

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**CMS DID NOT ALWAYS  
ENSURE HOSPITALS COMPLIED  
WITH MEDICARE REIMBURSEMENT  
REQUIREMENTS FOR GRADUATE  
MEDICAL EDUCATION**

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Gloria L. Jarmon  
Deputy Inspector General  
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# *Office of Inspector General*

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## Report in Brief

Date: November 2018

Report No. A-02-17-01017

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES  
**OFFICE OF INSPECTOR GENERAL**



### Why OIG Did This Review

Prior OIG audits found that hospitals in six Medicare Administrative Contractor (MAC) jurisdictions counted residents (including interns) as more than one full-time equivalent (FTE) and, as a result, received excess Medicare graduate medical education (GME) reimbursement. This report summarizes the findings of those audits, providing information that may assist the Centers for Medicare & Medicaid Services (CMS) and MACs to achieve greater efficiency in the operation of Medicare.

Our objective was to determine whether CMS ensured that hospitals in selected MAC jurisdictions claimed Medicare GME reimbursement in accordance with Federal requirements.

### How OIG Did This Review

We analyzed the findings and summarized the results and recommendations from eight OIG audits that covered various periods between 2006 and 2013. For those audits, we obtained and reviewed data submitted by teaching hospitals in six selected MAC jurisdictions to determine whether hospitals claimed Medicare GME reimbursement in accordance with Federal requirements.

## CMS Did Not Always Ensure Hospitals Complied With Medicare Reimbursement Requirements for Graduate Medical Education

### What OIG Found

CMS generally ensured that hospitals in selected MAC jurisdictions claimed Medicare GME reimbursement in accordance with Federal requirements. However, in seven of our eight audits, we identified some instances in which teaching hospitals did not always comply with Federal requirements when claiming Medicare GME reimbursement for residents. Specifically, we found that hospitals in the six MAC jurisdictions we reviewed claimed GME reimbursement for residents who were claimed by more than one hospital for the same period and whose total FTE count exceeded one, totaling almost \$4 million in excess Medicare GME reimbursement.

The overstated FTE counts and excess reimbursement occurred because CMS did not have adequate procedures to ensure that hospitals do not count residents as more than one FTE. For example, CMS did not review resident data submitted by hospitals to detect whether a resident had overlapping rotational assignments (i.e., working at more than one hospital during the same period) or require the MACs to perform this work.

### What OIG Recommends and CMS Comments

We recommend that CMS take steps to ensure that no resident is counted as more than one FTE. This could include implementing policies and procedures to analyze resident data or requiring MACs to determine if residents claimed by hospitals in their jurisdiction were claimed as more than one FTE. Because our audits covered only six MAC jurisdictions across various fiscal periods, we believe that, if CMS took steps to ensure that all MAC jurisdictions implemented procedures, it could achieve significant cost savings.

In written comments on our draft report, CMS agreed with our recommendation and stated that it has begun implementing a new database that hospitals will use to collect and report information on residents. According to CMS, the database will help ensure that no resident is counted as more than one FTE.

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## INTRODUCTION

### WHY WE DID THIS REVIEW

Prior Office of Inspector General (OIG) audits found that hospitals in six Medicare Administrative Contractor (MAC) jurisdictions counted residents and interns as more than one full-time equivalent (FTE) and, as a result, received excess Medicare graduate medical education (GME) reimbursement.<sup>1</sup> This report summarizes the findings of those audits, providing information that may assist the Centers for Medicare & Medicaid Services (CMS) and MACs to achieve greater efficiency in the operation of Medicare. (See Appendix B for related OIG reports.)

### OBJECTIVE

Our objective was to determine whether CMS ensured that hospitals in selected MAC jurisdictions claimed Medicare GME reimbursement in accordance with Federal requirements.

### BACKGROUND

#### The Medicare Program

The Medicare program provides health insurance coverage to people aged 65 and over, people with disabilities, and people with end-stage renal disease. Medicare Part B provides supplementary medical insurance for medical and other health services, including coverage of hospital outpatient services. CMS administers the Medicare program.

#### Medicare Payments for Graduate Medical Education

Since its inception in 1965, Medicare has shared in the costs of educational activities incurred by hospitals participating in Medicare. CMS, which administers Medicare, makes two types of payments to teaching hospitals to support GME programs for physicians and other health care practitioners. Direct GME payments are Medicare's share of the direct costs of training residents, such as salaries and fringe benefits of residents and faculty and hospital overhead expenses. Indirect GME payments cover the additional operating costs that teaching hospitals incur in treating inpatients, such as the costs associated with using more intensive treatments, treating sicker patients, and ordering more tests.

A hospital claims reimbursement for both direct and indirect GME, in part, based on the number of FTE residents that the hospital trains and the portion of time those residents spend working at the hospital. FTE status is based on the total time necessary to fill a residency slot (42 CFR §§ 412.105(f)(1)(iii)(A) and 413.78(b)). If a resident is assigned to more than one

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<sup>1</sup> In this report, "resident" includes hospital interns.

hospital, the resident counts as a partial FTE based on the proportion of time worked in qualifying hospital areas<sup>2</sup> to the total time worked by the resident. A hospital cannot claim the time spent by residents training at another hospital.<sup>3</sup>

For payment purposes, the total number of FTE residents is the 3-year “rolling average” of the hospital’s actual FTE count for the current year and the preceding two cost-reporting periods (42 CFR §§ 412.105(f) and 413.79(d)(3)). No individual may be counted as more than one FTE.<sup>4</sup> Each time a hospital claims GME reimbursement for a resident, it must provide CMS with information on the resident’s program, year of residency, dates and locations of training (including training at other hospitals), and percentage of time working at those locations (42 CFR §§ 412.105(f) and 413.75(d)).

### Medicare Administrative Contractors

MACs are private health care insurers awarded a multistate geographic area (known as a jurisdiction) by CMS to process Medicare Parts A and B medical claims. CMS relies on a network of MACs to serve as the primary operational contact between the Medicare fee-for-service program and the health care providers enrolled in the program. Through Statements of Work (SOWs), CMS assigns specific functions to the MACs and outlines performance standards for those functions. MACs perform many activities, including auditing hospitals’ Medicare cost reports. There are currently 12 MAC jurisdictions. See Figure 1 for a map of each MAC’s jurisdiction.

**Figure 1: Medicare Administrative Contractor Jurisdictional Map**



<sup>2</sup> 42 CFR §§ 412.105(f)(1)(ii) and 413.78(a).

<sup>3</sup> When referring to the time a resident spends at a hospital, the terms “working” and “training” are interchangeable.

<sup>4</sup> 42 CFR §§ 412.105(f)(1)(iii)(A) and 413.78(b).

## **Intern and Resident Information System**

The Intern and Resident Information System (IRIS) is a CMS software application that hospitals use to collect and report information on residents working in approved residency programs at teaching hospitals. Hospitals receiving direct or indirect GME payments must submit, with each annual Medicare cost report, IRIS data files that contain information on their residents, including, but not limited to, the dates of each resident's rotational assignment.<sup>5</sup> One purpose of the IRIS is to ensure that no resident is counted by the Medicare program as more than one FTE employee in the calculation of payments for the costs of direct and indirect GME.<sup>6</sup>

## **HOW WE CONDUCTED THIS REVIEW**

In eight prior audits, we reviewed IRIS data submitted by teaching hospitals in six selected MAC jurisdictions to determine whether the hospitals claimed Medicare GME reimbursement in accordance with Federal requirements. The prior audits covered various fiscal periods between 2006 and 2013. For this report, we summarized the results of those audits and reviewed CMS's policies and procedures related to the IRIS data submitted by hospitals to the MACs.

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 objectives.

Appendix A contains the details of our audit scope and methodology.

## **SUMMARY OF FINDINGS**

CMS generally ensured that hospitals in selected MAC jurisdictions claimed Medicare GME reimbursement in accordance with Federal requirements. However, in seven of our eight audits, we identified some instances in which teaching hospitals did not always comply with Federal requirements when claiming Medicare GME reimbursement for residents. Specifically, we found that hospitals in the six MAC jurisdictions<sup>7</sup> we reviewed claimed GME reimbursement

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<sup>5</sup> A rotation is an educational experience of planned activities in selected settings, over a specific time period, developed to meet goals and objectives of the program. The dates during which the resident is assigned to and works at a hospital (or any of its hospital-based providers) is referred to as a "rotational assignment."

<sup>6</sup> 67 Fed. Reg. 48189 (July 23, 2002).

<sup>7</sup> Our eight audits encompassed six MAC jurisdictions and included two audits that focused on residents claimed across multiple MAC jurisdictions.

for residents who were claimed by more than one hospital for the same period and whose total FTE count exceeded one, totaling \$3,953,446 in excess Medicare GME reimbursement.<sup>8</sup>

The overstated FTE counts and excess reimbursement occurred because CMS did not have adequate procedures to ensure that hospitals do not count residents as more than one FTE. For example, CMS did not review the IRIS data submitted by hospitals to detect whether a resident had overlapping rotational assignments (i.e., working at more than one hospital during the same period) or require the MACs to perform this work.

## **MEDICARE ADMINISTRATIVE CONTRACTORS DID NOT ALWAYS REVIEW DATA SUBMITTED BY HOSPITALS**

According to CMS instructions to hospitals regarding how to input data to the IRIS, if a resident worked in more than one hospital or non-hospital setting, each hospital must enter the percentage of time the resident spent in the inpatient and outpatient areas of that hospital as compared to the total time worked at all facilities.<sup>9</sup>

CMS's instructions further specify that hospitals may report the percentage of time worked by residents based on either hours, days, or months. However, no more than a total of 100 percent may be reported for any resident by all reporting hospitals. (See Figure 2 for an example from CMS's instructions.) Therefore, according to CMS's instructions, "hospitals must coordinate resident data (especially for those residents working in more than one hospital) reported in IRIS." After hospitals enter data into the IRIS, they send a copy of the data via diskette or CD for each cost reporting period to the appropriate MAC when their Medicare cost report are due.

### **Figure 2: Example from CMS's Instructions**

If a resident worked 4 hours/day at hospital A and 8 hours/day at hospital B, then Hospital A would report 33 as the percentage of time worked for GME reimbursement purposes. (CMS Instructions, page 111.)

According to CMS's instructions, MACs should edit their databases containing IRIS data to ensure that no resident is counted as more than one FTE. Whenever these edits detect that more than 100 percent of a resident's time has been reported, MACs return the data to the associated reporting hospitals. However, for 7 of the 8 audits, we identified a total of 285 hospitals in 6 MAC jurisdictions that claimed GME reimbursement for residents who were claimed by more than 1 hospital for the same period and whose total FTE count exceeded 1.<sup>10</sup>

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<sup>8</sup> Based on the scopes of these prior audits, we cannot estimate the total excess reimbursement for all MAC jurisdictions for a given timeframe.

<sup>9</sup> CMS, *IRISV3 Operating Instructions December 1997 Through October 2015* (CMS Instructions). Available online at: <https://www.cms.gov/Research-Statistics-Data-and-Systems/Computer-Data-and-Systems/IRIS/Downloads/IRISV3-Operating-Instructions-October-2015.pdf>. Accessed on May 9, 2018.

<sup>10</sup> For each resident counted as more than one FTE during an overlapping period, we obtained and reviewed documentation from the hospitals to determine how the resident should have been counted.

As a result, the hospitals received excess Medicare GME reimbursement totaling \$3,953,446. (The Table summarizes the excess reimbursement we identified at each of the six MACs reviewed.) We determined this amount by adjusting the hospitals claimed direct and indirect FTE counts on their cost reports using CMS’s 3-year rolling average formula.

**Table: Summary of Excess Medicare Reimbursement for Each of the Six Medicare Administrative Contractor Jurisdictions**

<b>MAC Jurisdiction<sup>a</sup></b>	<b>Audit Period (Fiscal Years)</b>	<b>Excess Medicare GME Reimbursement</b>
E	2012 and 2013	\$434,531
F	2012 and 2013	365,387
9	2009 and 2010	456,914
10	2009 and 2010	84,355
12	2006 and 2007	2,137,597 <sup>b</sup>
13	2006 and 2007	474,662
<b>Total</b>		<b>\$3,953,446</b>

<sup>a</sup> Some of the MAC jurisdictions in this table do not appear in Figure 1 because the MACs and jurisdictional boundaries have changed since our prior audits.

<sup>b</sup> This figure represents the excess Medicare reimbursement identified in two reports.

In response to our audits, the MACs indicated that their SOWs with CMS did not include instructions and did not include funding for them to analyze IRIS data to ensure that residents are not counted as more than one FTE. However, the MACs stated that they may conduct limited reviews of the IRIS data under certain circumstances. Additional procedures, they stated, would be outside of the scope of their SOWs.

### **RECOMMENDATION**

We recommend that CMS take steps to ensure that no resident is counted as more than one FTE. This could include implementing policies and procedures to analyze IRIS data or requiring MACs to determine if residents claimed by hospitals in their jurisdiction were claimed as more than one FTE. Because our audits covered only six MAC jurisdictions across various fiscal periods, we believe that, if CMS took steps to ensure that all MAC jurisdictions implemented procedures, it could achieve significant cost savings.

### **CMS COMMENTS**

In written comments on our draft report, CMS agreed with our recommendation and stated that it has begun implementing what it described as a new national IRIS database that will help ensure that no resident is counted as more than one FTE. CMS also provided technical comments, which we addressed as appropriate. CMS’s comments, excluding the technical comments, are included as Appendix C.

## APPENDIX A: AUDIT SCOPE AND METHODOLOGY

### SCOPE

This report summarizes the results of eight prior audits that identified instances in which hospitals in six selected MAC jurisdictions did not claim Medicare GME reimbursement in accordance with Federal requirements. We did not assess the MACs overall internal control structure. Rather, we limited our review of internal controls to those applicable to our audit. The prior audits covered various fiscal periods between 2006 and 2013.

### METHODOLOGY

To accomplish the objective of our current audit, we analyzed the findings and summarized the results and recommendations from eight prior OIG audits (Appendix B) and discussed the results with CMS officials.

To accomplish our objectives in the eight prior audits, we:

- reviewed applicable Federal laws, regulations, and guidance;
- held discussions with MAC officials in six MAC jurisdictions to gain an understanding of their procedures for reviewing the IRIS data submitted by hospitals;
- obtained IRIS data from the MACs for hospitals in six MAC jurisdictions;
- analyzed the IRIS data to identify residents claimed by more than one hospital for the same rotational assignment (e.g., weekly rotation schedule) and for whom the total FTE count exceeded one;
- obtained and reviewed rotation schedules and other documentation from each hospital in each of the jurisdictions for each resident for whom the total FTE count exceeded one to determine which hospital should have claimed Medicare GME reimbursement for the resident during an overlapping period;
- adjusted the claimed direct and indirect FTE counts for hospitals that (1) should not have claimed GME reimbursement for residents during an overlapping period or (2) provided conflicting documentation that did not resolve the overlapping rotation dates;<sup>11</sup>

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<sup>11</sup> We contacted hospitals to determine which hospital was responsible for a resident's overlapping rotation date that exceeded one FTE. If the hospitals could not agree on which hospital should have claimed the resident, we questioned the overlapping FTE count for each hospital using procedures that other MAC contractors have in place.

- determined the net dollar effect of the adjustments to the direct and indirect FTE counts by recalculating each hospital's Medicare cost report(s);<sup>12</sup> and
- discussed the results of our audits with 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 finding and conclusions based on our audit objectives.

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<sup>12</sup> We used Worksheet E-4 of the cost report to recalculate direct GME reimbursement and Worksheet E, Part A, for indirect GME reimbursement.

**APPENDIX B: RELATED OFFICE OF INSPECTOR GENERAL REPORTS**

<b>Report Title</b>	<b>Report Number</b>	<b>Date Issued</b>
<i>Some Hospitals in Medicare Jurisdiction F Claimed Residents as More Than One Full-Time Equivalent</i>	<a href="#"><u>A-02-15-01028</u></a>	07/17/2017
<i>Some Hospitals in Medicare Jurisdiction E Claimed Residents as More Than One Full-Time Equivalent</i>	<a href="#"><u>A-02-15-01027</u></a>	07/17/2017
<i>Some Hospitals in Florida and Puerto Rico Claimed Residents as More Than One Full-Time Equivalent</i>	<a href="#"><u>A-02-13-01014</u></a>	08/08/2014
<i>Some Hospitals in Alabama, Georgia, and Tennessee Claimed Residents as More Than One Full-Time Equivalent</i>	<a href="#"><u>A-02-13-01012</u></a>	07/09/2014
<i>Review of Resident Data Reported in the Intern and Resident Information System for Medicare Cost Reports Submitted to Highmark Medicare Services, Inc., and National Government Services, Inc.</i>	<a href="#"><u>A-02-10-01006</u></a>	04/02/2012
<i>Review of Resident Data Reported in the Intern and Resident Information System for Medicare Cost Reports Submitted to National Government Services, Inc., and Highmark Medicare Services, Inc.</i>	<a href="#"><u>A-02-10-01007</u></a>	04/02/2012
<i>Review of Resident Data Reported in the Intern and Resident Information System for Medicare Cost Reports Submitted to Highmark Medicare Services, Inc.</i>	<a href="#"><u>A-02-09-01019</u></a>	01/03/2012
<i>Review of Resident Data Reported in the Intern and Resident Information System for Medicare Cost Reports Submitted to National Government Services, Inc.</i>	<a href="#"><u>A-02-09-01021</u></a>	10/13/2010

## APPENDIX C: CMS COMMENTS



DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

200 Independence Avenue SW  
Washington, DC 20201

**DATE:** SEP 14 2018

**TO:** Daniel R. Levinson  
Inspector General

**FROM:** Seema Verma   
Administrator

**SUBJECT:** CMS Did Not Always Ensure Hospitals Complied With Medicare  
Reimbursement Requirements for Graduate Medical Education (A-02-17-01017)

The Centers for Medicare & Medicaid Services (CMS) appreciates the opportunity to review and comment on the Office of Inspector General's (OIG) draft report summarizing the findings of eight OIG audits on Medicare graduate medical education payments. CMS takes seriously its responsibility to accurately administer Medicare graduate medical education payments to hospitals.

Medicare reimburses a teaching hospital for the number of full-time equivalent residents training at the hospital in an approved program(s), up to the hospital's direct graduate medical education and indirect medical education caps. Pursuant to 42 CFR §§ 412.105(f)(1)(iii)(A) and 413.78(b), no resident may be counted as more than one full-time equivalent. CMS makes available the Intern and Resident Information System that teaching hospitals use to collect and report information on full-time equivalent residents working in approved residency programs. CMS regulations require teaching hospitals to submit data to the Intern and Resident Information System along with their annual Medicare cost report to their respective Medicare contractor.

To assist in the identification of overlaps in resident reporting, CMS has implemented the initial phases of a new national Intern and Resident Information System database. Previously, the data submitted by a teaching hospital was housed at the Medicare contractor that oversaw the geographical jurisdiction of that teaching hospital. Since residents often rotate to teaching hospitals in multiple jurisdictions, Medicare contractors would not have access to some hospitals' data. The new national database more easily allows identification of full-time equivalent residents counted in excess of one full-time equivalent because it can access data across all Medicare contractor jurisdictions.

OIG's recommendation and CMS's response is below.

### **OIG Recommendation**

We recommend that CMS take steps to ensure that no resident is counted as more than one FTE.

### **CMS Response**

CMS concurs with this recommendation. The implementation of the new national Intern and Resident Information System will help ensure no resident is counted as more than one full-time equivalent.

CMS thanks the OIG for their efforts on this issue.