



**MAY 17 2002**

Office of Audit Services  
Region I  
John F. Kennedy Federal Building  
Room 2425  
Boston, MA 02203  
(617) 565-2684

CIN: A-01-02-00505

John Fitzgerald  
Chief Financial Officer  
Saint Elizabeth's Medical Center  
736 Cambridge Street  
Boston, MA 02135

Dear Mr. Fitzgerald:

Enclosed are two copies of the U.S. Department of Health and Human Services (HHS), Office of Inspector General, Office of Audit Services' (OAS) report entitled "Review of Graduate Medical Education and Indirect Medical Education at Saint Elizabeth's Medical Center for Fiscal Year Ending September 30, 1999." A copy of this report will be forwarded to the action official noted below for his review and any action deemed necessary.

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

In accordance with the principles of the Freedom of Information Act, (5 U.S.C 552, as amended by Public Law 104-231), OIG, OAS reports issued are made available to members of the public to the extent information contained therein is not subject to exemptions in the Act which the Department chooses to exercise. (See 45 CFR Part 5.)

To facilitate identification, please refer to Common Identification Number A-01-02-00505 in all correspondence relating to this report.

Sincerely yours,  
  
Michael J. Armstrong  
Regional Inspector General  
for Audit Services

Enclosures – as stated

**Direct Reply to HHS Action Official:**

Roger Perez  
Acting Regional Administrator  
Centers for Medicare & Medicaid Services – Region I  
Room 2325 J.F.K. Federal Building  
Boston, Massachusetts 02203

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF GRADUATE MEDICAL  
EDUCATION AND INDIRECT MEDICAL  
EDUCATION AT SAINT ELIZABETH'S  
MEDICAL CENTER FOR FISCAL YEAR  
ENDING SEPTEMBER 30, 1999**



**JANET REHNQUIST**  
Inspector General

May 2002  
A-01-02-00505

# ***Office of Inspector General***

<http://oig.hhs.gov/>

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## **EXECUTIVE SUMMARY**

### **Background**

Since the inception of Medicare in 1965, the program has shared in the costs of educational activities incurred by participating providers. Medicare makes payments for direct and indirect costs of graduate medical education (GME). Both direct and indirect payments are calculated annually for hospitals based on the number of Full-Time Equivalent (FTE) residents and the proportion of Medicare days of care. During Fiscal Year (FY) 1999, Saint Elizabeth's Medical Center (SEMC) reported total weighted FTE counts of 125.75 and 133.96 residents for GME and indirect medical education (IME) respectively, and Medicare reimbursement totaling \$16,738,892 for medical education costs of interns and residents.

### **Objective**

The objective of this review was to determine the accuracy of resident FTE counts used by the SEMC during FY 1999 to calculate GME and IME payments.

### **Results of Review**

We determined that SEMC overstated its calculations for IME and GME by 2.84 and .47 FTEs, respectively. These overstatements occurred because SEMC claimed reimbursement for residents: 1) who spent time in unallowable research activities; 2) who exceeded their initial residency period yet were counted as if they were within their initial residency period; 3) whose time was not supported with adequate documentation; 4) who rotated to non-hospital settings; and 5) who were misclassified as primary care residents. We also identified a cost reporting error involving the Per Resident Amounts update factor. As a result of these errors, the hospital overclaimed GME and IME reimbursement by \$121,395 on its FY 1999 Medicare cost report.

### **Recommendations**

We recommend that SEMC: 1) strengthen reporting controls to ensure that future IME and GME FTE counts are calculated in accordance with Federal requirements; 2) adjust the FTE counts reported on its FY 1999 Medicare cost report by 2.84 for IME and .47 for GME; and 3) reimburse Medicare \$121,395 for overclaimed IME and GME.

The draft report was issued on March 18, 2002 to SEMC for comment. In response to the draft report, SEMC generally concurred with our findings and recommendations. However, SEMC disagreed with the unallowable research finding and provided additional documentation. We believe that the documentation is still not adequate to support that the research was related to the treatment or diagnosis of a particular patient of the hospital. In this respect, the additional documentation neither supports the patients in the studies were from SEMC nor indicates the percentage of time the residents spent performing each research activity.

## INTRODUCTION

### BACKGROUND

#### **Saint Elizabeth's Medical Center**

The Saint Elizabeth's Medical Center (SEMC) located in Boston, Massachusetts, is a 376 bed teaching hospital affiliated with the Tufts University School of Medicine. The SEMC is a member of Caritas Christi, a Catholic Health Care System of the Archdiocese of Boston. The SEMC reported Medicare reimbursements totaling \$64,764,823 for Fiscal Year (FY) 1999. Of the \$64,764,823 reported, \$16,738,892 was for medical education costs of interns and residents.

#### **Graduate Medical Education and Indirect Medical Education Cost Reimbursement**

Medical education costs are reimbursed separately for two distinct activities; Graduate Medical Education (GME) and Indirect Medical Education (IME). The Medicare reimbursement calculations for medical education cost claimed are different for GME and IME.

The formula for GME reimbursement includes the direct costs for salaries and fringe benefits for medical residents in an approved medical resident training program; expenses paid to teaching physicians for direct teaching activities; and overhead expenses related to the program. A provider is reimbursed using a fixed per resident amount which varies among providers. Medicare also makes a distinction between residents in primary care and non-primary care specialties. The per resident amount for primary and non-primary care specialties is updated annually for inflation, with the exceptions of FYs 1994 and 1995 for non-primary care specialties. The SEMC received reimbursement of \$6,131,056 for GME in FY 1999.

The IME reimbursement covers increased patient care costs such as the costs associated with the additional tests that may be ordered by residents which would not be ordered by a more experienced physician. The IME is an *add-on* to a hospital's Diagnosis Related Group payment. In other words, the greater the number of Medicare patients, the higher the IME payments<sup>1</sup>. The IME formula is designed to reimburse the hospital for increased patient care costs and its calculation uses the resident to hospital bed ratio. The SEMC received reimbursement of \$10,607,836 for IME in FY 1999.

#### **Full Time Equivalent Considerations**

A primary factor in the calculation of both the GME and IME reimbursements is the total count of Full-Time Equivalent (FTE) residents. During FY 1999, SEMC reported total weighted FTE counts of 125.75 and 133.96 residents for GME and IME respectively. Also, during this period, SEMC included 216 residents and 78 non-residents in whole or in part in the FTE counts. The hospital in which a resident works can include his/her

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<sup>1</sup> This is also true for direct GME, which uses as part of its formula the Medicare utilization for the particular hospital.

time towards the FTE count. Some SEMC residents performed all of their duties at SEMC, some residents rotated throughout the year to other hospitals and some residents from other hospitals rotated to SEMC throughout the year. In total, no resident can be counted for more than 1.0 FTE. Hospitals claiming GME and IME costs are required to file an Intern and Resident Information System (IRIS) data with their Medicare cost report. The Centers for Medicare & Medicaid Services (CMS) edits the national IRIS database to ensure that no intern and resident is counted as more than one FTE.

Federal regulations govern the FTE count for GME and IME. Factors to be considered when counting GME FTEs include:

- Residents must be in an approved program.<sup>2</sup>
- All residents in their “initial residency period” are eligible to be counted as 1.0 FTE. All residents who exceed their initial residency period are weighted only as 0.5 FTE. The “initial residency period” is the minimum length of time it takes the resident to be eligible for board certification.<sup>3</sup>
- All residents who graduated from a foreign medical school must pass a Foreign Medical Graduate Examination in order to be counted in the GME reimbursement count.<sup>4</sup>
- Residents’ time in inpatient and outpatient settings is allowable. If a resident works in an outpatient setting which is not part of the hospital, the hospital can claim the time as if the resident worked in a part of the hospital provided an appropriate written agreement exists between the hospital and the non-hospital provider. The agreement should state that the costs of training the residents will be borne by the hospital.<sup>5</sup>
- Research must be performed as part of the approved residency program.<sup>6</sup>

Factors considered when counting IME FTEs are the same as the GME factors except:

- Time spent doing research can count for IME only if it relates to the direct care of a hospital patient.<sup>7</sup>
- Residents must work in either; 1) the prospective payment system portion of the hospital, 2) the outpatient department of the hospital<sup>8</sup>, or 3) a non-hospital setting,

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<sup>2</sup> 42 CFR 413.86(b)

<sup>3</sup> 42 CFR 413.86(g)

<sup>4</sup> 42 CFR 413.86(h)(1)(i)

<sup>5</sup> 42CFR 413.86(f)(4)

<sup>6</sup> 42 CFR 413.86 (f)

<sup>7</sup> Provider Reimbursement Manual 2405.3

<sup>8</sup> 42 CFR 412.105(f)(ii)

provided an appropriate written agreement exists between the hospital and the non-hospital provider.<sup>9</sup>

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

The objective of our review was to determine the accuracy of the FY 1999 resident FTE counts used by SEMC to calculate GME and IME payments. Our audit was conducted in accordance with generally accepted government auditing standards. To test compliance with the criteria referred to previously and to determine the correct amount of medical education payments that SEMC is entitled to we:

- Identified all residents who were claimed on the SEMC FY 1999 Medicare cost report for GME and IME and reconciled the FTE counts to Medicare cost report Worksheet E-3, Part IV for GME and Worksheet E, Part A for IME.
- Identified the specialty of each resident included on the Medicare cost report and determined if the specialty was approved in accordance with Federal Regulations.
- Identified the length of the “initial residency period” per specialty and determined if FTEs were properly weighted for residents who exceeded the “initial residency periods.”
- Identified all residents that graduated from a foreign medical school and determined if they should be included in the FTE count.
- Identified where the residents worked throughout the year to determine if an adjustment was required because the resident: 1) spent time in research that was not allowable for the purpose of calculating FTEs; 2) rotated to another hospital; 3) worked in a non-prospective payment system (PPS) area of the SEMC (affects IME only); or 4) worked in a non-hospital setting without an appropriate written agreement between the SEMC and the non-hospital provider.
- Determined the net dollar effect of our audit adjustments to the GME and IME FTE counts by recalculating the SEMC FY 1999 Medicare cost report Worksheets E-3, Part IV for GME and Worksheet E, Part A for IME.
- Performed a reconciliation of the FTEs reported to CMS through IRIS data to the FTEs reported by SEMC on its Medicare cost report.
- Discussed the results of our audit with SEMC.

Our review of the internal control structure was limited to obtaining an understanding of the internal controls over reporting FTEs. This was accomplished through interviews and

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<sup>9</sup> 42 CFR 413.86(f)(3) and (f)(4)

testing pertaining exclusively to GME and IME FTE counts. Our audit fieldwork was conducted at the SEMC from December 2001 through January 2002.

The draft report was issued to SEMC on March 18, 2002. The SEMC's written comments, dated April 17, 2002, are summarized on page 7 and appended in their entirety to this report (see APPENDIX).

### **FINDINGS AND RECOMMENDATIONS**

The SEMC claimed \$16,738,892 for medical education cost reimbursements on its FY 1999 Medicare cost report; \$10,607,836 related to IME and \$6,131,056 related to GME. We determined that SEMC overstated its calculations for IME and GME by 2.84 and .47 FTEs, respectively. These overstatements occurred because SEMC claimed reimbursement for residents: 1) who spent time in unallowable research activities; 2) who exceeded their initial residency period yet were counted as if they were within their initial residency period; 3) whose time was not supported with adequate documentation; 4) who rotated to non-hospital settings; and 5) who were misclassified as primary care residents. We also identified a cost reporting error involving the Per Resident Amounts (PRAs) update factor. As a result of these errors, the hospital overclaimed GME and IME reimbursement by \$121,395 on its FY 1999 Medicare cost report.

Our results are summarized in the following chart and explained in more detail on the following pages.

<b>SUMMARY OF AUDIT RESULTS</b>					
<b>FINDING</b>	<b>GME FTE</b>	<b>IME FTE</b>	<b>GME EFFECT</b>	<b>IME EFFECT</b>	<b>TOTAL EFFECT</b>
<b>Unallowable Research</b>	N/A	2.43	\$0	\$61,642	\$61,642
<b>Incorrect PRAs update factor</b>	N/A	N/A	\$27,525	\$0	\$27,525
<b>Misclassified non-primary care residents</b>	N/A	N/A	\$18,155	\$0	\$18,155
<b>Unsupported Time</b>	0.17	0.25	\$299	\$6,350	\$6,649
<b>No written agreements with non-hospital providers</b>	0.08	0.16	\$29	\$4,064	\$4,093
<b>Improperly weighted resident</b>	0.22	N/A	\$3,331	\$0	\$3,331
<b>TOTALS</b>	<b>0.47</b>	<b>2.84</b>	<b>\$49,339</b>	<b>\$72,056</b>	<b>\$121,395</b>

#### **UNALLOWABLE RESEARCH**

Time that residents spend performing research can be included in both the GME and IME FTE counts provided that Federal criteria are followed. The Federal Register states that a resident must not be counted for the IME adjustment if the resident is engaged exclusively in research. Resident time spent “exclusively” in research means that the research is not associated with the treatment or diagnosis of a particular patient of the hospital. Although the research component may be part of an approved program, the time that residents devote specifically to performing research that is not related to delivering patient care may not be counted for IME payment purposes.

The SEMC included 2.43 FTE residents engaged exclusively in research in the IME count. The hospital was unable to provide adequate documentation to support that the research in question was related to the treatment or diagnosis of a particular patient of the hospital. Accordingly, the FY 1999 SEMC IME count was overstated by 2.43 FTEs resulting in overstating reimbursement on the Medicare cost report by \$61,642.

### **INCORRECT PER RESIDENT AMOUNTS UPDATE FACTOR**

The Federal Register, Section 413.86, states that each hospital's PRAs for the previous cost reporting period are adjusted by the projected change in the Consumer Price Index-Urban (CPI-U) for the 12-month cost reporting period. These adjustments are subject to revision during the settlement of the cost report to reflect actual changes in the CPI-U that occurred during the cost reporting period. Only the GME payments are effected by the PRAs.

The PRAs on the SEMC FY 1999 settled cost report reflect a projected update factor of 1.0246. The actual CPI-U update factor for PRAs in FY 1999 is 1.02. As a result, the FY 1999 SEMC PRAs were overstated by \$385 for primary care and \$365 for non-primary care resulting in a total overstatement on the Medicare cost report of \$27,525 for GME.

### **MISCLASSIFIED NON-PRIMARY CARE RESIDENTS**

For reimbursement of GME costs, Medicare makes a distinction between residents in primary care residencies and residents in non-primary care residencies. The average reimbursement per FTE is higher for primary care residents than for non-primary care residents because the average cost per resident for primary care specialties is updated annually by applying an inflation factor. The PRA for non-primary care residents was frozen for FYs 1994 and 1995 and, therefore, was not updated annually. The SEMC improperly included 6.99 FTEs for non-primary care residents in the primary care line on the FY 1999 Medicare cost report. As a result, GME reimbursement was overstated by \$18,155 on the SEMC FY 1999 Medicare cost report.

### **UNSUPPORTED TIME**

Medicare regulations require that providers support the time (i.e., assignment schedules) for FTEs claimed for IME and GME reimbursement. The SEMC included an obstetrics and gynecology resident for 25 days in the month of September 1999 that was unsupported. The SEMC also claimed a cardiology resident for the months of August and September 1999 during which time the supporting documentation showed the resident was on an approved leave of absence. As a result, the FTE counts were overstated by 0.25 and 0.17 for IME and GME respectively, resulting in a total net effect on the Medicare cost report of \$6,649; \$6,350 for IME and \$299 for GME.

## **NO WRITTEN AGREEMENTS WITH NON-HOSPITAL PROVIDERS**

Residents who perform at non-hospital provider sites such as clinics or private physician offices can be included in the hospital's FTE count provided an appropriate written agreement exists between the hospital and the non-hospital provider. The written agreement must clearly state that the hospital is covering the costs of training the residents while they are performing at the non-hospital provider site. Costs include the salaries and fringe benefits of the resident as well as a payment to the non-hospital provider for the supervision of the resident.

At SEMC, some of the cardiology residents rotated to a private practice/non-hospital provider for a monthly rotation. The SEMC was not able to provide a written agreement between SEMC and the private practice/non-hospital provider. Therefore, the time spent at the non-hospital provider by the resident physicians cannot be included in SEMC's FTE count. The FTE counts were overstated by 0.16 FTEs for IME and 0.08 FTEs for GME because there was no required written agreement with the non-hospital provider. As a result, the Medicare cost report was overstated by \$4,093; \$4,064 for IME and \$29 for GME.

## **IMPROPERLY WEIGHTED RESIDENT**

Residents working in an approved medical residency program and performing in their "initial residency period" can be weighted as a full 1.0 FTE. The "initial residency period" is defined as the minimum number of years required for board eligibility and is usually 3-5 years depending on the specialty. If a resident is not in an "initial residency period" then the FTE weighting factor is limited to 0.5.

We determined that one psychiatry resident was in the fifth year of residency during FY 1999. The initial residency period for the psychiatry program is four years. The properly weighted FTE count for this resident's rotation of 164 days should have been .23 FTEs, not the .45 FTEs claimed by SEMC. As a result, the GME reimbursement was overstated by \$3,331 on the FY 1999 Medicare cost report.

## **RECOMMENDATIONS**

We recommend that SEMC:

- 1) Strengthen reporting controls to ensure that future IME and GME FTE counts are calculated in accordance with Federal requirements.
- 2) Adjust the FTE counts reported on its FY 1999 Medicare cost report by 2.84 for IME and .47 for GME.
- 3) Reimburse Medicare \$121,395 for overclaimed IME and GME.

### **AUDITEE COMMENTS**

In response to our draft report, SEMC concurred with the following findings: Incorrect PRAs update factor; Misclassified non-primary care residents; Unsupported time; No written agreements with non-hospital provider and an Improperly weighted resident. SEMC identified steps they have taken and plan to take, to address our recommendations. However, SEMC did not concur with the disallowance of the IME FTEs for resident time that we believe was not adequately documented to support it was related to patient care. The SEMC states the activities denoted on the rotation schedules for this period are training regimens necessary to become board certified in these respective specialties and involve either the treatment or diagnosis of patients. Also, the SEMC did not concur with our calculation of IME adjustments. The SEMC states that, even if the research time is ultimately disallowed, these adjustments still will not impact the FY 1999 cost reporting year because the prior period intern-to-bed ratio is lower, and because of that, the FY 1998 ratio will be used in the IME calculation.

### **ADDITIONAL OIG COMMENTS**

Based on our review of additional supporting documentation provided by SEMC, we believe the documentation is still not adequate to support that the research was related to the direct care of hospital patients. In this respect, the additional documentation neither supports the patients in the studies were from SEMC nor indicates the percentage of time the residents spent performing each research activity. Accordingly, we continue to believe the IME count was overstated by 2.43 FTEs for residents engaged exclusively in research.

Regarding our calculation of IME adjustments, a June 2001 Provider Reimbursement Review Board (PRRB) settlement agreement regarding SEMC's FY 1996 cost report determined that the time spent by psychiatry residents in departments subject to the PPS is allowed in the IME count. The FI has applied conditions of the settlement agreement to the SEMC FY 1999 cost report, but has not yet applied it to the FY 1998 cost report. The IME calculation on Medicare FY 1999 cost reports uses the lower of the FY 1998 or FY 1999 intern-to-bed ratio. To accurately show the effect of OIG IME adjustments on SEMC's FY 1999 cost report, we recalculated the FY 1998 intern-to-bed ratio to apply the conditions of the settlement agreement. After adjusting the FY 1998 intern-to-bed ratio to reflect the PRRB decision, SEMC's FY 1999 intern-to-bed ratio would be lower.

Therefore, the OIG adjustments to the IME FTE count would impact SEMC's FY 1999 cost report.

With respect to our finding regarding the incorrect per resident amounts update factor, subsequent to our review, SEMC apprised us that it has refunded Medicare \$24,680 related to this issue.

Finally, in our draft report we recommended that SEMC strengthen reconciliation controls to ensure that IRIS data submitted to CMS is accurate and reconciled to the FTEs claimed on its Medicare cost report. During our review of the FY 1999 GME data, we noted that the FTEs reported to the CMS as part of the IRIS did not agree with the FTEs included on the SEMC's Medicare cost report. Although, this had no effect on SEMC's Medicare reimbursement, without accurate IRIS data CMS cannot be assured that an intern or resident is not counted as more than one FTE. Subsequent to our draft report, SEMC submitted revised IRIS data including previously omitted interns and residents for both GME and IME. The SEMC also purchased new software that should enable the hospital to better prepare filings that are both accurate and timely. As a result of SEMC's corrective actions, we have removed this recommendation from the final report.

## **APPENDIX**

# St. Elizabeth's Medical Center of Boston

736 Cambridge Street Boston, Massachusetts 02135-2997 617 / 789-3000

April 17, 2002

Mr. Keith Lynch  
Department of Health & Human Services  
Office of Inspector General  
Audit Services – Region 1  
John F. Kennedy Federal Building  
Room 2425  
Boston, MA 02203

RECEIVED  
02 APR 18 AM 10:13  
JAMES J. O'NEILL  
REGION 1

RE: Identification No. A-01-02-00505

Dear Mr. Lynch:

Enclosed please find our response to your review of both graduate medical education (GME) and indirect medical education (IME) at St. Elizabeth's Medical Center for fiscal year ending September 30, 1999. We have responded to each of your findings and recommendations in the order in which they appear in your report.

## FINDINGS:

### Unallowable Research:

Enclosed please find documentation supporting our contention that the research rotations required as part of our residency programs during fiscal year 1999 are directly related to the treatment and care of SEMC patients. As discussed during our exit conference on Friday, January 4, 2002, the research activities denoted on the rotation schedules for this period are (1) training regimens necessary to become board certified in these respective specialties, and (2) involve either the treatment or diagnosis of patients. Unlike our counterparts or peer group hospitals in the Boston area, SEMC does not have much research-related activity. Research projects defined as "bench-research" are not prevalent and are typically performed by SEMC employees who are not part of the medical education program.

We have enclosed some of the abstracts associated with the research projects completed by the residents who were identified as performing research on the fiscal year 1999 rotation schedules. Please note that all research activity involved active SEMC patients who presented with symptoms chosen for evaluation in these respective projects. According to the Provider Reimbursement Manual (PRM) 2405.3, time spent completing research projects can count for IME if it relates to the direct care of a hospital patient. In every instance, these research activities involve the treatment of patients.

**Intern And Resident Information System Data Not Accurate**

We thoroughly reviewed the discrepancies related to the IRIS filing for the period. All previously omitted interns and residents for both GME and IME were included in a revised electronic filing, which has been included in this response. This revised data will now agree with the FTE's claimed on the Medicare cost report. In order to prevent this situation from arising in the future, SEMC has purchased new software to replace the original IRISV3 database issued by CMMS. This software is much easier to use and will enable our hospital to better prepare filings that are both accurate and timely, thus reassuring the Medicare program that our interns and residents are not counted as more than one FTE.

We request that you eliminate the comment regarding IRIS in your final report because SEMC has accurately restated its IRIS data and complied with Federal regulations.

**RECOMMENDATIONS:**

**1) Strengthen Reporting Controls**

We will continue to strengthen our reporting controls to ensure that future GME and IME FTE counts continue to be calculated in accordance with Federal regulations. Our Fiscal office and the department of Medical Education meet regularly to discuss issues impacting our annual filings. In addition, we read the latest regulatory bulletins and also attend industry meetings to obtain information about current policy proposals. We constantly strive to improve our documentation, verify its validity, and alter our internal procedures to comply with new regulations. This was all evidenced by the accuracy of our data and the thoroughness of our record keeping. We will continue these efforts and also work to maintain our excellent relationship with our intermediary, Associated Hospital Service.

**2) Strengthen Reconciliation Controls**

SEMC has purchased new software to replace the original IRISV3 database issued by CMMS. This software is much easier to use and will enable our hospital to better prepare filings that are both accurate and timely, thus reassuring the Medicare program that our interns and residents are not counted as more than one FTE.

**3) Adjust The FY 1999 FTE Counts By 2.84 For IME And .47 For GME**

We disagree with the FTE adjustment of 2.84 to IME. Our enclosed documentation proves that research time here at St. Elizabeth's is an allowable activity. We respectfully request a revision to this adjustment.

Mr. Keith Lynch  
April 17, 2002 – Page Two

To further support our position, we have also included letters from the respective medical directors to provide supplemental confirmation about the research activities at the hospital in relation to medical education. As you will see, these letters further explain research activities at SEMC and how the focus is and has always been with patients. Our intention here is to make certain that our research activities are appropriately distinguished from those that may take place at other teaching hospitals. Even though a number of facilities in the Boston area may have research fellows performing both bench and direct patient care activities, this type of training is not the standard for St. Elizabeth's. This is an important distinction, one that needs to be made.

We request that you eliminate the proposed adjustment to IME FTEs and reinstate the 2.43 FTEs in our final IME count.

#### **Incorrect Per Resident Amounts Update Factor**

The per resident amount update factors were provided to us by our intermediary. We agree that these inflation factors were overstated. In the revised Notice of Program Reimbursement (NPR) issued on January 22, 2002, St. Elizabeth's returned an overpayment of \$24,680 to the Program related to this issue. We ask that you reference our payback in your comments.

#### **Misclassified Non-Primary Care Residents**

Our as-filed FTE counts distinguishing between primary and non-primary residents were accurate. Our intermediary initiated this misclassification. We agree that 6.99 FTEs were improperly categorized as primary care residents. We agree that GME reimbursement was overstated by \$16,205.

#### **Unsupported Time**

We agree with your findings to eliminate .17 GME FTEs and .25 IME FTEs and will work diligently to avoid claiming unsupported time in the future.

#### **No Written Agreements With Non-Hospital Providers**

We agree with your findings to eliminate .08 GME FTEs and .16 IME FTEs. A formal written agreement has been established with the private practice provider subsequent to fiscal year 1999, so that future rotations in Cardiology will be allowed.

#### **Improperly Weighted Resident**

We agree with your findings to eliminate .22 GME FTEs and will work diligently to avoid improperly weighting residents in the future.

Mr. Keith Lynch  
April 17, 2002 – Page Four

**4) Reimburse Medicare \$121,395 For Overclaimed IME And GME**

We also disagree with this liability to the Program. According to our internal calculations, St. Elizabeth's was overpaid \$47,134. Of this total, \$24,680 was already returned to the Program for incorrect update factors, thus leaving a balance of \$22,454. This balance represents \$16,205 for misclassified non-primary care residents and \$6,249 for all other issues. Interestingly, if the research time is ultimately disallowed, these adjustments still will not impact the FY 1999 cost reporting year because the prior period intern-to-bed ratio is lower, and because of that, the FY 1998 ratio will be used in the IME calculation. Please revise your estimates.

If you have additional questions and/or require further clarification, please do not hesitate to contact me at (617) 789-2204.

Sincerely,



Ernie Fusaro  
Reimbursement Manager

cc: John Fitzgerald, VP of Finance – SEMC (letter only)  
Tom Viscariello, Director of Finance – SEMC (letter only)  
Harry Lindmark, Manager – AHS