



DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of Inspector General
Office of Audit Services

JUN 9 2008

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

Report Number: A-04-07-00035

Jay Cutspec, Chief Executive Officer
Asheville Specialty Hospital
428 Biltmore Avenue, 4th Floor
Asheville, North Carolina 28801

Dear Mr. Cutspec:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of Long-Term Care Hospital Classification—Asheville Specialty Hospital." We will forward a copy of this report to the HHS action official noted below.

Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, OIG reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5). Accordingly, it will be posted on the Internet 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-04-07-00035 in all correspondence.

Sincerely,

A handwritten signature in cursive script that reads "Peter J. Barbera".

Peter J. Barbera
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Ms. Nan Foster Reilly, Consortium Administrator
Consortium for Financial Management & Fee for Service Operations
Centers for Medicare & Medicaid Services
601 East 12th Street, Room 235
Kansas City, Missouri 64106

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF LONG-TERM CARE
HOSPITAL CLASSIFICATION—
ASHEVILLE SPECIALTY HOSPITAL**



Daniel R. Levinson
Inspector General

June 2008
A-04-07-00035

Office of Inspector General

<http://oig.hhs.gov>

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

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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.

EXECUTIVE SUMMARY

BACKGROUND

Long-Term Care Hospital Classification

A long-term care hospital (LTCH) is one of a number of hospital types where Medicare patients receive services. Hospitals classified as LTCHs must meet certain requirements as defined in the Social Security Act (SSA) § 1886(d). Congress enacted SSA § 1886(d)(1)(B) (iv) to regulate what type of hospitals qualify for reimbursement as a LTCH. The Centers for Medicare & Medicaid Services (CMS), which administers the Medicare program, directed the Medicare fiscal intermediaries (FI) to verify that LTCHs complied with Federal requirements.

Pursuant to 42 CFR § 412.23, patients admitted to LTCHs must be in need of hospitalization for greater than 25 days and typically have multiple or complex medical complications. In this respect, LTCHs must have an average Medicare inpatient length of stay of greater than 25 days, which includes all Medicare covered and non-covered days and omits all Medicare leave and pass days. However, hospitals that were excluded from the prospective payment system in 1986 were subject to a different length of stay requirement. These hospitals must have an average inpatient length of stay for all patients of greater than 20 days.

Asheville Specialty Hospital (Specialty), located in Asheville, North Carolina, is a 32 bed LTCH, fully licensed by Medicare. Specialty offers its services to patients who are in need of extended hospital stays and have complex medical conditions. Specialty was subject to the 25-day average length of stay requirement.

OBJECTIVE

Our objective was to determine whether Specialty Hospital's average Medicare inpatient length of stay met the Federal regulations required for Specialty to qualify as a LTCH.

SUMMARY OF RESULTS

For fiscal year 2006, Specialty Hospital's average Medicare inpatient length of stay exceeded 25 days. Thus, Specialty Hospital complied with Federal regulations governing average length of stay, and its classification as a LTCH was proper. Therefore, we are not offering any recommendations.

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INTRODUCTION

BACKGROUND

Long-Term Care Hospital Classification

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Calculation of the Average Length of Stay

Federal regulations (42 CFR § 412.23(3)) define the average length of stay calculation: The average Medicare inpatient length of stay “. . . is calculated by dividing the total number of covered and non-covered days of stay of Medicare inpatients (less leave or pass days) by the number of total Medicare discharges for the hospital's most recent complete cost reporting period”¹

Asheville Specialty Hospital

Asheville Specialty Hospital (Specialty), located in Asheville, North Carolina, is a 32 bed LTCH, fully licensed by Medicare. Specialty offers its services to patients who have complex medical conditions and are in need of extended hospital stays. Specialty’s patients often have multiple system failure and are debilitated by conditions such as neurological disorders, cardiac and pulmonary conditions, wound care, and dialysis needs. Specialty was subject to the 25-day average length of stay requirement.

¹Pursuant to 42 CFR § 412.23(3)(ii), beginning on or after July 1, 2004, when calculating the hospital's average length of stay, if the days of a stay of an inpatient involve days of care furnished during two or more separate consecutive cost reporting periods, that is, an admission during one cost reporting period and a discharge during a future consecutive cost reporting period, the total number of days of the stay are considered to have occurred in the cost reporting period during which the inpatient was discharged.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether Specialty Hospital's average Medicare inpatient length of stay met the Federal regulations required for Specialty to qualify as a LTCH.

Scope

We based our review on Specialty's fiscal year (FY) 2006, the most recently completed cost-reporting period at the time of our review. Our review focused on the Medicare cost report and the daily midnight census report. We limited our review to the number of Medicare inpatient days and discharges reported in FY 2006.

We also reviewed Specialty's records in support of the daily midnight census report including Specialty's Provider Statistical and Reimbursement Report and CMS forms UB-92.

We performed our review at Asheville Specialty Hospital in Asheville, North Carolina.

Our objective did not require a complete understanding or assessment of Specialty's internal control structure. We limited our review of internal controls to those controls supporting Specialty's cost reporting of Medicare inpatient days and discharges.

Methodology

To accomplish our objective, we:

- reviewed § 1886(d)(1)(B)(iv) of the SSA and 42 CFR §§ 412.22 and 412.23, which regulate what type of hospitals qualify for reimbursement as a LTCH;
- contacted Mutual of Omaha's Technical Support, Appeals, and Reopening Manager of Medicare Audit & Reimbursement and discussed providers of which Mutual of Omaha had not performed an average length of stay review;
- discussed Specialty's FY 2006 cost report and supporting records with Specialty's Chief Executive Officer, Chief Financial Officer, Patient Access Director, and the Assistance Controller;
- assessed whether the hospital was excluded from the prospective payment system in 1986;
- reviewed the Medicare inpatient days and discharge data reported on worksheet S-3, Part I of the cost report;
- verified the accuracy of Medicare inpatient covered days and discharge data through the hospital's FY 2006 daily midnight census reports;

- recalculated Specialty's average length of stay on a monthly basis; and
- discussed the review with hospital personnel and CMS officials.

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

RESULTS OF AUDIT

Our FY review determined that the average Medicare inpatient length of stay was 25.1 days. Thus, Specialty Hospital complied with Federal regulations governing the average length of stay, and its classification as a LTCH was proper. Therefore, we are not offering any recommendations.