

## 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 St. Joseph's Hospital and Medical Center (the Hospital), in Phoenix, Arizona, for this review because of its potential to significantly affect Medicare payments to many hospitals in its State in Federal Fiscal Year (FFY) 2019.

Because it applied to be considered a rural hospital for wage index purposes, the Hospital's wage data contributed to the Arizona rural wage index (RWI) for FFY 2019. Federal law does not allow urban hospitals to be assigned wage indexes lower than the RWI for their State. This is known as the "rural floor." Accordingly, the Hospital's wage data will affect FFY 2019 payments to Arizona hospitals receiving the RWI or the rural floor wage index.

Our objective was to determine whether the Hospital complied with Medicare requirements for reporting wage data to be 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.

## St. Joseph's Hospital and Medical Center 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 \$12,338,804 and overstated its hours by 31,827. These errors occurred because the Hospital (1) reassigned the assembly and reporting of wage data to a new staff group, (2) did not have adequate review procedures to ensure that the correct dollars and hours were reported on the correct lines of the wage data worksheet, and (3) did not have adequate quality control over the entry of contract labor data into its accounting system.

Because OIG has no authority to correct wage data, we contacted CMS and then the Hospital's Medicare administrative contractor (MAC) with our findings and suggested corrections. The MAC, with CMS approval, made the corrections. If the data had not been corrected by the Hospital's MAC as a result of this review, it would have raised the rural wage index from 1.0528 to 1.0627. We estimated that, had it not been corrected, the overstatement of the rural wage index would have resulted in \$11.6 million in overpayments for inpatient stays at the 54 Arizona hospitals that will receive the rural wage index or the benefit of rural floor wage index in FFY 2019.

### What OIG Recommends and St. Joseph's Hospital's Comments

We recommend that the Hospital (1) ensure that all personnel involved in the process are fully trained to comply with Medicare wage data reporting requirements, (2) annually review all software scripts and manual procedures to ensure compliance with Medicare wage data reporting requirements, and (3) implement more effective quality controls over the entry of contract labor data into its accounting system.

In written comments on our draft report, the Hospital concurred with our findings and recommendations and described the steps it has taken to ensure its cost reports are prepared accurately in compliance with Medicare requirements.