit report entitled *Review of Controls to Report Wage Data at Florida Hospital Heartland for the Period of January 1, 2003 through December 31, 2003.*

Misstated Hours

Severance Payments Without Associated Hours

The Hospital concurs with the adjustment. This adjustment will be incorporated into subsequent wage data reports.

Understated Total Paid Hours

As noted in the report, this adjustment was identified by the Hospital during the Hospital's annual wage data review process. The Hospital concurs with the adjustment.

Misstated Excluded Area Hours

As noted in the report, this adjustment was identified by the Hospital during the Hospital's annual wage data review process. The Hospital concurs with the adjustment.

Overstated Home Office Costs

Salaries Not Related to the Hospital

The Hospital concurs with the adjustment. This adjustment will be incorporated into subsequent home office cost report wage data filings.

Unallowable Supplemental Executive Compensation

The Hospital believes that it accurately reported supplemental executive compensation consistent with the regulations in effect when the wage index data was filed. Specifically, the Medicare regulation in effect (September 1, 1994 Federal Register) states, "We believe that the application of GAAP for purposes of compiling data on Wage-Related Costs used to construct the wage index will more accurately reflect relative labor costs . . ." The Hospital reported supplemental executive compensation in the wage index consistent with inclusion of this cost in the Hospital's GAAP audited financial statements. The Hospital does not concur with this adjustment.

Overstated Part A Contracted Physician Services

As noted in the report, this adjustment was identified by the Hospital during the Hospital's annual wage data review process. The Hospital concurs with the adjustment.

Overstated Contract Labor Hours

The Hospital concurs with the adjustment. Obtaining information from a third party is difficult and resulted in the overstatement contract labor hours.

* * * * *

Florida Hospital Heartland is committed to providing accurate wage data. We appreciate the Office of Inspector General's review and suggestions.

Sincerely,

Yvette Cummings/pb

Yvette Cummings
Senior Revenue Officer
Adventist Health System