



DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of Inspector General
Office of Audit Services

JUN 5 2008

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

Report Number: A-04-07-00030

Jim Ayersman, Chief Financial Officer
Specialty Hospital
4901 Richard Street
Jacksonville, Florida 32207

Dear Mr. Ayersman:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of Long-Term Care Hospital Classification – Specialty Hospital of Jacksonville." 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, it 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-04-07-00030 in all correspondence.

Sincerely,

Peter J. Barbera
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Mr. Tom Lenz, Consortium Administrator
Consortium for Financial Management & Fee for Service Operations
Centers for Medicare & Medicaid Services
601 East 12th Street, Room 235
Kansas City, Missouri 64106

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF LONG-TERM CARE
HOSPITAL CLASSIFICATION –
SPECIALTY HOSPITAL OF
JACKSONVILLE**



Daniel R. Levinson
Inspector General

June 2008
A-04-07-00030

Office of Inspector General

<http://oig.hhs.gov>

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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

BACKGROUND

Long-Term Care Hospital Classification

A long-term care hospital (LTCH) is one of a number of hospital types where Medicare patients receive services. Hospitals classified as LTCHs must meet certain requirements as defined in the Social Security Act (SSA) § 1886(d). Congress enacted SSA § 1886(d)(1)(B) (iv) to regulate what type of hospitals qualify for reimbursement as a LTCH. The Centers for Medicare & Medicaid Services (CMS), which administers the Medicare program, directed the Medicare fiscal intermediaries (FI) to verify that LTCHs complied with Federal requirements.

Pursuant to 42 CFR § 412.23, patients admitted to LTCHs must be in need of hospitalization for greater than 25 days and typically have multiple or complex medical complications. In this respect, LTCHs must have an average Medicare inpatient length of stay of greater than 25 days, which includes all Medicare covered and non-covered days and omits all Medicare leave and pass days. However, hospitals that were excluded from the prospective payment system in 1986 were subject to a different length of stay requirement. These hospitals must have an average inpatient length of stay for all patients of greater than 20 days.

Specialty Hospital (Specialty), located in Jacksonville, Florida, is a 107 bed LTCH, fully licensed and accredited by the Joint Commission on Accreditation of Health Care Organizations. Specialty is the only LTCH in Jacksonville, Florida, and 1 of approximately 300 in the nation. Specialty offers its services to patients who are in need of extended hospital stays and have complex medical conditions. Specialty was subject to the 25 day average length of stay requirement.

OBJECTIVE

Our objective was to determine whether Specialty Hospital's average Medicare inpatient length of stay met the Federal regulations required for Specialty to qualify as a LTCH.

SUMMARY OF RESULTS

For fiscal year 2005 Specialty Hospital's average Medicare inpatient length of stay exceeded 25 days. Thus, Specialty Hospital complied with Federal regulations governing average length of stay, and its classification as a LTCH was proper. Therefore, we are not offering any recommendations.

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INTRODUCTION

BACKGROUND

Long-Term Care Hospital Classification

A long-term care hospital (LTCH) is one of a number of hospital types where Medicare patients receive services. Hospitals classified as LTCHs must meet certain requirements as defined in the Social Security Act (SSA) § 1886(d). Congress enacted SSA § 1886(d)(1)(B)(iv) to regulate what type of hospitals qualify for reimbursement as a LTCH. The Centers for Medicare & Medicaid Services (CMS), which administers the Medicare program, directed the Medicare fiscal intermediaries (FI) to verify that LTCHs complied with Federal requirements.

Pursuant to 42 CFR § 412.23, patients admitted to LTCHs must be in need of hospitalization for greater than 25 days and typically have multiple or complex medical complications. In this respect, LTCHs must have an average Medicare inpatient length of stay of greater than 25 days, which includes all Medicare covered and non-covered days and omits all Medicare leave and pass days. However, hospitals that were excluded from the prospective payment system in 1986 were subject to a different length of stay requirement. These hospitals must have an average inpatient length of stay for all patients of greater than 20 days.

Calculation of the Average Length of Stay

Federal regulations (42 CFR § 412.23(3)) define the average length of stay calculation: The average Medicare inpatient length of stay “. . . is calculated by dividing the total number of covered and non-covered days of stay of Medicare inpatients (less leave or pass days) by the number of total Medicare discharges for the hospital's most recent complete cost reporting period”¹

Specialty Hospital of Jacksonville

Specialty Hospital (Specialty), located in Jacksonville, Florida, is a 107 bed LTCH, fully licensed and accredited by the Joint Commission on Accreditation of Health Care Organizations. Specialty is the only LTCH in Jacksonville, Florida, and 1 of approximately 300 in the nation. Specialty offers its services to patients who have complex medical conditions and are in need of extended hospital stays. Specialty’s patients often have multiple system failure and are debilitated by conditions such as pulmonary complications, respiratory failure, infectious diseases, severe wounds, and brain or spinal cord injuries. Specialty was subject to the 25 day average length of stay requirement.

¹Pursuant to 42 CFR § 412.23(3)(ii), beginning on or after July 1, 2004, when calculating the hospital's average length of stay, if the days of a stay of an inpatient involve days of care furnished during two or more separate consecutive cost reporting periods, that is, an admission during one cost reporting period and a discharge during a future consecutive cost reporting period, the total number of days of the stay are considered to have occurred in the cost reporting period during which the inpatient was discharged.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether Specialty Hospital's average Medicare inpatient length of stay met the Federal regulations required for Specialty to qualify as a LTCH.

Scope

We based our review on Specialty's fiscal year (FY) 2005 cost report, the most current cost-reporting period available at the time of our review. Our review focused on worksheet S-3, Part I of the cost report, on which Specialty reported 20,970 Medicare inpatient days and 686 Medicare discharge days.

We reviewed Specialty Hospital's records in support of the cost report and records obtained from the Fiscal Intermediary, including Specialty's Provider Statistical and Reimbursement (PS&R) Report.

We performed our review at Specialty Hospital in Jacksonville, Florida.

Our objective did not require a complete understanding or assessment of Specialty's internal control structure. We limited our review of internal controls to those controls supporting Specialty's cost reporting of Medicare inpatient days and discharges.

Methodology

To accomplish our objective, we:

- reviewed § 1886(d)(1)(B)(iv) of the SSA and 42 CFR §§ 412.22 and 412.23, which regulate what type of hospitals qualify for reimbursement as a LTCH;
- contacted Mutual of Omaha's Technical Support, Appeals, and Reopening Manager of Medicare Audit & Reimbursement and discussed providers of which Mutual of Omaha had not performed an average length of stay review;
- obtained and reviewed a list of providers of which Mutual of Omaha had not performed an average length of stay review and verified Specialty's status;
- discussed Specialty's FY 2005 cost report and supporting records with Specialty's Chief Executive Officer, Chief Financial Officer, Patient Access Director, and the Assistance Controller;
- assessed whether the hospital was excluded from the prospective payment system in 1986;

- reviewed the Medicare inpatient days and discharge data reported on worksheet S-3, Part I of the cost report;
- verified the accuracy of Medicare inpatient covered days and discharge data through the hospital's FY 2005 daily midnight census reports;
- recalculated Specialty's average length of stay on a quarterly basis; and
- discussed the review with hospital personnel and CMS 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 objective.

RESULTS OF AUDIT

For FY 2005, Specialty Hospital's average Medicare inpatient length of stay exceeded 25 days. Our review determined that the average Medicare inpatient length of stay was about 30 days. Thus, Specialty Hospital complied with Federal regulations governing the average length of stay, and its classification as a LTCH was proper. Therefore, we are not offering any recommendations.