



Office of Audit Services  
1100 Commerce, Room 632  
Dallas, Texas 75242

April 18, 2006

Report Number: A-06-06-00027

Mr. Albert Hawkins  
Executive Commissioner  
Health and Human Services Commission  
4900 N. Lamar  
Brown-Heatly Building  
Austin, Texas 78751

Dear Mr. Hawkins:

Enclosed are two copies of the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Medicaid Graduate Medical Education in Texas." A copy of this report will be forwarded to the action official noted on the next page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

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-06-06-00027 in all correspondence relating to this report.

Sincerely yours,

A handwritten signature in black ink that reads "Gordon L. Sato".

Gordon L. Sato  
Regional Inspector General  
for Audit Services

Enclosures

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cc:

David Griffith, Internal Audit Director

Mail Code: BH 1600

Texas Health and Human Services Commission

4900 North Lamar Blvd.

Austin, Texas 78751

**Direct Reply to HHS Action Official:**

James R. Farris, M.D.

Regional Administrator

Centers for Medicare & Medicaid Services

1301 Young Street, Suite 714

Dallas, Texas 75202

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**MEDICAID GRADUATE MEDICAL  
EDUCATION IN TEXAS**



Daniel R. Levinson  
Inspector General

April 2006  
A-06-06-00027

## *Notices*

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In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104-231), Office of Inspector General, Office of Audit Services reports are made available to members of the public to the extent the information is not subject to exemptions in the act. (See 45 CFR Part 5.)

### **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**

Under the Social Security Act, Medicare is required to fund the graduate medical education (GME) program. Under Medicaid, States may elect to participate in this program, subject to approval by the Centers for Medicare & Medicaid Services (CMS). In Texas, the Health and Human Services Commission (the State) administers the program.

The Texas GME program covers direct medical education (DME) costs such as salaries and fringe benefits for medical residents and teaching faculty, and calculates cash distributions to hospitals using established formulas.

We reviewed 67 teaching hospitals that received funds from Texas's Medicaid GME program. These hospitals received Medicaid funds totaling \$47,869,040 in fiscal year (FY) 2000, \$55,168,297 in FY 2001, and \$67,111,720 in FY 2002.

### **OBJECTIVES**

Our objectives were to analyze Texas's Medicaid GME payment formula and the methods Texas used to establish the amount of funds that individual hospitals would receive and to determine whether (1) Texas followed the approved State plan in administering the Medicaid GME program and (2) intergovernmental transfers (IGTs) included any program funds.

### **SUMMARY OF FINDINGS**

#### **Noncompliance With State Plan**

The State made the following unallowable Medicaid payments to ineligible hospitals totaling \$318,778 (\$175,323 Federal share):

- Two hospitals, one of which ceased operations and one whose participation in the GME program was terminated by the State, received unallowable payments totaling \$269,376 (\$145,402 Federal share).
- Three hospitals that merged with other hospitals received unallowable payments totaling \$47,304 (\$28,659 Federal share). These hospitals relinquished the provider numbers they had before merging, and the State reimbursed their costs under their merged provider numbers. Therefore, they were not eligible to receive Medicaid GME funds under their former provider numbers.
- Two hospitals that were not approved teaching hospitals received unallowable payments totaling \$2,098 (\$1,262 Federal share).

The State made payments to ineligible hospitals because the Texas Medicaid claims administrator was not informed that the hospitals had either merged with other hospitals, ceased

operations, or had their participation in the program terminated by the State. The State did not have proper controls in place to ensure that only approved teaching hospitals received GME payments.

### **Medicaid Graduate Medical Education Funds Were Not Included in Intergovernmental Transfers**

IGTs between publicly owned hospitals and the State did not include Medicaid GME funds. An IGT is a transfer of funds from a local government or other public entity to a State Government. According to section 1902(a)(2) of the Social Security Act, a State may fund up to 60 percent of its State matching payments with local funds. Prior audit work showed that, in some cases, public providers returned Medicaid funds to States through IGTs. Once returned, States could use those funds for purposes unrelated to the Medicaid program. This was not the case for publicly owned hospitals that received GME funds from Texas.

### **RECOMMENDATIONS**

We recommend that Texas:

- refund \$318,778 (\$175,323 Federal share) to CMS for the overpayments made to ineligible hospitals and
- review the eligibility of each teaching hospital annually.

### **STATE'S COMMENTS**

In their reply to our draft report, State officials partially agreed with our findings and recommendations. The State provided additional information supporting that Santa Rosa Children's Hospital was an approved teaching hospital. Subsequent to our audit, the State recouped \$256,735 in overpayments to ineligible hospitals and plans to recoup an additional \$14,739. The State will review the \$47,304 in payments to merged hospitals and recoup any unallowable amounts. The State's comments are included as Appendix B.

### **OFFICE OF INSPECTOR GENERAL'S RESPONSE**

Based on the State's comments and additional information provided for Santa Rosa Children's Hospital, we revised the amount we originally recommended that the State refund to CMS. We believe the State should recoup the remaining \$14,739 in overpayments to ineligible hospitals. The State should also provide the action official with the results of the review of the \$47,304 in payments to merged hospitals and refund any overpayments to CMS.

## INTRODUCTION

### BACKGROUND

#### Medicaid Program

Medicaid was established in 1965 under Title XIX of the Social Security Act (the Act) as a jointly funded Federal-State program to provide medical assistance to qualified low-income persons. Each State administers its Medicaid program in accordance with a State plan approved by the Centers for Medicare and Medicaid Services (CMS), which is responsible for the program at the Federal level. In Texas, the Health and Human Services Commission (the State), the State Medicaid agency, administers the program.

With Federal approvals, State agencies decide whether to cover optional services and how much to reimburse providers for a particular service. The Federal Government pays its share of Medicaid expenditures according to a defined formula, which yields the Federal medical assistance percentage. The following table shows the Federal and State percentages during our audit period.

| <u>Federal<br/>Fiscal Year</u> | <u>State Share</u> | <u>Federal Share</u> |
|--------------------------------|--------------------|----------------------|
| 2000                           | 38.64%             | 61.36%               |
| 2001                           | 39.43%             | 60.57%               |
| 2002                           | 39.83%             | 60.17%               |

#### Graduate Medical Education

During our audit period, Texas had the authority under its approved State plan to pay Medicaid graduate medical education (GME) funds to teaching hospitals. The State funded its GME program with budget appropriations through the State Medicaid agency. The program was based on the Medicare design, which distributes funds based on the number of residents and other characteristics of each hospital's teaching program.

Texas covers direct medical education (DME) costs, such as salaries and fringe benefits, for medical residents and teaching faculty, and calculates cash distributions to hospitals using established formulas.

Providers with Medicaid-allowable DME costs received a monthly interim payment based upon one-twelfth of their DME costs from their most recent or final audited cost report. These payments were subject to settlement at both the tentative and final audits for provider cost reporting periods that covered the State fiscal year.

## **Intergovernmental Transfers**

According to section 1902(a)(2) of the Act, a State may fund up to 60 percent of its State matching payments with local funds. Transfers of funds to the State Government for this purpose are known as intergovernmental transfers, or IGTs.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

### **Objectives**

Our objectives were to analyze Texas's Medicaid GME payment formula and the methods used by Texas to establish the amount of funds that individual hospitals would receive and to determine whether (1) Texas followed the approved State plan in administering the Medicaid GME program and (2) intergovernmental transfers included any program funds.

### **Scope**

Our review of Texas's payment formulas and methods for distributing GME funding covered fiscal years (FYs) 2000, 2001, and 2002. We reviewed all teaching hospitals that received funds from Texas's Medicaid GME program. These hospitals received Medicaid funds totaling \$47,869,040 in FY 2000, \$55,168,297 in FY 2001, and \$67,111,720 in FY 2002.

Our review of compliance with the State plan covered the same period. We visited eight teaching hospitals to verify the receipt of funds and to determine whether intergovernmental transfers included any Medicaid GME funds.

Our review of internal controls was limited to the State agency's procedures for administering the Medicaid GME program and the hospitals' procedures for verifying receipt of funds. We performed fieldwork at the State agency, selected hospital facilities, the Medicare fiscal intermediary, and Texas's Medicaid claims administrator.

### **Methodology**

To determine the payment formulas and methods used to distribute GME funding, we reviewed the State plan amendments and discussed distributions with State officials.

We determined whether Texas distributed Medicaid GME funds in accordance with the approved State plan by obtaining from the State supporting documentation for payments to the hospitals and verifying receipt of the payments at the hospitals visited.

To determine whether GME funds were used for IGTs, we interviewed State officials and reviewed State records for any transfers.

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

## FINDINGS AND RECOMMENDATIONS

We found that:

- the State did not always comply with the State plan because Medicaid GME payments, totaling \$318,778 (\$175,323 Federal share), were made to ineligible hospitals; and
- Publicly owned teaching hospitals did not include Medicaid GME program funds in IGTs to the State.

### NONCOMPLIANCE WITH STATE PLAN

Pursuant to 42 CFR § 413.86(b), the methodology for calculating payments for GME costs must be applied to hospitals with an approved medical residency training program (teaching hospital) to receive GME payments. Section 61.0594 of the Texas Higher Education Coordinating Act of 1965 states, “To be eligible to receive a grant or distribution . . . [for GME], an institution or other entity must incur the costs of faculty supervision and education or the stipend costs of resident physicians in accredited clinical [medical] residency programs in this state.”

The Texas State plan provides that Medicaid GME payments may be made only to those hospitals with GME costs.

Texas Administrative Code Title 19, part 1, chapter 6, subchapter B, rule 6.56(2), states that an entity must be a licensed teaching hospital to receive GME payments.

The State made the following unallowable Medicaid GME payments to ineligible hospitals:

- Two hospitals, one of which ceased operations and one whose participation in the GME program was terminated by the State, received unallowable payments totaling \$269,376 (\$145,402 Federal share).
- Three hospitals that merged with other hospitals received unallowable payments totaling \$47,304 (\$28,659 Federal share). These hospitals relinquished the provider numbers they had before merging, and the State reimbursed their costs under their merged provider numbers. Therefore, they were not eligible to receive Medicaid GME funds under their former provider numbers.
- Two hospitals that were not approved teaching hospitals received unallowable payments totaling \$2,098 (\$1,262 Federal share).

See Appendix A for a summary of the payments made to ineligible hospitals.

The State did not inform the State claims administrator in a timely manner that these hospitals were not eligible to receive Medicaid GME funds. Also, the State did not have proper controls in place to ensure that only approved teaching hospitals received GME payments. Therefore, the State made overpayments totaling \$318,778 (\$175,323 Federal share) to ineligible hospitals.

## **MEDICAID GRADUATE MEDICAL EDUCATION FUNDS NOT INCLUDED IN INTERGOVERNMENTAL TRANSFERS**

According to section 1902(a)(2) of the Act, a State may fund up to 60 percent of its State matching payments with local funds. Prior audit work showed that, in some cases, public providers returned Medicaid funds to States through IGTs. Once returned, States could use those funds for purposes unrelated to the Medicaid program.

Intergovernmental transfers between publicly owned hospitals and Texas did not include Medicaid GME funds.

### **RECOMMENDATIONS**

We recommend that Texas:

- refund \$318,778 (\$175,323 Federal share) to CMS for the overpayments made to ineligible hospitals and
- review the eligibility of each teaching hospital annually.

### **STATE'S COMMENTS**

In their reply to our draft report, State officials partially agreed with our findings and recommendations. The State provided the following information for each of the issues presented in the report.

- The State agreed that two hospitals that either ceased operations or were terminated were not eligible for GME payments and recouped \$254,637. The State plans to recoup the remaining \$14,739 overpayment to Tri-City Health Center.
- The State will review the \$47,304 in payments to merged hospitals and recoup any unallowable amounts.
- The State agreed that two hospitals that received GME payments were not approved teaching hospitals, and it recouped \$2,098 in payments associated with those hospitals. The State provided additional information supporting that Santa Rosa Children's Hospital was an approved teaching hospital.
- The State has implemented procedures to address the payment and eligibility concerns we expressed in the report. The State has also implemented a process to verify hospital eligibility for receiving GME payments at least annually.

The State's comments are included as Appendix B.

## **OFFICE OF INSPECTOR GENERAL'S RESPONSE**

Based on the State's comments and additional information provided for Santa Rosa Children's Hospital, we revised the amount we originally recommended that the State refund to CMS. We believe the State should recoup the remaining \$14,739 in overpayments to Tri-City Health Center. The State should also provide the action official with the results of the review of the \$47,304 in payments to merged hospitals and refund any overpayments to CMS.

## **APPENDIXES**

**PAYMENTS TO INELIGIBLE HOSPITALS**

| <b>TERMINATED HOSPITALS</b> |                                  |                                   |                      |
|-----------------------------|----------------------------------|-----------------------------------|----------------------|
| <b>Provider Name</b>        | <b>Fiscal Year Ending</b>        | <b>Total Unallowable Payments</b> | <b>Federal Share</b> |
| Tri-City Health Center      | 10/31/00<br>10/31/01<br>10/31/02 | \$247,962                         | \$132,432            |
| DFW Medical Center          | 10/31/01<br>10/31/02             | 21,414                            | 12,970               |
| <b>Total</b>                |                                  | <b>\$269,376</b>                  | <b>\$145,402</b>     |

Two hospitals whose participation in the GME program was terminated by the State prior to or during our audit period received unallowable Medicaid GME payments.

- Tri-City Health Center ceased operations in June 2000, but it continued to receive interim payments of \$7,293 for 34 months, totaling \$247,962.
- The State terminated DFW Medical Center's participation in November 2000, but the hospital continued to receive interim payments of \$7,138 for three months, totaling \$21,414.

| <b>MERGED HOSPITALS</b>      |                               |                                   |                      |
|------------------------------|-------------------------------|-----------------------------------|----------------------|
| <b>Provider Name</b>         | <b>Fiscal Year Ending</b>     | <b>Total Unallowable Payments</b> | <b>Federal Share</b> |
| Metropolitan Hospital        | 6/30/00<br>6/30/01<br>6/30/02 | \$14,796                          | \$8,964              |
| High Plains Baptist Hospital | 1/31/00<br>1/31/01<br>1/31/02 | 4,248                             | 2,573                |
| United Regional Healthcare   | 1/31/00<br>1/31/01<br>1/31/02 | 28,260                            | 17,122               |
| <b>Total</b>                 |                               | <b>\$47,304</b>                   | <b>\$28,659</b>      |

Three hospitals that merged with other hospitals received unallowable Medicaid GME payments. Hospitals that merge with other hospitals relinquish their provider numbers, and costs are reimbursed under the provider numbers they assume after they merge. The three hospitals were not eligible to receive payments under their former provider numbers.

- Metropolitan Hospital merged with Southwest Texas Methodist Hospital in June 1999. Metropolitan Hospital continued to receive unallowable monthly interim payments of \$411 for 36 months, totaling \$14,796, during our audit period.
- High Plains Baptist Hospital merged with Baptist St. Anthony's Hospital prior to our audit period. High Plains Baptist Hospital continued to receive unallowable monthly interim payments of \$118 for 36 months, totaling \$4,248, during our audit period.

United Regional Healthcare merged with United Regional Healthcare<sup>1</sup> in October 1997. United Regional Healthcare continued to receive unallowable monthly interim payments of \$785 for 36 months, totaling \$28,260, during our audit period.

| <b>UNAPPROVED TEACHING HOSPITALS</b> |                                  |                                   |                      |
|--------------------------------------|----------------------------------|-----------------------------------|----------------------|
| <b>Provider Name</b>                 | <b>Fiscal Year Ending</b>        | <b>Total Unallowable Payments</b> | <b>Federal Share</b> |
| Bellaire General Hospital            | 12/31/00<br>12/31/01<br>12/31/02 | \$0                               | \$0                  |
| Park Plaza Hospital                  | 12/31/00                         | 2,098                             | 1,262                |
| <b>Total</b>                         |                                  | <b>\$2,098</b>                    | <b>\$1,262</b>       |

Two hospitals that were not approved teaching hospitals during our audit period received unallowable Medicaid GME payments.

- Bellaire General Hospital was not an approved teaching hospital during the FYs ending 12/31/00, 12/31/01, or 12/31/02; however, it continued to receive monthly interim payments of \$687 each year. The payments were recouped each year after the cost report was settled, resulting in no overpayments. However, Bellaire General Hospital should not have received any GME Medicaid interim payments.
- Park Plaza Hospital was not an approved teaching hospital during the FY ending 12/31/00; however, it received a Medicaid GME settlement totaling \$2,098 for the FY ending 12/31/00.

| <b>TOTAL UNALLOWABLE PAYMENTS</b> |                                   |                      |
|-----------------------------------|-----------------------------------|----------------------|
|                                   | <b>Total Unallowable Payments</b> | <b>Federal Share</b> |
| Terminated                        | 269,376                           | 145,402              |
| Merged                            | 47,304                            | 28,659               |
| Unapproved                        | \$2,098                           | \$1,262              |
| <b>Total</b>                      | <b>\$318,778</b>                  | <b>\$175,323</b>     |

<sup>1</sup>Although the names of these hospitals are the same, they operated under two different provider numbers.



TEXAS HEALTH AND HUMAN SERVICES COMMISSION

ALBERT HAWKINS  
EXECUTIVE COMMISSIONER

March 27, 2006

Mr. Gordon L. Sato  
Regional Inspector General for Audit Services  
Office of Inspector General, Office of Audit Services  
1100 Commerce, Room 632  
Dallas, Texas 75242

Reference Report Number A-06-06-00027

Dear Mr. Sato:

The Texas Health and Human Services Commission (HHSC) received a draft audit report entitled "Medicaid Graduate Medical Education in Texas" from the Department of Health and Human Services Office of Inspector General. The cover letter, dated February 2, 2006, requested that HHSC provide written comments, including the status of actions taken or contemplated in response to the report recommendations.

The report identified two recommendations for the Health and Human Services Commission (HHSC) to consider regarding the payments made to hospitals through Texas Medicaid Graduate Medical Education (GME) program. These recommendations address (1) GME payments to ineligible hospitals and (2) the frequency of HHSC's review of hospital eligibility. This management response includes comments related to these recommendations and details related actions HHSC has taken or planned.

**DHHS/OIG Recommendation:** *We recommend that Texas refund \$1,140,397 (\$674,833 Federal Share) to CMS for the overpayments made to ineligible hospitals.*

**HHSC Management Response**

When a hospital reports direct graduate medical education (GME) costs on their tentative or final cost report, the Texas Medicaid Healthcare Partnership (TMHP) verifies the eligibility of the teaching hospital through the appropriate Medicare fiscal intermediary (i.e., Trailblazer or Mutual of Omaha). The fiscal intermediary provides TMHP the accreditation or eligibility status of all teaching hospitals for receiving Medicare as well as GME payments through the Medicaid program. When a teaching hospital is determined to be ineligible during their reporting period, the

Mr. Gordon L. Sato  
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GME costs are removed as unallowable. During the audit period, GME payments were processed as monthly interim payments to eligible teaching hospitals based upon one-twelfth of the direct medical education costs from their most recent or final audited cost report. The current GME payment process consists of an annual lump sum payment to each eligible teaching hospital. Under current procedures, HHSC verifies the teaching status and Medicaid's current contracting status of the facility before processing the annual GME payment. These updated procedures address and correct payment and eligibility concerns expressed in the report.

With respect to the report suggestion that overpayments occurred in the GME program, HHSC has undertaken a through review and provides the following recap of the results along with specific comments in the order in which the issues are presented in the report and appendix.

#### Unapproved Teaching Hospitals

The report lists three hospitals that received unallowable Medicaid GME payments during a time when, according to auditors, the hospitals were not approved teaching hospitals.

- Santa Rosa Children's Hospital - \$821,619 in unallowable payments

HHSC disagrees that unallowable payments were made to Santa Rosa Children's Hospital, which has been an accredited teaching facility since January 20, 1997, and per Medicare, remains an approved teaching facility. As an approved Medicare teaching facility, Santa Rosa's GME payment of \$821,619 for their fiscal year ending June 30, 2000, is allowable.

- Bellaire General Hospital - \$0 in unallowable payments

Although we made interim payments, our processes detected that the payments should not have been made and recouped the money each year. The current GME payment process verifies eligibility status before processing any payment.

- Park Plaza Hospital - \$2,098 in unallowable payments

HHSC made GME payments to Park Plaza based upon their tentative cost report settlement. At final settlement, HHSC determined that Park Plaza was ineligible to receive GME payments, and recouped \$2,098.

#### Ceased and Terminated Hospitals

The report lists two hospitals that received unallowable Medicaid GME payments after hospital operations had ceased or were terminated by the state from participation.

- Tri-City Health Center - \$247,962 in unallowable payments

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- HHSC recouped \$233,223. A balance of \$14,739 remains due.
- DFW Medical Center - \$21,414 in unallowable payments

HHSC recouped \$21,414.

#### Merged Hospitals

The report lists three hospitals that received unallowable Medicaid GME payments under their previous provider number after they merged with other hospitals.

- Metropolitan Hospital - \$14,796 in unallowable payments
- High Plains Baptist Hospital - \$4,248 in unallowable payments
- United Regional Healthcare - \$28,260 in unallowable payments

Texas Medicaid Health Partnership (TMHP) receives notification of merged facilities from Medicare. A significant time lag often exists between the time a merged facility notifies Medicare of the merger and the time Medicare notifies TMHP. Depending upon how Medicare and the providers formulate the merger, either a new provider identification number is issued for the combined entity, or one of the merged hospitals retains its previous provider identification number. TMHP processes claims it receives before notification from Medicare of a merger under the former provider number. It processes claims received after notification under the correct provider number.

In the three instances identified by the auditors, delays in processing the merger information resulted in interim GME payments being processed under a previous provider number. The teaching status of the merged facility remained unchanged, and it appears the GME payment may have been appropriate; however, the payment should have been processed under the merged entity's new provider number. HHSC will conduct a thorough review of the merged hospitals to ensure payments are appropriately classified and to determine whether any additional action is necessary.

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**Summary of Unallowable Payments Disposition**

| <b>Provider Name</b>                   | <b>Unallowable Payments per<br/>OIG</b> | <b>Amount Allowable per<br/>HHSC or<br/>Already<br/>Recouped</b> | <b>HHSC<br/>Determination<br/>Pending or<br/>Amount<br/>To Be Recouped</b> |
|--|---|--|--|
| <b>Unapproved Teaching Hospitals</b>   |   |  |  |
| Santa Rosa Children's Hospital         | \$821,619                               | \$821,619  | \$0  |
| Bellaire General Hospital              | \$0                                     | \$0  | \$0  |
| Park Plaza Hospital                    | \$2,098                                 | \$2,098  | \$0  |
| <b>Ceased and Terminated Hospitals</b> |   |  |  |
| Tri-City Health Center                 | \$247,962                               | \$233,223  | \$14,739   |
| DFW Medical Center                     | \$21,414                                | \$21,414   | \$0  |
| <b>Merged Hospitals</b>                |   |  |  |
| Metropolitan Hospital                  | \$14,796                                | \$0  | \$14,796   |
| High Plains Baptist Hospital           | \$4,248                                 | \$0  | \$4,248  |
| United Regional Healthcare             | \$28,260                                | \$0  | \$28,260   |
| <b>Totals</b>                          | <b>\$1,140,397</b>                      | <b>\$1,078,354</b>   | <b>\$62,043</b>  |

**Actions Planned:** Recoup remaining overpayment to Tri-City Health Center and properly classify allowable payments to merged hospitals. If HHSC determines any of the amounts associated with the merged hospitals were not allowable, it will recoup the unallowable amounts.

**Estimated Completion Date:** June 30, 2006

**Title of Responsible Person:** Director, Hospital Rate Analysis

**DHHS/OIG Recommendation:** *We recommend that Texas review the eligibility of each teaching hospital annually.*

**HHSC Management Response**

HHSC implemented a process to verify hospital eligibility for receiving GME payments at least annually.

Mr. Gordon L. Sato  
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If you have any questions or require additional information, please let me know. David M. Griffith, CPA, CIA, Internal Audit Director, serves as the lead staff on this matter and can be reached by telephone at (512) 424-6998 or by e-mail at [David.Griffith@hhsc.state.tx.us](mailto:David.Griffith@hhsc.state.tx.us).

Sincerely,

A handwritten signature in black ink, appearing to read "Albert Hawkins". The signature is written in a cursive style with a large initial "A".

Albert Hawkins

# ACKNOWLEDGMENTS

This report was prepared under the direction of Gordon Sato, Regional Inspector General for Audit Services, Region VI. Other principal Office of Audit Services staff who contributed include:

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