



October 13, 2010

Office of Audit Services
Jacob Javits Federal Building
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New York, NY 10278

Report Number: A-02-09-01021

Mr. Jim Elmore
Regional Vice President, Contract Administration
National Government Services
Mail Stop: INA 102-AF13
8115 Knue Road
Indianapolis, IN 46250

Dear Mr. Elmore:

Enclosed is the U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of Resident Data Reported in the Intern and Resident Information System for Medicare Cost Reports Submitted to National Government Services*. We will forward a copy of this report to the HHS action official noted below.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted 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-02-09-01021 in all correspondence.

Sincerely,

/James P. Edert/
Regional Inspector General
for Audit Services

Enclosure

HHS Action Official:

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Department of Health & Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF RESIDENT DATA REPORTED
IN THE INTERN AND RESIDENT
INFORMATION SYSTEM FOR MEDICARE
COST REPORTS SUBMITTED TO
NATIONAL GOVERNMENT SERVICES**



Daniel R. Levinson
Inspector General

October 2010
A-02-09-01021

Office of Inspector General

<http://oig.hhs.gov>

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Notices

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Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

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.

INTRODUCTION

BACKGROUND

Medicare Payments for Graduate Medical Education

Since its inception in 1965, the Medicare program has shared in the costs of educational activities incurred by participating hospitals. The Centers for Medicare & Medicaid Services (CMS), which administers the Medicare program, makes two types of payments to teaching hospitals to support graduate medical education (GME) programs for physicians and other practitioners. Direct GME payments are Medicare's share of the direct costs of training interns and residents, such as salaries and fringe benefits of residents and faculty and hospital overhead expenses. For the purpose of this report, we use the term "resident" to also include hospital interns. Indirect GME payments cover the costs associated with using more intensive treatments, treating sicker patients, using a costlier staff mix, and ordering more tests.

Hospitals claim reimbursement for both direct and indirect GME through annual Medicare cost reports based on formulas that use fixed base costs and the number of full-time equivalent (FTE) residents trained by the hospital.¹ Pursuant to 42 CFR § 412.105(f)(1)(iii)(A), FTE status is based on the total time necessary to fill a residency slot. If a resident is assigned to more than one hospital, the resident counts as a partial FTE based on the proportion of time worked in the hospital. A hospital cannot claim the time spent by residents training at another hospital.

The amount of Medicare funds received by each hospital is determined, in large part, by the number of FTE residents it trains and the proportion of training time that its residents spend in the institution.² Pursuant to 42 CFR §§ 412.105(f) and 413.78(b), no individual may be counted as more than one FTE. For each resident for which it claims GME, hospitals must provide CMS with information on the resident's program, year of residency, dates and locations of training (including training at other hospitals), and percentage of time working at these locations (42 CFR §§ 412.105(f) and 413.75(d)).

Intern and Resident Information System

CMS makes available the Intern and Resident Information System (IRIS), a software application used by hospitals to collect and report information on residents working in approved residency programs at teaching hospitals. Hospitals receiving direct and/or indirect GME must submit IRIS data files containing information on their residents, including, but not limited to, the dates of each rotational assignment with each annual Medicare cost report. According to 72 Federal Register 69692 (Dec. 10, 2007), the primary purpose of the IRIS is to ensure that no resident is counted by the Medicare program as more than one FTE employee in the calculation of

¹ Pursuant to 42 CFR § 413.76, hospitals are paid for direct GME costs based on Medicare's share of a hospital-specific per resident amount multiplied by the number of FTE residents.

² For payment purposes, the total number of FTE residents is the 3-year "rolling average" of the hospital's actual FTE count for the current year and the preceding two cost reporting periods.

payments for the costs of direct and indirect GME.

National Government Services, Inc.

National Government Services, Inc. (NGS), is a Medicare Administrative Contractor (MAC)³ under contract with CMS to administer the Medicare Part A (hospital insurance) program in several MAC jurisdictions. NGS administers the program for MAC Jurisdiction 13, which comprises two States—New York and Connecticut. As part of its MAC responsibilities, NGS performs reviews of hospitals' annual Medicare cost reports to ensure compliance with Medicare reimbursement principles. In addition, NGS reviews the IRIS data submitted by providers in its jurisdiction to ensure that the data support FTE amounts filed on cost reports and to identify any residents whose rotations overlapped with other hospitals in its jurisdiction.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of our review was to determine whether NGS adequately ensured that no resident was counted as more than one FTE in the calculation of Medicare GME payments.

Scope

We reviewed IRIS data submitted to NGS by providers in MAC Jurisdiction 13 to support resident training costs claimed on annual Medicare cost reports covering the period January 1, 2006, through December 31, 2007.

We did not assess NGS's overall internal control structure. Rather, we limited our review of internal controls to those applicable to our objective, which did not require an understanding of all internal controls over the Medicare program. Specifically, we reviewed the procedures that NGS had in place to prevent residents from being counted as more than one FTE on costs reports.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal Medicare laws, regulations, and guidance;
- met with NGS officials to gain an understanding of NGS's procedures related to reviewing IRIS data submitted by hospitals in MAC Jurisdiction 13;

³ Section 911 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, Pub. L. No. 108-173, required CMS to transfer the functions of fiscal intermediaries and carriers to MACs between October 2005 and October 2011.

- obtained IRIS data from NGS for all hospitals in MAC Jurisdiction 13;⁴
- analyzed IRIS data to identify residents claimed by more than one hospital for the same rotational assignment;
- compared these overlapping rotational assignments to those identified by NGS; and
- selected a judgmental sample of 11 NGS desk reviews of annual Medicare cost reports submitted by hospitals in MAC Jurisdiction 13 for fiscal years ended 2006 and 2007 to determine whether NGS identified all overlapping rotational assignments for which the total FTE count per resident was greater than one and excluded those FTEs from the hospitals' GME payment calculation.

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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

RESULTS OF REVIEW

NGS had procedures in place to adequately ensure that no resident was counted as more than one FTE in the calculation of Medicare GME payments for hospitals in MAC Jurisdiction 13. Accordingly, we have no recommendations.

⁴For fiscal years ended 2006 and 2007, 139 and 137 hospitals, respectively, submitted IRIS data to NGS.