



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office Of Inspector General
Office Of Audit Services

Region II
Jacob K. Javits Federal Building
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New York, NY 10278

May 9, 2008

Report Number: A-02-06-01022

Dr. Kathleen Dirschel, Ph.D.
Vice President of Education/Dean of the Cochran School of Nursing
St. John's Riverside Hospital
967 North Broadway
Yonkers, New York 10701

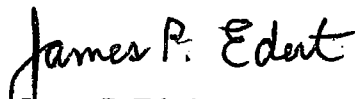
Dear Dr. Dirschel:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of Nursing and Allied Health Education Payments to St. John's Riverside Hospital for Calendar Year 2004." We will forward a copy of this report to the HHS action official noted below.

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, within 10 business days after this report is issued, it will be posted on the Internet at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please direct them to the HHS action official. Please refer to report number A-02-06-01022 in all correspondence.

Sincerely,


James P. Edert
Regional Inspector General
for Audit Services

Enclosure

HHS Action Official:

Nan Foster Reilly, Acting Consortium Administrator
Consortium for Financial Management & Fee for Service Operations
Centers for Medicare & Medicaid Services
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Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF NURSING AND
ALLIED HEALTH EDUCATION
PAYMENTS TO ST. JOHN'S
RIVERSIDE HOSPITAL FOR
CALENDAR YEAR 2004**



Daniel R. Levinson
Inspector General

May 2008
A-02-06-01022

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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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
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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

Pursuant to Federal regulations, Medicare shares in the costs of approved nursing education activities (42 CFR §§ 413.85(d) and 413.50(a)(2)). Federal regulations (42 U.S.C. 1395(x)) state that a hospital may be reimbursed for reasonable costs incurred in training students of a hospital-based nursing school as if they were allowable direct costs of a hospital-operated educational program. Nursing education costs are excluded from the calculation of payment rates under the hospital inpatient prospective payment system. The costs of these programs are separately identified on the cost report and are paid on a reasonable cost basis, provided the programs meet Medicare reimbursement requirements.

St. John's Riverside Hospital (the hospital) operates a 2-year hospital-based nursing education program through the Cochran School of Nursing, in Yonkers, New York. For the period January 1 through December 31, 2004 (calendar year 2004), the hospital claimed Medicare costs of \$1,428,678 for its nursing education program.

OBJECTIVE

Our objective was to determine whether the hospital's nursing education program met Medicare program eligibility and cost reimbursement requirements.

RESULTS OF REVIEW

For calendar year 2004, the hospital's nursing education program met both Medicare eligibility and reimbursement requirements. As a result, this report contains no recommendations.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
BACKGROUND	1
Medicare Nursing Education Program.....	1
St. John's Riverside Hospital.....	2
OBJECTIVE, SCOPE, AND METHODOLOGY	2
Objective.....	2
Scope.....	2
Methodology	2
RESULTS OF REVIEW	3

INTRODUCTION

BACKGROUND

Medicare Nursing Education Program

Pursuant to Federal regulations, Medicare shares in the cost of approved nursing education activities operated by providers (42 CFR §§ 413.85(d) and 413.50(a)(2)). Federal regulations (42 CFR § 413.85(c)) define approved educational activities as formally organized or planned programs of study that are operated by providers, enhance the quality of inpatient care at the provider, and meet State licensing and accrediting requirements.

Pursuant to 42 CFR § 413.85(f)(1), to be considered the operator of an approved program, a provider must (1) directly incur the training costs, (2) have direct control of the program curriculum, (3) control the administration of the program, including collection of tuition, maintenance of payroll records, and responsibility for day-to-day program operation,¹ (4) employ the teaching staff, and (5) provide and control both classroom instruction and clinical training (when classroom instruction is a requirement for program completion).² If certain conditions are met, Medicare also reimburses hospitals for the costs of certain non-provider operated programs.

Pursuant to 42 U.S.C. 1395(x), a hospital may be reimbursed for reasonable costs incurred in training students of a hospital-based nursing school as if they were allowable direct costs of a hospital-operated educational program. Nursing education costs are excluded from the calculation of payment rates under the hospital inpatient prospective payment system. The costs of nursing programs are separately identified on the cost report as “pass-through” costs and are paid on a reasonable cost basis, provided the programs meet the Medicare reimbursement requirements set forth in 42 CFR § 413.85.

Federal regulations (42 CFR § 413.85(d)(2)) state that the net cost of approved nursing education activities is determined by deducting the revenues that a provider receives from tuition and student fees from the provider’s total allowable educational costs that are directly related to approved educational activities. Total allowable educational costs are those costs incurred by the provider for trainee stipends, compensation of teachers, and other costs. These costs do not include patient care costs, costs incurred by a related organization, costs that constitute a redistribution of costs from an educational institution to a provider, and costs funded by non-Medicare sources.

¹The provider may contract with another entity to perform some administrative functions. However, the provider must maintain control over all aspects of the contracted functions.

²The provider may enter into an agreement with an educational institution to furnish basic academic courses required for completion of the program. However, the provider must furnish all courses relating to theory and practice.

St. John's Riverside Hospital

St. John's Riverside Hospital (the hospital) is a 407-bed community hospital in Yonkers, New York. The hospital offers a 2-year, hospital-based nursing education program through the Cochran School of Nursing (nursing school). For the period January 1 through December 31, 2004 (calendar year 2004), the hospital claimed total Medicare costs of \$1,428,678 for its nursing education program.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the hospital's nursing education program met Medicare eligibility and reimbursement requirements.

Scope

Our audit period covered calendar year 2004. We did not review the hospital's overall internal control structure. Rather, we reviewed the hospital's procedures relevant to the objective of the audit.

We performed fieldwork at the hospital, in Yonkers, New York.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations and guidance;
- held discussions with CMS and fiscal intermediary officials to obtain an understanding of policies, procedures and guidance for determining program eligibility and allowable "pass-through" costs;
- determined if the nursing school was licensed by New York State or the program was accredited by a recognized national professional organization;
- determined whether the hospital incurred educational costs;
- determined if the hospital had direct control of the program curriculum, classroom instruction, and clinical training;
- held discussions with hospital officials regarding the administration of the nursing education program;

- reviewed costs claimed by the hospital for educational activities, including compensation of teachers and other costs and revenues received from tuition and student fees generated by the nursing school; and
- verified the net allowable Medicare reimbursable costs for the nursing education program.

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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

RESULTS OF REVIEW

For calendar year 2004, the hospital's nursing education program met both Medicare eligibility and reimbursement requirements. As a result, this report contains no recommendations.