Sierra Nevada Memorial Hospital Did Not Accurately Report Certain Wage Data, Resulting in Overpayments to California Hospitals

What OIG Found
Although the Hospital generally complied with Medicare requirements for reporting wage data, errors did occur. Specifically, the Hospital overstated contract labor wages by $69,079 and hours by 108, which affected its average hourly wage calculation. These errors occurred because the Hospital (1) did not follow the cost report requirements in CMS’s Provider Reimbursement Manual and (2) did not have adequate review and reconciliation procedures to ensure that the Medicare wage data it reported to CMS were accurate, allowable, supportable, and in compliance with Medicare requirements.

The cost reporting errors did not increase the Hospital’s wage index or result in the Hospital receiving overpayments from Medicare because the Hospital’s wage data was used to calculate the rural-floor wage index and the Hospital was reclassified to an urban area that had a wage index not affected by the rural floor. However, because these errors increased the rural-floor wage index for FFY 2017, Medicare overpaid 173 other hospitals in California an estimated total of $216,594 for inpatient services in the first 6 months of FFY 2017. In addition, the overpayments to California hospitals caused underpayments to hospitals in other States. Because of the prospective nature of the IPPS, CMS has no mechanism to recover overpayments or remedy underpayments resulting from inaccurate wage data.

What OIG Recommends and Hospital Comments
We recommend that the Hospital (1) ensure that all personnel involved in Medicare cost report preparation follow the requirements in CMS’s Provider Reimbursement Manual and (2) strengthen its review and reconciliation procedures to ensure that the Medicare wage data it reports to CMS in the future are accurate, allowable, supportable, and in compliance with Medicare requirements.

The Hospital agreed with our findings. Although the Hospital did not explicitly indicate it concurred with our recommendations, it provided information on actions that it planned to take to address each finding, including implementing review and reconciliation procedures.

The full report can be found at https://oig.hhs.gov/oas/reports/region9/91602044.asp.