

Report in Brief

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U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



Why OIG Did This Review

The Centers for Medicare & Medicaid Services (CMS) uses area wage indexes to adjust Medicare payments to reflect local labor prices. CMS calculates new wage indexes annually from wage data (wages, wage-related costs, and hours) submitted by hospitals.

We selected Rhode Island Hospital (the Hospital), located in Providence, Rhode Island, for this review because of its potential to significantly affect Medicare payments in its area in Federal fiscal year (FFY) 2019. The Hospital is part of the Lifespan Health System (Lifespan).

Our objective was to determine whether the Hospital complied with Medicare requirements for reporting wage data used in CMS's calculations of hospital wage indexes for FFY 2019.

How OIG Did This Review

We evaluated the Hospital's compliance with selected Medicare wage data reporting requirements.

Rhode Island Hospital Submitted Some Inaccurate Wage Data

What OIG Found

The Hospital did not always comply with Medicare requirements when reporting its wage data used by CMS for the FFY 2019 hospital wage index calculation. As a result, the Hospital overstated its wages and wage-related costs by \$37,711,870 and overstated its hours by 921,361. These errors occurred because the Hospital officials did not (1) fully understand and follow the Medicare wage-data-reporting requirements in the *CMS Provider Reimbursement Manual* (the Manual) and (2) have adequate review and reconciliation procedures to ensure that the wage data it reported to CMS were accurate, allowable, supportable, and in compliance with Medicare requirements.

Some errors raised the Hospital's average hourly wage and other errors lowered it. Overall, for this year, the net effect of the errors did not cause a material change to the Hospital's wage index. Because of the expected immaterial effect on payments, we did not request that the Medicare administrative contractor make any corrections to the Hospital's wage data for the FFY 2019 wage-index cycle.

What OIG Recommends and Rhode Island Hospital's Comments

We recommend that the Hospital (1) ensure that all personnel involved in Medicare wage-data reporting are fully trained in compliance with the requirements in the Manual and (2) strengthen review and reconciliation procedures to ensure that the Medicare wage data it reports to CMS in the future are accurate, allowable, supportable, and in compliance with Medicare requirements.

In written comments on our draft report, Lifespan, on behalf of the Hospital, concurred with four of our six findings. Lifespan disagreed that the Hospital (1) could not support its contracted labor wages and associated hours and (2) incorrectly reported its nonphysician practitioner costs as Part A. Lifespan described the Hospital's efforts to capture and produce more accurate cost report data. However, Lifespan did not indicate whether the Hospital concurred with our recommendations.

We maintain that our findings and recommendations are valid. We acknowledge the Hospital's right to appeal our findings.