DOMINICAN HOSPITAL REPORTED OVERSTATED WAGE DATA, RESULTING IN MEDICARE OVERPAYMENTS
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OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

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

Dominican Hospital did not comply with all Medicare requirements for reporting wage data used by CMS to calculate the fiscal year 2014 wage index. We estimated that, as a result, in 2014 Medicare overpaid the hospital $67,000 and overpaid two other hospitals in the same core-based statistical area a total of $87,000.

WHY WE DID THIS REVIEW

Medicare acute-care hospitals must report wage data annually to the Centers for Medicare & Medicaid Services (CMS). Wage data include wages, associated hours, and wage-related costs (the fringe benefits that CMS allows hospitals to report as part of wage data). CMS uses these wage data to calculate acute-care-hospital wage indexes, which measure geographic area labor market costs relative to a national average. Federal law requires adjustment of Medicare hospital payments by wage indexes. Our prior reviews found that hospitals often inaccurately reported wage data, which resulted in increased Medicare payments in their designated geographic areas. We selected Dominican Hospital (the Hospital) because it is in the geographic area of California with the highest fiscal year (FY) 2014 wage index, which is also the highest in the Nation. Further, its reported wage data represented a significant portion of the total wage data reported by all hospitals in that area.

Our objective was to determine whether the Hospital complied with Medicare requirements for reporting wage data used by CMS to calculate the FY 2014 wage index.

BACKGROUND

Under the inpatient prospective payment system (IPPS) for hospitals, Medicare Part A pays hospital costs at predetermined, diagnosis-related rates for patient discharges. The IPPS base rate includes a labor-related share. The Social Security Act (the Act) requires CMS to adjust the labor-related share of an IPPS hospital payment according to the geographic area in which the hospital is located. The labor share accounted for 69.6 percent of total IPPS payments in FY 2014. In 2013, Medicare Part A made over $112 billion in IPPS payments to hospitals.

The geographic designation of a hospital influences its Medicare payments. Under the IPPS, CMS adjusts payments through wage indexes to reflect labor cost variations among localities. CMS uses the Office of Management and Budget core-based statistical areas (CBSAs) to identify labor markets and to calculate and assign wage indexes to hospitals. CMS calculates a wage index for each CBSA and a statewide rural wage index for each State. The wage index for each CBSA and 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 statewide rural area receive the same labor-related share. CMS must update wage indexes annually in a manner that ensures that aggregate payments to hospitals are not affected by changes in the indexes (the Act § 1886(d)(3)(E)). Hospitals must accurately report wage data on their Medicare cost reports for CMS to determine the equitable distribution of payments. CMS used wage data in hospitals’ FY 2010 Medicare cost reports to calculate the FY 2014 wage index.
To determine an occupational mix adjustment to the wage index, CMS is required to collect data every 3 years on the occupational mix of employees for short-term, acute-care hospitals participating in the Medicare program (the Act § 1886(d)(3)(E)). These data, which are collected in the occupational mix survey, include the salaries and hours of various categories of nurses who are hospital employees, such as registered nurses, licensed practical nurses, nursing aides, and medical assistants. The occupational mix adjustment is designed to control the effect of hospitals’ employment choices on the wage index. For example, hospitals may choose to employ different combinations of nurses, nursing aides, and medical assistants to provide nursing care. The varying labor costs associated with these choices reflect hospital management decisions rather than geographical differences in the costs of labor. CMS used the data collected in the calendar year (CY) 2010 occupational mix survey to compute the occupational mix adjustment for the FY 2014 wage index.

WHAT WE FOUND

The Hospital did not comply with all Medicare requirements for reporting wage data used by CMS to calculate the FY 2014 wage index. Specifically, the Hospital overstated wage data in its FY 2010 Medicare cost report and CY 2010 occupational mix survey:

- The Hospital reported the following inaccurate wage data, totaling $58,959, in its Medicare cost report, which affected the numerator of its wage rate calculation: overstated salary costs of $347,194, overstated contract labor costs of $180,837, and understated wage-related costs of $469,072. As a result, the Hospital overstated its average hourly wage rate by $0.03.

- The Hospital incorrectly reported $13,353,847 in wages and 302,376 associated hours in its occupational mix survey, which overstated its occupational-mix wage data by $334,218. As a result, the Hospital overstated its occupational-mix-adjusted average hourly wage rate by $0.14.

These errors occurred because the Hospital did not sufficiently review and reconcile the wage data to ensure that they were accurate and reported in compliance with Medicare requirements. As a result, the Hospital overstated the occupational-mix-adjusted average hourly wage rate by a total of $0.17. We estimated that in FY 2014 Medicare overpaid the Hospital $67,318 and overpaid two other hospitals in the same CBSA a total of $86,719.

WHAT WE RECOMMEND

We recommend that the Hospital implement review and reconciliation procedures to ensure that the wage data it reports in future Medicare cost reports and occupational mix surveys are accurate and reported in compliance with Medicare requirements.

DOMINICAN HOSPITAL COMMENTS

In written comments on our draft report, the Hospital concurred with our findings and provided information on actions that it had taken or planned to take to address our recommendation.
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INTRODUCTION

WHY WE DID THIS REVIEW

Medicare acute-care hospitals must report wage data annually to the Centers for Medicare & Medicaid Services (CMS). Wage data include wages, associated hours, and wage-related costs (the fringe benefits that CMS allows hospitals to report as part of wage data). CMS uses these wage data to calculate acute-care-hospital wage indexes, which measure geographic area labor market costs relative to a national average. Federal law requires adjustment of Medicare hospital payments by wage indexes.

Our prior reviews found that hospitals often inaccurately reported wage data, which resulted in increased Medicare payments in their designated geographic areas. CMS officials requested that we again conduct reviews of acute-care-hospital wage indexes, prompted by their concern about unusually high wage indexes for fiscal year (FY) 2014, particularly in California and New England. We selected Dominican Hospital (the Hospital) because it is in the geographic area of California with the highest FY 2014 wage index, which is also the highest in the Nation. Further, its reported wage data represented a significant portion of the total wage data reported by all hospitals in that area. This is part of a series of wage index reviews of acute-care hospitals in California and New England.¹

OBJECTIVE

Our objective was to determine whether the Hospital complied with Medicare requirements for reporting wage data used by CMS to calculate the FY 2014 wage index.

BACKGROUND

Medicare Inpatient Prospective Payment System

Under the inpatient prospective payment system (IPPS) for hospitals, Medicare Part A pays hospital costs at predetermined, diagnosis-related rates for patient discharges. The IPPS base rate includes a labor-related share. The Social Security Act (the Act) requires CMS to adjust the labor-related share of an IPPS hospital payment according to the geographic area (i.e., labor market area) in which the hospital is located. The labor share accounted for 69.6 percent of total IPPS payments in FY 2014.

In 2013, Medicare Part A made over $112 billion in IPPS payments to hospitals.²

¹ The first report issued in the series was Danbury Hospital Reported Overstated Wage Data Resulting in Medicare Overpayments (A-01-14-00506), issued January 13, 2016.

² A Data Book: Health Care Spending and the Medicare Program, June 2015, Chart 6-14, p. 70, Medicare Payment Advisory Commission.
Wage Indexes

The geographic designation of a hospital influences its Medicare payments. Under the IPPS, CMS adjusts payments through wage indexes to reflect labor cost variations among localities. CMS uses the Office of Management and Budget core-based statistical areas (CBSAs) to identify labor markets and to calculate and assign wage indexes to hospitals. CMS calculates a wage index for each CBSA and a statewide rural wage index for each State. The wage index for each CBSA and 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 statewide rural area receive the same labor-related share.

Calculation of Wage Indexes

To calculate wage indexes, CMS uses hospital wage data (which include wages, associated hours, and wage-related costs) collected 4 years earlier to allow time for the collection of complete cost report data from all IPPS hospitals and for reviews of hospital wage data by CMS’s fiscal intermediaries. For example, CMS based the wage indexes for FY 2014 on wage data collected from hospitals’ Medicare cost reports for their FYs that began during Federal FY 2010. 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. Inaccuracies in either the dollar amounts or hours reported could have varying effects on the final rate computation.

Updating of Wage Indexes and Reporting of Wage Data

CMS must update wage indexes annually in a manner that ensures that aggregate payments to hospitals are not affected by changes in the indexes (the Act § 1886(d)(3)(E)). Hospitals must accurately report wage data for CMS to determine the equitable distribution of payments. Further, section 1886(d)(3)(A)(iv) of the Act requires CMS to update labor and nonlabor average standardized amounts by an applicable percentage increase specified in section 1886(b)(3)(B)(i). The percentage increase is based on the market basket index, which measures the inflationary increases in hospital costs. The inclusion of unallowable costs in wage data could produce an inaccurate market basket index for updating prospective payments to hospitals.

Determination of Occupational Mix Adjustment

To determine an occupational mix adjustment to the wage index, CMS is required to collect data every 3 years on the occupational mix of employees for short-term, acute-care hospitals participating in the Medicare program (the Act § 1886(d)(3)(E)). These data, which are collected in the occupational mix survey, include the salaries and hours of various categories of nurses who are hospital employees, such as registered nurses, licensed practical nurses, nursing aides, and hospices. Throughout this report, we use “wage index” to refer only to the IPPS wage index used to calculate IPPS hospital payments.

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3 The IPPS wage index or a modified version also applies to other providers, such as outpatient hospitals, long-term-care hospitals, inpatient rehabilitation facilities, inpatient psychiatric facilities, skilled nursing facilities, home health agencies, and hospices. Throughout this report, we use “wage index” to refer only to the IPPS wage index used to calculate IPPS hospital payments.
orderlies, attendants, and medical assistants, as well as non-nursing employees who are directly hired by and under contract in departments that are included in the wage index.

The occupational mix adjustment is designed to control for the effect of hospitals’ employment choices on the wage index. For example, hospitals may choose to employ different combinations of nurses, nursing aides, and medical assistants to provide nursing care to their patients. The varying labor costs associated with these choices reflect hospital management decisions rather than geographical differences in the costs of labor.

CMS used the data collected in the calendar year (CY) 2010 occupational mix survey to compute the occupational mix adjustment for the FY 2014 wage index.

Dominican Hospital

The Hospital is a 288-bed acute-care hospital in Santa Cruz, California. For FY 2014, the Hospital was in an urban California CBSA that included two other Santa Cruz County hospitals in Santa Cruz and Watsonville. The Hospital’s FY 2010 Medicare cost report covered the period July 1, 2010, through June 30, 2011, and the Hospital’s CY 2010 occupational mix survey covered the period January 1 through December 31, 2010.

Federal Requirements for Reporting Hospital Cost Data

Federal regulations require that IPPS hospital costs reported for Medicare be supported by adequate cost data, i.e., cost data that are accurate, auditable, and sufficiently detailed to accomplish the intended purposes (42 CFR §§ 412.52 and 413.24). 4

HOW WE CONDUCTED THIS REVIEW

Our audit covered $193,243,759 in total wages and wage-related costs and 2,706,317 total hours that the Hospital reported to CMS in its FY 2010 Medicare cost report and $136,214,939 in total wages and 2,701,716 total hours that the Hospital reported to CMS in its FY 2010 occupational mix survey. We evaluated compliance with selected reporting requirements for the Medicare cost report and occupational mix survey. We limited our review of the Hospital’s internal controls to those related to accumulating and reporting wage data for its FY 2010 Medicare cost report and CY 2010 occupational mix survey. We did not assess any claims submitted by the Hospital for Medicare reimbursement.

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

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4 According to 42 CFR § 412.52: “All hospitals participating in the prospective payment systems must meet the recordkeeping and cost reporting requirements of [42 CFR] §§ 413.20 and 413.24 of this chapter.” According to 42 CFR § 413.24(a): “Providers receiving payment on the basis of reimbursable cost must provide adequate cost data. This must be based on their financial and statistical records which must be capable of verification by qualified auditors.” Section 413.24(c) states: “The requirement of adequacy of data implies that the data be accurate and in sufficient detail to accomplish the purposes for which it is intended.”
objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

FINDINGS

The Hospital did not comply with all Medicare requirements for reporting wage data used by CMS to calculate the FY 2014 wage index. Specifically, the Hospital overstated wage data in its FY 2010 Medicare cost report and CY 2010 occupational mix survey:

- The Hospital reported the following inaccurate wage data, totaling $58,959, in its Medicare cost report, which affected the numerator of its wage rate calculation: overstated salary costs of $347,194, overstated contract labor costs of $180,837, and understated wage-related costs of $469,072. As a result, the Hospital overstated its average hourly wage rate by $0.03.

- The Hospital incorrectly reported $13,353,847 in wages and 302,376 associated hours in its occupational mix survey, which overstated its occupational-mix wage data by $334,218. As a result, the Hospital overstated its occupational-mix-adjusted average hourly wage rate by $0.14.

These errors occurred because the Hospital did not sufficiently review and reconcile the wage data to ensure that they were accurate and reported in compliance with Medicare requirements. As a result, the Hospital overstated the occupational-mix-adjusted average hourly wage rate by a total of $0.17. We estimated that in FY 2014 Medicare overpaid the Hospital $67,318 and overpaid two other hospitals in the same CBSA a total of $86,719.

THE HOSPITAL DID NOT COMPLY WITH ALL MEDICARE REQUIREMENTS FOR REPORTING WAGE DATA

The Hospital overstated wage data in its FY 2010 Medicare cost report and CY 2010 occupational mix survey.

The Hospital Overstated Wage Data in the Medicare Cost Report

The Hospital overstated salary costs, overstated contract labor costs, and understated wage-related costs in its FY 2010 Medicare cost report. As a result, the Hospital overstated its wage and wage-related costs by $58,959, which overstated the Hospital’s average hourly wage rate by $0.03.

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5 The occupational mix adjustment is applied after computing the unadjusted average hourly wage rate.
Salary Costs Were Overstated

The Provider Reimbursement Manual, Pub. No. 15-2 (the Manual) requires hospitals to report accurate wage data. Furthermore, it states: “Paid hours include regular hours (including paid lunch hours), overtime hours, paid holiday, vacation and sick leave hours, paid time-off hours, and hours associated with severance pay” (chapter 40, § 4005.2). In addition, the Manual states that if the hours cannot be determined, the associated salaries must not be included (chapter 40, § 4005.2).

The Hospital reported $346,197 in salaries without the associated hours in its FY 2010 Medicare cost report. Specifically, the Hospital reported $235,400 in salaries and $110,797 in severance payments without the associated hours. After applying the Hospital’s adjustment factor, we determined that the Hospital overstated its salary costs by $347,194, which overstated its unadjusted average hourly wage rate by $0.1505.

Contract Labor Costs Were Overstated

The Manual requires hospitals to report accurate wage data. Furthermore, it states: “Paid hours include regular hours (including paid lunch hours), overtime hours, paid holiday, vacation and sick leave hours, paid time-off hours, and hours associated with severance pay” (chapter 40, § 4005.2). In addition, the Manual states that if the hours cannot be determined, the associated salaries must not be included (chapter 40, § 4005.2).

The Hospital reported $180,318 in contract labor costs without the associated hours in its FY 2010 Medicare cost report. After applying the Hospital’s adjustment factor, we determined that the Hospital overstated its contract labor costs by $180,837, which overstated its unadjusted average hourly wage rate by $0.0784.

Wage-Related Costs Were Understated

IPPS hospital costs reported to Medicare must be accurate, auditable, and sufficiently detailed to accomplish the intended purposes (42 CFR §§ 412.52 and 413.24). The Manual states: “The hospital must provide the contractor with a complete list of all core wage related costs reported in [the Medicare cost report]” (chapter 40, § 4005.4).

The Hospital did not report $492,630 in pension costs in its FY 2010 Medicare cost report. After factoring in overhead and applying the Hospital’s adjustment factor, we determined that the Hospital understated its wage-related costs by $469,072, which understated its unadjusted average hourly wage rate by $0.2033.

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6 This factor represents CMS’s adjustment to the Hospital’s FY 2010 cost report data to reflect FY 2014 rates (78 Fed. Reg. 50587, 50588 (Aug. 19, 2013)).

7 CMS refers to the average hourly wage rate that has not been adjusted by the occupational mix as the “unadjusted average hourly wage.”
The Hospital Overstated Wage Data in the Occupational Mix Survey

CMS’s occupational mix survey instructions\(^8\) state: “Complete this survey for employees who are full-time and part-time, directly hired, and acquired under contract. Do not include employees in areas excluded from IPPS … such as skilled-nursing facilities, psychiatric, or rehabilitation units or facilities.” Furthermore, the instructions state: “Paid hours include regular hours, overtime hours, paid holiday, vacation, sick, and other paid-time-off hours, and hours associated with severance pay…. No hours are required for bonus pay.”

The Hospital overstated wage data by incorrectly reporting $13,353,847 in wages and 302,376 associated hours in its CY 2010 occupational mix survey. Specifically, the hospital incorrectly reported:

- $12,970,421 in excluded-area wages with 286,628 associated hours,
- $383,426 in wages without the associated hours,
- 11,084 hours associated with bonus pay that should not have been reported, and
- 4,664 hours that did not represent actual hours worked and that should not have been reported.

As a result, the Hospital overstated its occupational-mix wage data by $334,218, which overstated the Hospital’s occupational-mix-adjusted average hourly wage rate by $0.14.

THE HOSPITAL DID NOT SUFFICIENTLY REVIEW AND RECONCILE WAGE DATA

The Hospital overstated its wage data because it did not sufficiently review the data and reconcile the wage data with supporting documentation to ensure that all amounts included in its Medicare cost report and occupational mix survey were accurate and reported in compliance with Medicare requirements.

MEDICARE OVERPAID THE HOSPITAL AND TWO OTHER HOSPITALS IN THE SAME CORE-BASED STATISTICAL AREA

Because of its reporting errors, the Hospital overstated wage data by $58,959 in its FY 2010 Medicare cost report and by $334,218 in its CY 2010 occupational mix survey. The correct wage data decreased the Hospital’s final occupational-mix-adjusted average hourly wage rate by approximately 0.24 percent from $71.3272 to $71.1573, or $0.17. Further, these errors decreased the Hospital’s FY 2014 CBSA wage index from 1.7276 to 1.7249, or by 0.16 percent.

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\(^8\) Medicare Wage Index Occupational Mix Survey, Form CMS-10079.
As a result, we estimated that in FY 2014 Medicare overpaid the Hospital $67,318 and overpaid two other hospitals in the same CBSA a total of $86,719.9

**RECOMMENDATION**

We recommend that the Hospital implement review and reconciliation procedures to ensure that the wage data it reports in future Medicare cost reports and occupational mix surveys are accurate and reported in compliance with Medicare requirements.

**DOMINICAN HOSPITAL COMMENTS**

In written comments on our draft report, the Hospital concurred with our findings and provided information on actions that it had taken or planned to take to address our recommendation. The Hospital’s comments are included in their entirety as Appendix B.

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9 According to current Federal regulations, CMS can account for adjustments if they are disclosed before the Federal fiscal year (FY 2014) (42 CFR § 412.64(k)). Currently, there is no retroactive policy that allows CMS a method to make recoveries from or penalize a provider for incorrectly reported wage data after this time period.
APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our audit covered $193,243,759 in total wages and wage-related costs and 2,706,317 total hours that the Hospital reported to CMS in its FY 2010 Medicare cost report and $136,214,939 in total wages and 2,701,716 total hours that the Hospital reported to CMS in its CY 2010 occupational mix survey. We evaluated compliance with selected reporting requirements for the Medicare cost report and occupational mix survey. We limited our review of the Hospital’s internal controls to those related to accumulating and reporting wage data for its FY 2010 Medicare cost report and CY 2010 occupational mix survey. We did not assess any claims submitted by the Hospital for Medicare reimbursement.

We conducted our audit from July 2014 to September 2015 and performed our fieldwork at the Hospital’s corporate office in Rancho Cordova, California.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and guidance;
- obtained an understanding of the Hospital’s procedures for reporting wage data in the Medicare cost report and occupational mix survey;
- interviewed the director of payroll services to obtain an understanding of payroll and timekeeping procedures;
- obtained the Hospital’s audited financial statements for the period reviewed;
- verified that the Hospital’s wage data reported in the Medicare cost report reconciled with audited financial statements;
- obtained Hospital payroll and general ledger documents to support reported wage data in the Medicare cost report and occupational mix survey;
- reconciled wage data reported in the Medicare cost report and occupational mix survey with detailed support, such as the payroll report and contract labor detail;
- judgmentally selected sample items from the Medicare cost report and occupational mix survey for detailed review;
- determined the effect of the reporting errors by recalculating the Hospital’s wage rate using the CMS methodology for calculating the wage index, which includes the occupational mix adjustment, in accordance with instructions published in the Federal Register; and
• discussed discrepancies and omissions in support of reported wage cost data with Hospital officials.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.
May 26, 2016

Ms. Lori A. Ahlstrand
Regional Inspector General for Audit Services
Office of Audit Services, Region IX
90 - 7th Street, Suite 3-650
San Francisco, CA 94103

RE: Report Number: A-09-14-02032
Dominican Hospital

Dear Ms. Ahlstrand:

This letter shall serve as a response to the draft report entitled Dominican Hospital Reported Overstated Wage Data, Resulting in Medicare Overpayments (the “Report”). We appreciate the opportunity to respond to the findings and recommendations identified in the Report.

Dominican Hospital (the “Hospital”) strives to ensure its Medicare cost reports are prepared accurately and in compliance with the applicable rules and regulations. As part of its compliance efforts, policies and procedures addressing the preparation and review of cost reports were implemented approximately fourteen years ago. These policies and procedures are regularly updated to address changes in applicable regulations as well as process improvements. In addition, employees involved in the preparation and review of the cost report receive ongoing training regarding Medicare requirements for reporting wage data used by the Centers of Medicare and Medicaid Services (CMS) to calculate wage index, and internal policies and procedures. Finally, enhanced preparation tools are available to ensure cost reports are prepared in a consistent and auditable manner.

In recent years, additional improvements have been made to further improve accuracy and compliance with CMS requirements. Significantly, the preparation and review of the cost report was assigned to a consolidated and dedicated staff with an expertise in cost reporting requirements. In addition, the cost report goes through several levels of reviews, including a review by a Reimbursement Manager, a Reimbursement Director, and ultimately, the Hospital CFO. As needed, experienced third party vendors are also utilized to perform additional reviews. Indeed, nationally recognized experts have been engaged to both train employees and review specifically, the area of wage index and occupational mix reporting.
Notwithstanding these efforts, the Report identified several findings, with which we concur. In the Report, the OIG recommends the Hospital implement review and reconciliation procedures to ensure that the wage data it reports in the future is in compliance with Medicare Requirements. Below is a description of the review and reconciliation procedures implemented by the Hospital to address each finding.

**Hospital Overstated Wage Data in the Medicare Cost Report**
According to the Report, the Hospital overstated salary costs and contract labor costs, and understated wage-related costs. The Hospital concurs with the finding, as associated hours had not been adequately imputed. Since the preparation for the cost report reviewed for purposes of this audit, we have retooled the wage index preparation and review process to leverage the standardization introduced in the system’s general ledger and payroll processes. Using a team-approach for hospital wage index reporting we are able to ensure more consistency, with workpapers that account for all wages and benefits, ensuring no items get missed.

**Hospital Overstated Wage Data in the Occupational Mix Survey**
The Hospital concurs with the finding. The review process has been updated to incorporate this finding.

**Hospital Did Not Sufficiently Review and Reconcile Wage Data**
To improve compliance and accuracy, we will continue to partner with our external cost report vendors to further educate our staff and leadership and leverage review findings for previous cost reports into the preparation process for future reports. Utilizing this approach, Dignity Health believes that it is taking exceptional steps to ensure accuracy in cost reporting and wage index reporting, and fulfilling its obligations and requirements to the Medicare program.

Thank you for your attention to these matters. Please feel free to contact me at (415) 438-5752 if you have any questions.

Sincerely,

Eric Lucas
Senior Director, Government Programs
Dignity Health