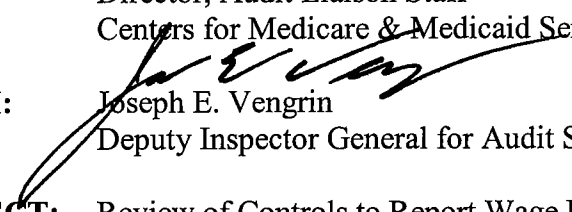




APR 20 2006

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

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

SUBJECT: Review of Controls to Report Wage Data at Citrus Memorial Hospital for the Period of October 1, 2002, Through September 30, 2003 (A-04-05-02003)

Attached is an advance copy of our final report on Citrus Memorial Hospital's (the hospital's) reported fiscal year (FY) 2003 wage data. We will issue this report to the hospital within 5 business days. This review is one in a series of reviews determining the accuracy of the wage data reported by inpatient prospective payment system (IPPS) hospitals that will be used by the Centers for Medicare & Medicaid Services (CMS) for developing the FY 2007 wage indexes.

Under the acute care hospital IPPS, Medicare payments for hospitals are made at predetermined, diagnosis-related rates for each hospital discharge. The payment system base rate is composed of a standardized amount that includes a labor-related share. CMS adjusts the labor-related share by the wage index applicable to the area in which the hospital is located.

The objective of our review was to determine whether the hospital complied with Medicare requirements for reporting wage data in its FY 2003 Medicare cost report.

The hospital did not fully comply with Medicare regulations for the reporting of wage data in its FY 2003 Medicare cost report. Specifically, the hospital reported the following inaccurate data, which affected the numerator and denominator of the wage rate calculation:

- overstated wage-related benefit costs, which overstated wage data by \$1,421,709;
- understated excluded area salaries and related benefits, which overstated wage data by \$1,014,877 and 85,957 hours; and
- understated total hours, which understated wage data by \$70,857 and 28,060 hours.

These errors occurred because the hospital did not sufficiently review and reconcile wage data to ensure that all amounts reported were accurate, supportable, and in compliance with Medicare regulations and guidance. As a result, the hospital overstated its wage data by \$2,365,729 and 57,897 hours for the FY 2003 Medicare cost report period. Our correction of the hospital's errors reduced the average hourly wage rate approximately 3 percent, from \$24.62 to \$24.00. If the hospital does not revise the wage data in its cost report, the applicable FY 2007 core-based statistical area will be inflated, which will result in overpayments to this hospital and to other hospitals that use this wage index.

We recommend that the hospital:

- submit a revised FY 2003 Medicare cost report to the fiscal intermediary to correct the overstated wage data totaling \$2,365,729 and 57,897 hours and
- implement review and reconciliation procedures to ensure that the wage data reported on future Medicare cost reports are accurate, supportable, and in compliance with Medicare requirements.

In written comments on the draft report, the hospital agreed with our findings and recommendations.

If you have any questions or comments about this report, please do not hesitate to 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-04-05-02003.

Attachment



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

APR 21 2006

Report Number: A-04-05-02003

Mr. Emery Hensley
Chief Financial Officer
Citrus Memorial Hospital
502 W. Highland Boulevard
Inverness, Florida 34452-4754

Dear Mr. Hensley:

Enclosed are two copies of the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG) final report entitled "Review of Controls to Report Wage Data at Citrus Memorial Hospital for the Period of October 1, 2002, Through September 30, 2003." 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-04-05-02003 in all correspondence.

Sincerely,

A handwritten signature in black ink, appearing to read "Lori S. Pilcher", with a long horizontal flourish extending to the right.

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

Enclosures

Page 2 - Mr. Emery Hensley

HHS Action Official:

Mr. Roger Perez
Acting Regional Administrator
Centers for Medicare & Medicaid Services, Region IV
Department of Health and Human Services
61 Forsyth Street S.W., Suite 4T20
Atlanta, Georgia 30303

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF CONTROLS TO
REPORT WAGE DATA AT CITRUS
MEMORIAL HOSPITAL FOR THE
PERIOD OCTOBER 1, 2002,
THROUGH SEPTEMBER 30, 2003**



Daniel R. Levinson
Inspector General

April 2006
A-04-05-02003

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

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THIS REPORT IS AVAILABLE TO THE PUBLIC
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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

Under the inpatient prospective payment system for acute care hospitals, Medicare Part A pays hospital inpatient costs at predetermined, diagnosis-related rates for patient discharges. The Centers for Medicare & Medicaid Services (CMS) adjusts hospital payments by the wage index applicable to the area where the hospital is located.

CMS calculates a wage index for each core-based statistical area (CBSA) and one statewide rural wage index per State for areas that lie outside CBSAs. CMS will base the fiscal year (FY) 2007 wage indexes on wage data collected from the Medicare cost reports submitted by hospitals for their FYs that began during Federal FY 2003. Hospitals must accurately report wage data for CMS to determine the equitable distribution of payments and ensure the appropriate level of funding to cover their costs of furnishing services.

Citrus Memorial Hospital (the hospital) reported wage data of \$36.9 million and 1.5 million hours on its FY 2003 Medicare cost report, which resulted in an average hourly wage rate of \$24.62. The \$24.62 average hourly wage rate is the quotient of \$36.9 million (numerator) divided by 1.5 million hours (denominator). Arriving at the final numerator and denominator in this rate computation involves a series of calculations. Therefore, inaccuracies in either the dollar amounts or hours reported may have varying effects on the final rate computation.

As of FY 2005, the Florida statewide rural wage index applied to the hospital and 22 other hospitals. Two urban CBSAs encompassing seven additional hospitals also used this wage index.

OBJECTIVE

The objective of our review was to determine whether the hospital complied with Medicare requirements for reporting wage data in its FY 2003 Medicare cost report.

SUMMARY OF FINDINGS

The hospital did not fully comply with Medicare requirements for reporting wage data in its FY 2003 Medicare cost report. Specifically, the hospital reported the following inaccurate data, which affected the numerator and denominator of the wage rate calculation:

- overstated wage-related benefit costs, which overstated wage data by \$1,421,709;
- understated excluded area salaries and related benefits, which overstated wage data by \$1,014,877 and 85,957 hours; and
- understated total hours, which understated wage data by \$70,857 and 28,060 hours.

These errors occurred because the hospital did not sufficiently review and reconcile wage data to ensure that all amounts reported were accurate, supportable, and in compliance with Medicare regulations and guidance. As a result, the hospital overstated its wage data by \$2,365,729 (numerator) and 57,897 hours (denominator) for the FY 2003 Medicare cost report period. Our correction of the hospital's errors reduced the average hourly wage rate approximately 3 percent, from \$24.62 to \$24.00. If the hospital does not revise the wage data in its cost report, the applicable FY 2007 CBSA will be inflated, which will result in overpayments to this hospital and to other hospitals that use this wage index.¹

RECOMMENDATIONS

We recommend that the hospital:

- submit a revised FY 2003 Medicare cost report to the fiscal intermediary to correct the overstated wage data totaling \$2,365,729 and 57,897 hours and
- implement review and reconciliation procedures to ensure that the wage data reported on future Medicare cost reports are accurate, supportable, and in compliance with Medicare requirements.

HOSPITAL'S COMMENTS

In written comments on the draft report, the hospital agreed with our findings and recommendations.

The complete text of the hospital's comments is included as Appendix B.

¹The extent of overpayments cannot be determined until CMS finalizes its FY 2007 wage indexes.

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INTRODUCTION

BACKGROUND

Medicare Inpatient Prospective Payment System

Under the inpatient prospective payment system for acute care hospitals, Medicare Part A pays hospital inpatient costs at predetermined, diagnosis-related rates for patient discharges. Medicare Part B, on the other hand, pays for medical costs such as physicians' services rendered to patients, clinical laboratory services, and outpatient hospital services.

In fiscal year (FY) 2005, according to the Centers for Medicare & Medicaid Services (CMS), Medicare Part A expects to pay 3,900 acute care hospitals about \$105 billion, an increase of about \$5 billion over FY 2004.

Wage Index

The geographic designation of hospitals influences their Medicare payments. Under the hospital inpatient prospective payment system, CMS adjusts payments through a wage index to reflect labor cost variations among localities. CMS uses the Office of Management and Budget (OMB) metropolitan area designations to identify labor markets and to calculate and assign wage indexes to hospitals. In 2003, OMB revised its metropolitan statistical area definitions and announced new core-based statistical areas (CBSAs). CMS calculates a wage index for each CBSA and one statewide rural wage index per State for areas that lie outside CBSAs. The wage index for each CBSA and the statewide rural area is based on the average hourly wage rate of the hospitals in those areas divided by the national average hourly wage rate. All hospitals within a CBSA or within a statewide rural area receive the same labor payment adjustment.

To calculate wage indexes, CMS uses hospital wage data (which include wages, salaries, and related hours) collected 4 years earlier to allow time for the cost report settlement process and CMS's data review. Accordingly, wage data collected from the Medicare cost reports submitted by hospitals for their FYs that began during Federal FY 2003 will be used to calculate wage index values for FY 2007. A hospital's wage rate is the quotient of dividing total dollars (numerator) by total hours (denominator). Arriving at the final numerator and denominator in this rate computation involves a series of calculations. Therefore, inaccuracies in either the dollar amounts or hours reported in the methodology may have varying effects on the final rate computation.

Hospitals must accurately report wage data for CMS to determine the equitable distribution of Medicare payments and ensure the appropriate level of funding to cover their costs of furnishing services. Section 1886(d)(3)(E) of the Social Security Act (the Act) requires that CMS update the wage indexes annually in a manner that ensures that aggregate payments to hospitals are not affected by changes in the indexes. Furthermore, section 4410 of Public Law 105-33 enacted 42 U.S.C § 1395ww (note), which provides that for discharges on or after October 1, 1997, the area wage index applicable to any hospital located in an urban area of a State may not be less than the area wage index applicable to hospitals located in rural areas of that State.

Citrus Memorial Hospital

Citrus Memorial Hospital (the hospital) is a 171-bed, not-for-profit community hospital located in Inverness, Florida. As of FY 2005, the Florida statewide rural wage index applied to the hospital and 22 other hospitals. Because the calculated wage indexes for two Florida urban CBSAs were below the statewide rural wage index, the seven hospitals in these CBSAs also used the statewide rural wage index pursuant to 42 U.S.C. § 1395 ww (note).

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of our review was to determine whether the hospital complied with Medicare requirements for reporting wage data in its FY 2003 Medicare cost report.

Scope

Our review covered the \$36.9 million and 1.5 million hours that the hospital reported to CMS on Worksheet S-3, part II, of its FY 2003 (October 1, 2002, through September 30, 2003) Medicare cost report, which resulted in an average hourly rate of \$24.62. We limited our review of the hospital's internal controls to the procedures that the hospital used to accumulate and report wage data for its FY 2003 Medicare cost report.

We conducted our fieldwork from February through June 2005, which included visits to the hospital in Citrus County, Florida.

Methodology

To accomplish our objective, we:

- reviewed applicable Medicare laws, regulations, and guidance;
- obtained an understanding of the hospital's procedures for reporting wage data;
- verified that wage data on the hospital's trial balance reconciled to its audited financial statements;
- reconciled the total reported wages on the hospital's FY 2003 Medicare cost report to its trial balance;
- reconciled the wage data from selected cost centers to detailed support, such as payroll registers or accounts payable invoices;
- selected for testing wage data in the FY 2003 Medicare cost report from cost centers that accounted for at least 2 percent of the total hospital wages;

- tested a sample of transactions from these cost centers and verified wage data to payroll records;
- interviewed hospital staff regarding the nature of services that employees and contracted labor provided to the hospital;
- reviewed the reasonableness of the hospital's methodology for wage data allocations; and
- determined the effect of the reporting errors by recalculating the hospital's average hourly wage rate using the CMS methodology for calculating the wage index, which includes an hourly overhead factor, in accordance with instructions published in the Federal Register (see Appendix A).

We conducted our review in accordance with generally accepted government auditing standards.

FINDINGS AND RECOMMENDATIONS

The hospital did not fully comply with Medicare requirements for reporting wage data in its FY 2003 Medicare cost report. Specifically, the hospital reported the following inaccurate data, which affected the numerator and denominator of the wage rate calculation:

- overstated wage-related benefit costs, which overstated wage data by \$1,421,709;
- understated excluded salaries and related benefits, which overstated wage data by \$1,014,877 and 85,957 hours; and
- understated total hours, which understated wage data by \$70,857 and 28,060 hours.

These errors occurred because the hospital did not sufficiently review and reconcile wage data to ensure that all amounts reported were accurate, supportable, and in compliance with Medicare requirements. As a result, the hospital overstated its wage data by \$2,365,729 (numerator) and 57,897 hours (denominator) for the FY 2003 Medicare cost report period. Our correction of the hospital's errors reduced the average hourly wage rate approximately 3 percent, from \$24.62 to \$24.00. If the hospital does not revise the wage data in its cost report, the applicable FY 2007 CBSA will be inflated, which will result in overpayments to this hospital and to other hospitals that use this wage index.¹

¹The extent of overpayments cannot be determined until CMS finalizes its FY 2007 wage indexes

ERRORS IN REPORTED WAGE DATA

The errors in reported wage data are discussed in detail below, and the cumulative effect of the findings is presented in Appendix A.

Overstated Wage-Related Benefit Costs

The “Provider Reimbursement Manual” (the Manual), part II, section 3605.2, requires that fringe benefits applicable to the excluded areas be reported on line 15 of Worksheet S-3, part II, as wage-related benefit costs. Section 1861(b) of the Act describes excluded services as costs not covered as Part A inpatient hospital services. Furthermore, the Manual, part I, section 2144.4, states that the cost of health and life insurance premiums paid or incurred by the provider is includable in the provider’s cost if the benefits of the policy accrue to the employee or his/her beneficiary.

The hospital reported the entire \$10,172,012 in fringe benefits as wage-related benefit costs on line 8 of Worksheet S-3, part II, rather than allocating \$1,525,802 of this cost for the excluded areas on line 15. By recording this cost on line 8 of Worksheet S-3, part II, the hospital reported services that were not covered as Part A inpatient services. The hospital also overstated its wage-related benefit costs on line 8 of Worksheet S-3, part II, by including \$8,360 of Consolidated Omnibus Budget Reconciliation Act insurance for its ex-employees. The hospital did not pay for this insurance; the ex-employees paid for it. After these unallowable wage-related benefit costs totaling \$1,534,162 were adjusted for overhead costs, the hospital wage data was overstated by \$1,421,709.

Understated Excluded Area Salaries and Related Benefits

The Manual, part II, section 3605.2, states that hospitals should ensure that the data reported on Worksheet S-3, parts II and III, are accurate. In addition, the Manual, part II, section 3605.2, requires hospitals to “[r]eport on line 5.01 the non-physician salaries for patient care services for hospital-based rural health clinics (RHCs) . . .” and on 19.01 the “. . . wage-related costs related to non-physician salaries for patient care services for hospital-based RHCs . . .” in order to exclude this cost for hospital reporting. Section 3605.3 requires hospitals to record the number of paid hours corresponding to the amounts reported as regular time, overtime, paid holidays, vacation and sick leave, paid time off, and severance pay. Finally, the Manual, part I, section 2105.2, provides that the cost of meals for other than hospital personnel is not allowable because it is not related to patient care.

The hospital did not properly account for the non-physician RHC salaries and hours that were to be recorded on lines 5.01 and 19.01 of Worksheet S-3, part II. Instead, the hospital understated the amount that should be reported as RHC salaries by \$44,942 and did not factor in the associated wage related benefit cost of \$203,440. The hospital also did not account for the 51,549 in hours associated with non-physicians at this RHC. By including these RHC hours, the hospital overstated reported hours. The combined RHC errors, after factoring in the overhead adjustment, resulted in the hospital wage data being overstated by \$940,567 and 81,476 in hours.

In addition, the hospital included cafeteria services of \$34,454 in salaries and 3,457 in related hours that were not related to the hospital. The services were to feed elderly participants in the “Meals on Wheels” program and should be considered excluded area salaries. As a result, the hospital’s wage data were overstated by \$74,310 and 4,481 in hours after being adjusted for overhead cost.

In total, the hospital’s inclusion of the excluded salaries and hours resulted in wage data being overstated by \$1,014,877 and 85,957 hours after we factored in overhead costs.

Understated Total Hours

The Manual, part II, section 3605.2, requires hospitals to ensure that the wage data reported on their Medicare cost reports are accurate. Section 3605.2 also requires hospitals to record the number of paid hours corresponding to the amounts reported as regular time, overtime, paid holidays, vacation and sick leave, paid time off (e.g., military leave or jury duty), and severance pay.

The hospital did not include 6,299 hours for three cost centers that reported total salaries of \$63,206. The hospital also did not record 19,179 hours related to sick time, jury duty, and disability time that should have been reported as wage data. In total, the hospital hours were understated by 25,478, which resulted in the wage data being understated by \$70,857 and 28,060 hours.

CAUSES OF WAGE DATA REPORTING ERRORS

The errors in reported wage data occurred because the hospital did not sufficiently review and reconcile wage data to ensure that all amounts reported were accurate, supportable, and in compliance with Medicare requirements.

EFFECT OF OVERSTATED WAGE DATA

As a result of these reporting errors, the hospital overstated its wage data by \$2,365,729 (numerator) and 57,897 hours (denominator) for the FY 2003 Medicare cost report period. Our correction of the hospital’s errors reduced the average hourly wage rate approximately 3 percent, from \$24.62 to \$24.00. If the hospital does not revise the wage data in its cost report, the applicable FY 2007 CBSA will be inflated, which will result in overpayments to this hospital and to other hospitals that use this wage index.

RECOMMENDATIONS

We recommend that the hospital:

- submit a revised FY 2003 Medicare cost report to the fiscal intermediary to correct the remaining overstated wage data totaling \$2,365,729 and 57,897 hours and

- implement review and reconciliation procedures to ensure that the wage data reported on future Medicare cost reports are accurate, supportable, and in compliance with Medicare requirements.

HOSPITAL'S COMMENTS

In written comments on the draft report, the hospital agreed with our findings and recommendations. The hospital stated that it has already implemented procedures to ensure that the wage data reported on future cost reports will be accurate, supportable, and in compliance with Medicare requirements. In addition, the hospital said it would submit a revised FY 2003 Medicare cost report to its fiscal intermediary to correct the wage and hours data. The hospital noted that it makes every effort to ensure that it complies with Medicare regulations and that the correct wage data is reported on its Medicare cost report.

The complete text of the hospital's comments is included as Appendix B.

APPENDIXES

CUMULATIVE EFFECT OF FINDINGS

Components	Reported FY 2003 Wage Data	Overstated Wage-Related Benefit Costs	Understated Hours		Understated Excluded Area Wages		Adjusted FY 2003 Wage Data
			Auditee Adjusted Amount	Hospital Reported Amount	Rural Health Clinic	Non-Hospital Related Cafeteria	
Citrus Memorial Hospital							
<i>Schedule S-3, Part II</i>							
Total Salaries							
line1/col. 3	Total Salaries	\$28,762,273.00					\$28,762,273.00
Excluded Salaries							
line 4.01/col. 3	Teaching Physician						
line5/col. 3	Physician- Part B						
line 5.01/col.3	Non-physician Part B						
line6/col. 3	Interns and Residents						
line6.01/col. 3	Contract Services - Interns and Residents						
line7/col. 3	Home Office Personnel						
line 8/col. 3	Skilled Nursing Facility (SNF)						
line8.01/col. 3	Excluded Area	\$3,380,500.00			\$44,942.00	\$34,454.00	\$3,459,896.00
subtotal (subtract)		\$3,380,500.00	\$0.00	\$0.00	\$44,942.00	\$34,454.00	\$3,459,896.00
Additional Salaries							
line9/col. 3	Contract Labor	\$3,887,843.00					\$3,887,843.00
line 10/col. 3	Contract Labor - Physician Part A						
line 10.01/col. 3	Contract Labor -Teaching Physician						
line11/col. 3	Home Office						
line13/col. 3	Wage-Related Cost (Core)	\$10,172,012.00	(\$1,534,162.02)		(\$203,440.00)	(\$12,136.00)	\$8,422,273.98
line 14/col. 3	Wage-Related Cost (Other)						
line 18/col. 3	Wage-Related Cost - Physician Part A						
subtotal (add)		\$14,059,855.00	(\$1,534,162.02)	\$0.00	(\$203,440.00)	(\$12,136.00)	\$12,310,116.98
	Adjusted Salaries	\$39,441,628.00	(\$1,534,162.02)	\$0.00	(\$248,382.00)	(\$46,590.00)	\$37,612,493.98
Total Paid Hours							
line1/col. 4	Total Hours	1,688,757.00		6,299.00	19,179.00		1,714,235.00
Excluded Hours							
line 4.01/col. 4	Teaching Physician						
line5/col. 4	Physician Part B						
line 5.01/col. 4	Non-physician Part B						
line6/col. 4	Intern and Residents						
line6.01/col. 4	Contract Services - Interns and Residents						
line7/col. 4	Home Office Personnel						
line 8/col. 4	Skilled Nursing Facility (SNF)						
line8.01/col. 4	Excluded Area	189,315.00			51,549.00	3,457.00	244,321.00
subtotal (subtract)		189,315.00	0.00	0.00	51,549.00	3,457.00	244,321.00
Additional Salaries							
line9/col. 4	Contract Labor	110,943.00					110,943.00
line 10/col. 4	Contract Labor - Physician Part A						
line 10.01/col. 4	Contract Labor -Teaching Physician						
line11/col. 4	Home Office						
subtotal (add)		110,943.00	0.00	0.00	0.00	0.00	110,943.00
	Adjusted Hours	1,610,385.00	0.00	6,299.00	19,179.00	(51,549.00)	1,580,857.00

CUMULATIVE EFFECT OF FINDINGS

Components	Reported FY 2003 Wage Data	Overstated Wage-Related Benefit Costs	Understated Hours		Understated Excluded Area Wages		Adjusted FY 2003 Wage Data
			Auditee Adjusted Amount	Hospital Reported Amount	Rural Health Clinic	Non-Hospital Related Cafeteria	
Citrus Memorial Hospital							
<i>Schedule S-3, Part II</i>							
Overhead Allocation							
line13/col. 3	Total Overhead Salaries	\$9,846,117.00				(\$34,454.00)	\$9,811,663.00
line13/col. 4	Total Overhead Hours	620,300.00				(3,457.00)	\$616,843.00
	Total Hours	1,688,757.00		6,299.00	19,179.00		1,714,235.00
	Less:						
	Teaching Physician Hours	0.00					0.00
	Physician Part B Hours	0.00					0.00
	Non-physician Part B	0.00					0.00
	Intern and Residents Hours	0.00					0.00
	Total Overhead Hours	620,300.00				(3,457.00)	616,843.00
	Subtotal -	620,300.00	0.00	0.00	0.00	0.00	616,843.00
	Revised Hours	1,068,457.00	0.00	6,299.00	19,179.00	0.00	1,097,392.00
	Overhead Reduction For Excluded Area Hours						
	SNF Hours	0.00					
	Excluded Area Hours	189,315.00				51,549.00	244,321.00
	Subtotal -	189,315.00	0.00	0.00	0.00	51,549.00	244,321.00
	Excluded Overhead Rate [(SNF+Excluded Area Hours)/Revised Hours]	0.1772	0.00000	0.00100	(0.00310)	0.04820	0.00270
	Excluded Overhead Salaries (Overhead Salaries * Excluded Overhead Rate)	\$1,744,588.35	\$0.00	(\$10,224.80)	(\$30,763.47)	\$475,037.82	\$19,931.84
	Excluded Overhead Hours (Overhead Hours * Excluded Overhead Rate)	109,908.11	0.00	(644.16)	(1,938.08)	29,927.12	1,024.35
	Overhead Rate (Overhead Hours/(Revised Hours + Overhead Hours))	0.4137	0.0000	(0.0017)	(0.0052)	0.01470	(0.0014)
	Wage-Related Cost (Core)	\$10,172,012.00	(\$1,534,162.02)		\$0.00	(\$203,440.00)	(\$12,136.00)
	Wage-Related Cost (Other)	\$0.00	\$0.00				\$0.00
	Wage-Related Cost - Physician Part A	\$0.00	\$0.00				\$0.00
	Total Wage-Related Cost -	\$10,172,012.00	(\$1,534,162.02)			(\$203,440.00)	(\$12,136.00)
	Overhead Wage-Related Cost	\$4,208,031.42	(\$634,663.23)	(\$17,603.55)	(\$53,144.16)	\$62,660.69	(\$18,785.94)
	Excluded Wage-Related Cost	\$745,601.80	(\$112,453.07)	(\$7,470.68)	(\$22,398.01)	\$217,147.27	\$7,788.14
	Adjusted Salaries	\$39,441,628.00	(\$1,534,162.02)	\$0.00	\$0.00	(\$248,382.00)	(\$46,590.00)
	Less: Excluded Overhead Salaries	\$1,744,588.35	\$0.00	(\$10,224.80)	(\$30,763.47)	\$475,037.82	\$19,931.84
	Excluded Wage-Related Cost	\$745,601.80	(\$112,453.07)	(\$7,470.68)	(\$22,398.01)	\$217,147.27	\$7,788.14
	Revised Wages -	\$36,951,437.84	(\$1,421,708.95)	\$17,695.48	\$53,161.48	(\$940,567.09)	(\$74,309.98)
	Multiply By : Inflation Factor	1.00000					1.00000
	Inflated Wages (Adjusted Wages Used In Report) -	\$36,951,437.84	(\$1,421,708.95)	\$17,695.48	\$53,161.48	(\$940,567.09)	(\$74,309.98)
	Revised Hours (Adjusted Hours Used In Report) - [Adjusted Hours - Excluded Overhead Hours]	1,500,476.89	0.00	6,943.16	21,117.08	(81,476.12)	(4,481.35)
	Average Hourly Wage	\$24.62	(\$0.95)	(\$0.12)	(\$0.31)	\$0.74	\$0.02

The hospital unadjusted wage rate is based on the August 12, 2005 Federal Register regulation.

Understated Hours	Understated Excluded Area Wages
Inflated Salaries	\$70,857
Revised Hours	28,060
	Inflated Salaries (\$1,014,877)
	Revised Hours (85,957)

Total Wage Data Revisions:						Totals
Inflated Wages	(\$1,421,708.95)	\$17,695.48	\$53,161.48	(\$940,567.09)	(\$74,309.98)	(\$2,365,729.06)
Revised Hours	0.00	6,943.16	21,117.08	(81,476.12)	(4,481.35)	(57,897.23)



April 4, 2006

Ms. Lori S. Pilcher
Office of Inspector General
Regional Inspector General for Audit Services, Region IV
61 Forsyth Street, S. W. Suite 3T41
Atlanta, Georgia 30303

Re: Department of Health and Human Services
Office of Inspector General (OIG)
"DRAFT" Report "Review of Controls to Report Wage Data
Citrus Memorial Hospital Provider # 10-0023
Period October 1, 2002 through September 30, 2003"

Dear Ms. Lori Pilcher:

Citrus Memorial Health System (Citrus Memorial Hospital) is in receipt of your letter dated March 6, 2006 which included a copy of the Department of Health and Human Services, Office of Inspector General (OIG) draft report entitled "Review of Controls to Report Wage Data at Citrus Memorial Hospital for the Period of October 1, 2002 through September 30, 2003."

The report included the following findings:

Finding Number (1): The Hospital overstated wage-related benefit costs, which overstated wage data by \$ 1,421,709.

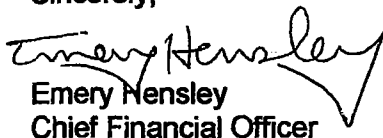
Finding Number (2): The Hospital understated excluded salaries and related benefits, which overstated wage data by \$ 1,014,877 and 85,957 hours.

Finding Number (3): The Hospital understated total hours, which understated wage data by \$ 70,857 and 28,060 hours.

Citrus Memorial Health System is in concurrence with the facts, conclusion, and recommendations outlined in the draft report.

Citrus Memorial Hospital has already implemented review and reconciliation procedures to ensure that the wage data reported on all future cost reports will be accurate, supportable and in full compliance with Medicare requirements. In addition, the Hospital will submit, upon the receipt of the OIG's final report, a revised FY 2003 Medicare cost report to its fiscal Intermediary to correct the wage and hours data.

Sincerely,


Emery Hensley
Chief Financial Officer

April 4, 2006

Ms. Lori S. Pilcher
Office of Inspector General
Regional Inspector General for Audit Services, Region IV
61 Forsyth Street, S. W. Suite 3T41
Atlanta, Georgia 30303

Re: Department of Health and Human Services
Office of Inspector General (OIG)
"DRAFT" Report "Review of Controls to Report Wage Data
Citrus Memorial Hospital Provider # 10-0023
Period October 1, 2002 through September 30, 2003"

Dear Ms. Lori Pilcher:

We are in receipt of your letter dated March 6, 2006 which included a copy of the Department of Health and Human Services, Office of Inspector General (OIG) draft report entitled "Review of Controls to Report Wage Data at Citrus Memorial Hospital for the Period of October 1, 2002 through September 30, 2003."

While Citrus Memorial Health System (Citrus Memorial Hospital) is in concurrence with the facts, conclusion, and recommendations outlined in the draft report (separate statement of concurrence attached), the report findings should be taken in context with the additional information detailed below.

Finding Number (1): The Hospital overstated wage-related benefit costs, which overstated wage data by \$ 1,421,709.

Citrus Memorial's September 30, 2003 "As Filed" Medicare cost report reported the wage-related benefit cost (Wkt S-3, Part II, Line 13) gross of Line 15 (wage-related benefit cost for excluded areas). This was the result of an input error by the preparer of the cost report, since the wage-related benefit cost for excluded areas was also reported in Line 15.

During a review of the cost report, the error was discovered and Citrus Memorial filed an "Amended" report to correct this reporting error. The "Amended" report was filed with the hospital's fiscal Intermediary on February 5, 2005 (EXHIBIT 1). The report was amended prior to the beginning of the OIG's field audit, and more than six months prior to the exit conference which was held on August 31, 2005.

The wage-benefit costs reported on the "Amended" report was \$ 8,658,253. The OIG review determined the wage-related benefit cost (Wkt S-3, Part II, Line 13) to be \$ 8,422,274. Based on the hospital's "Amended" report, OIG finding (1) would read: The Hospital overstated wage-related benefit costs, which overstated wage data by \$ 235,979.

Additionally, in a November 29, 2005 letter to the Hospital's Intermediary Citrus Memorial requested that the Hospital's CMS preliminary FY 2007 wage index PUFs be revised to reflect the OIG's initial audit report findings. Furthermore, in January 2006, the Hospital's Intermediary performed its own audit of the wage and hour data for 9/30/2003. The Intermediary was also provided with the OIG's initial audit report and they included the findings in its final audit adjustments. (EXHIBIT 2)

Citrus Memorial has made every effort to ensure that the correct wage data is on file with its fiscal Intermediary and is being used by CMS in its calculation of the core-based statistical area (CBSA).

Finding Number (2): The Hospital understated excluded salaries and related benefits, which overstated wage data by \$ 1,014,877 and 85,957 hours.

Citrus Memorial maintains several G/L accounts entitled "Prime Net", "Prime Net-billing, Prime Net-housekeeping, etc. The amounts recorded in these accounts represent an allocation of hospital personnel time relating to work performed for the off-site physician clinics. The cost for the clinics are reported on the cost report in a non allowable cost center and thus flow to Worksheet S-3, Part II as an excludable area. On the Hospital's cost report these costs were reclassified to the A/G cost center, since the clinics receive a portion of these costs in the overhead allocation on Worksheet B. The reclass is the providers attempt to not double allocate these overhead costs.

The OIG review, however, determined that these salaries, related benefits and hours should remain in the clinic cost center. In all future cost reports filings, Citrus Memorial will report these costs in the non allowable clinic cost center on Worksheet A, Line 100.

This one issue represents a majority (78% of excluded salary and related benefits, and 60% of the hours) of the OIG adjustment referenced above in its finding number 2.

Finding Number (3): The Hospital understated total hours, which understated wage data by \$ 70,857 and 28,060 hours.

Reference to the OIG's initial audit findings presented to the hospital at the exit conference on August 31, 2005, the understated hours was composed the following departments:

Department	Description	Salary	Hours
7043	MRI	\$ 1,986	89
7170	Light Duty	51,009	5,025
8311	Support Services	10,211	1,185
Totals		\$ 63,206	6,299

While the salaries were included in total salaries no hours were associated with them and thus the total hours were understated by the 6,299 figure. The additional hours not reported related to sick time, jury duty, and disability time that the OIG indicated should have been included in total hours and reported as wage data. Citrus Memorial has revised its wage data worksheets to include these hours for all future cost reporting purposes.

The OIG "draft" report stated that as the result of these errors, the average hourly rate was overstated and correction will reduce the rate about 3% from \$ 24.62 to \$ 24.00.

However, the average hourly rate computed using the Hospital "Amended " report was \$ 22.66 based on salaries of \$ 37,828,593 and hours of 1,669,048 (EXHIBIT 3). The "Amended " report was already on file with the Hospital's Fiscal Intermediary at the time of the OIG's determination. Therefore, correction of the errors identified by the OIG review resulted in an increase in the reported average hourly rate of 5.9% from \$ 22.66 to \$24.00.

Furthermore, the comments in the OIG "Findings and Recommendations" stated that errors occurred because the hospital did not sufficiently review and reconcile wage data to ensure that all amounts reported were accurate, supportable, and in compliance with Medicare requirements.

The Hospital takes exception to this characterization in that every effort is made to comply with all Medicare Regulation. Except for the input error, the reporting of all wage data reporting by Citrus Memorial was made with the Hospital's best and most current understanding of all Medicare Regulations, instructions, and interpretations. The wage data reported by Citrus Memorial Hospital is audited each year by its fiscal Intermediary and any audit adjustments are incorporated into future cost reports.

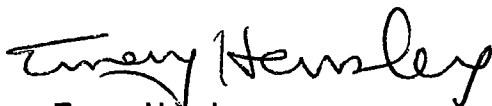
Citrus Memorial Health System has already implemented review and reconciliation procedures to ensure that the wage data reported on all future cost reports will be accurate, supportable and in full compliance with Medicare requirements.

In addition, Citrus Memorial will submit a revised FY 2003 Medicare cost report to its fiscal Intermediary to reflect the wage and hour data detailed in the OIG's final report, once it is received.

Citrus Memorial Health System makes every effort to ensure that the correct wage data is reported in its Medicare Cost Report, is on file with its fiscal Intermediary, and is being used by CMS in the calculation of the core-based statistical area (CBSA).

If you have any questions, please contact me at (352) 344-6584.

Sincerely,



Emery Hensley
Chief Financial Officer



February 5, 2005

Ms. Ngoc Nguyen, Supervisor
Provider Audit and Reimbursement Department - 16T
532 Riverside Avenue
Jacksonville, Florida 32202-4918

Provider Name: Citrus Memorial Hospital
Provider Number: 10-0023
Reporting Period: 10/01/2002 thru 09/30/2003

Dear Ms. Nguyen:

Please accept this "Amended" Medicare Cost Report for Citrus Memorial Hospital's September 30, 2003 fiscal year end.

During a review of the Hospital's 9/30/2003 cost report, an error in reporting certain data on Worksheet S-3, Part II was discovered. This "amended" cost report corrects the "As Filed" Worksheet S-3, Part II and should be used by the Intermediary.

Enclosed is a 3.5 inch diskette containing the required ECR and Print Image File for Citrus Memorial Hospital's (provider number 10-0023) September 30, 2003 "AMENDED" Medicare/Medicaid cost report, along with the Certification page signed by an officer of the hospital.

If you have any questions, please do not hesitate to call.

Sincerely,

A handwritten signature in black ink that reads 'Emery Hensley'.

Emery Hensley
Chief Financial Officer
Enclosure

PART II - WAGE DATA	AMOUNT REPORTED 1	RECLASS OF SALARIES 2	ADJUSTED SALARIES 3	PAID HOURS RELATED TO SALARY 4	AVERAGE HOURLY WAGE 5	DATA SOURCE 6
1 SALARIES						
2 TOTAL SALARY	28,762,273		28,762,273	1,717,473.00	16.75	
3 NON-PHYSICIAN ANESTHETIST PART A						
4 NON-PHYSICIAN ANESTHETIST PART B						
4.01 PHYSICIAN - PART A						
5 TEACHING PHYSICIAN SALARIES (SEE INSTRUCTIONS)						
5.01 PHYSICIAN - PART B						
6 NON-PHYSICIAN - PART B						
6.01 INTERNS & RESIDENTS (APPRVD)						
7 CONTRACT SERVICES, I&R						
8 HOME OFFICE PERSONNEL						
8.01 SNF						
8.01 EXCLUDED AREA SALARIES	4,215,784	-835,284	3,380,500	153,125.00	22.08	
9 OTHER WAGES & RELATED COSTS						
9.01 CONTRACT LABOR:	3,788,567		3,788,567	104,700.00	36.18	
9.02 PHARMACY SERVICES UNDER CONTRACT						
9.03 LABORATORY SERVICES UNDER CONTRACT						
10 MANAGEMENT & ADMINISTRATIVE UNDER CONTRACT						
10.01 CONTRACT LABOR: PHYS PART A						
11 TEACHING PHYSICIAN UNDER CONTRACT (SEE INSTRUCTIONS)						
12 HOME OFFICE SALARIES & WAGE RELATED COSTS						
12.01 HOME OFFICE: PHYS PART A						
13 TEACHING PHYSICIAN SALARIES (SEE INSTRUCTIONS)						
14 WAGE RELATED COSTS						
15 WAGE-RELATED COSTS (CORE)	8,658,253		8,658,253			CMS 339
16 WAGE-RELATED COSTS (OTHER)						CMS 339
17 EXCLUDED AREAS	1,613,242		1,613,242			CMS 339
18 NON-PHYS ANESTHETIST PART A						CMS 339
19 NON-PHYS ANESTHETIST PART B						CMS 339
20 PHYSICIAN PART A						CMS 339
21 PART A TEACHING PHYSICIANS						CMS 339
22 PHYSICIAN PART B						CMS 339
23 WAGE-RELATD COSTS (RHC/FQHC)						CMS 339
24 INTERNS & RESIDENTS (APPRVD)						CMS 339
25 OVERHEAD COSTS - DIRECT SALARIES						
26 EMPLOYEE BENEFITS	252,702		252,702	20,529.00	12.31	
27 ADMINISTRATIVE & GENERAL	3,275,582	835,284	4,110,866	271,723.00	15.13	
28.01 A & G UNDER CONTRACT						
29 MAINTENANCE & REPAIRS						
30 OPERATION OF PLANT	579,587		579,587	49,370.00	11.74	
31 LAUNDRY & LINEN SERVICE	24,095		24,095	2,114.00	11.40	
32 HOUSEKEEPING	595,921		595,921	73,198.00	8.14	
33.01 HOUSEKEEPING UNDER CONTRACT						
34 DIETARY	684,142	-232,765	451,377	46,005.00	9.81	
35.01 DIETARY UNDER CONTRACT						
36 CAFETERIA		232,765	232,765	23,724.00	9.81	
37 MAINTENANCE OF PERSONNEL						
38 NURSING ADMINISTRATION	778,983		778,983	33,115.00	23.52	
39 CENTRAL SERVICE AND SUPPLY	300,627		300,627	27,385.00	10.98	
40 PHARMACY	1,057,901		1,057,901	39,909.00	26.51	
41 MEDICAL RECORDS & MEDICAL RECORDS LIBRARY	945,154		945,154	57,285.00	16.50	
42 SOCIAL SERVICE	516,139		516,139	25,937.00	19.90	
43 OTHER GENERAL SERVICE						
PART III - HOSPITAL WAGE INDEX SUMMARY						
1 NET SALARIES	28,762,273		28,762,273	1,717,473.00	16.75	
2 EXCLUDED AREA SALARIES	4,215,784	-835,284	3,380,500	153,125.00	22.08	
3 SUBTOTAL SALARIES	24,546,489	835,284	25,381,773	1,564,348.00	16.23	
4 SUBTOTAL OTHER WAGES & RELATED COSTS	3,788,567		3,788,567	104,700.00	36.18	
5 SUBTOTAL WAGE-RELATED COSTS	8,658,253		8,658,253			
6 TOTAL	36,993,309	835,284	37,828,593	1,669,048.00	22.66	
7 NET SALARIES						
8 EXCLUDED AREA SALARIES						
9 SUBTOTAL SALARIES						
10 SUBTOTAL OTHER WAGES & RELATED COSTS						
11 SUBTOTAL WAGE-RELATED COSTS						
12 TOTAL						
13 TOTAL OVERHEAD COSTS	9,010,833	835,284	9,846,117	670,294.00	14.69	

ASSOCIATES INCORPORATED

Post Office Box 2422 * Key Largo, Florida 33037 * (305) 453-1063

November 29, 2005

Ngoc Nguyen, Supervisor
Provider Audit and Reimbursement Department
First Coast Service Options, Inc.
Blue Cross and Blue Shield
532 Riverside Avenue ROC 16-T
Jacksonville, Florida 32202-4198

Re: Hospital Revision to Wage Index Data
Citrus Memorial Hospital
Period Ending September 30, 2003

Dear Ngoc,

In a letter dated October 13, 2005 the Intermediary advised hospital's that CMS had released the preliminary FY 2007 wage index PUFs.


CMS posted preliminary files on the Internet for the FY 2007 wage index which included Worksheet S-3, Parts II and III wage data from the cost reporting period beginning on or after October 1, 2002 through September 30, 2003 (FY 2003 wage data). Enclosed is a copy of Citrus Memorial Hospital's wage index data that is included in the published CMS file.

All hospitals were required to verify the accuracy of their wage data and submit any revisions on or before December 5, 2005.

In January of this year Citrus Memorial Hospital was selected to assist in a nationwide review to determine whether hospital and Medicare controls were adequate to ensure the accuracy of the hospital wage data used for calculating wage indices for the inpatient prospective payment system. (see letter dated January 10, 2005 from the Office of Inspector General)

The review was completed in August 2005 and resulted in a revised Worksheet S-3, Part II and III for the period ending September 30, 2003 (enclosed). This information should be used as Citrus Memorial Hospital's wage index data.

Sincerely,



J. Paul Campa

FY 2006 HOSPITAL WAGE DATA

APPENDIX B

Page 9 of 16

Provider Number

100023

Provider Name

CITRUS MEMORIAL HOSPITAL

WORKSHEET S-3, PART II

		Salaries	Paid Hours	Rate (Calculated)
Wage Data	Total Salaries	\$28,762,273	1,717,473	16.75
	Non-Physician Anesthetist - Part A	\$0	0	0
	Non-Physician Anesthetist - Part B	\$0	0	0
	Physician - Part A	\$0	0	0
	Teaching Physician Salaries	\$0	0	0
	Physician-Part B	\$0	0	0
	Non-Physician-Part B	\$0	0	0
	Interns and Residents	\$0	0	0
	Interns & Residents Contract Services	\$0	0	0
	Home Office Personnel	\$0	0	0
	SNF	\$0	0	0

**Other Wages &
Related Costs**

Excluded Area Salaries	\$3,380,500	153,125	22.08
Contract Labor	\$3,788,567	104,700	36.18
Contract Labor: Physician-Part A	\$0	0	0
Teaching Physician Under Contract	\$0	0	0
Home Office Salaries & Wage-Related Costs	\$0	0	0
Home Office:Physician Part A	\$0	0	0
Teaching Physician Salaries	\$0	0	0
Wage-Related Cost (Core)	\$8,658,253		
Wage-Related Cost (Other)	\$0		
Excluded Area	\$1,613,242		

**Overhead Costs
Direct Salaries**

Non-physician anesthetist-Part A	\$0		
Non-physician anesthetist-Part B	\$0		
Physician Part A	\$0		
Part A Teaching Physicians	\$0		
Physician Part B	\$0		
Wage Related Costs (RHC/FQHC)	\$0		
Interns and Residents	\$0		
Employee Benefits	\$252,702	20,529	12.31
Administrative & General	\$3,763,103	271,723	13.85
Maintenance and Repairs	\$0	0	0
Operation of Plant	\$579,587	49,370	11.74
Laundry & Linen Service	\$24,095	2,114	11.40
Housekeeping	\$595,921	73,198	8.14
Dietary	\$451,377	46,005	9.81
Cafeteria	\$232,765	23,724	9.81
Maintenance of Personnel	\$0	0	0
Nursing Administration	\$778,983	33,115	23.52
Central Services and Supply	\$300,627	27,385	10.98
Pharmacy	\$1,057,901	39,909	26.51
Medical Records	\$945,154	57,285	16.50
Social Service	\$516,139	25,937	19.90
Other General Service	\$0	0	0

WORKSHEET S-3, PART III

Hospital Wage	Net Salaries, line 1	\$28,762,273	1,717,473	16.75
Index Summary	Excluded Area Salaries	\$3,380,500	153,125	22.08
	Subtotal Salaries	\$25,381,773	1,564,348	16.23
	Subtotal Other Wages & Related Costs	\$3,788,567	104,700	36.18
	Subtotal Wage-Related Costs	\$8,658,253	0	
	Total	\$37,828,593	1,669,048	22.66
	Net Salaries, line 7	\$0	0	0
	Excluded Area Salaries	\$0	0	0
	Subtotal Salaries	\$0	0	0
	Subtotal Other Wages & Related Costs	\$0	0	0
	Subtotal Wage-Related Costs	\$0	0	0
	Total	\$0	0	0
	Total Overhead Costs	\$9,498,354	670,294	14.17

**A CMS CONTRACTED INTERMEDIARY & CARRIER****MEDICARE****PROGRAM SAFEGUARD DIVISION
PROVIDER AUDIT AND REIMBURSEMENT DEPARTMENT**

January 11, 2006

Mr. Emery Hensley
Vice president of Finance
Citrus Memorial Hospital
502 W. Highland Boulevard
Inverness, Florida 34452-4745

**RE: Citrus Memorial Hospital
Provider No. 10-0023
FYE: 09/30/03
Wage Index Data**

Dear Mr. Hensley:

We have completed the review of your facility's Worksheet S-3 Parts II and III, Hospital Wage Index Information for the above referenced fiscal year.

Enclosed you will find the proposed adjustment that was made to your Wage Index, supporting work papers, and the revised Worksheet S-3. Please contact us no later than **January 18, 2006**, if you have any questions or concerns related to these adjustments.

If we do not hear from you by the above date, we will take this as acceptance of the enclosed adjustment, and proceed with the final settlement of the Wage Index Review.

Release dates for the FY 2007 wage index files as PUF's on the CMS website are contained in the Wage Index development timetable. The files can be accessed on the CMS website at: www.cms.hhs.gov/providers/hipps/ippswage.asp/.

Thank you for your cooperation during this review. Should you have any questions or concerns, please contact me at (813) 882-7670, or Kelvin Dell, Tampa Branch Audit Supervisor at (813) 882-7665.

Sincerely,

Raul Traverzo-Maestre
Supervising Senior Auditor
Tampa Office.

Enc.: Revised W/S S-3 Parts II & III
Audit Adjustment

PART II - WAGE DATA	AMOUNT REPORTED 1	RECLASS OF SALARIES 2	ADJUSTED SALARIES 3	PAID HOURS RELATED TO SALARY 4	AVERAGE HOURLY WAGE 5	DATA SOURCE 6
1 SALARIES						
2 TOTAL SALARY	28,838,273		28,838,273	1,714,235.00	16.82	
3 NON-PHYSICIAN ANESTHETIST PART A						
4 NON-PHYSICIAN ANESTHETIST PART B						
5 PHYSICIAN - PART A						
6.01 TEACHING PHYSICIAN SALARIES (SEE INSTRUCTIONS)						
7 PHYSICIAN - PART B						
8.01 NON-PHYSICIAN - PART B						
9 INTERNS & RESIDENTS (APPRVD)						
10.01 CONTRACT SERVICES, I&R						
11 HOME OFFICE PERSONNEL						
12 SNF						
13.01 EXCLUDED AREA SALARIES	4,802,007	-168,665	4,633,342	244,321.00	18.96	
14 OTHER WAGES & RELATED COSTS						
15 CONTRACT LABOR:	3,887,643		3,887,643	110,943.00	35.04	
16.01 PHARMACY SERVICES UNDER CONTRACT						
17.02 LABORATORY SERVICES UNDER CONTRACT						
18.03 MANAGEMENT & ADMINISTRATIVE UNDER CONTRACT						
19 CONTRACT LABOR: PHYS PART A						
20.01 TEACHING PHYSICIAN UNDER CONTRACT (SEE INSTRUCTIONS)						
21 HOME OFFICE SALARIES & WAGE RELATED COSTS						
22 HOME OFFICE: PHYS PART A						
23.01 TEACHING PHYSICIAN SALARIES (SEE INSTRUCTIONS)						
24 WAGE RELATED COSTS						
25 WAGE-RELATED COSTS (CORE)	8,422,274		8,422,274			CMS 339
26 WAGE-RELATED COSTS (OTHER)						CMS 339
27 EXCLUDED AREAS	1,534,162		1,534,162			CMS 339
28 NON-PHYS ANESTHETIST PART A						CMS 339
29 NON-PHYS ANESTHETIST PART B						CMS 339
30 PHYSICIAN PART A						CMS 339
31.01 PART A TEACHING PHYSICIANS						CMS 339
32 PHYSICIAN PART B						CMS 339
33.01 WAGE-RELATD COSTS (RHC/FOHC)						CMS 339
34 INTERNS & RESIDENTS (APPRVD)						CMS 339
35 OVERHEAD COSTS - DIRECT SALARIES						
36 EMPLOYEE BENEFITS	252,702		252,702	20,529.00	12.31	
37 ADMINISTRATIVE & GENERAL	2,765,359	-143,644	2,621,715	271,723.00	9.65	
38.01 A & G UNDER CONTRACT						
39 MAINTENANCE & REPAIRS						
40 OPERATION OF PLANT	579,587		579,587	49,370.00	11.74	
41 LAUNDRY & LINEN SERVICE	24,095		24,095	2,114.00	11.40	
42 HOUSEKEEPING	595,921		595,921	73,198.00	8.14	
43.01 HOUSEKEEPING UNDER CONTRACT						
44 DIETARY	684,142	-232,765	451,377	46,005.00	9.81	
45.01 DIETARY UNDER CONTRACT						
46 CAFETERIA		197,311	197,311	23,724.00	8.32	
47 MAINTENANCE OF PERSONNEL						
48 NURSING ADMINISTRATION	778,983		778,983	33,115.00	23.52	
49 CENTRAL SERVICE AND SUPPLY	300,627		300,627	27,385.00	10.98	
50 PHARMACY	1,057,901		1,057,901	39,909.00	26.51	
51 MEDICAL RECORDS & MEDICAL RECORDS LIBRARY	945,154		945,154	57,285.00	16.50	
52 SOCIAL SERVICE	516,139		516,139	25,937.00	19.90	
53 OTHER GENERAL SERVICE						

PART III - HOSPITAL WAGE INDEX SUMMARY

1 NET SALARIES	28,838,273		28,838,273	1,714,235.00	16.82	
2 EXCLUDED AREA SALARIES	4,802,007	-168,665	4,633,342	244,321.00	18.96	
3 SUBTOTAL SALARIES	24,036,266	168,665	24,204,931	1,469,914.00	16.47	
4 SUBTOTAL OTHER WAGES & RELATED COSTS	3,887,643		3,887,643	110,943.00	35.04	
5 SUBTOTAL WAGE-RELATED COSTS	8,422,274		8,422,274		34.80	
6 TOTAL	36,346,183	168,665	36,514,848	1,580,857.00	23.10	
7 NET SALARIES						
8 EXCLUDED AREA SALARIES						
9 SUBTOTAL SALARIES						
10 SUBTOTAL OTHER WAGES & RELATED COSTS						
11 SUBTOTAL WAGE-RELATED COSTS						
12 TOTAL						
13 TOTAL OVERHEAD COSTS	8,500,610	-179,098	8,321,512	670,294.00	12.41	



DEPARTMENT OF HEALTH AND HUMAN SERVICES

APPENDIX B
Office of Inspector General
Page 12 of 16
Office of Audit Services

JAN 10 2005

REGION IV
61 Forsyth Street, S.W., Suite 31
Atlanta, Georgia 30303

Report Number: A-04-05-02003

Emery Hensley
Chief Financial Officer
Citrus Memorial Hospital
502 W. Highland Boulevard
Inverness, Florida 34452-4754

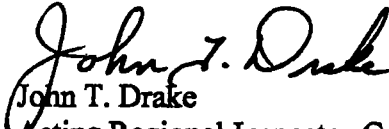
Dear Mr. Hensley:

The purpose of this letter is to inform you of our assist in a nationwide review to determine whether hospital and Medicare controls are adequate to ensure the accuracy of the hospital wage data used for calculating wage indices for the fiscal year (FY) 2006 inpatient hospital prospective payment system. As part of this initiative, we will review the controls for accumulating and reporting Medicare wage data at selected hospitals that significantly influence the wage index in respective metropolitan statistical areas. Accordingly, one of the hospitals selected for review is Citrus Memorial Hospital.

Our review of Citrus Memorial Hospital will include verifying selected wage-related information reported on its FY 2002 Medicare Cost Report. As such, documentation that will facilitate our review includes detail general ledgers, payroll records, and any time studies used to allocate physician services in addition to the documentation listed in the enclosure to this letter.

This letter confirms arrangements made by Mr. Mario Pelaez of our staff, to have an entrance conference at your facility on January 20, 2005 at 11:00 a.m. to discuss the scope of our review in more detail. Should you have any questions or concerns about our review, please contact Mr. Donald Czyzewski or Mario Pelaez at (305) 536-5309, extensions 10 or 15, respectively. Thank you for your cooperation.

Sincerely,


John T. Drake
Acting Regional Inspector General
for Audit Services, Region IV

Enclosure -- as stated

CUMULATIVE EFFECT OF FINDINGS

Components

CITRUS MEMORIAL HOSPITAL

Work Sheet S - 3, Part II

Total Salaries

line1/col. 3 TOTAL SALARIES

\$28,762,273.00

\$28,762,273.00

Excluded Salaries

line 4.01/col. 3 TEACHING PHYSICIAN SALARIES
line5/col. 3 PHYSICIAN - PT B
line6/col. 3 INTERNS AND RESIDENTS
line 8/col. 3 SNF SALARIES
line8.01/col. 3 EXCLUDED AREA SALARIES

\$0.00
\$0.00
\$0.00
\$0.00
\$3,380,500.00

34,454.00

0.00

0.00

586,223.00

0.00

\$0.00
\$0.00
\$0.00
\$0.00

subtotal (subtract)

\$3,380,500.00

34,454.00

0.00

0.00

586,223.00

0.00

\$4,001,177.00

Additional Salaries

line9/col. 3 CONTRACT LABOR
line9.01/col. 3 PHARMACY SERVICES UNDER CONTRACT
line9.02/col. 3 LABORATORY SERVICES UNDER CONTRACT
line 10/col. 3 CONTRACT LABOR-Physician Part A
line11/col. 3 HOME OFFICE SAL AND WAGES
line13/col. 3 WAGE-RELATED COST (CORE)
line 14/col. 3 Wage related costs-other
line 18/col. 3 Physician Part A

\$3,887,843.00
\$0.00
\$0.00
\$0.00
\$0.00
\$10,172,012.00
\$0.00
\$0.00

-12,136.00

-1,525,802.00

-8,360.02

-203,440.00

\$0.00
\$0.00
\$0.00
\$0.00
\$8,422,273.98

sub-tot-b (ADD)

\$14,059,856.00

-12,136.00

-1,525,802.00

-8,360.02

-203,440.00

\$0.00

adjusted salaries

\$39,441,628.00

-46,590.00

-1,525,802.00

-8,360.02

-789,663.00

\$12,310,116.98

Total Paid Hours

line1/col. 4 TOTAL HOURS

1,688,757.00

6,299.00

1,695,056.00

Excluded Hours

line 4.01/col. 4 TEACHING PHYSICIAN HOURS
line5/col. 4 PHYS PT B HOURS
line6/col. 4 INTERN AND RESIDENTS HOURS
line 8/col. 4 SNF HOURS
line8.01/col. 4 EXCLUDED AREAS HOURS

0.00
0.00
0.00
0.00
189,316.00

0.00

0.00

51,549.00

0.00
0.00
0.00
0.00
0.00

sub-tot-c (LESS)

189,316.00

Additional Hours

line9/col. 4 CONTRACT LABOR HOURS
line9.01/col. 4 PHARMACY SERVICES UNDER CONTRACT HOURS
line9.02/col. 4 LABORATORY SERVICES UNDER CONTRACT HOURS
line 10/col. 4 CONTRACT LABOR-Physician Part A Hours
line11/col. 4 HOME OFFICE SAL HOURS

110,943.00
0.00
0.00
0.00
0.00

51,549.00

240,864.00
240,864.00
110,943.00
0.00
0.00
0.00

sub-tot-d (ADD)

110,943.00

0.00

0.00

0.00

0.00

adjusted hours

1,610,385.00

0.00

0.00

-51,549.00

6,299.00

1,565,135.00

Reported FY 2003 Wage Data	FINDINGS					Reported FY 2003 Wage Data
	Unallowable Cafeteria Wages Reported	Overstated Related Core Cost/Understated Excluded Area Salaries	Overstatement of Insurance Cost	Understated Excluded Areas Salaries	Unproductive Hours Not Reported	
TOTAL SALARIES						\$28,762,273.00
Excluded Salaries						
TEACHING PHYSICIAN SALARIES						\$0.00
PHYSICIAN - PT B						\$0.00
INTERNS AND RESIDENTS						\$0.00
SNF SALARIES						\$0.00
EXCLUDED AREA SALARIES						\$0.00
subtotal (subtract)	34,454.00	0.00	0.00	586,223.00	0.00	\$4,001,177.00
Additional Salaries						
CONTRACT LABOR						\$3,887,843.00
PHARMACY SERVICES UNDER CONTRACT						\$0.00
LABORATORY SERVICES UNDER CONTRACT						\$0.00
CONTRACT LABOR-Physician Part A						\$0.00
HOME OFFICE SAL AND WAGES						\$0.00
WAGE-RELATED COST (CORE)						\$0.00
Wage related costs-other						\$8,422,273.98
Physician Part A						\$0.00
adjusted salaries	-12,136.00	-1,525,802.00	-8,360.02	-203,440.00		\$12,310,116.98
sub-tot-b (ADD)	-12,136.00	-1,525,802.00	-8,360.02	-203,440.00		\$0.00
TOTAL HOURS					6,299.00	1,695,056.00
Excluded Hours						
TEACHING PHYSICIAN HOURS						0.00
PHYS PT B HOURS						0.00
INTERN AND RESIDENTS HOURS						0.00
SNF HOURS						0.00
EXCLUDED AREAS HOURS						0.00
sub-tot-c (LESS)	0.00	0.00	0.00	51,549.00		240,864.00
Additional Hours						240,864.00
CONTRACT LABOR HOURS						110,943.00
PHARMACY SERVICES UNDER CONTRACT HOURS						0.00
LABORATORY SERVICES UNDER CONTRACT HOURS						0.00
CONTRACT LABOR-Physician Part A Hours						0.00
HOME OFFICE SAL HOURS						0.00
sub-tot-d (ADD)	0.00	0.00	0.00	0.00		0.00
adjusted hours	0.00	0.00	0.00	-51,549.00	6,299.00	1,565,135.00

CUMULATIVE EFFECT OF FINDINGS

Components

CITRUS MEMORIAL HOSPITAL

Work Sheet S - 3, Part III

OVERHEAD(OH) ALLOCATION

Components	Reported FY 2003 Wage Data	FINDINGS					Reported FY 2003 Wage Data
		Unallowable Cafeteria Wages Reported	Overstated Related Core Cost/Understated Excluded Area Salaries	Overstatement of Insurance Cost	Understated Excluded Areas Salaries	Unproductive Hours Not Reported	
line13/col. 3 TOTAL OVERHEAD WAGES	\$9,848,117.00	-34,454.00	-631,165.00		-510,223.00		\$8,670,275.00
line13/col. 4 TOTAL OVERHEAD HOURS	620,300.00	-3,457.00			-51,549.00		\$565,294.00
TOTAL HOURS	1,688,767.00	0.00	0.00		0.00	6,299.00	\$1,695,056.00
LESS:							
TEACHING PHYSICIAN HOURS	0.00				0.00		0.00
PHYS PT B HOURS	0.00				0.00		0.00
INTERN AND RESIDENTS HOURS	0.00				0.00		0.00
TOTAL OVERHEAD HOURS	620,300.00	-3,457.00			-51,549.00		565,294.00
SUBTOTAL ->	620,300.00	-3,457.00			-51,549.00	6,299.00	565,294.00
REVISED HOURS(revised hrs)	1,068,467.00	3,457.00	0.00		-51,549.00	6,299.00	1,129,762.00
OVERHEAD REDUCTION FOR EXCLUDED AREAS- HOURS							
SNF HOURS	0.00						0.00
EXCLUDED AREA HOURS (e.g. home health)	189,315.00	3,457.00			51,549.00		244,321.00
SUBTOTAL ->	189,315.00				51,549.00		244,321.00
EXCLUDED OVERHEAD RATE [(total excluded area hrs)/revised hours]	0.177185418	0.00	0.00		0.0379	-0.0010	0.216258823
EXCLUDED OVERHEAD WAGES (SOH X Excluded OH rate)	1,744,588.35	19,931.84	(111,833.23)		263,151.58	(10,224.80)	1,875,023.46
EXCLUDED OVERHEAD HOURS (OH Hrs X Excluded OH rate)	109,908.11	0.00	0.00		12,405.20	-644.16	122,249.81
OVERHEAD RATE (oh hrs/(revised hrs + oh hrs))	0.36731158	-12,136.00	0.00		-0.0305	-0.0014	0.33349577
WAGE-RELATED COST (CORE)	\$10,172,012.00	0.00	-1,525,802.00	-8,360.02	-203,440.00		8,422,273.98
WAGE-RELATED COST(OTHER)	0.00	0.00	0.00	0.00	0.00		0.00
PHYSICIAN PART A	0.00	0.00	0.00	0.00	0.00		0.00
SUBTOTAL	\$10,172,012.00	-12,136.00	-1,525,802.00	-8,360.02	-203,440.00		8,422,273.98
overhead work wage-related cost	\$3,736,297.79	-25,285.65	-560,444.74	-3,070.73	-379,014.71	-13,584.46	2,808,792.72
excluded work wage-related cost	\$662,017.48	\$5,372.82	-99,302.64	-644.09	\$59,986.35	-\$8,325.70	607,426.21
Adjusted Salaries	\$39,441,628.00	-\$46,890.00	-1,525,802.00	-\$8,360.02	-\$789,683.00	\$0.00	37,071,212.98
Less: excluded overhead salaries	\$1,744,588.35	\$19,931.84	-111,833.23	\$0.00	\$263,151.58	-\$10,224.80	1,875,023.46
excluded work related cost	\$662,017.48	5,372.82	-99,302.64	-644.09	59,986.35	-8,325.70	582,714.84
REVISED WAGES	\$37,035,022.16	-71,894.66	-1,314,666.13	-7,815.93	-1,112,800.93	16,550.50	34,544,395.01
MULTIPLY BY: INFLATION FACTOR (Per Federal Register)	1.00000						1.00000
INFLATED WAGES (Adjusted Wages used in report) -	\$37,035,022.16	-71,894.66	-1,314,666.13	-7,815.93	-1,112,800.93	16,550.50	34,544,395.01
REVISED HOURS (Adjusted Hours used in report) - [adjusted hours - excluded oh hrs]	1,500,476.89	-4481.35	0.00	0.00	-63,954.20	6,943.16	1,442,885.19
Average hourly wage	\$24.68	0.02865	-0.87617	-0.00521	0.32420	-0.010271	24.14

Net Decrease in W of .54 cents 2%

Inflated Wages	(\$71,894.66)	(\$1,314,666.13)	(\$7,815.93)	(\$1,112,800.93)	\$16,550.50	(\$2,490,627.15)
Revised Hours	(4,481.35)	0.00	0.00	(63,954.20)	6,943.16	(61,492.39)

Components	Reported FY 2003 Wage Data AMENDED	Adjusted FY 2003 Wage Data	Difference OIG over (under) CMH Amended
Citrus Memorial Hospital			

Schedule S-3, Part II

Total Salaries

line1/col. 3	Total Salaries	28,762,273	28,762,273	0
				0
	Excluded Salaries			0
line 4.01/col. 3	Teaching Physician			0
line5/col. 3	Physician- Part B			0
line 5.01/col.3	Non-physician Part B			0
line6/col. 3	Interns and Residents			0
line6.01/col. 3	Contract Services - Interns and Residents			0
line7/col. 3	Home Office Personnel			0
line 8/col. 3	Skilled Nursing Facility (SNF)			0
line8.01/col. 3	Excluded Area	3,380,500	3,459,896	79,396
subtotal (subtract)		3,380,500	3,459,896	79,396

	Additional Salaries			0
line9/col. 3	Contract Labor		3,887,843	99,276
line 10/col. 3	Contract Labor - Physician Part A			0
line 10.01/col. 3	Contract Labor -Teaching Physician			0
line11/col. 3	Home Office			0
line13/col. 3	Wage-Related Cost (Core)	8,658,253	8,422,274	-235,979
line 14/col. 3	Wage-Related Cost (Other)			0
line 18/col. 3	Wage-Related Cost - Physician Part A			0
subtotal (add)		12,446,820	12,310,117	-136,703
	Adjusted Salaries	37,828,593	37,612,494	-216,099

Total Paid Hours

line1/col. 4	Total Hours		1,714,235	-3,238
				0
	Excluded Hours			0
				0
line 4.01/col. 4	Teaching Physician			0
line5/col. 4	Physician Part B			0
line 5.01/col. 4	Non-physician Part B			0
line6/col. 4	Intern and Residents			0
line6.01/col. 4	Contract Services - Interns and Residents			0
line7/col. 4	Home Office Personnel			0
line 8/col. 4	Skilled Nursing Facility (SNF)			0
line8.01/col. 4	Excluded Area	153,125	244,321	91,196
subtotal (subtract)		153,125	244,321	91,196
	Additional Salaries			0
line9/col. 4	Contract Labor	104,700	110,943	6,243
line 10/col. 4	Contract Labor - Physician Part A			0
line 10.01/col. 4	Contract Labor -Teaching Physician			0
line11/col. 4	Home Office			0
subtotal (add)		104,700	110,943	6,243
	Adjusted Hours	1,669,048	1,580,857	-88,191

Components	Reported FY 2003 Wage Data AMENDED	Adjusted FY 2003 Wage Data	Difference OIG over (under) CMH Amended
Citrus Memorial Hospital			
<i>Schedule S-3, Part II</i>			
Overhead Allocation			0
line13/col. 3			0
line13/col. 4			
Total Overhead Salaries	9,846,117	9,811,663	-34,454
Total Overhead Hours		616,843	-53,451
Total Hours	1,717,473	1,714,235	-3,238
Less:			0
Teaching Physician Hours	0	0	0
Physician Part B Hours	0	0	0
Non-physician Part B	0	0	0
Intern and Residents Hours	0	0	0
Total Overhead Hours	670,294	616,843	-53,451
Subtotal -	670,294	616,843	-53,451
Revised Hours	1,047,179	1,097,392	50,213
Overhead Reduction For Excluded Area Hours			0
SNF Hours	0		0
Excluded Area Hours	153,125	244,321	91,196
Subtotal -	153,125	244,321	91,196
[(SNF+Excluded Area Hours)/Revised Hours]	0.1462	0.2226	0
Overhead Rate)	1,439,760	2,184,448	744,687
Overhead Rate)	98,015	137,333	39,318
(Overhead Hours/(Revised Hours + Overhead Hours))	0.4285	0.4196	0
Wage-Related Cost (Core)	8,658,253	8,422,274	-235,979
Wage-Related Cost (Other)	0	0	0
Wage-Related Cost - Physician Part A	0	0	0
Total Wage-Related Cost -	8,658,253	8,422,274	-235,979
Overhead Wage-Related Cost	3,709,900	3,534,371	-175,530
Excluded Wage-Related Cost	542,485	786,885	244,400
Adjusted Salaries	37,828,593	37,612,494	-216,099
Less: Excluded Overhead Salaries	1,439,760	2,184,448	744,687
Excluded Wage-Related Cost	542,485	786,885	244,400
Revised Wages -	35,846,348	34,641,162	-1,205,186
Multiply By : Inflation Factor	1.00000	1.00000	0
Inflated Wages (Adjusted Wages Used In Report) -	35,846,348	34,641,162	-1,205,186
Revised Hours (Adjusted Hours Used In Report) -	1,571,033	1,443,524	-127,509
[Adjusted Hours - Excluded Overhead Hours]			0
Average Hourly Wage	22.82	24.00	1.18

The hospital unadjusted wage rate is based on the August 12, 2005 Federal Register regulation.

Total Wage Data Revisions:	CMH Amended	Wage Revisions	OIG Audit	Percent
Inflated Wages	35,846,348	-1,205,186	34,641,162	-3.3621%
Revised Hours	1,571,033	-127,509	1,443,524	-8.1163%
Average Hourly Wage	22.82	1.18	24.00	5.1741%