



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office Of Inspector General
Office Of Audit Services

Region II
Jacob K. Javits Federal Building
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June 17, 2008

Report Number: A-02-06-01025

Mr. Theodore M. Pasinski
President
St. Joseph's Hospital Health Center
301 Prospect Avenue
Syracuse, New York 13203

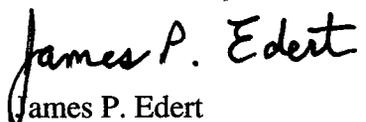
Dear Mr. Pasinski:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of Nursing Education Payments to St. Joseph's Hospital Health Center for the Period January 1, 2004, Through December 31, 2004." We will forward a copy of this report to the HHS action official noted below.

Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, OIG reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5). Accordingly, this report will be posted on the Internet at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please direct them to the HHS action official. Please refer to report number A-02-06-01025 in all correspondence.

Sincerely,


James P. Edert
Regional Inspector General
for Audit Services

Enclosure

HHS Action Official:

Nan Foster Reilly, Acting Consortium Administrator
Consortium for Financial Management & Fee for Service Operations
Centers for Medicare & Medicaid Services
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Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF NURSING
EDUCATION PAYMENTS TO
ST. JOSEPH'S HOSPITAL HEALTH
CENTER FOR THE PERIOD
JANUARY 1, 2004, THROUGH
DECEMBER 31, 2004**



Daniel R. Levinson
Inspector General

June 2008
A-02-06-01025

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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THIS REPORT IS AVAILABLE TO THE PUBLIC
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Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, Office of Inspector General reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5).

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

BACKGROUND

Pursuant to Federal regulations, Medicare shares in the costs that providers incur for approved nursing activities (42 CFR §§ 413.85(d) and 413.50(a)(2)).

Reasonable costs of medical education programs operated by a hospital are excluded from the calculation of Federal Medicare payment rates under the hospital inpatient prospective payment system (42 U.S.C. §§ 1395(w)(a)(4) and (x)). Costs related to these education programs are identified separately on the cost report and paid on a reasonable cost basis, provided the programs meet Medicare reimbursement requirements. If certain conditions are met, Medicare also reimburses hospitals for the costs of certain non-provider operated medical education programs.

St. Joseph's Hospital Health Center (St. Joseph's) operates a 2-year nursing education program through St. Joseph's College of Nursing, in Syracuse, New York. For the period January 1, 2004, through December 31, 2004 (calendar year 2004), the hospital claimed Medicare costs of \$2,472,450 for its nursing education program.

OBJECTIVE

Our objective was to determine whether St. Joseph's nursing education program met Medicare program eligibility and cost reimbursement requirements.

RESULTS OF REVIEW

For calendar year 2004, St. Joseph's nursing education program met both Medicare eligibility and reimbursement requirements. As a result, this report contains no recommendations.

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INTRODUCTION

BACKGROUND

Medicare Nursing Education Program

Pursuant to Federal regulations, Medicare shares in the costs that providers incur for approved nursing education activities (42 CFR §§ 413.85(d) and 413.50(a)(2)). Federal regulations (42 CFR § 413.85(c)) define approved educational activities as formally organized or planned programs of study that are operated by providers, enhance the quality of inpatient care at the provider, and meet State licensing and accrediting requirements.

Pursuant to 42 CFR § 413.85(f)(1), to be considered the operator of an approved program, a provider must (1) directly incur the training costs, (2) have direct control of the program curriculum, (3) control the administration of the program, including collection of tuition, maintenance of payroll records, and responsibility for day-to-day program operation,¹ (4) employ the teaching staff, and (5) provide and control both classroom instruction and clinical training (when classroom instruction is a requirement for program completion).² If certain conditions are met, Medicare also reimburses hospitals for the costs of certain non-provider operated programs.

Pursuant to 42 U.S.C. 1395(w)(a)(4) and (x), reasonable costs of nursing education programs operated by a hospital are excluded from the calculation of payment rates under the hospital inpatient prospective payment system. The costs of these education programs are separately identified on the cost report as “pass-through” costs and are paid on a reasonable cost basis, provided the programs meet the Medicare reimbursement requirements set forth in 42 CFR § 413.85.

Federal regulations (42 CFR § 413.85(d)(2)) state that the net cost of approved educational activities is determined by deducting the revenues that a provider receives from tuition and student fees from the provider’s total allowable educational costs that are directly related to approved educational activities. Total allowable educational costs are those costs incurred by the provider for trainee stipends, compensation of teachers, and other costs. These costs do not include patient care costs, costs incurred by a related organization, costs that constitute a redistribution of costs from an educational institution to a provider, and costs funded by non-Medicare sources.

¹The provider may contract with another entity to perform some administrative functions. However, the provider must maintain control over all aspects of the contracted functions.

²The provider may enter into an agreement with an educational institution to furnish basic academic courses required for completion of the program. However, the provider must furnish all courses relating to theory and practice.

St. Joseph's Hospital Health Center

St. Joseph's Hospital Health Center (St. Joseph's) is a 431-bed comprehensive medical care and teaching institution located in Syracuse, New York. St. Joseph's offers a 2-year nursing education program through St. Joseph's College of Nursing (College of Nursing).

The College of Nursing was established as a hospital-based nursing program. However, in March 2004, St. Joseph's restructured its previously provider-operated nursing education program to meet accreditation standards. During our audit period, the College of Nursing, a wholly owned subsidiary educational institution of St. Joseph's, operated the nursing education program.

For the period January 1, 2004, through December 31, 2004 (calendar year 2004), St. Joseph's claimed total Medicare costs of \$2,472,450 for its nursing education program.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether St. Joseph's nursing education program met Medicare program eligibility and cost reimbursement requirements.

Scope

Our audit period covered calendar year 2004. We did not review St. Joseph's overall internal control structure. Rather, we reviewed St. Joseph's procedures relevant to the objective of the audit.

We performed fieldwork at St. Joseph's and the College of Nursing, in Syracuse, New York.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations and guidance;
- held discussions with the Centers for Medicare & Medicaid Services and fiscal intermediary officials to obtain an understanding of policies, procedures, and guidance for determining program eligibility and allowable "pass-through" costs;
- determined if the College of Nursing was licensed by New York State or if the program was accredited by a recognized national professional organization;
- determined whether St. Joseph's incurred nursing education costs;

- determined if St. Joseph's had direct control of the program curriculum, classroom instruction, and clinical training;
- held discussions with St. Joseph's officials regarding the administration of the nursing education program;
- reviewed costs claimed by St. Joseph's for educational activities, including compensation of teachers and other costs and revenues received from tuition and student fees generated by the College of Nursing; and
- verified the net allowable Medicare reimbursable costs for the nursing education program.

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

RESULTS OF REVIEW

For calendar year 2004, the St. Joseph's nursing education program met both Medicare eligibility and reimbursement requirements. As a result, this report contains no recommendations.