



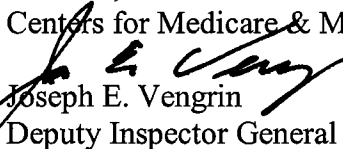
DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

APR 24 2006

TO: Wynethea Walker
Director, Audit Liaison Staff
Centers for Medicare & Medicaid Services

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

SUBJECT: Graduate Medical Education for Dental Residents Claimed by Ohio State University Hospital for Fiscal Years 2000 Through 2002 (A-04-04-06009)

Attached is an advance copy of our final report on Medicare graduate medical education (GME) payments for dental residents claimed by Ohio State University Hospital (the Hospital) in Columbus, Ohio. We will issue this report to the Hospital within 5 business days.

Based on congressional interest, we reviewed 10 hospitals to determine the effect of the Balanced Budget Act of 1997 on direct and indirect GME payments for dental residents included in hospitals' counts of full-time equivalent (FTE) residents. That legislation permitted hospitals to count FTE residents who train in nonhospital settings in their calculations of indirect, in addition to direct, GME payments. This review focused on the Hospital's arrangements with the Ohio State University College of Dentistry, which is a nonhospital setting.

Our objective was to determine whether the Hospital included the appropriate number of dental residents in its FTE counts when computing Medicare GME payments for fiscal years (FYs) 2000 through 2002.

The Hospital inappropriately included a total of 75.04 direct GME FTEs and 92.29 indirect GME FTEs in the counts for FYs 2000 through 2002 without incurring all of the costs of training dental residents in nonhospital sites for those years. Federal regulations stipulate that hospitals must incur all or substantially all of the training costs to include dental residents who train in nonhospital sites in the FTE counts for Medicare GME payments. The Hospital did not have written procedures to prevent the inclusion of FTEs for which it had not paid the training costs. As a result, the Hospital overstated its direct and indirect GME claims by a total of \$3.5 million for FYs 2000 through 2002.

We recommend that the Hospital file an amended cost report that will result in a refund of \$3,524,633 associated with FTEs for which the Hospital did not incur all or substantially all of the training costs; that the Hospital establish and follow written procedures to ensure that the FTE counts for residents in nonhospital settings include only those FTEs for which the Hospital has incurred all or substantially all of the training

costs; and that the Hospital determine whether errors similar to those identified in our review occurred in Medicare cost reports after FY 2002 and refund any overpayments. In written comments on the draft report, the Hospital generally disagreed with our findings and recommendations. The Hospital claimed that the FY 2000 dental residents were hospital based, that the Hospital and Dental School are related parties under Medicare principles, and, therefore, that costs incurred by the Dental School are allowable costs of the Hospital. Finally, the Hospital claimed to have incurred substantially all of the training costs by transferring dental GME payments to the Dental School.

The Office of Inspector General disagrees with the Hospital's assertions and maintains that the findings and recommendations are valid.

If you have any questions or comments about this report, please 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 Lori S. Pilcher, Regional Inspector General for Audit Services, Region IV, at (404) 562-7750. Please refer to report number A-04-04-06009.

Attachment



REGION IV
61 Forsyth Street, S.W., Suite 3T41
Atlanta, Georgia 30303

APR 25 2006

Report Number: A-04-04-06009

Mr. Pete E. Geier
Chief Executive Officer
Ohio State University Hospital
218 Meiling Hall, 370 West Ninth
Columbus, Ohio 43210

Dear Mr. Geier:

Enclosed are two copies of the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG) final report entitled "Graduate Medical Education for Dental Residents Claimed by Ohio State University Hospital for Fiscal Years 2000 Through 2002." A copy of this report will be forwarded to the action official named on the next 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 the HHS action 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.

In accordance with the principles of the Freedom of Information Act (5 U.S.C. § 552, as amended by Public Law 104-231), OIG reports issued to the Department's grantees and contractors are made available to the public to the extent the information is not subject to exemptions in the Act that the Department chooses to exercise (see 45 CFR part 5).

Please refer to report number A-04-04-06009 in all correspondence.

Sincerely,

A handwritten signature in black ink, appearing to read "L. Pilcher", with a horizontal line extending to the right.

Lori S. Pilcher
Regional Inspector General
for Audit Services, Region IV

Enclosures

Page 2 - Mr. Pete E. Geier

HHS Action Official:

Ms. Jackie Garner
Regional Administrator
Centers for Medicare & Medicaid Services, Region V
Department of Health and Human Services
233 North Michigan Avenue, Suite 600
Chicago, Illinois 60601

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**GRADUATE MEDICAL
EDUCATION FOR DENTAL
RESIDENTS CLAIMED BY OHIO
STATE UNIVERSITY HOSPITAL
FOR FISCAL YEARS 2000
THROUGH 2002**



Daniel R. Levinson
Inspector General

April 2006
A-04-04-06009

Office of Inspector General

<http://oig.hhs.gov>

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In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104-231), Office of Inspector General, Office of Audit Services reports are made available to members of the public to the extent the information is not subject to exemptions in the act. (See 45 CFR part 5.)

OAS FINDINGS AND OPINIONS

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



EXECUTIVE SUMMARY

BACKGROUND

The Medicare program makes two types of payments to teaching hospitals to support graduate medical education (GME) programs for physicians and other 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, using a costlier staff mix, and ordering more tests. Payments for both direct and indirect GME are based, in part, on the number of full-time equivalent (FTE) residents trained by a hospital. The number of FTEs used for the current year's payments is the 3-year "rolling average" of the FTE count for the current year and the preceding 2 cost-reporting years.

Based on congressional interest, we undertook a review of 10 hospitals to determine the effect of the Balanced Budget Act of 1997 on direct and indirect GME payments for dental residents included in hospitals' counts of FTE residents. That legislation permitted hospitals to count FTE residents who train in nonhospital settings in their calculations of indirect, in addition to direct, GME payments.

This report focuses on the Ohio State University Hospital (the Hospital) and its arrangements with the Ohio State University College of Dentistry (the Dental School). The Dental School is a nonhospital setting. In July 2000, the Hospital entered into an agreement with the Dental School to allow the Hospital to claim GME payments for dental residents in return for reimbursing the Dental School for residents' salaries and related teaching faculty costs. For all FTEs, including dental FTEs, the Hospital claimed more than \$67 million in direct (\$16 million) and indirect (\$51 million) GME payments for the 3-year period that ended June 30, 2002. FTEs used to calculate reimbursable GME costs averaged 270 per year.

OBJECTIVE

Our objective was to determine whether the Hospital included the appropriate number of dental residents in its FTE counts when computing Medicare GME payments for fiscal years (FYs) 2000 through 2002.

SUMMARY OF FINDINGS

The Hospital inappropriately included a total of 75.04 direct GME FTEs and 92.29 indirect GME FTEs in the counts for FYs 2000 through 2002 without incurring all of the costs of training dental residents in nonhospital sites for those years. Federal regulations stipulate that hospitals must incur all or substantially all of the training costs to include dental residents who train in nonhospital sites in the FTE counts for Medicare GME payments. The Hospital did not have written procedures to prevent the inclusion of FTEs for which it had not paid the training costs. As a result, the Hospital overstated its direct and indirect GME claims by a total of \$3.5 million for FYs 2000 through 2002.

RECOMMENDATIONS

We recommend that the Hospital:

- file an amended cost report that will result in a refund of \$3,524,633 associated with FTEs for which the Hospital did not incur all or substantially all of the training costs;
- establish and follow written procedures to ensure that the FTE counts for residents in nonhospital settings include only those FTEs for which the Hospital has incurred all or substantially all of the training costs; and
- determine whether errors similar to those identified in our review occurred in Medicare cost reports after FY 2002, and refund any overpayments.

HOSPITAL COMMENTS

In written comments on the draft report, the Hospital generally disagreed with our findings and recommendations. The Hospital claimed that the FY 2000 dental residents were hospital based, that the Hospital and Dental School are related parties under Medicare principles, and, therefore, that costs incurred by the Dental School are allowable costs of the Hospital. Additionally, the Hospital maintained that its procedures were adequate to ensure the proper treatment of dental residency costs and that it had transferred substantially all of the dental GME payments received from Medicare to the Dental School.

The complete text of their comments is included as Appendix B.

OFFICE OF INSPECTOR GENERAL RESPONSE

The Office of Inspector General disagrees with the Hospital's assertions and maintains that the findings and recommendations are valid.

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INTRODUCTION

BACKGROUND

Medicare Payments for Graduate Medical Education

Since its inception in 1965, the Medicare program has shared in the costs of educational activities incurred by participating providers. Medicare makes two types of payments to teaching hospitals to support graduate medical education (GME) programs for physicians and other 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, using a costlier staff mix, and ordering more tests. Payments for both direct and indirect GME are based, in part, on the number of full-time equivalent (FTE) residents trained by a hospital. The number of FTEs used for the current year's payments is the 3-year "rolling average" of the FTE count for the current year and the preceding 2 cost-reporting years.

Balanced Budget Act of 1997

The Balanced Budget Act of 1997 placed some controls on the continuing growth of GME reimbursement by imposing caps on the number of residents that hospitals are allowed to count for the purpose of direct and indirect GME payments. Dental FTEs are not included in the caps. The legislation also created incentives for hospitals to train residents in freestanding nonhospital settings, such as clinics and ambulatory surgical centers, by permitting hospitals to count FTE residents who train in nonhospital settings in their calculations of indirect, in addition to direct, GME payments.

Based on congressional interest, we undertook a review of 10 hospitals to determine the effect of the Balanced Budget Act on direct and indirect GME payments for dental residents included in hospitals' counts of FTE residents.

Ohio State University System

The Ohio State University System in Columbus is the largest single campus in the United States. Its teaching components include both the Ohio State University Hospital (the Hospital), which has more than 900 beds, and the Ohio State University College of Dentistry (the Dental School), which provides services to the general public through various dental clinics. The Dental School is a nonhospital setting. In July 2000, the Hospital entered into an agreement with the Dental School to allow the Hospital to claim GME payments for dental residents in return for reimbursing the Dental School for residents' salaries.

For all FTEs, including dental FTEs, the Hospital claimed more than \$67 million in direct (\$16 million) and indirect (\$51 million) GME payments for the 3-year period that ended June 30, 2002. FTEs used to calculate reimbursable GME costs averaged 270 per year.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the Hospital included the appropriate number of dental residents in its FTE counts when computing Medicare GME payments for fiscal years (FYs) 2000 through 2002.

Scope

Our review of the Hospital's internal control structure was limited to understanding those controls used to determine the number of residents counted for direct and indirect GME payments. We neither assessed the completeness of the Hospital's data files nor evaluated the adequacy of the input controls, except for limited testing of data from computer-based systems. The objective of our review did not require a complete understanding or assessment of the Hospital's internal control structure. We restricted our review to dental residents.

We performed the audit at both the Hospital and the Dental School in Columbus, Ohio. We obtained information documenting the dental FTEs reported on the Hospital's Medicare cost reports from the Hospital, the Dental School, and the fiscal intermediary.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal criteria, including section 1886 of the Social Security Act (the Act) and 42 CFR parts 412 and 413;
- gained an understanding of the Hospital's procedures for identifying, counting, and reporting dental resident FTEs on the Medicare cost reports;
- reconciled the dental resident FTEs reported on the Hospital's FYs 2000 through 2002 Medicare cost reports to supporting documentation;
- reviewed supporting documentation to determine whether the Hospital appropriately included dental residents in the FTE resident counts when computing direct and indirect GME payments on the Medicare cost reports;
- reviewed financial records at the Hospital and the Dental School to determine whether the Hospital incurred all of the costs of training dental residents in nonhospital settings; and
- summarized the audit results and provided them to the fiscal intermediary to recompute GME payments on the FYs 2000 through 2002 cost reports.

We conducted this audit in accordance with generally accepted government auditing standards.

FINDINGS AND RECOMMENDATIONS

The Hospital inappropriately included dental residents who trained in nonhospital sites in the FTE counts for FYs 2000 through 2002 without incurring all of the residents' training costs for those years. Federal regulations stipulate that hospitals must incur all or substantially all of the training costs to include dental residents in the FTE counts for Medicare GME payments. The Hospital did not have written procedures to prevent the inclusion of FTEs for which it had not paid the training costs. As a result, the Hospital overstated its direct and indirect GME claims by a total of \$3.5 million for FYs 2000 through 2002.

TRAINING COSTS INCURRED BY THE HOSPITAL

In computing FYs 2000 through 2002 GME payments, the Hospital did not comply with Federal regulations requiring that hospitals incur all or substantially all of the training costs for dental residents.

Sections 1886(h)(4)(E) and (d)(5)(B)(iv) of the Act state that in determining the FTEs for residents assigned to nonhospital settings, hospitals must incur all or substantially all of the costs for the training program. Federal regulations (42 CFR § 413.75(b)) define all or substantially all of the costs as "the residents' salaries and fringe benefits . . . and the portion of the cost of teaching physicians' salaries and fringe benefits attributable to direct graduate medical education."¹

For dental residents training in nonhospital sites, the Hospital inappropriately included 3.52 direct GME FTEs and 3.95 indirect GME FTEs in the counts for FY 2000, 36.66 direct GME FTEs and 44.76 indirect GME FTEs in the counts for FY 2001, and 34.86 direct GME FTEs and 43.58 indirect GME FTEs in the counts for FY 2002. The Hospital should not have included these FTEs because it did not incur all of the training costs, as defined by regulations, for the dental residents. To include the dental FTEs, the Hospital should have paid all of the residents' salaries and fringe benefits in addition to the supervisory teaching physicians' costs attributable to GME. Instead, the Hospital paid only a portion of the training costs.

The Hospital did not have written procedures to ensure that it included in the calculation of GME payments only FTEs for which it had paid the training costs. Rather than basing payments to the Dental School on actual costs, the Hospital based payments on budgeted amounts. In FYs 2000 through 2002, the Hospital's budgeted amounts were not sufficient to cover the dental residents' training costs.

As a result, Medicare overpaid the Hospital \$3.5 million in GME payments for FYs 2000 through 2002. The overpayments were \$90,955, \$1,126,442, and \$2,307,236 for FYs 2000, 2001, and 2002, respectively (see Appendix A for details).

¹During our audit period, these requirements were found in 42 CFR § 413.86.

RECOMMENDATIONS

We recommend that the Hospital:

- file an amended cost report that will result in a refund of \$3,524,633 associated with FTEs for which the Hospital did not incur all or substantially all of the training costs;
- establish and follow written procedures to ensure that the FTE counts for residents in nonhospital settings include only those FTEs for which the Hospital has incurred all or substantially all of the training costs; and
- determine whether errors similar to those identified in our review occurred in Medicare cost reports after FY 2002 and refund any overpayments.

HOSPITAL COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

The complete text of the Hospital's written comments on the draft report is included as Appendix B. In summary, the Hospital generally disagreed with our findings and recommendations and claimed that the \$3,524,633 should be allowed for three reasons. The Office of Inspector General (OIG) disagrees with the Hospital's assertions and maintains that the findings and recommendations are valid.

Fiscal Year 2000 Residents Should Be Treated as Hospital-based

Hospital Comments

The Hospital maintained that dental residents claimed by the Hospital in FY 2000 worked in the Hospital's Emergency Department and should, therefore, be considered as having worked in a hospital setting.

Additionally, the Hospital asserted that based on 42 CFR § 415.162 the Hospital and the Dental School are related parties, falling under the Medicare principle that costs applicable to services, facilities, and support that were furnished to the provider by a related organization are allowable costs of the provider without regard to payments made to the medical school by the hospital.

Office of Inspector General Response

OIG's review of the records provided by the Hospital showed that in FY 2000 the dental residents received training in both hospital and nonhospital settings. OIG only adjusted the FTEs for residents training in dental clinics, which are nonhospital settings. OIG did not adjust FTEs for residents training in hospital settings, which included the time spent by the residents in the Emergency Department.

The Hospital's reference to 42 CFR § 415.162 as a basis for its argument that a hospital and dental school that are related parties need not reimburse each other for incurred costs is inapplicable. The cited reference addresses Medicare Part B billable physician services provided to the hospital. This reference is not applicable to GME Medicare Part A costs for residents'

salaries and fringe benefits and the portion of the teaching physicians' cost associated with nonbillable GME training time.

In addition, in response to public comments published in the Federal Register (68 Federal Register, 45450, August 1, 2003), CMS clarified that in related party situations where the dental clinics are not provider-based, and therefore not considered part of a hospital, the "all or substantially all" of incurred cost regulation is applicable. CMS reiterated that a hospital's failure to incur all or substantially all of the costs would result in a hospital being prohibited from counting the FTE residents. The Dental School and the Hospital are not one entity. Instead, they are related parties. The Dental School is not a Medicare provider and used other funding to cover the costs incurred for training dental residents. However, the Hospital is a Medicare provider and, as indicated above, failed to incur all or substantially all of the training costs for dental residents that it included in its FTE counts.

Internal Process Insures Proper Treatment of Residency Costs

Hospital Comments

The Hospital claimed that its procedures were adequate to ensure the proper treatment of dental residency costs. According to the Hospital, it has a written allocation agreement with the Dental School that provides for routine transfers of funds from the Hospital to the Dental School and for a reconciliation of the funds transferred to actual Medicare reimbursement.

Office of Inspector General Response

The allocation agreement between the Hospital and Dental School is not adequate to ensure that the FTE counts for residents in nonhospital settings include only those FTEs for which the Hospital has incurred all or substantially all of the training costs.

In order to properly pay all or substantially all of the training costs, a hospital first has to determine the amount of incurred costs. According to the allocation agreement, the Hospital estimates the amount due the Dental School based on reimbursement from Medicare. It appears the Hospital ignored the requirement to determine the cost of the training. The Hospital did not reimburse the Dental School based on the actual cost of the training program, but rather it based reimbursement on the amount received from Medicare.

Hospital Incurred All or Substantially All of Costs

Hospital Comments

The Hospital claimed it had transferred substantially all of the dental GME payments received from Medicare to the Dental School. The Hospital stated that once it is reimbursed by Medicare and transfers the outstanding balance of \$1.8 million owed to the Dental School, it will have incurred 94 percent of the dental residency costs.

Office of Inspector General Response

The funding received by the Dental School from the Hospital was substantially less than the actual training costs incurred by the Dental School. Pursuant to 42 CFR § 413.100 (c), Medicare does not recognize the accrual of costs unless the liabilities are liquidated within 1 year following the end of the cost-reporting period in which the liability is incurred. As of 2005, the Hospital has not incurred substantially all of the dental residency costs for FYs 2000, 2001, and 2002.

APPENDIXES

CALCULATING GRADUATE MEDICAL EDUCATION PAYMENTS

DIRECT GRADUATE MEDICAL EDUCATION

Hospitals are paid for direct graduate medical education (GME) based on Medicare's share of a hospital-specific per resident amount multiplied by the number of full-time equivalent (FTE) residents and the percentage of Medicare inpatient days to total inpatient days. The payment methodology contained in 42 CFR § 413.76 is:¹

$$\text{Medicare payment} = (\text{hospital's established per resident amount}) \times (\text{number of FTE residents}) \times (\text{number of Medicare inpatient days/number of total inpatient days})$$

The number of FTE residents used in the calculation is equal to the average of the FTE count for the current year and the preceding 2 cost-reporting years, or the 3-year rolling average. Table 1 illustrates the effect of the overstated fiscal year (FY) 2000 FTE count on the rolling average FTE count in FYs 2000 through 2002 at the Ohio State University Hospital (the Hospital). Because of the rolling average, the effect of the Office of Inspector General's (OIG's) adjustment to the FY 2000 FTE count is not fully recognized until FY 2002.

Table 1: Effect of Overstated FTE Count on Rolling Average

	FTE Count					3-Year Rolling Average
	1998	1999	2000	2001	2002	
<u>2000 Cost Report</u>						
Per Hospital	309.72	260.47	265.09			278.43
Per OIG	309.72	260.47	261.57			277.25
<u>2001 Cost Report</u>						
Per Hospital		260.47	265.09	310.65		278.74
Per OIG		260.47	261.57	273.99		265.34
<u>2002 Cost Report</u>						
Per Hospital			265.09	310.65	304.27	293.34
Per OIG			261.57	273.99	269.41	268.32

¹During our audit period, these requirements were found in 42 CFR § 413.86.

INDIRECT GRADUATE MEDICAL EDUCATION

Medicare pays for indirect GME based on a formula that calculates an add-on to the Hospital's basic prospective payment. The add-on is determined by a multiplier (established by legislation) and the resident-to-bed ratio. The payment methodology contained in 42 CFR § 412.105 is:

$$\text{Medicare payment} = \text{multiplier} \times \left[\left(1 + \frac{\text{number of FTE residents}}{\text{number of available beds}} \right)^{0.405} - 1 \right]$$

The number of FTE residents used in the calculation is the 3-year rolling average. The resident-to-bed ratio is the lesser of the current or prior-year ratio. Table 2 illustrates the effect of OIG's reduction of the FYs 2000 through 2002 dental FTE counts on the resident-to-bed ratio.

Table 2: Effect of Overstated FTE Count on Resident-to-Bed Ratio

	Resident-to-Bed Ratio		
	Current Year	Prior Year	Lesser of Current or Prior Year
<u>2000 Cost Report</u>	<u>2000</u>	<u>1999</u>	
Per Hospital	0.604325	0.617963	0.604325
Per OIG	0.601304	0.617963	0.601304
<u>2001 Cost Report</u>	<u>2001</u>	<u>2000</u>	
Per Hospital	0.634360	0.604325	0.604325
Per OIG	0.597865	0.601304	0.597865
<u>2002 Cost Report</u>	<u>2002</u>	<u>2001</u>	
Per Hospital	0.693059	0.634360	0.634360
Per OIG	0.622831	0.597865	0.597865

SUMMARY OF AUDIT RESULTS

Table 3 summarizes the Hospital's overstated FTEs and the resultant overstated claims for direct and indirect GME reimbursement.

Table 3: Summary of Audit Results

Fiscal Year	Overstated FTEs		Overstated Claim for Reimbursement		
	Direct	Indirect	Direct	Indirect	Total
2000	3.52	3.95	\$21,086	\$69,869	\$90,955
2001	36.66	44.76	257,819	868,623	1,126,442
2002	34.86	43.58	512,244	1,794,992	2,307,236
Total	75.04	92.29	\$791,149	\$2,733,484	\$3,524,633

HOGAN & HARTSON
L.L.P.

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January 24, 2006

BY EMAIL AND OVERNIGHT MAIL

Lori S. Pilcher
Regional Inspector General
Office of Audit Services, Region IV
Department of Health and Human Services
61 Forsyth Street, S.W., Suite 3T41
Atlanta, GA 30303

**Re: OIG GME Audit of the Ohio State University Hospitals
 Draft OIG Report No. A-04-04-06009**

Dear Ms. Pilcher:

We have reviewed the Office of Inspector General's ("OIG's") November 2005 draft report entitled "Graduate Medical Education for Dental Residents Claimed by the Ohio State University Hospital for Fiscal Years 2000 through 2002" ("Draft Report"). This letter contains our written comments in response to the findings and recommendations contained in the Draft Report. In short, we have significant concerns regarding the accuracy and validity of the OIG's findings, especially its conclusion that Ohio State University Hospital ("OSUH") overstated its dental graduate medical education ("GME") costs by a total of \$3.5 million for the fiscal years subject to audit. After conferring with OSUH, it appears that important facts directly relevant to the OIG's audit of this matter may have been inadequately explained or overlooked and, as a consequence, the OIG's understanding is incomplete. Accordingly, we respectfully request that the OIG delay the issuance of a final report until the facts are fairly and accurately conveyed and understood.

As you know, the OIG concluded that OSUH inappropriately included a substantial number of dental full-time equivalent ("FTE") residents in its resident

Lori S. Pilcher
January 24, 2006
Page 2 of 10

counts for fiscal years 2000-2002.¹ In order for OSUH to receive Medicare reimbursement for GME costs of dental residents, federal law requires OSUH to incur all or substantially all of the training costs for the dental residents.² The OIG believes that OSUH inappropriately claimed costs for dental residents because OSUH paid only a small portion of the training costs that OSUH claimed.³ This conclusion was based on assertions that OSUH (1) did not have written procedures regarding the calculation of GME costs and (2) made payments to The Ohio State University College of Dentistry (“COD”) for training based on budgeted amounts that were insufficient to cover the actual costs of training claimed by OSUH.⁴ Thus, according to the OIG’s proposed findings, OSUH did not incur all or substantially all of the dental GME costs it claimed, and Medicare paid \$3.5 million more than it should have to OSUH in GME payments for the three-year period under audit.⁵

The OIG’s proposed findings, however, are based on an incomplete understanding of OSUH’s internal processes and certain facts regarding transactions between OSUH and the COD, which are related parties under Medicare regulations. For example, dental GME costs claimed in FY 2000 related only to hospital-based dental residents, but not to residents training in nonhospital dental clinics. Thus, it would be inappropriate to discount FTEs claimed in FY 2000 based on rules governing training programs in non-hospital settings. Additionally, although the Draft Report does not reflect it, OSUH implemented a process that is applicable to the fiscal periods under review for ensuring the propriety of the claimed dental GME costs. We understand and respect the OIG’s concerns, but as we discuss below, in fact, OSUH did incur all or substantially all of the training costs for the dental residency programs. Moreover, Medicare regulations are very clear that a hospital need not actually transfer funds to a related party for GME costs incurred on the hospital’s cost report. OSUH and COD are related, commonly owned/governed entities. These types of facts raise questions about the conclusions

¹ OIG Draft Rep. No. A-04-04-06009.

² See 42 C.F.R. § 413.78(d)(3).

³ See Draft Rep., *supra* note 1, at 3.

⁴ See *id.*

⁵ See *id.*

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reached in the Draft Report, and strongly suggest that further analysis is needed prior to the issuance of a final audit report.

A. OSUH's Dental GME Costs in FY 2000 Should be Treated as Hospital-based.

In FY 2000 and prior periods, OSUH incurred the cost of dental residents training in hospital-based programs. Specifically, residents training in Oral Maxillofacial Dentistry and Advanced General Dentistry programs rotated through the OSUH Emergency Department. OSUH historically incurred the costs for these residents through cash transfers to The Ohio State University College of Medicine ("COM"), which would then transfer funds to the COD. This process occurred in FY 2000.

Here, OSUH incurred the costs of the hospital-based dental residents irrespective of the transfer of funds through the COM. OSUH, the COM and the COD are commonly owned and controlled by The Ohio State University ("OSU"). Thus, the parties are "related" for purposes of determining allowable Medicare costs. The related party rule is a long-standing Medicare principle, which provides that the "costs applicable to services, facilities and support furnished to the provider by an organization related to the provider through common ownership and control are included in the allowable costs of the provider at the cost to the related organization."⁶ This is so as a matter of legal/regulatory rules. It does not depend on or require actual payments or transfers of funds between components of the entity.

Notwithstanding the above, FY 2000 should not be subject to the proposed disallowances in the audit report because the dental residents claimed in period were based in the OSUH Emergency Department. As a result, the Medicare rules governing the allowability of the costs of training in non-hospital sites are not applicable. Thus, disallowing residents in FY 2000 on such a basis would be improper.

⁶ 42 C.F.R. § 413.17; see Provider Reimbursement Manual, Pt. I ("PRM-I"), Ch. 10 § 1000.

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B. OSUH's Internal Process Reliably Ensures Proper Cost Reporting Treatment of Dental Residency Costs.

The OIG asserts that OSUH did not maintain written procedures to ensure that the FTE counts for residents in the dental residency program included only those FTEs for which OSUH had incurred all or substantially all of the training costs⁷ and that, as a result, OSUH allegedly included more FTEs than those for which it incurred training costs. But in fact, OSUH's internal process is set forth in formal written Affiliation and Allocation Agreements⁸ (collectively "Agreements") and that process, as implemented, ensures that OSUH claims dental GME costs in accordance with the requirements of the Medicare regulations.

The Agreements specifically and unambiguously provide that OSUH is responsible for incurring all or substantially all of the dental residency training costs.⁹ Specifically, the Affiliation Agreement provides that:

OSUH . . . shall pay all or substantially all of the costs of each dentistry resident in the [dentistry] Program, including all time spent at the Dental Clinic which is a non-provider setting, and which shall include the cost of the dentistry resident stipend and all the costs for that portion of the [COD] Teaching Faculty salary and benefits related to the time spent in teaching and supervision of

⁷ See *id.* at 3.

⁸ See Affiliation Agreement between The Ohio State University (OSU), The Ohio State University Hospitals (OSUH), The Ohio State University Hospitals East (OSUHE), The Arthur G. Games Cancer Hospital and Richard J. Solove Research Institute (CHRI), and The Ohio State University College of Dentistry (OSUCOD) (July 1, 2000) (hereinafter "Affiliation Agt."); Allocation Agreement between The Ohio State University (OSU), The Ohio State University Hospitals (OSUH), The Ohio State University Hospitals East (OSUHE), The Arthur G. Games Cancer Hospital and Richard J. Solove Research Institute (CHRI), and The Ohio State University College of Dentistry (OSUCOD) (July 1, 2000) (hereinafter Allocation Agt.).

⁹ Affiliation Agt. § I.D.

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the dentistry resident while engaged in patient care activity in accordance with 42 C.F.R. § 412.86.¹⁰

The Agreements also set forth a specific understanding regarding the transfer of Medicare reimbursement from OSUH to the COD in connection with the costs of the dental residency programs. For instance, the Allocation Agreement between the parties identifies the allocation and retention of GME reimbursement in Appendix A.¹¹ (See Attachment 1.) Appendix A is a pro forma that is routinely updated to reflect the most current GME costs incurred by OSUH.

The Allocation Agreement provides for routine transfers of funds from OSUH to the COD and for a reconciliation of funds transferred to the COD to actual Medicare reimbursement received by OSUH. In practice, it appears that the process essentially involves the following three steps:

Step 1: OSUH books (as a liability on its General Ledger account) an estimated amount due back to the COD based on reimbursement from Medicare for IME and GME for the dental residency programs.

Step 2: Once OSUH receives Medicare reimbursement for the dental GME costs, OSUH makes cash transfers to the COD, less an administrative fee.

Step 3: As Medicare intermediaries finalize OSUH's cost reports, OSUH reconciles the GME payments it has received to the estimated amounts owed to the COD. If the reconciliation reveals an additional liability to pay COD, OSUH will request a funds transfer to the COD account dedicated to receiving and disbursing GME funds. This process continues until OSUH's intermediary finalizes the cost report, and OSUH has eliminated the liability on its books, for a particular fiscal period.

¹⁰ *Id.*

¹¹ *See* Allocation Agt. § I.C, F.

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OSUH transfers funds to the COD through a dedicated Ohio State University non-general revenue account, which was created specifically through the Allocation Agreement to receive and disburse dental GME funds to the COD.¹² All funds owed as discussed above are paid into such account. The account is not used for any other purpose and no other line item accounts are commingled with it. Thus, the COD account is not a general “slush fund”; it is an active account solely dedicated to dental GME transfers. Attachment 2 is a report of all funds transferred into the dedicated COD account by OSUH. To date, OSUH has transferred \$7,545,716 to the COD for dental GME costs.

While OSUH has incurred substantially all of the training costs for the FTE dental residents claimed, it is important to understand that transfers to the COD generally do not occur within the same fiscal period in which OSUH claimed the dental GME costs. For administrative convenience, this system makes sense because it prevents components of OSU from making repeated ledger account payments and reconciliations when the parties are within the same legal entity—OSU. Instead, funds transfers are made when the numbers are actually known. This system of accounting is efficient and entirely appropriate for related parties because, at the end of the day, all revenues and liabilities ultimately are accounted for on the University’s financials.

OSUH periodically reconciles the amounts transferred to the COD with the Medicare reimbursement received to date (*see* Step 3 above). This process is consistent with the Allocation Agreement, which plainly provides for a “quarterly reconciliation between the parties” as well as a “final reconciliation for each fiscal year cost report when CMS or their intermediary considers the cost report to be finalized.”¹³ As reflected in the OSUH Dental Residency Program Funds Flow Reconciliation Summary through 06/30/05 (*see* Attachment 3), OSUH has routinely engaged in the reconciliation process since it began to claim dental GME costs.

All three Attachments to this letter evidence the implementation of this process.

¹² *See id.* § I.C.

¹³ *Id.* § I.F.

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C. OSUH Incurred All or Substantially All of the Dental GME Costs Claimed on its Cost Reports.

The OIG's proposed findings depend on the inference that OSUH did not transfer sufficient funds to the COD for dental GME costs claimed. The OIG determined that sufficient transfers were not made and, thus, that OSUH had not incurred all or substantially all of dental GME costs it had claimed. The evidence, however, is to the contrary. In fact, OSUH has transferred to the COD substantially all of the dental GME payments it has received so far from Medicare. Even if OSUH had not transferred the funds, this would not be improper because related parties need not actually transfer funds internally for Medicare to recognize the costs as valid as long as they were, in fact, incurred.

First, Appendix A and OSUH's Funds Flow Reconciliation Summary Through 06/30/2005 provide summary data regarding OSUH's cash transfers to the COD for dental GME. For example, these data show that OSUH transferred to the COD \$725,575 for FY 2001. This amount represents the entire amount owed by OSUH to the COD in connection with dental GME costs claimed in FY 2001. For FY 2002, OSUH has transferred \$487,501 to the COD and there is a \$1,765,026 outstanding balance owed to the COD. The remaining amount is confirmed as an ongoing liability on OSUH's general ledger book, and will be transferred to COD.

In total, OSUH has transferred over \$7.5 million of the \$9.9 million (or approximately 76% of the amounts owed) to COD for fiscal periods 2001 through 2005. Once OSUH transfers the outstanding balance of \$1.8 million owed to COD for FY 2002, OSUH will have transferred a total of \$9.3 of the \$9.9 million (or approximately 94% of the total amount owed) to the COD. In doing so, the dental GME residency costs have been substantially incurred by OSUH.

Second, even if OSUH had not transferred substantially all of the dental GME costs claimed by OSUH, Medicare related party rules recognize that no such requirement should exist in the first instance. Specifically, Medicare requirements distinguish between hospitals that are related to medical and dental schools, and hospitals that are not related to such institutions. Here, there is no question that OSUH and the COD are related parties through common ownership

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and control by The Ohio State University (“OSU”).¹⁴ Thus, the criteria and rules for related party relationships apply to dental GME arrangement between OSUH and the COD.

As discussed above, the Medicare program expressly acknowledges that costs of related parties for services, facilities or support furnished to a provider are allowable costs to the provider.”¹⁵ The regulation does *not* include the requirement that a formal check be issued or voucher transferring payment be created. Importantly, CMS has specifically considered the application of the related party principle to physician services furnished to Medicare beneficiaries in teaching hospitals by supervising physicians and interns and residents of affiliated entities, such as medical schools. In this regard, 42 C.F.R. § 415.162 provides that:

If the medical school . . . and the hospital are related by common ownership or control . . . [t]he costs of these [physician] services are allowable costs to the hospital . . . and . . . [t]he reimbursable costs to the hospital are determined . . . without regard to payments made to the medical school by the hospital.¹⁶

The rules are different for non-related parties. Specifically, for costs of services of physicians (including interns and residents) furnished in teaching hospitals to be reimbursed by Medicare, the costs must be “*paid to the medical school by the hospital no later than the date on which the cost report covering the*

¹⁴ The District Court for the Southern District of Ohio and the United States Court for the Sixth Circuit, as well as the Provider Reimbursement Review Board, have acknowledged the related party relationship between OSUH and components of The Ohio State University, including the College of Medicine and the Arthur G. James Cancer Hospital. See *Ohio State University v. Sullivan*, 777 F. Supp. 582, 585 (S.D. Ohio 1991), *aff'd*, 996 F.2d 122 (6th Cir. 1993), *vacating on other grounds*, 512 U.S. 1231 (1994); *In re Arthur G. James Cancer Hospital v. BlueCross/Blue Shield Ass'n/Administar Federal – Ohio*, Administrator Review of PRRB Dec. No. 2005-D39 (July 11, 2005).

¹⁵ See 42 C.F.R. § 413.17; see also PRM-I, Ch. 10 § 1000.

¹⁶ (Emphasis added.); see PRM-I § 2148.2(A) (stating same).

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period in which the services were rendered is due.”¹⁷ According to this rule, proof of payment is required when parties are not related.

But, in contrast to arrangements between non-related parties, CMS does *not* require hospitals to prove, or intermediaries to establish proof of, a physical transfer of funds in payment from a hospital to a *related* medical or dental school for GME costs in order for the costs to be allowable to the hospital.

The OIG’s proposed findings suggest that OSUH must demonstrate that it has transferred funds to the COD in order for the GME costs claimed to be considered allowable costs. By requiring proof of payment from OSUH to the COD as a precondition for allowability, it is as if the OIG is applying the non-related party rule to a related party. As detailed above, such an application is in material conflict with Medicare regulations. As a party related to the COD, OSUH is entitled to claim the dental GME costs and receive reimbursement from Medicare based on those costs irrespective of whether OSUH physically transferred funds in the amount of the costs to the COD.¹⁸ Thus, the OIG’s proposed finding should be modified in light of the rules governing related parties.

*** *** ***

We acknowledge that some of the information described above may not have been provided or clearly conveyed by OSU and, as a result, the OIG may not have fully appreciated all of the circumstances. Thus, we respectfully request that

¹⁷ PRM-I § 2148.2(A) (emphasis added).

¹⁸ This position is supported by the fact that OSUH’s fiscal intermediary—which conducted an on-site audit of the costs years at issue and specifically reviewed GME costs—did not make any adjustments reducing FTE counts like those proposed by the OIG.

Additionally, as previously discussed, in the University teaching hospital setting, funds are often transferred based on the University’s overall budget or other considerations. This type of accounting is consistent with the notion that funds received by one related party essentially get put into one large pot and may be shared by all components of the University as related parties. Thus, mandating the transfer of funds from one related party to another is a requirement that is not only inconsistent with business practice, but also imposes a transaction, and probably later adjustments, that are unnecessary when parties are commonly owned and controlled.


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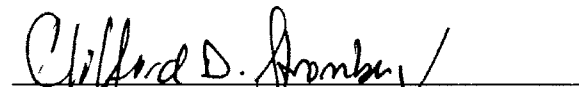
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the OIG reconsider its draft audit findings and recommendations in light of the clarifications presented in this letter. We would gladly answer any questions and provide any follow-up documentation necessary for you to conclude your audit and issue a revised and favorable audit report in this matter. We appreciate your attention to this matter, and look forward to reaching a mutual understanding of OSUH's GME program costs in FYs 2000-2002.

In the interim, should you have any questions, please feel free to contact us at (202) 637-2898 (Sheree Kanner) or (202) 637-5699 (Clifford Stromberg).

Respectfully submitted,


Sheree R. Kanner /tw


Clifford D. Stromberg /tw

Enclosures

cc: Pete E. Geier
John Stone
Kathryn Haller

ATTACHMENT 1

(OSUH Response of Jan. 24, 2006 to OIG Draft Report A-04-04-06009)

Appendix A to OSUH / COD Allocation and Affiliation Agreements

Ohio State University Hospitals
Dental Residency Program
Recap Change to Hospital & Dentistry

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Five Years
2001 to
2005

Hospital:

DGME on Medical Rotations - Now Transferred to Dentistry	-1,135,729
Administrative Fee	1,533,080
Support of Dentistry Residency Program - Transfer Ended	<u>2,250,001</u>
Total Hospital Change	<u><u>2,647,352</u></u>

Dentistry:

Support of Dentistry Residency Program - Transfer Ended	-2,250,001
All DGME Medicare Reimbursement	4,042,401
All IME Not Related to Existing Medical Rotations	8,277,562
Cover Loss on Hospital Cost Reimbursed Programs	-500,000
Administrative Fee	<u>-1,533,080</u>
Total Dentistry Change	<u><u>8,036,883</u></u>

Total Hospital & Dentistry Change	10,684,234
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APPENDIX B
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Ohio State University Hospitals
Dental Residency Program
Summary of Impact of Adding All Dental Residents to the Medicare Cost Report

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Fiscal Year End	6/30/2001	6/30/2002	6/30/2003	6/30/2004	6/30/2005	Total '01 Thru '05
BEFORE Additional Dental Residents:						
Total Dental DGME Residents	11.94	11.94	11.94	11.94	11.94	
Total Dental IME Residents	11.48	11.48	11.48	11.48	11.48	
Hospital Flow In:						
DGME Medicare Reimbursement	199,762	233,992	233,992	233,992	233,992	1,135,729
IME Medicare Reimbursement	581,988	684,870	598,996	572,492	572,492	3,010,838
Total Medicare Reimbursement	781,750	918,862	832,988	806,484	806,484	4,146,567
Loss on Hospital Cost Reimbursed Programs	0	0	0	0	0	0
Administrative Fee	0	0	0	0	0	0
Total Hospital Flow In	781,750	918,862	832,988	806,484	806,484	4,146,567
Hospital Flow Out:						
DGME Transfer	0	0	0	0	0	0
IME Transfer	0	0	0	0	0	0
Cover Loss on Hospital Cost Reimbursed Programs	0	0	0	0	0	0
Support of Dentistry Residency Program	429,705	455,074	455,074	455,074	455,074	2,250,001
Total Hospital Flow Out	429,705	455,074	455,074	455,074	455,074	2,250,001
Net Hospital Flow In/(Out)	352,046	463,788	377,914	351,410	351,410	1,896,566
Dentistry Flow In:						
DGME Transfer	0	0	0	0	0	0
IME Transfer	0	0	0	0	0	0
Cover Loss on Hospital Cost Reimbursed Programs	0	0	0	0	0	0
Support of Dentistry Residency Program	429,705	455,074	455,074	455,074	455,074	2,250,001
Total Dentistry Flow In	429,705	455,074	455,074	455,074	455,074	2,250,001
Administrative Fee	0	0	0	0	0	0
Net Dentistry Flow In/(Out)	429,705	455,074	455,074	455,074	455,074	2,250,001

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Ohio State University Hospitals
Dental Residency Program
Summary of Impact of Adding All Dental Residents to the Medicare Cost Report

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Fiscal Year End	6/30/2001	6/30/2002	6/30/2003	6/30/2004	6/30/2005	Total '01 Thru '05
CHANGE Resulting From Additional Dental Residents:						
Total Dental DGME Residents	37.08	37.08	37.08	37.08	37.08	
Total Dental IME Residents	40.04	40.04	40.04	40.04	40.04	
Hospital Flow In:						
DGME Medicare Reimbursement	242,223	484,445	726,668	726,668	726,668	2,906,672
IME Medicare Reimbursement	770,017	1,565,008	2,041,054	1,950,742	1,950,742	8,277,562
Total Medicare Reimbursement	1,012,240	2,049,454	2,767,722	2,677,410	2,677,410	11,184,234
Loss on Hospital Cost Reimbursed Programs	-100,000	-100,000	-100,000	-100,000	-100,000	-500,000
Administrative Fee	179,399	296,832	360,071	348,389	348,389	1,533,080
Total Hospital Flow In	1,091,639	2,246,285	3,027,793	2,925,799	2,925,799	12,217,315
Hospital Flow Out:						
DGME Transfer	441,985	718,437	960,660	960,660	960,660	4,042,401
IME Transfer	770,017	1,565,008	2,041,054	1,950,742	1,950,742	8,277,562
Cover Loss on Hospital Cost Reimbursed Programs	-100,000	-100,000	-100,000	-100,000	-100,000	-500,000
Support of Dentistry Residency Program	-429,705	-455,074	-455,074	-455,074	-455,074	-2,250,001
Total Hospital Flow Out	682,297	1,728,372	2,446,640	2,356,327	2,356,327	9,569,963
Net Hospital Flow In/(Out)	409,342	517,914	581,153	569,472	569,472	2,647,352
Dentistry Flow In:						
DGME Transfer	441,985	718,437	960,660	960,660	960,660	4,042,401
IME Transfer	770,017	1,565,008	2,041,054	1,950,742	1,950,742	8,277,562
Cover Loss on Hospital Cost Reimbursed Programs	-100,000	-100,000	-100,000	-100,000	-100,000	-500,000
Support of Dentistry Residency Program	-429,705	-455,074	-455,074	-455,074	-455,074	-2,250,001
Total Dentistry Flow In	682,297	1,728,372	2,446,640	2,356,327	2,356,327	9,569,963
Administrative Fee	179,399	296,832	360,071	348,389	348,389	1,533,080
Net Dentistry Flow In/(Out)	502,898	1,431,540	2,086,569	2,007,938	2,007,938	8,036,883

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Ohio State University Hospitals
Dental Residency Program
Summary of Impact of Adding All Dental Residents to the Medicare Cost Report

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Fiscal Year End	6/30/2001	6/30/2002	6/30/2003	6/30/2004	6/30/2005	Total '01 Thru '05
AFTER Additional Dental Residents:						
Total Dental DGME Residents	49.02	49.02	49.02	49.02	49.02	
Total Dental IME Residents	51.52	51.52	51.52	51.52	51.52	
Hospital Flow In:						
DGME Medicare Reimbursement	441,985	718,437	960,660	960,660	960,660	4,042,401
IME Medicare Reimbursement	1,352,006	2,249,878	2,640,050	2,523,233	2,523,233	11,288,400
Total Medicare Reimbursement	1,793,990	2,968,315	3,600,709	3,483,893	3,483,893	15,330,801
Loss on Hospital Cost Reimbursed Programs	-100,000	-100,000	-100,000	-100,000	-100,000	-500,000
Administrative Fee	179,399	296,832	360,071	348,389	348,389	1,533,080
Total Hospital Flow In	1,873,389	3,165,147	3,860,780	3,732,282	3,732,282	16,363,881
Hospital Flow Out:						
DGME Transfer	441,985	718,437	960,660	960,660	960,660	4,042,401
IME Transfer	770,017	1,565,008	2,041,054	1,950,742	1,950,742	8,277,562
Cover Loss on Hospital Cost Reimbursed Programs	-100,000	-100,000	-100,000	-100,000	-100,000	-500,000
Support of Dentistry Residency Program	0	0	0	0	0	0
Total Hospital Flow Out	1,112,002	2,183,446	2,901,714	2,811,401	2,811,401	11,819,964
Net Hospital Flow In/(Out)	761,387	981,701	959,067	920,881	920,881	4,543,918
Dentistry Flow In:						
DGME Transfer	441,985	718,437	960,660	960,660	960,660	4,042,401
IME Transfer	770,017	1,565,008	2,041,054	1,950,742	1,950,742	8,277,562
Cover Loss on Hospital Cost Reimbursed Programs	-100,000	-100,000	-100,000	-100,000	-100,000	-500,000
Support of Dentistry Residency Program	0	0	0	0	0	0
Total Dentistry Flow In	1,112,002	2,183,446	2,901,714	2,811,401	2,811,401	11,819,964
Administrative Fee	179,399	296,832	360,071	348,389	348,389	1,533,080
Net Dentistry Flow In/(Out)	932,603	1,886,614	2,541,643	2,463,012	2,463,012	10,286,883

Ohio State University Hospitals
Dental Residency Program
BEFORE

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Fiscal Year End	6/30/1998	6/30/1999	6/30/2000	6/30/2001	6/30/2002	6/30/2003	6/30/2004	6/30/2005
Available Beds (E Part A 3)	426	432	438	438	438	438	438	438
Additional Dental Count				0	0	0	0	0
Resident FTE's:								
GME Medical (E-3 Part IV 3.07 + 3.08)	319.15	232.50	266.30	266.30	266.30	266.30	266.30	266.30
GME Dental (E-3 Part IV 3.11)		6.70	11.94	11.94	11.94	11.94	11.94	11.94
IME Medical (E Part A 3.08)	319.42	240.47	270.55	270.55	270.55	270.55	270.55	270.55
IME Dental (E Part A 3.13)		6.70	11.48	11.48	11.48	11.48	11.48	11.48
GME:								
Resident - Total	319.15	239.20	278.24	278.24	278.24	278.24	278.24	278.24
Resident - 3 Year Average			278.86	265.23	278.24	278.24	278.24	278.24
Resident/Bed Ratio - Year			0.635251	0.635251	0.635251	0.635251	0.635251	0.64
Resident/Bed Ratio - 3 Year Average			0.636667	0.605548	0.635251	0.635251	0.635251	0.64
GME Reim Per Resident (E-3 Part IV):								
GME for Non-Managed Care (6.01)			5,462,418					
GME for Managed Care (6.05)			1,499					
GME for Managed Care (6.08)			987					
Total GME Reimbursement			5,464,904					
GME Reim Per Resident (3.15)			19,597					
GME Reimbursement at 2000 Rate Per				5,197,793	5,452,754	5,452,754	5,452,754	5,452,754
Dental Resident - 3 Year Average				10.19	11.94	11.94	11.94	11.94
Dental Resident GME Reimbursement				199,762	233,992	233,992	233,992	233,992
IME:								
Resident - Total	319.42	247.17	282.03	282.03	282.03	282.03	282.03	282.03
Resident - 3 Year Average		283.3	282.87	270.41	282.03	282.03	282.03	282.03
Resident/Bed Ratio - Year	0.749812	0.572153	0.643904	0.643904	0.643904	0.643904	0.643904	0.643904
Resident/Bed Ratio - 3 Year Average	0.645822	0.655787	0.645822	0.617374	0.643904	0.643904	0.643904	0.643904
Lower of 3 Yr Average v Prior Year		0.655787	0.572153	0.617374	0.643904	0.643904	0.643904	0.643904
Services on or after:								
Federal Fiscal Year Beginning:			07/00-09/00	10/01-03/01	04/01-09/01	10/01-09/02	10/02-09/03	10/03-09/04
IME Factor after BIPA			1.6000	1.5400	1.6600	1.6000	1.3500	1.3500
Factor at Weighted Average			1.6000	1.5850	1.6150	1.4125	1.3500	1.3500
Ratio + 1		1.65579	1.57215	1.61737	1.64390	1.64390	1.64390	1.64390
IME Factor			0.32177	0.34074	0.36016	0.31500	0.30106	0.30106
2000 Federal Payments (E Part A 1+1.01+1.02)			46,715,898	46,715,898	46,715,898	46,715,898	46,715,898	46,715,898
IME Payments			15,031,557	15,917,954	16,825,244	14,715,578	14,064,446	14,064,446
IME Payments Per 3 Year Avg Resident			53,139	58,866	59,658	52,177	49,869	49,869
Dental Resident - 3 Year Average				9.89	11.48	11.48	11.48	11.48
Dental Resident IME Reimbursement				581,988	684,870	598,996	572,492	572,492

Ohio State University Hospitals
Dental Residency Program
AFTER

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Fiscal Year End	6/30/1998	6/30/1999	6/30/2000	6/30/2001	6/30/2002	6/30/2003	6/30/2004	6/30/2005
Available Beds (E Part A 3)	426	432	438	438	438	438	438	438
Additional GME Dental Count				37.08	37.08	37.08	37.08	37.08
Additional IME Dental Count				40.04	40.04	40.04	40.04	40.04
Resident FTE's:								
GME Medical (E-3 Part IV 3.07 + 3.08)	319.15	232.50	266.30	266.30	266.30	266.30	266.30	266.30
GME Dental (E-3 Part IV 3.11)		6.70	11.94	49.02	49.02	49.02	49.02	49.02
IME Medical (E Part A 3.08)	319.42	240.47	270.55	270.55	270.55	270.55	270.55	270.55
IME Dental (E Part A 3.13)		6.70	11.48	51.52	51.52	51.52	51.52	51.52
GME:								
Resident - Total	319.15	239.20	278.24	315.32	315.32	315.32	315.32	315.32
Resident - 3 Year Average			278.86	277.59	302.96	315.32	315.32	315.32
Resident/Bed Ratio - Year			0.635251	0.719909	0.719909	0.719909	0.719909	0.72
Resident/Bed Ratio - 3 Year Average			0.636667	0.633767	0.691689	0.719909	0.719909	0.72
GME Reim Per Resident (E-3 Part IV):								
GME for Non-Managed Care (6.01)			5,462,418					
GME for Managed Care (6.05)			1,499					
GME for Managed Care (6.08)			987					
Total GME Reimbursement			5,464,904					
GME Reim Per Resident (3.15)			19,597					
GME Reimbursement at 2000 Rate Per				5,440,015	5,937,199	6,179,422	6,179,422	6,179,422
Dental Resident - 3 Year Average				22.55	36.66	49.02	49.02	49.02
Dental Resident GME Reimbursement				441,985	718,437	960,660	960,660	960,660
IME:								
Resident - Total	319.42	247.17	282.03	322.07	322.07	322.07	322.07	322.07
Resident - 3 Year Average		283.30	282.87	283.76	308.72	322.07	322.07	322.07
Resident/Bed Ratio - Year	0.749812	0.572153	0.643904	0.735320	0.735320	0.735320	0.735320	0.735320
Resident/Bed Ratio - 3 Year Average	0.645822	0.655787	0.645822	0.647854	0.704840	0.735320	0.735320	0.735320
Lower of 3 Yr Average v Prior Year		0.655787	0.572153	0.643904	0.704840	0.735320	0.735320	0.735320
Services on or after:								
Federal Fiscal Year Beginning:			07/00-09/00	10/01-03/01	04/01-09/01	10/01-09/02	10/02-09/03	10/03-09/04
IME Factor after BIPA			1.6000	1.5400	1.6600	1.6000	1.3500	1.3500
Factor at Weighted Average			1.6000	1.5850	1.6150	1.4125	1.3500	1.3500
Ratio + 1			1.65579	1.57215	1.64390	1.70484	1.73532	1.73532
IME Factor			0.32177	0.35347	0.38949	0.35328	0.33765	0.33765
2000 Federal Payments (E Part A 1+1.01+1.02)			46,715,898	46,715,898	46,715,898	46,715,898	46,715,898	46,715,898
IME Payments			15,031,557	16,512,701	18,195,487	16,503,897	15,773,636	15,773,636
IME Payments Per 3 Year Avg Resident			53,139	58,192	58,938	51,243	48,976	48,976
Dental Resident - 3 Year Average				23.23	38.17	51.52	51.52	51.52
Dental Resident IME Reimbursement				1,352,006	2,249,878	2,640,050	2,523,233	2,523,233

The Ohio State University Hospitals
Dental Residency

Impact on Cost Reimbursement

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Impact of adding 36 residents and \$8,000,000
of dental resident costs on cost reimbursement:

OSUH Medicare	-14,087
James Medicare	-134,451
James Medicaid	<u>10,919</u>
Total Impact	<u><u>-137,619</u></u>

Flow Cost ImpacttoDY0106.xls]Recap Change

The Ohio State University Hospitals
Dental Residency
Cost Report Impact - OSUH Medicare

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	Filed 11/30/2000	Adjust Res Count Ed Cost 08/27/2001	Difference
Acute A	4,886,444	5,670,963	784,519
Acute B	340,814	359,007	18,193
Total Acute	5,227,258	6,029,970	802,712
Psych-Sub 1	-242,213	-245,562	-3,349
Rehab-Sub 2	36,262	30,479	-5,783
Total Hospital	5,021,307	5,814,887	793,580

E-3 Part I	17.00	Psych-Sub 1	2,112,871	2,109,522	-3,349
E-3 Part I	17.00	Rehab-Sub 2	3,812,764	3,806,981	-5,783
E Part A	12.00	Organ Acquis	2,822,953	2,818,646	-4,307
E Part A	14.00	Paramedical-Routine	395,373	395,091	-282
E Part A	15.00	Paramedical-Ancillary	189,301	188,935	-366
E Part B	17.00	OP	7,039,151	7,028,435	-10,716
E Part C	19.00	ASC	1,782,245	1,780,835	-1,410
E Part D	19.00	OP Radiology	1,624,289	1,621,799	-2,490
E Part E	19.00	Other OP Diag	1,815,479	1,813,712	-1,767
E Part A	3.24	IME	16,718,439	17,332,189	613,750
E-3 Part IV	23.01	GME	5,464,904	5,675,204	210,300
			43,777,769	44,571,349	793,580
0					

IP	9,333,262	9,319,175	-14,087
IME	16,718,439	17,332,189	613,750
GME	5,464,904	5,675,204	210,300
Total IP, IME, GME	31,516,605	32,326,568	809,963
OP	12,261,164	12,244,781	-16,383
Total	43,777,769	44,571,349	793,580

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The Ohio State University Hospitals
Dental Residency
Cost Report Impact - James Medicare

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		Adjust Res Count		
		Ed Cost		Difference
		11/30/2000	08/27/2001	
Acute A		72,926	-43,574	-116,500
Acute B		-1,228,140	-1,245,894	-17,754
Total Acute		-1,155,214	-1,289,468	-134,254
Psych-Sub 1				0
Rehab-Sub 2				0
Total Hospital		-1,155,214	-1,289,468	-134,254
E-3 Part I	17.00 Hospital	26,004,815	25,888,315	-116,500
E-3 Part I	17.00			0
E Part A	12.00 Organ Acquis			0
E Part A	14.00 Paramedical-Routine			0
E Part A	15.00 Paramedical-Ancillary			0
E Part B	17.00 OP	6,396,149	6,381,937	-14,212
E Part C	19.00 ASC	256,876	256,589	-287
E Part D	19.00 OP Radiology	1,314,388	1,313,067	-1,321
E Part E	19.00 Other OP Diag	281,568	279,437	-2,131
E Part A	3.24 IME			0
E-3 Part IV	23.01 GME	516,774	516,774	0
		<u>34,770,570</u>	<u>34,636,119</u>	<u>-134,451</u>
				0
IP		26,004,815	25,888,315	-116,500
IME		0	0	0
GME		516,774	516,774	0
Total IP, IME, GME		<u>26,521,589</u>	<u>26,405,089</u>	<u>-116,500</u>
OP		8,248,981	8,231,030	-17,951
Total		<u>34,770,570</u>	<u>34,636,119</u>	<u>-134,451</u>

Cost ImpacttoDY0106.xlsjRecap Change

The Ohio State University Hospitals
Dental Residency
Cost Report Impact - James Medicaid

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Costs Allocated from OSUH on A-8-1:

	Filed 11/30/2000	Adjust Res Count Ed Cost 08/27/2001	Difference
I & R	1,629,841	2,003,625	373,784
All Other	62,262,180	61,988,650	-273,530
Total Allocation	<u>63,892,021</u>	<u>63,992,275</u>	100,254
Medicaid % (Sched E/F line 31)			<u>0.108913</u>
Change in Medicaid Reimbursement			<u>10,919</u>

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ATTACHMENT 2

(OSUH Response of Jan. 24, 2006 to OIG Draft Report A-04-04-06009)

Report of funds transferred by OSUH to COD account

The Ohio State University Health System
 Dental Residency Program
 Funds Flow Reconciliation
Funds Transferred

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Amount	Date	Description	
7,545,716		Total to Date Agrees to File Sent to Legal	
330,288	04/05/00	FY01 Support	*1 Amounts transferred pre Dental Agreement
349,788	05/15/01	FY02 Support	*1 Amounts transferred pre Dental Agreement
307,063	10/22/02	Through 10/31/02	
38,968	01/16/03	For 11/02	
363,291	07/15/03	Received through 05/26/03	
3,136,284	02/25/04	Received through 01/31/04	
1,069,382	06/30/04	Received through 06/30/04	
663,276	09/27/04	Received through 09/30/04	
221,092	11/08/04	Received through 10/31/04	
221,092	12/07/04	Received through 11/30/04	
845,192	05/06/05	Received through 03/31/2005	

APPENDIX B

Reference Class	Src	User Def	Research F	Amount	Order No.	Order Amo	Invoice ID	INV Date
JRNL	XFR			(307,083.00)				
JRNL	XFR			(38,968.00)				
JRNL	XFR			(363,291.00)				
JRNL	XFR			(3,136,284.00)				
JRNL	XFR			(1,069,382.00)				
JRNL	XFR			(663,276.00)				
JRNL	XFR			(221,092.00)				
JRNL	XFR			(221,092.00)				
JRNL	XFR			(846,192.00)				

(6,865,640.00)

APPENDIX B

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Description	Journal ID	Jrnl Ln	Journal Line Description	Posted Date
Hospital Exp Transfer-Other	F000294368	1	College of Dentistry residents	11/8/2002
Hospital Exp Transfer-Other	F000321872	1	GME Oct'02 transfer	1/28/2003
Hospital Exp Transfer-Other	F000398462	2	GME June transfer	7/17/2003
Hospital Exp Transfer-Other	F000488782	2	GME Dentistry thru 1/31/04	2/27/2004
Hospital Exp Transfer-Other	F000547809	2		7/6/2004
Hospital Expense Transfer	F000842990	2	Dental Resid Program 09/30/20	10/7/2004
Hospital Expense Transfer	F000884862	2	Col of Dentistry Oct04 -21400	1/5/2005
Hospital Expense Transfer	F000884967	2	Col of Dentistry Nov04 -21400	1/5/2005
Hospital Expense Transfer	F000962761	2	DentistryTrnfr Dec04thru Mar05	5/9/2005

Type	FY	Per	Unit	Org	Fund	Project Program Account
JRNL	2003		4 UNIV	21000	500168	67993
JRNL	2003		7 UNIV	21000	500168	67993
JRNL	2003		12 UNIV	21000	500168	67993
JRNL	2004		8 UNIV	21000	500168	67993
JRNL	2004		12 UNIV	21000	500168	67993
JRNL	2005		3 UNIV	21000	500168	67992
JRNL	2005		6 UNIV	21000	500168	67992
JRNL	2005		6 UNIV	21000	500168	67992
JRNL	2005		11 UNIV	21000	500168	67992

ATTACHMENT 3

(OSUH Response of Jan. 24, 2006 to OIG Draft Report A-04-04-06009)

OSUH Dental Residency Program Funds Flow Reconciliation Summary Through 06/30/2005

	B	C	D	E	F	G	H	Summary of Cash Transfers to the College of Dentistry Applied to each Fiscal Year										Total FY				
Estimate Due COD at Final Settle	Cash Received by Hospital to Date	Administrative Fee & James Impact as % of GME & Incremental IME Received	Administrative Fee & James Impact as % of GME & Incremental IME Received	Administrative Fee & James Impact as % of GME & Incremental IME Received	Transferred to COD to Date	Cash Liability Received Less Prorated Fee Less Trans to Date	Book Liability Est due COD Less Trans to Date	A	B	C	D	E	F	G	H	I	J	K	Cash Transferred Totals	GL Book Liability	Total Dermal Expense	
	11,913,387	1,993,427	0	2,374,243	2,374,243	2,374,244	2,374,244	330,288	349,788	307,063	38,968	363,291	3,138,284	1,069,382	663,276	221,092	221,092	845,192	7,545,716	2,374,244	9,919,960	
Total	9,919,959	11,913,387	0	2,374,243	2,374,243	2,374,244	2,374,244	330,288	349,788	307,063	38,968	363,291	3,138,284	1,069,382	663,276	221,092	221,092	845,192	7,545,716	2,374,244	9,919,960	
FY:																						
2001	725,574	876,919	25,344	(1) FY 2001	725,575	725,575	725,575	330,288	0	33,290	0	(60,826)	422,823	0	0	0	0	0	725,575	0	725,575	
2002	2,252,554	2,687,980	435,453	FY 2002	2,252,527	2,252,527	2,252,527	0	349,788	130,371	0	(408)	7,750	0	0	0	0	0	467,501	1,785,028	2,252,527	
2003	2,195,718	2,317,330	371,005	FY 2003	1,946,325	249,983	249,983	0	0	143,402	38,968	424,525	1,351,017	0	0	0	0	0	1,957,912	(11,567)	1,946,325	
2004	2,219,184	2,848,838	458,948	FY 2004	2,389,890	(170,706)	(170,706)	0	0	0	0	0	1,354,684	1,069,382	0	0	0	0	2,424,076	(34,188)	2,389,890	
2005	2,528,928	3,080,320	474,877	FY 2005	2,805,943	(78,715)	(78,715)	0	0	0	0	0	0	0	0	0	0	0	1,950,652	654,951	2,605,643	
																			7,545,716	2,374,244	9,919,960	

*1 Transfer from the College of Medicine to College of Dentistry
 *2 Transfer from The Ohio State University Hospital to the College of Dentistry

Potential Updates on Received:
 Appeals on FY01 may adjust Med Ed somewhat.
 Re-calculate dental impact on James and OSU cost reimbursement using final FY01. Apply to model in future years.
 Audit on FY02 will be completed by 09/30/04.
 Audit on FY03 will be completed by 09/30/05.

B From Med Ed model "Due to COD" tab
 C See COD binder "Received" section by year
 D From Med Ed model "Due to COD" tab
 F See tab on this worksheet