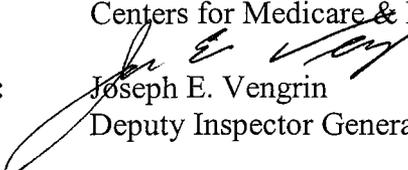




NOV 10 2005

TO: Herb Kuhn
Director, Center for Medicare Management
Centers for Medicare & Medicaid Services

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

SUBJECT: Graduate Medical Education for Dental Residents Claimed by John Dempsey
Hospital for Fiscal Years 2000 Through 2002 (A-04-04-06010)

Attached is an advance copy of our final report on Medicare graduate medical education (GME) payments for dental residents claimed by John Dempsey Hospital (the Hospital) in Farmington, CT. We will issue this report to the Hospital within 5 business days.

Based on congressional interest, we reviewed 10 hospitals to determine the effect of the Balanced Budget Act of 1997 on direct and indirect GME payments for dental residents included in hospitals' counts of full-time equivalent (FTE) residents. That legislation permitted hospitals to count FTE residents who train in nonhospital settings in their calculations of indirect, in addition to direct, GME payments. This review focused on the Hospital's arrangements with the University of Connecticut School of Dental Medicine, which is a hospital setting.

Our objective was to determine whether the Hospital included the appropriate number of dental residents in its FTE counts when computing Medicare GME payments for fiscal years 2000 through 2002.

The Hospital appropriately included dental residents in its FTE counts used to compute fiscal years 2000 through 2002 GME payments. The dental FTE counts were correct, and the Hospital's controls over the accumulation and computation of dental FTEs appeared to be adequate. Therefore, we are not making any recommendations to the Hospital.

If you have any questions or comments about this report, please 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 Lori S. Pilcher, Regional Inspector General for Audit Services, Region IV, at (404) 562-7750. Please refer to report number A-04-04-06010.

Attachment



DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of Inspector General
Office of Audit Services

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

NOV 14 2005

Report Number: A-04-04-06010

Steven Strongwater, M.D.
Hospital Director and Director of Clinical Operations
John Dempsey Hospital
263 Farmington Avenue
Farmington, Connecticut 06030-3800

Dear Dr. Strongwater:

Enclosed are two copies of the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG) final report entitled "Graduate Medical Education for Dental Residents Claimed by John Dempsey Hospital for Fiscal Years 2000 Through 2002." Should you have any questions or comments concerning the matters in this report, please direct them to the HHS official named on the next page.

In accordance with the principles of the Freedom of Information Act (5 U.S.C. § 552, as amended by Public Law 104-231), OIG reports issued to the Department's grantees and contractors are made available to the public to the extent the information is not subject to exemptions in the Act that the Department chooses to exercise (see 45 CFR part 5).

Please refer to report number A-04-04-06010 in all correspondence.

Sincerely yours,

Lori S. Pilcher
Regional Inspector General
for Audit Services

Enclosures

cc: Ms. Cassandra L. Mitchell
Associate Vice President, Reimbursement
263 Farmington Avenue
Farmington, Connecticut 06030-5355

HHS Action Official:

Charlotte S. Yeh, M.D.
Regional Administrator
Centers for Medicare & Medicaid Services, Region I
Department of Health and Human Services
JFK Federal Building, Room 2325
Boston, Massachusetts 02203

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**GRADUATE MEDICAL EDUCATION
FOR DENTAL RESIDENTS CLAIMED
BY JOHN DEMPSEY HOSPITAL FOR
FISCAL YEARS 2000 THROUGH 2002**



**Daniel R. Levinson
Inspector General**

**NOVEMBER 2005
A-04-04-06010**

Office of Inspector General

<http://oig.hhs.gov>

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OAS FINDINGS AND OPINIONS

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed, as well as other conclusions and recommendations in this report, represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the HHS divisions will make final determination on these matters.



EXECUTIVE SUMMARY

BACKGROUND

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 residents, such as salaries and fringe benefits of residents and faculty and hospital overhead expenses. Indirect GME payments cover the additional operating costs that teaching hospitals incur in treating inpatients, such as the costs associated with using more intensive treatments, treating sicker patients, using a costlier staff mix, and ordering more tests. Payments for both direct and indirect GME are based, in part, on the number of full-time equivalent (FTE) residents trained by the hospital. The number of FTEs used for the current year's payments is the 3-year "rolling average" of the FTE count for the current year and the preceding 2 cost-reporting years.

Based on congressional interest, we undertook a review of 10 hospitals to determine the effect of the Balanced Budget Act of 1997 on direct and indirect GME payments for dental residents included in hospitals' counts of FTE residents. That legislation permitted hospitals to count FTE residents who train in nonhospital settings in their calculations of indirect, in addition to direct, GME payments.

This report focuses on John Dempsey Hospital (the Hospital) and its arrangements with the University of Connecticut School of Dental Medicine (the Dental School). The Dental School's clinics are a department of the Hospital; therefore, the Dental School is a hospital setting rather than a nonhospital setting. Since the 1980s, the Hospital has reported the dental clinics' revenue and expenses on its Medicare cost reports. For all FTEs, including dental FTEs, the Hospital claimed more than \$33 million in direct (\$8 million) and indirect (\$25 million) GME payments for the 3-year period that ended June 30, 2002. FTEs used to calculate reimbursable GME costs averaged 145 per year.

OBJECTIVE

Our objective was to determine whether the Hospital included the appropriate number of dental residents in its FTE counts when computing Medicare GME payments for fiscal years 2000 through 2002.

SUMMARY OF RESULTS

The Hospital appropriately included dental residents in its FTE counts used to compute fiscal years 2000 through 2002 GME payments. The dental FTE counts were correct, and the Hospital's controls over the accumulation and computation of dental FTEs appeared to be adequate. Therefore, we are not making any recommendations to the Hospital.

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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 providers. Medicare 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 residents, such as salaries and fringe benefits of residents and faculty and hospital overhead expenses. Indirect GME payments cover the additional operating costs that teaching hospitals incur in treating inpatients, such as the costs associated with using more intensive treatments, treating sicker patients, using a costlier staff mix, and ordering more tests. Payments for both direct and indirect GME are based, in part, on the number of full-time equivalent (FTE) residents trained by the hospital. The number of FTEs used for the current year's payments is the 3-year "rolling average" of the FTE count for the current year and the preceding 2 cost-reporting years.

Balanced Budget Act of 1997

The Balanced Budget Act of 1997 placed some controls on the continuing growth of GME reimbursement by imposing caps on the number of residents that hospitals are allowed to count for the purpose of direct and indirect GME payments. Dental FTEs are not included in the caps. The legislation also created incentives for hospitals to train residents in freestanding nonhospital settings, such as clinics and ambulatory surgical centers, by permitting hospitals to count FTE residents who train in nonhospital settings in their calculations of indirect, in addition to direct, GME payments.

Based on congressional interest, we undertook a review of 10 hospitals to determine the effect of the Balanced Budget Act on direct and indirect GME payments for dental residents included in hospitals' counts of FTE residents.

John Dempsey Hospital

John Dempsey Hospital (the Hospital) is a component of the University of Connecticut Health Center in Farmington. The Hospital participates in the training of dental residents affiliated with the University of Connecticut School of Dental Medicine (the Dental School). The Dental School's clinics are a department of the Hospital; therefore, the Dental School is a hospital setting rather than a nonhospital setting. Since the 1980s, the Hospital has reported the dental clinics' revenue and expenses on its Medicare cost reports.

For all FTEs, including dental FTEs, the Hospital claimed more than \$33 million in direct (\$8 million) and indirect (\$25 million) GME payments for the 3-year period that ended June 30, 2002. FTEs used to calculate reimbursable GME costs averaged 145 per year.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the Hospital included the appropriate number of dental residents in its FTE counts when computing Medicare GME payments for fiscal years (FYs) 2000 through 2002.

Scope

Our review of the Hospital's internal control structure was limited to understanding those controls used to determine the number of residents counted for direct and indirect GME payments. We neither assessed the completeness of the Hospital's data files nor evaluated the adequacy of the input controls, except for limited testing of data from computer-based systems. The objective of our review did not require a complete understanding or assessment of the Hospital's internal control structure. We restricted our review to dental residents.

We performed the audit at both the Hospital and the Dental School in Farmington, CT. We obtained information documenting the dental FTEs reported on the Hospital's Medicare cost reports from the Hospital, the Dental School, and the fiscal intermediary.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal criteria, including section 1886 of the Social Security Act and 42 CFR parts 412 and 413;
- gained an understanding of the Hospital's procedures for identifying, counting, and reporting dental resident FTEs on the Medicare cost reports;
- reconciled the dental resident FTEs reported on the Hospital's FYs 2000 through 2002 Medicare cost reports to supporting documentation;
- reviewed supporting documentation to determine whether the Hospital appropriately included dental residents in the FTE resident counts when computing direct and indirect GME payments on the Medicare cost reports; and
- reviewed financial records at the Hospital and the Dental School to determine whether the Hospital incurred all of the costs of training dental residents in nonhospital settings.

We conducted this audit in accordance with generally accepted government auditing standards.

RESULTS OF REVIEW

The Hospital appropriately included dental residents in its FTE counts used to compute FYs 2000 through 2002 GME payments. The dental FTE counts were correct, and the Hospital's controls over the accumulation and computation of dental FTEs appeared to be adequate. Therefore, we are not making any recommendations to the Hospital.