

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**DOMINICAN HOSPITAL REPORTED
OVERSTATED WAGE DATA, RESULTING
IN MEDICARE OVERPAYMENTS**

*Inquiries about this report may be addressed to the Office of Public Affairs at
Public.Affairs@oig.hhs.gov.*



Brian P. Ritchie
Assistant Inspector General
for Audit Services

June 2016
A-09-14-02032

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:

Office of Audit Services

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.

Office of Evaluation and Inspections

The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

Office of Investigations

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

Office of Counsel to the Inspector General

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC
at <http://oig.hhs.gov>

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

OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

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

APPENDIX B: DOMINICAN HOSPITAL COMMENTS



185 Berry Street, Suite 300
San Francisco, CA 94107
phone 415.438.5500
fax 415.438.5724
dignityhealth.org

May 26, 2016

Ms. Lori A. Ahlstrand
Regional Inspector General for Audit Services
Office of Audit Services, Region IX
90 – 7th Street, Suite 3-650
San Francisco, CA 94103

RE: Report Number: A-09-14-02032
Dominican Hospital

Dear Ms. Ahlstrand:

This letter shall serve as a response to the draft report entitled *Dominican Hospital Reported Overstated Wage Data, Resulting in Medicare Overpayments* (the "Report"). We appreciate the opportunity to respond to the findings and recommendations identified in the Report.

Dominican Hospital (the "Hospital") strives to ensure its Medicare cost reports are prepared accurately and in compliance with the applicable rules and regulations. As part of its compliance efforts, policies and procedures addressing the preparation and review of cost reports were implemented approximately fourteen years ago. These policies and procedures are regularly updated to address changes in applicable regulations as well as process improvements. In addition, employees involved in the preparation and review of the cost report receive ongoing training regarding Medicare requirements for reporting wage data used by the Centers of Medicare and Medicaid Services (CMS) to calculate wage index, and internal policies and procedures. Finally, enhanced preparation tools are available to ensure cost reports are prepared in a consistent and auditable manner.

In recent years, additional improvements have been made to further improve accuracy and compliance with CMS requirements. Significantly, the preparation and review of the cost report was assigned to a consolidated and dedicated staff with an expertise in cost reporting requirements. In addition, the cost report goes through several levels of reviews, including a review by a Reimbursement Manager, a Reimbursement Director, and ultimately, the Hospital CFO. As needed, experienced third party vendors are also utilized to perform additional reviews. Indeed, nationally recognized experts have been engaged to both train employees and review specifically, the area of wage index and occupational mix reporting.

Notwithstanding these efforts, the Report identified several findings, with which we concur. In the Report, the OIG recommends the Hospital implement review and reconciliation procedures to ensure that the wage data it reports in the future is in compliance with Medicare Requirements. Below is a description of the review and reconciliation procedures implemented by the Hospital to address each finding.

Hospital Overstated Wage Data in the Medicare Cost Report

According to the Report, the Hospital overstated salary costs and contract labor costs, and understated wage-related costs. The Hospital concurs with the finding, as associated hours had not been adequately imputed. Since the preparation for the cost report reviewed for purposes of this audit, we have retooled the wage index preparation and review process to leverage the standardization introduced in the system's general ledger and payroll processes. Using a team-approach for hospital wage index reporting we are able to ensure more consistency, with workpapers that account for all wages and benefits, ensuring no items get missed.

Hospital Overstated Wage Data in the Occupational Mix Survey

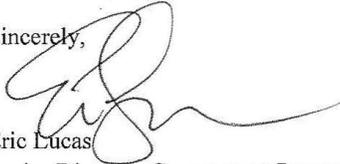
The Hospital concurs with the finding. The review process has been updated to incorporate this finding.

Hospital Did Not Sufficiently Review and Reconcile Wage Data

To improve compliance and accuracy, we will continue to partner with our external cost report vendors to further educate our staff and leadership and leverage review findings for previous cost reports into the preparation process for future reports. Utilizing this approach, Dignity Health believes that it is taking exceptional steps to ensure accuracy in cost reporting and wage index reporting, and fulfilling its obligations and requirements to the Medicare program.

Thank you for your attention to these matters. Please feel free to contact me at (415) 438-5752 if you have any questions.

Sincerely,



Eric Lucas
Senior Director, Government Programs
Dignity Health