



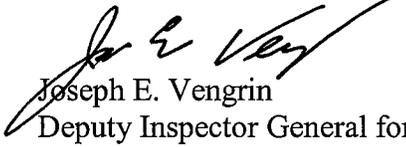
DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

JUL - 9 2008

**TO:** Kerry Weems  
Acting Administrator  
Centers for Medicare & Medicaid Services

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

**SUBJECT:** Review of Broward General Medical Center's Reported Fiscal Year 2006 Wage Data (A-04-07-06034)

Attached is an advance copy of our final report on Broward General Medical Center's (the Hospital) reported fiscal year (FY) 2006 wage data. We will issue this report to the Hospital within 5 business days. This review is one in a series of reviews of the accuracy of hospitals' wage data, which the Centers for Medicare & Medicaid Services (CMS) uses in developing its wage indexes.

Under the inpatient prospective payment system for acute-care hospitals, Medicare Part A pays hospitals at predetermined, diagnosis-related rates for patient discharges. The payment system base rate includes a labor-related share. CMS adjusts the labor-related share by the wage index applicable to the area in which a hospital is located.

Our objective was to determine whether the Hospital complied with Medicare requirements for reporting wage data in its FY 2006 Medicare cost report.

The Hospital did not fully comply with Medicare requirements for reporting wage data in its FY 2006 Medicare cost report. Specifically, the Hospital overstated its wage data by \$12,834,068 and 165,006 hours. Our correction of the Hospital's errors decreased the average hourly wage rate approximately 4 percent. 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. If the Hospital does not revise the wage data in its FY 2006 cost report, the FY 2009 wage index for the Hospital's core-based statistical area will be overstated, which will result in overpayments to all of the hospitals that use this wage index.

We recommend that the Hospital:

- submit a revised FY 2006 Medicare cost report to the fiscal intermediary to correct the wage data overstatements totaling \$12,834,068 and 165,006 hours and
- implement review and reconciliation procedures to ensure that the wage data reported in future Medicare cost reports are accurate, supportable, and in compliance with Medicare requirements.

In written comments on our draft report, the Hospital agreed with our findings and recommendations.

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 through e-mail at [George.Reeb@oig.hhs.gov](mailto:George.Reeb@oig.hhs.gov) or Peter J. Barbera, Regional Inspector General for Audit Services, Region IV, at (404) 562-7750 or through e-mail at [Peter.Barbera@oig.hhs.gov](mailto:Peter.Barbera@oig.hhs.gov). Please refer to report number A-04-07-06034.

Attachment



DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of Inspector General  
Office of Audit Services

JUL 14 2008

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

Report Number: A-04-07-06034

Ms. Deborah Breen  
Interim Chief Financial Officer  
North Broward Hospital District d.b.a. Broward Health  
303 SE. 17th Street  
Fort Lauderdale, Florida 33316

Dear Ms. Breen:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of Broward General Medical Center's Reported Fiscal Year 2006 Wage Data." We will forward a copy of this report to the HHS action official noted on the following 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 this 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.

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 do not hesitate to call me, or contact Mary Ann Moreno, Audit Manager, at (904) 232-2688 or through e-mail at [Mary.Moreno@oig.hhs.gov](mailto:Mary.Moreno@oig.hhs.gov). Please refer to report number A-04-07-06034 in all correspondence.

Sincerely,

A handwritten signature in cursive script that reads "Peter J. Barbera".

Peter J. Barbera  
Regional Inspector General  
for Audit Services

Enclosure

**Direct Reply to HHS Action Official:**

Ms. Nanette Foster Reilly  
Consortium Administrator  
Consortium for Financial Management and 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 BROWARD GENERAL  
MEDICAL CENTER'S REPORTED  
FISCAL YEAR 2006 WAGE DATA**



Daniel R. Levinson  
Inspector General

July 2008  
A-04-07-06034

# *Office of Inspector General*

<http://oig.hhs.gov>

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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**

Under the inpatient prospective payment system for acute-care hospitals, Medicare Part A pays hospital costs at predetermined, diagnosis-related rates for patient discharges. The Centers for Medicare & Medicaid Services (CMS) adjusts prospective payments by the wage index applicable to the area in which each hospital is located. CMS calculates a wage index for each metropolitan area, known as a core-based statistical area (CBSA), as well as a statewide rural wage index for each State. These calculations use hospital wage data (which include wages, salaries, and related hours) collected 4 years earlier to allow time for the collection of complete cost report data from all inpatient prospective payment system hospitals and for reviews of hospital wage data by CMS's fiscal intermediaries. For example, CMS will base the fiscal year (FY) 2009 wage indexes on wage data collected from hospitals' Medicare cost reports for their FYs that began during Federal FY 2005 (October 1, 2004, through September 30, 2005).

CMS bases each wage index on the average hourly wage rate of the applicable hospitals divided by the national average rate. 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.

CMS is required to update wage indexes annually in a manner that ensures that aggregate payments to hospitals are not affected by changes in the indexes. CMS is also required to update payments to hospitals by an applicable percentage based on the market basket index, which measures the inflationary increases in hospital costs. Hospitals must accurately report wage data for CMS to determine the equitable distribution of payments and ensure the appropriate level of funding to cover hospital costs.

Broward General Medical Center (the Hospital) is a 716-bed hospital in Fort Lauderdale, Florida. The Hospital is 1 of 17 hospitals in a Florida CBSA. The Hospital reported wage data of approximately \$190.3 million and 6 million hours in its FY 2006 Medicare cost report for the period beginning July 1, 2005 (i.e., during Federal FY 2005), and ending June 30, 2006, which resulted in an average hourly wage rate of \$31.61.

### **OBJECTIVE**

Our objective was to determine whether the Hospital complied with Medicare requirements for reporting wage data in its FY 2006 Medicare cost report.

### **SUMMARY OF FINDINGS**

The Hospital did not fully comply with Medicare requirements for reporting wage data in its FY 2006 Medicare cost report. Specifically, the hospital reported the following inaccurate wage data, which affected the numerator and/or denominator of its wage rate calculation:

- overstated wage-related costs totaling \$4,034,307,

- overstated home office salaries totaling \$3,362,465 and 75,953 hours,
- unallowable salaries related to Part B services totaling \$2,062,302 and 50,561 hours,
- omitted adjustments that overstated wages totaling \$2,043,858 and understated hours by 185,
- unallowable contract labor costs totaling \$832,662 and 27,459 hours, and
- overstated salary costs totaling \$498,474 and 11,218 hours.

These errors occurred because the Hospital did not sufficiently review and reconcile its reported wage data to supporting documentation to ensure that the data were accurate, supportable, and in compliance with Medicare requirements. As a result, the Hospital overstated its wage data by \$12,834,068 (numerator) and 165,006 hours (denominator) for the FY 2006 Medicare cost report period. Our correction of the Hospital's errors decreased the average hourly wage rate approximately 4 percent from \$31.61 to \$30.31. If the Hospital does not revise the wage data in its cost report, the FY 2009 wage index for the Hospital's CBSA will be overstated, which will result in overpayments to all of the hospitals that use this wage index.

## **RECOMMENDATIONS**

We recommend that the Hospital:

- submit a revised FY 2006 Medicare cost report to the fiscal intermediary to correct the wage data misstatements totaling \$12,834,068 and 165,006 hours and
- implement review and reconciliation procedures to ensure that the wage data reported in future Medicare cost reports are accurate, supportable, and in compliance with Medicare requirements.

## **BROWARD GENERAL MEDICAL CENTER COMMENTS**

In written comments on our draft report, the Hospital agreed with our findings and recommendations. The Hospital's comments appear in their entirety as Appendix B.

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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 costs at predetermined, diagnosis-related rates for patient discharges. In fiscal year (FY) 2008, the Centers for Medicare & Medicaid Services (CMS) expects Medicare Part A to pay inpatient hospitals approximately \$120.5 billion.

#### Wage Indexes

The geographic designation of hospitals influences their Medicare payments. Under the inpatient prospective payment system, CMS adjusts payments through wage indexes to reflect labor cost variations among localities.<sup>1</sup> 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 (CBSA). CMS calculates a wage index for each CBSA and a statewide rural wage index for each State for areas that lie outside CBSAs. 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 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 CMS to collect complete cost report data from all inpatient prospective payment system hospitals and for CMS's fiscal intermediaries to review these data. For example, CMS will base the wage indexes for FY 2009, which will begin October 1, 2008, on wage data collected from hospitals' Medicare cost reports for their FYs that began during Federal FY 2005 (October 1, 2004, through September 30, 2005). 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 can have varying effects on the final rate computation.

Section 1886(d)(3)(E) of the Social Security Act (the Act) requires that CMS update wage indexes annually in a manner that ensures that aggregate payments to hospitals are not affected by changes in the indexes. 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 inflationary increases in hospital costs. The inclusion of unallowable

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<sup>1</sup>The inpatient prospective payment system 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.

costs in wage data could produce an inaccurate market basket index for updating prospective payments to hospitals.

### **Broward General Medical Center**

Broward General Medical Center (the Hospital), a division of the North Broward Hospital District doing business as Broward Health (the District), is a 716-bed hospital in Fort Lauderdale, Florida. The Hospital is 1 of 17 hospitals in a Florida CBSA. The Hospital submitted to CMS its FY 2006 Medicare cost report covering the period July 1, 2005, through June 30, 2006.

### **North Broward Hospital District**

The District is a taxing district independent of metropolitan county and city governments. Its governing body is a board of commissioners appointed by the Governor of Florida. The Hospital is one of five organizations within the District's home office chain, which consists of four medical centers and one outpatient care facility.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

### **Objective**

Our objective was to determine whether the Hospital complied with Medicare requirements for reporting wage data in its FY 2006 Medicare cost report.

### **Scope**

Our review covered the \$190,329,929 in wages and 6,020,457 in hours that the Hospital reported to CMS on Worksheet S-3, parts II and III, of its FY 2006 Medicare cost report, which resulted in an average hourly wage rate of \$31.61. 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 cost report.

We performed our fieldwork at the District offices in Fort Lauderdale, Florida, and at the offices of First Coast Service Option, the Medicare fiscal intermediary, in Miami, Florida.

### **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 on the Hospital's FY 2006 Medicare cost report to its trial balance;
- reconciled the wage data from selected cost centers to detailed support, such as payroll registers and invoices;
- selected for testing wage data in the FY 2006 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 District and 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 FY 2006 wage data; and
- determined the effect of the reporting errors by recalculating, as shown in Appendix A, 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.

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.

### **FINDINGS AND RECOMMENDATIONS**

The Hospital did not fully comply with Medicare requirements for reporting wage data in its FY 2006 Medicare cost report. Specifically, the Hospital reported the following inaccurate wage data, which affected the numerator and/or denominator of its wage rate calculation:

- overstated wage-related costs totaling \$4,034,307,
- overstated home office salaries totaling \$3,362,465 and 75,953 hours,
- unallowable salaries related to Part B services totaling \$2,062,302 and 50,561 hours,
- omitted adjustments that overstated wages by \$2,043,858 and understated hours by 185,
- unallowable contract labor costs totaling \$832,662 and 27,459 hours, and
- overstated salary costs totaling \$498,474 and 11,218 hours.

These errors occurred because the Hospital did not sufficiently review and reconcile its reported wage data to supporting documentation to ensure that the data were accurate, supportable, and in compliance with Medicare requirements. As a result, the Hospital overstated its wage data by \$12,834,068 (numerator) and 165,006 hours (denominator) for the FY 2006 Medicare cost report period. Our correction of the Hospital's errors decreased the average hourly wage rate approximately 4 percent from \$31.61 to \$30.31. If the Hospital does not revise the wage data in its cost report, the FY 2009 wage index for the Hospital's CBSA will be overstated, which will result in overpayments to all of the hospitals that use this wage index.<sup>2</sup>

## **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.

To assist the Hospital in identifying our audit findings on its FY 2006 cost report, we are presenting in parentheses the affected lines of Worksheet S-3, part II, columns 3 and 4. The errors in the Hospital's reported wage data also might affect other worksheet lines because of cost distribution, particularly in the wage-related cost area, Worksheet S-3, part III, and other cost report worksheets. Also, home office adjustments will affect the cost reports of the other providers in the home office chain.

### **Overstated Wage-Related Costs**

The "Medicare Provider Reimbursement Manual" (the Manual), part II, section 3605.2, requires hospitals to report wage-related benefit costs on Exhibit 6, Form CMS-339. Exhibit 6, part I, is a standardized core list of wage-related benefit costs. Hospitals may report costs as exceptions to the core list on part II of Form CMS-339 if, among other requirements, the cost is not listed on Exhibit 6, part I, and the total cost of the particular wage-related benefit exceeds 1 percent of total salaries after direct excluded salaries are removed. Section 3605.2 also requires hospitals to distribute wage-related costs among several categories of employees and report the costs accordingly. An adjustment to a specific wage-related cost will affect the total wage-related cost distribution.

The Hospital incorrectly reported a total of \$4,037,049 in wage-related costs because it included wage data that were not in compliance with Federal requirements. The Hospital:

- overstated core wage-related costs by \$2,132,961 because it included costs unrelated to employee retirement benefits under the pension plan section that were therefore unallowable as pension plan costs (line 13),<sup>3</sup>

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<sup>2</sup>The extent of overpayments cannot be determined until CMS finalizes its FY 2009 wage indexes.

<sup>3</sup>The Hospital also misclassified thrift planning costs of \$1,981,685 under pension costs. Because the employer's contribution of tax-sheltered annuities and pension plan costs are both listed under retirement costs, we reclassified the thrift planning costs to their proper line on Exhibit 6 and did not consider the reporting error an overstatement.

- overstated other wage-related costs by \$681,795 because the costs did not exceed Medicare's 1-percent threshold (line 14), and
- overstated core wage-related costs by \$1,222,293 because it either did not report or underreported some wage-related costs that must be reported separately to be deducted from inpatient wage index calculations and because it grouped all costs on line 13 rather than reporting them separately.

As a result, after overhead was factored in, the Hospital overstated wage-related data by \$4,034,307, which overstated its average hourly rate by approximately \$0.68.

### **Overstated Home Office Salaries and Hours**

The Manual, part I, section 2150, defines a chain organization as a group of two or more entities owned, leased, or controlled by one entity or home office. A home office is not a provider in itself, and its costs may not be directly reimbursed by Medicare. A home office usually furnishes central management and administrative services to a chain organization. To the extent that home office services are related to patient care, the reasonable costs of such services may be included in the provider's cost report. However, costs not allowed when incurred directly by a provider are not allowable home office costs and may not be allocated to providers (section 2150.2A).

Section 2150.3 provides instructions for the allocation of home office costs to their components and addresses cases in which the home office chain consists of both inpatient and noninpatient facilities. Allocations may be based on direct, functional, and pooled methods; allowable home office costs incurred for the benefit of, or directly attributable to, a specific provider must be directly allocated to that provider (section 2150.3B).

Section 2153 requires a detailed home office cost statement, which constitutes the documentary support required by Medicare to reimburse a provider for home office costs. Section 3605.3 requires hospitals to record the number of paid hours corresponding to the amounts reported as salaries. If the hours cannot be determined, the associated salaries may not be included in the wage data.

Section 3605.2, line 11, states that home offices' wage-related costs that are not reported on part I of Form CMS-339 and not included in "other" wage-related costs on Exhibit 6, Form CMS-339, may not be included in the provider's cost report. In addition, section 3605.2, line 9, excludes contracted services not related to patient care from the wage data. Such services include management and consultant contracts, billing services, legal and accounting services, and security personnel contracts.

The Hospital is one of five organizations within the District's home office chain, which consists of four medical centers and one outpatient care facility. The Hospital incorrectly reported a total of \$3,362,465 in salaries and 75,953 hours as home office costs because it included home office wage data that were not in compliance with Federal requirements. The Hospital:

- overstated salaries by \$1,978,591 and 53,350 hours because (1) the District allocated wage data related to physician payments for uncompensated care that were unallowable because the wage data were directly related to other chain components, included some salaries without related hours, and contained unsupported hours and (2) the Hospital included unallowable Part B services in the allocation (line 11);
- overstated wage data by at least \$399,993 and 13,058 hours because the District allocated home office wage data only to its medical centers and not to its outpatient care facility (line 11);<sup>4</sup>
- overstated salaries by \$279,787 and 9,545 hours because the District included the wage data of school clinics directly associated with another medical center in the direct allocation of home office costs to the Hospital (line 11); and
- overstated wage-related costs by \$704,094 because the District included \$618,381 in non-wage-related costs, such as payments to consultants, depreciation, equipment, supply costs, travel expenses, and miscellaneous costs, and \$85,713 that was unsupported by the home office trial balance (line 11).

As a result, the Hospital overstated its wage data by \$3,362,465 in home office salaries (\$1,978,591 plus \$399,993 plus \$279,787 plus \$704,094) and 75,953 hours (53,350 plus 13,058 plus 9,545), which overstated its average hourly rate by approximately \$0.17.

### **Unallowable Part B Salaries and Hours**

The Act and Medicare regulations specify that, as a general matter, the costs of services provided by nurse practitioners, physician assistants, and clinical nurse specialists are covered by Part B, not Part A.<sup>5</sup> The Manual, part II, section 3605, requires hospitals to exclude these Part B services from their reported wage index information.

The Hospital understated salaries by \$2,061,018 and 50,514 hours by underreporting Part B nurse practitioner, physician assistant, and clinical nurse specialist salaries. These Part B salaries should have been reported on line 5 of the Medicare cost report and excluded from inpatient wage index calculations. As a result, after overhead was factored in, the Hospital overstated its wage data by \$2,062,302 and 50,561 hours, which overstated its average hourly rate by approximately \$0.08.

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<sup>4</sup>This is a recurrent problem. District officials were aware of the matter but did not correct the error because the fiscal intermediary did not address the problem in previous wage data reviews. We discussed this matter with District officials and the fiscal intermediary. They concurred with our assessment.

<sup>5</sup>Section 1861(s)(2)(K)(ii) of the Act and 42 CFR §§ 410.73, 410.74, and 410.75 include care by nurse practitioners, physician assistants, and clinical nurse specialists as covered Part B services; section 1861(b)(4) of the Act and 42 CFR §§ 409.10(b)(4) and (5) exclude nurse practitioners, physician assistants, and clinical nurse specialists from Part A inpatient hospital services.

## Adjustments Omitted From Cost Report

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

After filing its FY 2006 cost report, the Hospital adjusted its records to correct a net overstatement of \$2,045,611 and an understatement of 185 hours. However, the Hospital did not update its cost report to reflect those adjustments. The Hospital's adjustments:

- reduced management incentives by \$459,652 to correct an overstatement of management bonuses (line 1);
- increased health insurance by \$42,338 to record additional hospital payables for employee benefits (line 13);<sup>6</sup>
- reduced worker's compensation insurance, a core wage-related cost reported on part I of Form CMS-339, by \$884,510 (line 13);<sup>7</sup>
- increased home office grant accounting by \$5,436 in salaries and 185 in hours to reflect the Hospital's share of its home office costs (line 11); and
- reduced severance benefits reported as home office administration by \$749,223 to correct the original inclusion of compensation accruals related to an executive contract buyout and reflect the Hospital's share of its home office costs (line 11).

Because the Hospital's allotted time to adjust the cost report had not expired, we applied the Hospital's adjustments to the wage index calculations. As a result, the Hospital overstated its wage data by \$2,045,611 (\$459,652 plus \$884,510 plus \$749,223 less \$42,338 less \$5,436) and understated 185 hours. After overhead was factored in, the Hospital overstated its wage data by a total of \$2,043,858, which overstated its average hourly rate by approximately \$0.35.

## Unallowable Contract Labor

Section 1815(a) of the Act and 42 CFR § 413.20 require providers to maintain sufficient financial records and statistical data for the proper determination of costs payable under the Medicare program. Further, the Manual, part II, section 3605.2, requires hospitals to ensure that the wage data reported on their Medicare cost reports are accurate. Section 3605.2 excludes the costs of Part B services under contract and contracted services not directly related to patient care, such as contracts for management and consultants, billing services, legal and accounting services, and security personnel services.

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<sup>6</sup>This adjustment will also affect the wage-related cost distribution.

<sup>7</sup>This adjustment will also affect the wage-related cost distribution.

The Hospital overstated contract labor by \$832,662 and 27,459 hours because it included contract labor wage data that were not in compliance with Federal requirements. The Hospital:

- overstated salaries by \$587,339 and 13,593 hours for an independent respiratory therapy company for which it did not maintain sufficient documentation (line 9) and
- overstated salaries by \$245,323 and 13,866 hours for contracted security personnel services not directly related to patient care (line 9).

As a result, the Hospital overstated its wage data by \$832,662 (\$587,339 plus \$245,323) and 27,459 hours (13,593 plus 13,866), which understated its average hourly rate by approximately \$0.01.

### **Overstated Salaries and Understated Hours**

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. If the hours cannot be determined, the associated salaries may not be included in the wage data. The Manual also requires providers to identify and report salaries in areas excluded from inpatient wage index calculations. Section 1861(b) of the Act describes excluded services as costs not covered under Part A inpatient hospital services.

The Hospital incorrectly reported a total of \$430,932 in salaries and a net of 8,263 hours because it included wage data that were not in compliance with Federal requirements. The Hospital:

- overstated salaries by \$430,932 and 12 hours related to mental health grants and facility service projects for which it was not able to identify or provide documentation to support the hours associated with the salaries (line 1) and
- understated 8,275 hours associated with organ acquisition, which is an excluded area (line 8.01).

As a result, the Hospital overstated \$430,932 in salaries and understated 8,263 hours (12 less 8,275). After overhead was factored in, the Hospital overstated its wage data by a total of \$498,474 and 11,218 hours, which overstated its average hourly rate by approximately \$0.03.

### **CAUSE OF WAGE DATA REPORTING ERRORS**

These reporting errors occurred because the Hospital did not sufficiently review and reconcile wage data to supporting documentation to ensure that all amounts included in its Medicare cost report were accurate, supportable, and in compliance with Medicare requirements.

## **MISSTATED WAGE DATA AND POTENTIAL OVERPAYMENTS**

As a result of the reporting errors, the Hospital overstated wage data by \$12,834,068 (numerator) and 165,006 hours (denominator) for the FY 2006 Medicare cost report period. Our correction of the Hospital's errors decreased the average hourly wage rate approximately 4 percent from \$31.61 to \$30.31. If the Hospital does not revise the wage data in its cost report, the FY 2009 wage index for the Hospital's CBSA will be overstated, which will result in overpayments to all of the hospitals that use this wage index.

## **RECOMMENDATIONS**

We recommend that the Hospital:

- submit a revised FY 2006 Medicare cost report to the fiscal intermediary to correct the wage data misstatements totaling \$12,834,068 and 165,006 hours and
- implement review and reconciliation procedures to ensure that the wage data reported in future Medicare cost reports are accurate, supportable, and in compliance with Medicare requirements.

## **BROWARD GENERAL MEDICAL CENTER COMMENTS**

In its June 3, 2008, written comments on our draft report, the Hospital agreed with our findings and recommendations and outlined the remedial actions being taken. The Hospital's comments appear in their entirety as Appendix B.

# **APPENDIXES**

CUMULATIVE EFFECT OF FINDINGS

Unadjusted Wage Calculator		Reported FY 2006 Wage Data	Wage-Related Costs	Home Office Salaries and Hours	Unallowable Part B Services	Omitted Adjustments	Contract Labor	Overstated Salaries	Adjusted FY 2006 Wage Data
<b>Broward General Medical Center - Fiscal Year (FY) 2009 Wage Index</b>									
<i>Worksheet S - 3, Part II</i>									
<b>Total Salaries</b>									
Line1/col. 3	Total Salaries	\$139,651,562.00				(\$459,652.00)		(\$430,932.00)	\$138,760,978.00
<b>Excluded Salaries</b>									
Line 4.01/col. 3	Teaching Physician Salaries	\$0.00							\$0.00
Line5/col. 3	Physician Part B	\$1,964,484.00			\$2,061,018.00				\$4,025,502.00
Line6/col. 3	Interns and Residents	\$2,032,204.00							\$2,032,204.00
Line 8/col. 3	Skilled Nursing Facility (SNF) Salaries	\$0.00							\$0.00
Line8.01/col. 3	Excluded Area Salaries	\$689,184.00							\$689,184.00
Subtotal (subtract)		\$4,685,872.00			\$2,061,018.00				\$6,746,890.00
<b>Additional Salaries</b>									
Line9/col. 3	Contract Labor: Physician Part A	\$4,872,983.00					(\$832,662.00)		\$4,040,321.00
Line 9.03	Management & Administrative Services	\$0.00							\$0.00
Line 10/col. 3	Contract Labor: Physician Part A	\$0.00							\$0.00
Line11/col. 3	Home Office Salaries and Wages	\$19,552,322.00		(\$3,362,465.00)		(\$743,787.00)			\$15,446,070.00
Line12/col. 3	Home Office: Physician Part A	\$499,995.00							\$499,995.00
Line13/col. 3	Wage-Related Cost (Core)	\$29,841,671.00	(\$3,513,448.00)			(\$842,172.00)			\$25,486,051.00
Line 14/col. 3	Wage-Related Cost (Other)	\$681,795.00	(\$681,795.00)						\$0.00
line 18/col. 3	Physician Part A	\$0.00	\$158,194.00						\$158,194.00
Sub-Tot-B (ADD)		\$55,448,766.00	(\$4,037,049.00)	(\$3,362,465.00)	\$0.00	(\$1,585,959.00)	(\$832,662.00)	\$0.00	\$45,630,631.00
	Adjusted Salaries	\$190,414,456.00	(\$4,037,049.00)	(\$3,362,465.00)	(\$2,061,018.00)	(\$2,045,611.00)	(\$832,662.00)	(\$430,932.00)	\$177,644,719.00
<b>Total Paid Hours</b>									
Line1/col. 4	Total Hours	5,521,166.00						(12.00)	5,521,154.00
<b>Excluded Hours</b>									
Line 4.01/col. 4	Teaching Physician Hours	0.00							0.00
Line5/col. 4	Physician Part B Hours	14,224.02			50,514.00				64,738.02
Line6/col. 4	Interns and Residents Hours	111,826.00							111,826.00
Line 8/col. 4	SNF Hours	0.00							0.00
Line8.01/col. 4	Excluded Area Hours (e.g., home health)	10,325.00						8,275.00	18,600.00
Sub-Tot-C (LESS)		136,375.02			50,514.00	0.00	0.00	8,275.00	195,164.02
<b>Additional Hours</b>									
Line9/col. 4	Contract Labor Hours	106,824.00					(27,459.00)		79,365.00
Line 9.03/col 4	Management & Admin. Services	0.00							0.00
Line 10/col. 4	Contract Labor: Physician Part A Hours	0.00							0.00
Line11/col. 4	Home Office Salary Hours	527,652.00		(75,953.00)		185.00			451,884.00
Line12/col. 4	Home Office: Physician Part A	4,848.00							4,848.00
Sub-Tot-D (ADD)		639,324.00	0.00	(75,953.00)		185.00	(27,459.00)	0.00	536,097.00
	Adjusted Hours	6,024,114.98		(75,953.00)	(50,514.00)	185.00	(27,459.00)	(8,263.00)	5,862,086.98





Broward Health  
Coral Springs Medical Center  
Imperial Point Medical Center  
North Broward Medical Center  
Chris Evert Children's Hospital  
Broward Health Weston  
Community Health Services  
Broward Health Physician Group

June 3, 2008

Mr. Peter J. Barbera  
Regional Inspector General for Audit Services  
Department of Health & Human Resources  
Office of Inspector General  
Office of Audit Services  
Region IV  
61 Forsyth Street, S.W.  
Suite 3T41  
Atlanta, GA 30303

**RE: North Broward Hospital District d/b/a Broward Health:  
Broward General Medical Center  
FY Ending 6/30/2006  
Report #: A-04-07-06034**

Dear Mr. Barbera:

In response to the Review of Fiscal Year 2006 Wage Data at Broward General Medical Center, our responses are as follows:

**Overstated Wage Related Costs –**

The Hospital agrees with this adjustment. Costs were included in wages that did not meet the requirements. We will revise the worksheets used to capture our data to ensure that the numbers are reported accurately in the future.

**Overstated Home Office Salaries and Hours –**

The Hospital agrees with these adjustments. The Hospital is revising its work papers to ensure the appropriate home office allocations are made to each facility. The work papers are also being revised to ensure that only wage related costs are included.

**Unallowable Part B Salaries and Hours –**

The Hospital agrees with this adjustment. The work papers used by the Hospital will be revised to reflect nurse practitioner, physician assistant, and clinical nurse specialist salaries as Part B Salaries not Part A Salaries.

Mr. Peter J. Barbera  
Page Two  
June 3, 2008

**Adjustments Omitted from Cost Report –**

The Hospital agrees with this adjustment. The Hospital will use final audited financial statements to complete the wage index worksheet.

**Unallowable Contract Labor –**

The Hospital agrees with this adjustment. The Hospital will review contract labor more closely in the future and only use patient care related services in its reporting. The Hospital will also ensure that it has all the appropriate documentation to support its costs.

**Overstated Salaries and Understated Hours –**

The Hospital agrees with this adjustment. The Hospital will develop procedures that ensure it captures all documentation necessary to report salaries.

The Hospital wants to assure you that it is committed to being compliant with the Medicare rules related to Wage Index Calculation. The Hospital will be re-filing the FY 2006 Broward General Medical Center cost report in accordance with your suggestion. If you have any questions or wish further clarification, please do not hesitate to call me.

Sincerely,



Deborah Breen  
Interim CFO

DB:lbl