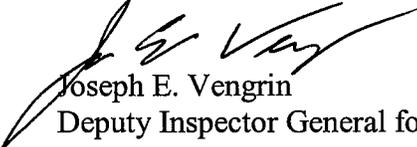




DEC - 8 2008

TO: Kerry Weems
Acting Administrator
Centers for Medicare & Medicaid Services

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

SUBJECT: Review of Via Christi Regional Medical Center's Reported Fiscal Year 2005 Wage Data (A-07-07-02726)

Attached is an advance copy of our final report on Via Christi Regional Medical Center's (the Hospital) reported fiscal year (FY) 2005 wage data. We will issue this report to the Hospital within 5 business days. This review is one in a series of reviews of the accuracy of hospitals' wage data, which the Centers for Medicare & Medicaid Services (CMS) uses in developing its wage indexes.

Under the inpatient prospective payment system for acute-care hospitals, Medicare Part A pays hospital costs at predetermined, diagnosis-related rates for patient discharges. The payment system base rate includes a labor-related share. CMS adjusts the labor-related share by the wage index applicable to the statistical area in which a hospital is located.

Our objective was to determine whether the Hospital complied with Medicare requirements for reporting wage data in its FY 2005 Medicare cost report.

The Hospital did not fully comply with Medicare requirements for reporting wage data in its FY 2005 Medicare cost report. Specifically, the Hospital overstated its wage data by \$634,076 and understated its wage data by 12,263 hours. Our correction of the Hospital's errors decreased the average hourly wage rate approximately 0.5 percent. The errors in reported wage data occurred because the Hospital did not sufficiently review and reconcile wage data to supporting documentation to ensure that the data were accurate, supportable, and in compliance with Medicare requirements.

We recommend that the Hospital:

- submit a revised FY 2005 Medicare cost report to the fiscal intermediary to correct the wage data overstatement totaling \$634,076 and understatement totaling 12,263 hours and

- implement review and reconciliation procedures to ensure that the wage data reported in future Medicare cost reports are accurate, supportable, and in compliance with Medicare requirements.

In written comments on our draft report, the Hospital concurred with our first three findings and did not concur with our last two findings. The Hospital submitted comments on, but neither concurred nor nonconcurred with, the recommendations. However, the Hospital stated that its policy and intent were to ensure proper statement of wage data reported in the Medicare cost report. The Hospital also stated that it was undergoing a payroll system conversion during FY 2005 and that it had to extrapolate payroll information for its FY 2005 cost report. The Hospital added that it had completed the conversion and that, therefore, the issue was remedied for subsequent cost reports.

Based on discussions with Hospital officials after the issuance of our draft report but before our receipt of the Hospital's written comments, we revised our finding on overstated contract labor costs, the recommended adjustment amount, and the wage rate calculation. Our findings and recommendations, as revised, are valid.

If you have any questions or comments about this report, please do not hesitate to 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 through e-mail at George.Reeb@oig.hhs.gov or Patrick J. Cogley, Regional Inspector General for Audit Services, Region VII, at (816) 426-3591 or through e-mail at Patrick.Cogley@oig.hhs.gov. Please refer to report number A-07-07-02726.

Attachment



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General
Offices of Audit Services

Region VII
801 East 12th Street
Room 284A
Kansas City, Missouri 64106

DEC 11 2008

Report Number: A-07-07-02726

Mr. Michael Wegner
Chief Financial Officer
Via Christi Regional Medical Center
929 North St. Francis Street
Wichita, Kansas 67214

Dear Mr. Wegner:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of Via Christi Regional Medical Center's Reported Fiscal Year 2005 Wage Data." We will forward a copy of this report to the HHS action official noted on the following 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 this 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.

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, this report will be posted on the Internet at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at (816) 426-3591, or contact James Korn, Audit Manager, at (303) 844-7153 or through e-mail at James.Korn@oig.hhs.gov. Please refer to report number A-07-07-02726 in all correspondence.

Sincerely,

Patrick J. Cogley
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Ms. Nanette 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 VIA CHRISTI
REGIONAL MEDICAL CENTER'S
REPORTED FISCAL YEAR 2005
WAGE DATA**



Daniel R. Levinson
Inspector General

December 2008
A-07-07-02726

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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The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

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Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC
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Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, Office of Inspector General 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).

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

Under the inpatient prospective payment system for acute-care hospitals, Medicare Part A pays hospital costs at predetermined, diagnosis-related rates for patient discharges. The Centers for Medicare & Medicaid Services (CMS) adjusts prospective payments by the wage index applicable to the area in which each hospital is located. CMS calculates a wage index for each metropolitan area, known as a core-based statistical area (CBSA), as well as a statewide rural wage index for each State. These calculations use hospital wage data (which include wages, salaries, and related hours) collected 4 years earlier to allow time for the collection of complete cost report data from all inpatient prospective payment system hospitals and for reviews of hospital wage data by CMS's fiscal intermediaries. For example, CMS based the fiscal year (FY) 2009 wage indexes on wage data collected from hospitals' Medicare cost reports for their FYs that began during Federal FY 2005 (October 1, 2004, through September 30, 2005).

CMS bases each wage index on the average hourly wage rate of the applicable hospitals divided by the national average rate. A hospital's wage rate is the quotient of dividing total dollars (numerator) by total hours (denominator). Arriving at the final numerator and denominator in this rate computation involves a series of calculations.

CMS is required to update wage indexes annually in a manner that ensures that aggregate payments to hospitals are not affected by changes in the indexes. CMS is also required to update payments to hospitals by an applicable percentage based on the market basket index, which measures the inflationary increases in hospital costs. Hospitals must accurately report wage data for CMS to determine the equitable distribution of payments and ensure the appropriate level of funding to cover hospital costs.

Via Christi Regional Medical Center (the Hospital) is a 785-bed hospital in Wichita, Kansas. The Hospital is 1 of 10 hospitals in a Kansas CBSA. The Hospital reported wage data of approximately \$198.9 million and 6.8 million hours in its FY 2005 Medicare cost report, which resulted in an average hourly wage rate of \$29.14.

OBJECTIVE

Our objective was to determine whether the Hospital complied with Medicare requirements for reporting wage data in its FY 2005 Medicare cost report.

SUMMARY OF FINDINGS

The Hospital did not fully comply with Medicare requirements for reporting wage data in its FY 2005 Medicare cost report. Specifically, the Hospital reported the following inaccurate wage data, which affected the numerator and/or denominator of its wage rate calculation:

- understated physician Part A wages totaling approximately \$794,150 and 25,895 hours,
- overstated excluded-area hours totaling 21,785 with associated wages of \$200,335,
- understated wage-related costs totaling \$63,827,

- overstated contract labor costs totaling \$443,573 and 34,779 hours, and
- misstated hours totaling 638 with associated wages of \$1,248,815.

These errors occurred because the Hospital did not sufficiently review and reconcile its reported wage data to supporting documentation to ensure that the data were accurate, supportable, and in compliance with Medicare requirements. As a result, the Hospital overstated its wage data by \$634,076 (numerator) and understated its wage data by 12,263 hours (denominator) for the FY 2005 Medicare cost report period. Our correction of the Hospital's errors decreased the average hourly wage rate approximately 0.5 percent from \$29.14 to \$29.

RECOMMENDATIONS

We recommend that the Hospital:

- submit a revised FY 2005 Medicare cost report to the fiscal intermediary to correct the wage data overstatement totaling \$634,076 and understatement totaling 12,263 hours and
- implement review and reconciliation procedures to ensure that the wage data reported in future Medicare cost reports are accurate, supportable, and in compliance with Medicare requirements.

AUDITEE COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, the Hospital concurred with our first three findings and did not concur with our last two findings. The Hospital submitted comments on, but neither concurred nor nonconcurred with, the recommendations. However, the Hospital stated that its policy and intent were to ensure proper statement of wage data reported in the Medicare cost report. The Hospital also stated that it was undergoing a payroll system conversion during FY 2005 and that it had to extrapolate payroll information for its FY 2005 cost report. The Hospital added that it had completed the conversion and that, therefore, the issue was remedied for subsequent cost reports.

Based on discussions with Hospital officials after the issuance of our draft report but before our receipt of the Hospital's written comments, we revised our finding on overstated contract labor costs, the recommended adjustment amount, and the wage rate calculation. Our findings and recommendations, as revised, are valid.

The Hospital's comments appear in their entirety as Appendix B.

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INTRODUCTION

BACKGROUND

Medicare Inpatient Prospective Payment System

Under the inpatient prospective payment system for acute-care hospitals, Medicare Part A pays hospital costs at predetermined, diagnosis-related rates for patient discharges. In fiscal year (FY) 2008, the Centers for Medicare & Medicaid Services (CMS) expected Medicare Part A to pay inpatient hospitals approximately \$120.5 billion.

Wage Indexes

The geographic designation of hospitals influences their Medicare payments. Under the inpatient prospective payment system, CMS adjusts payments through wage indexes to reflect labor cost variations among localities.¹ CMS uses the Office of Management and Budget (OMB) metropolitan area designations to identify labor markets and to calculate and assign wage indexes to hospitals. In 2003, OMB revised its metropolitan statistical area definitions and announced new core-based statistical areas (CBSA). CMS calculates a wage index for each CBSA and a statewide rural wage index for each State for areas that lie outside CBSAs. The wage index for each CBSA and statewide rural area is based on the average hourly wage rate of the hospitals in those areas divided by the national average hourly wage rate. All hospitals within a CBSA or within a statewide rural area receive the same labor payment adjustment.

To calculate wage indexes, CMS uses hospital wage data (which include wages, salaries, and related hours) collected 4 years earlier to allow time for CMS to collect complete cost report data from all inpatient prospective payment system hospitals and for CMS's fiscal intermediaries to review these data. For example, CMS based the wage indexes for FY 2009, which began October 1, 2008, on wage data collected from hospitals' Medicare cost reports for their FYs that began during Federal FY 2005 (October 1, 2004, through September 30, 2005). A hospital's wage rate is the quotient of dividing total dollars (numerator) by total hours (denominator). Arriving at the final numerator and denominator in this rate computation involves a series of calculations. Inaccuracies in either the dollar amounts or hours reported can have varying effects on the final rate computation.

Section 1886(d)(3)(E) of the Social Security Act (the Act) requires that CMS update wage indexes annually in a manner that ensures that aggregate payments to hospitals are not affected by changes in the indexes. Hospitals must accurately report wage data for CMS to determine the equitable distribution of payments. Further, section 1886(d)(3)(A)(iv) of the Act requires CMS to update labor and nonlabor average standardized amounts by an applicable percentage increase specified in section 1886(b)(3)(B)(i). The percentage increase is based on the market basket index, which measures inflationary increases in hospital costs. The inclusion of unallowable

¹The inpatient prospective payment system wage index or a modified version also applies to other providers, such as outpatient hospitals, long term care hospitals, inpatient rehabilitation facilities, inpatient psychiatric facilities, skilled nursing facilities, home health agencies, and hospices.

costs in wage data could produce an inaccurate market basket index for updating prospective payments to hospitals.

Via Christi Regional Medical Center

Via Christi Regional Medical Center (the Hospital) is a 785-bed hospital in Wichita, Kansas. The Hospital is 1 of 10 hospitals in a Kansas CBSA. The Hospital submitted to CMS its FY 2005 Medicare cost report covering the period October 1, 2004, through September 30, 2005.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the Hospital complied with Medicare requirements for reporting wage data in its FY 2005 Medicare cost report.

Scope

Our review covered the \$198,853,831 in salaries and 6,823,500 in hours that the Hospital reported to CMS on Worksheet S-3, part II, of its FY 2005 Medicare cost report, which resulted in an average hourly wage rate of \$29.14. We limited our review of the Hospital's internal controls to the procedures that the Hospital used to accumulate and report wage data for its cost report.

We performed fieldwork at the Hospital in Wichita, Kansas, from June through August 2007.

Methodology

To accomplish our objective, we:

- reviewed applicable Medicare laws, regulations, and guidance;
- obtained an understanding of the Hospital's procedures for reporting wage data;
- verified that wage data on the Hospital's trial balance reconciled to its audited financial statements;
- reconciled the total reported wages in the Hospital's FY 2005 Medicare cost report to its trial balance;
- reconciled the wage data from selected cost centers to detailed support, such as payroll registers or accounts payable invoices;
- selected for testing wage data in the FY 2005 Medicare cost report from cost centers that accounted for at least 2 percent of the total Hospital wages;

- tested a sample of transactions from these cost centers and reconciled wage data to payroll records;
- interviewed Hospital staff regarding the nature of services that employees and contracted labor provided to the Hospital; and
- determined the effect of the reporting errors by recalculating, as shown in Appendix A, the Hospital's average hourly wage rate using the CMS methodology for calculating the wage index, which includes an hourly overhead factor, in accordance with instructions published in the Federal Register.

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.

FINDINGS AND RECOMMENDATIONS

The Hospital did not fully comply with Medicare requirements for reporting wage data in its FY 2005 Medicare cost report. Specifically, the Hospital reported the following inaccurate wage data, which affected the numerator and/or denominator of its wage rate calculation:

- understated physician Part A wages totaling approximately \$794,150 and 25,895 hours,
- overstated excluded-area hours totaling 21,785 with associated wages of \$200,335,
- understated wage-related costs totaling \$63,827,
- overstated contract labor costs totaling \$443,573 and 34,779 hours, and
- misstated hours totaling 638 with associated wages of \$1,248,815.

These errors occurred because the Hospital did not sufficiently review and reconcile its reported wage data to supporting documentation to ensure that the data were accurate, supportable, and in compliance with Medicare requirements. As a result, the Hospital overstated its wage data by \$634,076 (numerator) and understated its wage data by 12,263 hours (denominator) for the FY 2005 Medicare cost report period. Our correction of the Hospital's errors decreased the average hourly wage rate approximately 0.5 percent from \$29.14 to \$29.

ERRORS IN REPORTED WAGE DATA

The errors in reported wage data are discussed in detail below, and the cumulative effect of the findings is presented in Appendix A.

Understated Physician Part A Wages

The "Medicare Provider Reimbursement Manual" (the Manual), part II, section 3605.2, requires hospitals to ensure that the wage data reported on their Medicare cost reports are accurate.

The Hospital reported physician Part A wages totaling \$1,525,786 and 2,717 hours at an average wage of \$561.57 per hour. However, we determined that the actual physician Part A wages and hours were \$2,276,854 and 26,729 hours at an average wage of \$85.18 per hour.

Part of this error was attributable to the Hospital's incorrectly reclassifying an estimated \$2 million in wages and 20,000 hours from Part A to Part B in its Medicare cost report. Hospital personnel said that they made the reclassification because the Part A totals appeared to be too high. Hospital personnel also said that they had estimated, rather than calculated, the transferred amounts and that they planned to obtain more accurate figures in the future. Further, the personnel acknowledged that the transfer was not supportable and not in accordance with Federal requirements.

As a result of these errors, after overhead was factored in, the Hospital understated physician Part A wage data by \$794,150 and 25,895 hours, which understated its average hourly wage rate by \$0.01.

Overstated Excluded-Area Hours

The Manual, part II, section 3605.2, requires hospitals to ensure that the wage data reported in their Medicare cost reports are accurate. The Manual instructs hospitals to report the total (core and other) wage-related costs applicable to excluded areas and the corresponding hours.²

The Hospital incorrectly reported excluded-area hours because it did not reconcile its workpapers to its Medicare cost report. As a result, the Hospital overstated its excluded-area hours by 21,785 and \$200,335 in associated wages, which overstated its average hourly wage rate by \$0.06.

Understated Wage-Related Costs

The Manual, part II, section 3605.2, requires hospitals to ensure that the wage data reported in their Medicare cost reports are accurate.

The Hospital overstated physician Part A wage-related costs by \$875,261 and understated core wage-related costs by \$941,784 because it did not reconcile its workpapers to its Medicare cost report. As a result, after overhead was factored in, the Hospital understated its wage-related costs by \$63,827, which understated its average hourly wage rate by \$0.01.

Overstated Contract Labor Costs

The Manual, part II, section 3605.2, states that the amounts paid for services furnished under contract are allowable if they are direct patient care services (i.e., nursing, diagnostic, therapeutic, or rehabilitative services) or certain management services. The Manual limits

²Pursuant to the Manual, part II, section 3605.2, "core" wage-related costs are those reported on part I of Form CMS-339. "Other" wage-related costs, which are reported on part II of Form CMS-339, must exceed 1 percent of a hospital's total salaries after direct excluded salaries are removed. The term "excluded areas" refers to wages and hours not used in the wage rate calculation.

allowable contract management services to personnel costs for hospital executive officers and nursing administrators. For direct patient care services and management services, the Manual directs hospitals to eliminate all supplies, travel expenses, and other miscellaneous items.

The Hospital overstated its contract labor by \$443,573 and 34,779 hours because it reported expenses for excluded items³ and reported duplicate amounts and hours already listed in the cost report, which overstated its average hourly wage rate by \$0.08.

Misstated Wages and Hours Data

The Manual, part II, section 3605.2, states that hospitals should ensure that the wage data reported in their Medicare cost reports are accurate. Further, it states: “Paid hours include regular hours (including paid lunch hours), overtime hours, paid holiday, vacation and sick leave hours, paid time-off hours, and hours associated with severance pay If the hours cannot be determined, then the associated salaries must not be included”

The Hospital did not correctly document and therefore did not correctly report the hours associated with \$1,248,815 of wages for two of its cost centers: the Severance/Settlement cost center, which records the costs associated with severance payments, and the Employee Benefits cost center, which records costs associated with paid time off, sick pay, and bonuses. Specifically:

- In the Medicare cost report, the Hospital’s Severance/Settlement cost center reported \$230,211 in salaries and 77 hours for severance payments.
- Excluding bonuses,⁴ the Hospital’s Employee Benefits cost center reported \$1,018,604 in salaries and 561 hours.

Hospital personnel acknowledged that they had incorrectly compiled the hours but stated that they were not able to identify the correct number of hours. Because the Hospital could not determine the correct number of hours, we removed the \$1,248,815 in salaries and the 638 hours that were reported in the cost report, which decreased the Hospital’s average hourly wage rate by \$0.18.

CAUSES OF WAGE DATA REPORTING ERRORS

These reporting errors occurred because the Hospital did not have adequate procedures to ensure that its reporting of wage data met Medicare requirements. Specifically, the Hospital did not sufficiently review and reconcile wage data to supporting documentation to ensure that all amounts included in its Medicare cost report were accurate, supportable, and in compliance with Medicare requirements.

³The excluded items were lodging and transportation expenses.

⁴Under the provisions of the Manual, part II, section 3605.2, no hours are required to be reported for bonus pay.

MISSTATED WAGE DATA

As a result of the reporting errors, the Hospital overstated its Part A wage data by \$634,076 (numerator) and understated its wage data by 12,263 hours (denominator) for the FY 2005 Medicare cost report period. Our correction of the Hospital's errors decreased the average hourly wage rate approximately 0.5 percent from \$29.14 to \$29.

RECOMMENDATIONS

We recommend that the Hospital:

- submit a revised FY 2005 Medicare cost report to the fiscal intermediary to correct the wage data overstatement totaling \$634,076 and understatement totaling 12,263 hours and
- implement review and reconciliation procedures to ensure that the wage data reported in future Medicare cost reports are accurate, supportable, and in compliance with Medicare requirements.

AUDITEE COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, the Hospital concurred with our first three findings and did not concur with our last two findings. The Hospital submitted comments on, but neither concurred nor nonconcurred with, the recommendations. However, the Hospital stated that its policy and intent were to ensure proper statement of wage data reported in the Medicare cost report. The Hospital also stated that it was undergoing a payroll system conversion during FY 2005 and that it had to extrapolate payroll information for its FY 2005 cost report. The Hospital added that it had completed the conversion and that, therefore, the issue was remedied for subsequent cost reports.

Nothing in the Hospital's written comments caused us to revise our findings or recommendations. However, based on discussions with Hospital officials after the issuance of our draft report but before our receipt of the Hospital's written comments, we revised our finding on overstated contract labor costs, the recommended adjustment amount, and the wage rate calculation. Our findings and recommendations, as revised, are valid.

For the two findings with which the Hospital did not concur, we have presented a summary of the Hospital's comments, as well as our responses, below. The Hospital's comments appear in their entirety as Appendix B.

Overstated Contract Labor Costs

Auditee Comments

The Hospital did not concur with "the classification of these labor costs as not being directly related to patient care. [The Hospital] knows these services to be essential in the provision of care directly related to patients."

Office of Inspector General Response

The overstated labor costs that we questioned pertained to lodging and transportation expenses, which are excluded costs pursuant to the Manual, part II, section 3605.2.

Misstated Wages and Hours Data

Auditee Comments

The Hospital did not concur that hours associated with severance pay were misstated. The Hospital stated that the majority of the wage amount in the adjustment was for severance pay and that “[h]ours are not recorded when severance payments are made. The calculation of the severance payments is based on hours but the payment is made subsequent to termination of employment and inclusion of hours would inaccurately report paid hours for the reporting period.”

Office of Inspector General Response

The Manual, part II, section 3605.2, states that paid hours include hours associated with severance pay. If the hours cannot be determined, the associated salaries must not be included. Consequently, we deducted the total salary amount and hours associated with severance pay from the wage rate calculations. Although the Hospital stated that the majority of the wage amount in the adjustment was for severance pay, we found that, in fact, the majority of the wage amount in the adjustment was for the Employee Benefits cost center, as stated earlier in our report.

APPENDIXES

CUMULATIVE EFFECT OF FINDINGS

Unadjusted Wages		Reported Fiscal Year (FY) 2005 Wage Data					Adjusted FY 2005 Wage Data	
Via Christi Regional Medical Center - FY 2009 Wage Index <u>Worksheet S - 3, Part II</u>			Physician Part A	Contract Labor	Salaries & Hours	Excluded Area Hours	Wage-Related Costs	
Total Salaries line1/col. 3	Total Salaries	\$180,237,380.00			(\$1,247,748.00)			\$178,989,632.00
Excluded Salaries								
line 3/col.3	Nonphysician Anesthetist Part B	\$0.00						
Line 4.01/col. 3	Teaching Physician Salaries	\$0.00						
line5/col. 3	Physician Part B	\$7,592,839.00	(\$751,068.00)					\$6,841,771.00
line6/col. 3	Interns and Residents	\$6,727,280.00						\$6,727,280.00
line 8/col. 3	Skilled Nursing Facility (SNF) Salaries							
line8.01/col. 3	Excluded Area Salaries	\$8,057,947.00						\$8,057,947.00
subtotal (subtract)		\$22,378,066.00	(\$751,068.00)	\$0.00	\$0.00	\$0.00	\$0.00	\$21,626,998.00
Additional Salaries								
line9/col. 3	Contract Labor	\$3,727,214.00	\$0.00	(\$443,573.07)		\$0.00	\$0.00	\$3,283,640.93
line 10/col. 3	Contract Labor-Physician Part A	\$0.00						
line11/col. 3	Home Office Salaries and Wages	\$0.00						
line12/col. 3	Home Office Physician Part A	\$3,258,640.00						\$3,258,640.00
line13/col. 3	Wage-Related Cost (Core)	\$39,088,335.00					\$941,784.00	\$40,030,119.00
line 14/col. 3	Wage-Related Cost (Other)	\$0.00						
line 18/col. 3	Physician Part A	\$1,238,152.00					(\$875,261.00)	\$362,891.00
sub-tot-b (ADD)		\$47,312,341.00	\$0.00	(\$443,573.07)	\$0.00	\$0.00	\$66,523.00	\$46,935,290.93
Total Paid Hours line1/col. 4	Adjusted Salaries	\$205,171,655.00	\$751,068.00	(\$443,573.07)	(\$1,247,748.00)	\$0.00	\$66,523.00	\$204,297,924.93
	Total Hours	7,490,290.83			(591.00)			7,489,699.83
Excluded Hours								
line 3/col.4	Nonphysician Anesthetist Part B	0.00						
line 4.01/col. 4	Teaching Physician Hours	0.00						
line5/col. 4	Physician Part B Hours	51,725.00	(24,012.00)					27,713.00
line6/col. 4	Interns and Residents Hours	90,707.00						90,707.00
line 8/col. 4	SNF Hours	0.00						
line8.01/col. 4	Excluded Area Hours	366,202.00				(11,752.00)	0.00	354,450.00
sub-tot-c (LESS)		508,634.00	(24,012.00)	0.00	0.00	(11,752.00)	0.00	472,870.00
Additional Hours								
line9/col. 4	Contract Labor Hours	111,875.00	0.00	(34,778.70)		0.00	0.00	77,096.30
line 10/col. 4	Contract Labor-Physician Part A Hours	0.00						
line11/col. 4	Home Office Salary Hours	0.00						
line12/col. 4	Home Office Physician Part A	42,605.00						42,605.00
sub-tot-d (ADD)		154,480.00	0.00	(34,778.70)	0.00	0.00	0.00	119,701.30
	Adjusted Hours	7,136,136.83	24,012.00	(34,778.70)	(591.00)	11,752.00	0.00	7,136,531.13

CUMULATIVE EFFECT OF FINDINGS

Unadjusted Wages		Reported Fiscal Year (FY) 2005 Wage Data						Adjusted FY 2005 Wage Data
Via Christi Regional Medical Center - FY 2009 Wage Index Work Sheet S - 3, Part III Overhead (OH) Allocation			Physician Part A	Contract Labor	Salaries & Hours	Excluded Area Hours	Wage-Related Costs	
line13/col. 3	Total OH Wages	\$50,694,621.00						\$50,694,621.00
line13/col. 4	Total OH Hours	3,384,028.00						3,384,028.00
	Total Hours	7,490,290.83	0.00	0.00	(591.00)	0.00	0.00	7,489,699.83
	LESS:							
	Nonphysician Anesthetist Part B- Line 3	0.00						
	Teaching Physician - Line 4.01	0.00						
	Physician Part B - Line 5	51,725.00	(24,012.00)	0.00	0.00	0.00	0.00	27,713.00
	Interns and Residents - Line 6	90,707.00						90,707.00
	Total OH Hours	3,384,028.00	0.00	0.00	0.00	0.00	0.00	3,384,028.00
	SUBTOTAL ->	3,526,460.00	(24,012.00)	0.00	0.00	0.00	0.00	3,502,448.00
	Revised Hours	3,963,830.83	24,012.00	0.00	(591.00)	0.00	0.00	3,987,251.83
	OH Reduction for Excluded Areas Hours							
	SNF Hours	0.00						0.00
	Excluded Area Hours (e.g., home health)	366,202.00				(11,752.00)	0.00	354,450.00
	SUBTOTAL -->	366,202.00	0.00	0.00	0.00	(11,752.00)	0.00	354,450.00
	[(SNF+Excluded Area Hours)/Revised Hours]	9.239%	-0.056%	0.000%	0.001%	-0.296%	0.000%	8.890%
	Excluded OH Rate	\$4,683,467.18	(\$28,200.56)	\$0.00	\$698.40	(\$150,299.85)	\$0.00	\$4,506,539.64
	Excluded OH Wages (\$OH X Excluded OH Rate)	312,636.41	(1,882.48)	0.00	46.62	(10,033.00)	0.00	300,825.93
	Excluded OH Hours (OH Hours X Excluded OH Rate)							
	(OH Hours)/(Revised Hours + SNF + Excluded Hours)	43.868%	-0.136%	0.000%	0.003%	0.067%	0.000%	43.802%
	OH Rate							
	Wage-Related Cost (Core)	\$39,088,335.00	\$0.00	\$0.00	\$0.00	\$0.00	\$941,784.00	\$40,030,119.00
	Wage-Related Cost (Other)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	Physician Part A	\$1,238,152.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$875,261.00)	\$362,891.00
	SUBTOTAL	\$40,326,487.00	\$0.00	\$0.00	\$0.00	\$0.00	\$66,523.00	\$40,393,010.00
	OH Work Wage-Related Cost	\$17,690,547.71	(\$54,895.51)	\$0.00	\$1,355.44	\$26,991.82	\$29,182.51	\$17,692,966.21
	Excluded Work Wage-Related Cost	\$1,634,356.82	(\$14,881.99)	\$0.00	\$368.96	(\$50,035.45)	\$2,696.05	\$1,572,830.65
	Adjusted Salaries	\$205,171,655.00	\$751,068.00	(\$443,573.07)	(\$1,247,748.00)	\$0.00	\$66,523.00	\$204,297,924.93
	Less: Excluded Overhead Salaries	\$4,683,467.18	(\$28,200.56)	\$0.00	\$698.40	(\$150,299.85)	\$0.00	\$4,506,539.64
	REVISIED WAGES	\$198,853,831.00	\$794,150.55	(\$443,573.07)	(\$1,248,815.36)	\$200,335.30	\$63,826.95	\$198,218,554.65
	Excluded Work-Related Cost							
	Adjusted Hours	1.00000						1.00000
	INFLATED WAGES (Adjusted Wages Used in Report) -	\$198,853,831.00	\$794,150.55	(\$443,573.07)	(\$1,248,815.36)	\$200,335.30	\$63,826.95	\$198,218,554.65
	REVISIED HOURS (Adjusted Hours Used in Report) -	6,823,500.42	25,894.48	(34,778.70)	(637.62)	21,785.00	0.00	6,835,705.20
	[Adjusted Hours - Excluded OH Hours]							
	Average Hourly Wage	\$29.14	\$0.01	\$0.08	(\$0.18)	(\$0.06)	\$0.01	\$29.00
	Total Wage Data							Totals
	Revisions:							
	Inflated Wages	\$794,150.55	(\$443,573.07)	(\$1,248,815.36)	\$200,335.30	\$63,826.95		(\$634,075.63)
	Revised Hours	25,894.48	(34,778.70)	(637.62)	21,785.00	0.00		12,263.15



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ViaChristi
Regional Medical Center

July 31, 2008

Patrick J. Cogley
Regional Inspector General for Audit Services
Department of Health & Human Services
Region VII
601 East 12th Street, Room 284A
Kansas City, MO 64106

Mr. Cogley:

The following are comments made in response to the U.S. Department of Health and Human Services, Office of Inspector General (OIG), draft report entitled "Review of Via Christi Regional Medical Center's Reported Fiscal Year 2005 Wage Data."

The findings and recommendations exhibited in the report requiring a statement of concurrence or nonconcurrence are summarized as follows:

Findings

- Understated physician Part A wages totaling \$751,068 and 24,012 hours,
- Overstated excluded-area hours totaling 11,752,
- Understated wage-related costs totaling \$66,523,
- Overstated contract labor costs totaling \$329,985 and 31,700 hours, and
- Misstated hours associated with \$1,247,748 in wages.

Recommendations

- Submit a revised FY 2005 Medicare cost report to the fiscal intermediary to correct the wage data overstatement totaling \$765,923 and 3,473 hours and
- Implement review and reconciliation procedures to ensure that the wage data reported in the future Medicare cost reports are accurate, supportable and in compliance with Medicare requirements.

Each finding and subsequent action taken in response to the above recommendations will be addressed separately.

Response to Findings**Understated physician Part A wages totaling \$751,068 and 24,012 hours understating Hospital average hourly wage rate by \$0.01:**

Via Christi Regional Medical Center (VCRMC) concurs that physician salaries and hours were not properly allocated. This adjustment was incorporated into the CMS (Wheatland's, BCBS of Kansas) review of wage index data conducted in February of 2008. The CMS auditor reversed a reclassification of \$2,000,000 and 20,000 hours and correctly classified \$2,579,541 and 34,781 hours to teaching physician salaries line 4.01. The net affect of this adjustment resulted in decreasing the overall Hospital average hourly wage rate by \$0.02.

Overstated excluded-area hours totaling 11,752 overstating Hospital average hourly wage rate by \$0.05:

VCRMC concurs with the issue of overstated hours in excluded areas. The hours were not adjusted in conjunction with the reported A-6 salary reclass.

This adjustment was not included in the CMS review of wage index data. See Response to Recommendations below for further comment regarding CMS review of wage data.

Understated wage-related costs totaling \$66,563 understating Hospital average hourly wage rate by \$0.01:

VCRMC concurs that line 18 Physician Part A wage related costs were overstated. A portion of these costs were related to Part A Teaching Physicians line 18.01 and Physician Part B line 19. This issue was included in the CMS review of wage index data conducted in February of 2008. The CMS auditor's analysis resulted in reclassifying wage-related costs totaling \$866,262 from line 18 Physician part A to line 18.01 Part A Teaching Physician in the amount of \$267,269 and \$598,993 to line 19 Physician Part B. The affect of this adjustment resulted in decreasing the overall Hospital average hourly wage rate by \$0.12.

Overstated contract labor costs totaling \$329,985 and 31,700 hours overstating Hospital average hourly wage rate by \$0.08.

VCRMC does not concur with the classification of these labor costs as not being directly related to patient care. VCRMC knows these services to be essential in the provision of care directly related to patients.

This adjustment was not included in the CMS review of wage index data. See response to Recommendations below for further comment regarding CMS review of wage data.

Misstated 591 hours associated with \$1,247,748 in wages overstating Hospital average hourly wage rate by \$0.18.

We do not concur that hours associated with severance pay are misstated. The hours in the adjustment were related to salaries paid from the employee benefits cost center, only a small portion of the wage amount in the adjustment. The remainder of the wage amount was for severance payments. Hours are not recorded when severance payments are made. The calculation of the severance payments is based on hours but the payment is made subsequent to termination of employment and inclusion of hours would inaccurately report paid hours for the reporting period.

This adjustment was not included in the CMS review of wage index data. See response to Recommendations below for further comment regarding CMS review of wage data.

Response to Recommendations**Submit a revised FY 2005 Medicare cost report to the fiscal intermediary to correct wage data overstatement totaling \$765,923 and 3,473 hours:**

This wage data was analyzed by CMS (Wheatland's, BCBS of Kansas) in February of 2008 through the normal course and time line of their wage index audits. Discussions with CMS at this time indicated they had received a report from the OIG summarizing their findings and adjustments. The intermediary chose not to share the report with us at that time believing it to be confidential. OIG adjustments were incorporated into the wage index review to the extent identified in our response to the findings above. We were not able to deduce what part of the OIG audit had been included in the CMS review of wage data until we received the OIG report in early June of 2008.

The intermediary offered no information or explanation regarding the OIG findings not included in their adjustments during our discussions in February of 2008.

Wheatland's (BCBS of Kansas) ceased being our intermediary effective February 29, 2008. Wisconsin Physician Services (WPS) became our intermediary effective March 1st, 2008. We requested the wage index work papers that would have been produced by Wheatland's and subsequently inherited by WPS, but WPS had no wage index work papers relating to this wage index review in their possession outside of the adjustments.

The end result of Wheatland's analysis, which included adjustments outside the scope of the OIG adjustments, reduced VCRMC overall hourly rate by \$0.45.

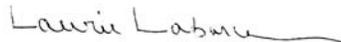
Implement review and reconciliation procedures to ensure that the wage data reported in the future Medicare cost reports are accurate, supportable and in compliance with Medicare requirements:

It is the policy and intent of VCRMC to ensure proper statement of wage data reported on the Medicare cost report. VCRMC was undergoing a payroll system conversion during the fiscal year in question (2005). Complete information by FTE and cost center was not available for the full year on either the original or replacement payroll system. This required extrapolation of payroll information required for the timely filing of the Medicare Cost Report.

This issue has been remedied for subsequent cost reports due to the completion of the payroll conversion.

In conclusion, it should be noted that the OIG has been forthcoming in the provision of work papers and other information in an effort to resolve any variances in the formulas related to wage data calculations and variances in interpretation of regulations. Please do not hesitate to contact me with any further questions or concerns.

Sincerely,



Laurie Labarca
Interim CEO

cc: Mike Wegner
Shelley Koltnow
Brian Stephenson