



DEPARTMENT OF HEALTH & HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL

DEC 21 2004

Office of Audit Services
Region I
John F. Kennedy Federal Building
Boston, MA 02203
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Report Number: A-01-04-00516

Ms. Sally Mason Boemer
Vice President for Finance
Massachusetts General Hospital
55 Fruit Street, Bulfinch 380
Boston, MA 02114

Dear Ms. Boemer:

Enclosed are two copies of the U.S. Department of Health and Human Services (HHS), Office of Inspector General, Office of Audit Services' report entitled "Audit of Massachusetts General Hospital Organ Acquisition Costs Claimed for the Period October 1, 2000 through September 30, 2002." A copy of this report will be forwarded to the action official noted below for his/her review and any action deemed necessary.

Final determination as to actions taken on all matters reported will be made by the HHS action official named below. 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), Office of Inspector General, Office of Audit Services reports issued to the department's grantees and contractors are made available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act which the department chooses to exercise. (See 45 CFR Part 5.)

If you have any questions or comments about this report, please do not hesitate to call me or David Lamir at (617) 565-2704 or through e-mail at DLAMIR@oig.hhs.gov. To facilitate identification, please refer to report number A-01-04-00516 in all correspondence.

Sincerely yours,

A handwritten signature in cursive script that reads "Michael J. Armstrong".

Michael J. Armstrong
Regional Inspector General
for Audit Services

Enclosures - as stated

Direct Reply to HHS Action Official:

Dr. Charlotte S. Yeh, Regional Administrator
Centers for Medicare and Medicaid Services – Region I
U.S. Department of Health and Human Services
John F. Kennedy Federal Building, Room 2325
Boston, MA 02203-0003

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**AUDIT OF MASSACHUSETTS
GENERAL HOSPITAL ORGAN
ACQUISITION COSTS FOR THE
PERIOD OCTOBER 1, 2000 THROUGH
SEPTEMBER 30, 2002**



**DECEMBER 2004
A-01-04-00516**

Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC
at <http://oig.hhs.gov>

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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

Massachusetts General Hospital is the oldest and largest hospital in New England. On its fiscal years (FY) 2000 through 2002 Medicare cost reports, the hospital claimed \$16,247,964 for organ acquisition costs associated with kidney, liver, lung, heart and pancreas transplants. Medicare reimburses certified transplant programs for their proportionate share of costs associated with the acquisition of organs for transplant to Medicare beneficiaries. Medicare's share of the \$16,247,964 claimed for FYs 2000 through 2002 was \$7,164,570.

OBJECTIVE

The objective of this self-initiated audit was to determine whether organ acquisition costs claimed on the FYs 2000 through 2002 Medicare cost reports by Massachusetts General Hospital for its kidney, liver, lung, heart and pancreas transplant programs were allowable. Specifically, did the hospital:

- Comply with Medicare law, regulations, and guidelines for claiming organ acquisition costs?
- Receive excess Medicare reimbursement for organ acquisition activities?

SUMMARY OF FINDINGS

Massachusetts General Hospital did not comply with Medicare law, regulations, and guidelines for claiming organ acquisition costs in the preparation of its Medicare Part A cost report and received excess Medicare reimbursement for organ acquisition activities. Specifically, the hospital did not have systems in place to accumulate certain costs of organ acquisition separate from the costs of post-transplant and other hospital activities, and reduce laboratory charges and related-party charges to cost on its Medicare Cost Report. As a result, the hospital claimed \$1,041,718 in unallowable costs and \$2,299,519 in unsupported costs. The table below summarizes the results of audit by cost category:

Results of Audit					
Cost Category	Claimed	Allowable	Unallowable	Unsupported	Unaudited¹
Salaries	\$3,333,298	\$1,883,943	\$0	\$1,449,355	\$0
Floor Space	602,081	\$0	\$0	602,081	0
Other Costs ²	12,312,585	7,799,649	1,041,718	248,083	3,223,135
Total	\$16,247,964	\$9,683,592	\$1,041,718	\$2,299,519	\$3,223,135

The unallowable costs of \$1,041,718 included hospital charges claimed as costs and related

¹ We limited the scope of our audit based on our analysis of high-risk cost categories, a review of audits performed by the Medicare intermediary, and our survey work at the hospital. We do not express an opinion on the \$3.2 million not audited.

² Other costs included organ purchases, recipient and donor evaluations, laboratory and other tests, organ excise fees, costs for hospital inpatient stays for donors, overhead and other direct costs of the organ transplant program, employee benefits costs and related organization expenses.

organization charges that had not been adjusted to costs. Hospital officials indicated they began properly claiming those charges as costs during FY 2002, which we noted decreased significantly during that FY. Based on the unallowable costs of \$1,041,718 Medicare overpaid the hospital an estimated \$599,688.³ However, the hospital also incorrectly classified expenses of \$1,609,997 among organ acquisition cost centers resulting in underpayments of \$110,070 for FY 2000 through FY 2002. Therefore, the net Medicare overpayment for unallowable costs was reduced to \$489,618.

The unsupported costs of \$2,299,519 did not comply with Medicare's documentation requirements for reimbursement and pertained to personnel who performed both pre-transplant and post-transplant activities. The Hospital's systems and procedures in place did not produce or retain adequate supporting documentation. We recognize that some portion of the \$2,299,519 may have related to organ acquisition activities and would have been allowable if properly documented. However, based on Federal regulations and the Provider Reimbursement Manual, the unsupported costs were considered unallowable for Medicare reimbursement. Although the hospital was unable to provide necessary documentation to support \$2,299,519 of costs it claimed for FYs 2000 through 2002, when settling the audit findings, the Centers for Medicare & Medicaid Services (CMS) and the Medicare intermediary may elect to use an allowable alternative methodology to estimate unsupported costs related to organ acquisition. If the hospital cannot provide alternative support for the \$2,299,519, the Medicare intermediary should recover the related Medicare overpayment of \$949,296.³

RECOMMENDATIONS

We recommend that the Medicare intermediary:

- recover the net Medicare overpayment of \$489,618 for the unallowable costs claimed as organ acquisition
- work with the hospital to determine, if possible, what portion of the \$2,299,519 of unsupported costs and related Medicare payment of \$949,296 is associated with allowable organ acquisition activities, and recover that portion of the \$949,296 that the hospital is unable to support with allowable organ acquisition costs
- review organ acquisition costs claimed by the hospital on its subsequent Medicare cost reports for issues similar to those identified in FYs 2000 through 2002, and recover any Medicare overpayments
- monitor future Medicare cost report claims for organ acquisition costs from the hospital to ensure compliance with Medicare requirements
- instruct the hospital to develop and maintain adequate time-and-effort reporting and accounting controls, and to provide clear direction to responsible personnel as to Medicare requirements for claiming and documenting organ acquisition costs.

³ The Medicare intermediary determined the estimated Medicare overpayment amounts associated with our findings by using proprietary software to adjust the hospital's Medicare cost reports.

MEDICARE INTERMEDIARY COMMENTS

In written response to the draft report, Associated Hospital Services, the Medicare intermediary, agreed with all the findings and recommendations. The Medicare intermediary's response to our draft report is included in its entirety as Appendix B.

MASSACHUSETTS GENERAL HOSPITAL COMMENTS

In written response to the draft report, Hospital officials agreed with the findings discussed in this report and stated that they have moved promptly to respond to the recommendations. Specifically, the Hospital will work with the Medicare intermediary to make appropriate adjustments for the unallowable and unsupported costs. In addition, the hospital will direct close attention to the accounting controls and systems (such as time and effort reporting) for documenting organ acquisition costs. The Hospital's response to our draft report is included in its entirety as Appendix C.

TABLE OF CONTENTS

INTRODUCTION	1
BACKGROUND	1
Massachusetts General Hospital	1
Medicare Reimbursement of Organ Acquisition and Transplant Costs	1
Medicare Allowable Organ Acquisition Costs	1
Medicare’s Supporting Documentation Rules	2
OBJECTIVE, SCOPE, AND METHODOLOGY	2
Objective	2
Scope	2
Methodology	3
FINDINGS AND RECOMMENDATIONS	4
UNALLOWABLE COSTS	4
Related Organization Charges	5
Charges Stated as Costs	5
UNSUPPORTED COSTS	5
Salaries	6
Floor Space	6
Other Costs	7
SUMMARY OF ADJUSTMENTS AND MEDICARE OVERPAYMENTS	7
RECOMMENDATIONS	8
MEDICARE INTERMEDIARY AND HOSPITAL COMMENTS	8
APPENDIX A: AUDIT RESULTS BY CATEGORY AND FISCAL YEAR	
APPENDIX B: MEDICARE INTERMEDIARY COMMENTS	
APPENDIX C: HOSPITAL COMMENTS	

INTRODUCTION

BACKGROUND

Massachusetts General Hospital

Founded in 1811, Massachusetts General Hospital is the oldest and largest hospital in New England. The 875-bed medical center offers sophisticated diagnostic and therapeutic care in virtually every specialty and subspecialty of medicine and surgery.

Our audit covered the period October 1, 1999 through September 30, 2002. During that period, the Hospital operated transplant programs that were Medicare certified for kidney, (July 1 1973) pancreas (July 1 1979), liver (March 9, 1990), heart (October 13, 1992) and lung (March 4, 1996).

The Hospital claimed \$16,247,964 for organ acquisition costs associated with its kidney, pancreas, liver, heart, and lung transplant programs during FYs 2000 through 2002. Medicare's share of the amount claimed share was \$7,164,570.

Medicare Reimbursement of Organ Acquisition and Transplant Costs

Medicare reimburses hospitals that are certified transplant centers for their reasonable costs associated with organ acquisition. Costs that qualify as organ acquisition costs are reimbursed outside of the Medicare prospective payment system and are in addition to the hospital's payment for the transplant itself.

Medicare reimbursed the hospital for organ acquisition costs as pass-through costs under Medicare Part A, based on the ratio of Medicare transplants to total transplants. Under this retrospective cost reimbursement system, Medicare makes interim payments to hospitals throughout the FY. At the end of the FY, each hospital files a cost report and its interim payments are reconciled with allowable costs, which are defined in Medicare regulations and policy.

The Medicare program also reimburses hospitals for the transplant surgery, inpatient, and post-transplant costs for the recipients, but through different payment systems. Medicare Part A pays for the cost of the transplant surgeries and certain follow-up care through diagnosis related group payments to the hospital. The diagnosis related group payments were set at a predetermined rate per discharge for groups of patients that demonstrate similar resource consumption and length-of-stay patterns. Medicare Part B pays for physician services furnished to a live donor or recipient during and after the transplant.

Medicare Allowable Organ Acquisition Costs

Medicare allows as organ acquisition costs all costs associated with the organ donor and recipient before admission to a hospital for the transplant operation (*i.e.*, pre-transplant services) and the hospital inpatient costs associated with the donor. Allowable organ acquisition costs

include costs for activities, such as tissue typing, recipient registration fees, recipient and donor evaluations, purchase and transportation of the organs, and inpatient stays for organ donors.

Medicare's Supporting Documentation Rules

The Medicare rules require that hospitals maintain separate cost centers for each type of organ. Only the portion of salaries that relates to time spent on allowable organ acquisition activities may be included as organ acquisition costs on the Medicare cost report. If an employee performs both pre-transplant and other activities (post-transplant or non-transplant), then the related salary should be allocated to the appropriate cost centers using a reasonable basis. The documentation must be current, accurate, and in sufficient detail to support payments made for services rendered to beneficiaries. This includes all ledgers, books, records, and original evidences of cost (e.g., labor time-cards, payrolls, bases for apportioning costs), which pertain to the determination of reasonable cost.

Medicare also limits the allowable amounts of certain physician costs. The costs claimed for medical directors on the Part A cost report must be limited to Medicare's reasonable compensation equivalents as stated in 42 CFR § 415.70. Medicare's reasonable compensation equivalent calculation considers medical specialty and geographic area to determine allowable costs. The reasonable compensation equivalent rules require that these amounts be adjusted on a pro rata basis for part-time and more than full-time physicians. Amounts in excess of the reasonable compensation equivalent are considered unallowable.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of this self-initiated audit was to determine whether organ acquisition costs claimed on the FY 2000 through FY 2002 Medicare cost report by the hospital for its kidney, pancreas, liver, heart and lung transplant programs were allowable. Specifically, did the hospital:

- Comply with Medicare law, regulations, and guidelines for claiming organ acquisition costs?
- Receive excess Medicare reimbursement for organ acquisition activities?

To the extent that the costs claimed were unallowable or unsupported, we disclosed the related estimated Medicare overpayment.

Scope

The scope of our audit included kidney, liver, heart, lung, heart, and pancreas organ acquisition costs claimed by the hospital on its FYs 2000 through 2002 Medicare cost reports. Based on our analysis of audits performed by the Medicare intermediary and our survey work at the hospital, we identified high risk cost categories and limited our scope to an audit of \$13,024,829 claimed

for salaries, floor space, laboratory, and certain other costs claimed as organ acquisition. We did not review the remaining \$3,223,135 and do not express an opinion on this amount. We did not audit the total number of organs transplanted, the Medicare eligibility of the recipients, inpatient days, or the ratio of costs to charges used on the Medicare Part A cost report to determine certain costs. We also did not review the internal controls at the hospital because a review of such controls was not necessary to accomplish the objective of our audit.

Our fieldwork was performed from January through May 2004 and included visits to the hospital in Boston, Massachusetts and the Medicare Intermediary in Lynnfield, MA.

Methodology

To accomplish our objective, we:

- Obtained an understanding of Medicare reimbursement principles for organ acquisition costs
- Reviewed the documentation supporting organ acquisition costs claimed by the hospital for FYs 2000 through 2002
- Reviewed accounting records and reports for FYs 2000 through 2002
- Reviewed payroll records
- Interviewed hospital employees and managers
- Obtained documentation from the Medicare intermediary
- Reviewed working papers from prior Medicare intermediary audits
- Discussed the OIG recommended adjustments with the Medicare intermediary.

The intermediary determined the estimated Medicare overpayment amounts associated with our findings using proprietary software to adjust the hospital's Medicare cost reports. The intermediary determined the impact on Medicare reimbursement for each adjustment by running what is referred to as an Audit Adjustment Impact Report. Since some adjustments can have an effect on intermediate allocations within the cost report process which impact the overall amount reimbursed by Medicare, the cumulative effect on Medicare reimbursement will differ from the summation of the individual adjustments computed by the Audit Adjustment Impact Report. We found the differences between the cumulative effect of our adjustments and the effects of our adjustments in the Audit Adjustment Impact Reports were immaterial.

Our audit was conducted in accordance with generally accepted government auditing standards.

FINDINGS AND RECOMMENDATIONS

The hospital did not comply with Medicare law, regulations, and guidelines in the preparation of its Medicare Part A cost report and received excess reimbursement for organ acquisition activities. Specifically, the hospital did not have systems in place to 1) accumulate certain costs of organ acquisition separate from the costs of post-transplant and other hospital activities; and 2) reduce laboratory charges and related-party charges to cost on its Medicare Cost Report, as required by the Provider Reimbursement Manual, part 1, § 1000 and 2100. As a result, the hospital claimed \$1,041,718 in unallowable costs and \$2,299,519 in unsupported costs. The table below summarizes the results of audit by cost category:

Results of Audit

<u>Cost Categories</u>	<u>Unallowable</u>	<u>Unsupported</u>
Salaries	\$ 0	\$1,449,355
Floor space	0	602,081
Other costs	1,041,718	248,083
Totals	\$1,041,718	\$2,299,519

UNALLOWABLE COSTS

The hospital's cost report included \$1,041,718 of unallowable costs that were: (i) provided by a related organization and had not been adjusted to costs (Provider Reimbursement Manual, part 1, § 1000) (ii) not based on the reasonable cost of services (Provider Reimbursement Manual, part 1, § 2100). The estimated Medicare overpayment for these unallowable costs is \$599,688. The balance of this section of the report details the unallowable costs as provided in the table below:

Unallowable Costs

<u>Cost Categories</u>	<u>Unallowable Costs</u>	<u>Estimated Medicare Overpayments</u>
Other costs:		
Related organization expense	362,427	210,107
Laboratory charges stated as cost	679,291	389,581
Subtotals	\$1,041,718	\$ 599,688
Misclassified Costs		(110,070) ¹
Totals	\$1,041,718	\$ 489,618

¹ The hospital incorrectly classified expenses of \$1,609,997 among organ acquisitions cost centers, resulting in underpayments of \$110,070. Therefore, the net Medicare overpayment for unallowable costs was \$489,618.

Related Organization Charges

The hospital claimed \$362,427 of unallowable kidney acquisition costs because it overstated the costs by not adjusting related party charges to cost. Although the hospital disclosed a 100 percent ownership of Massachusetts General Physicians Organization (MGPO) on its Medicare cost report, it included \$1,103,186 from the related organization for FYs 2000 through 2002 that it had not reduced to the actual costs of \$740,759. As a result, Medicare overpaid the hospital an estimated \$210,107.

Charges Stated as Costs

The hospital overstated its claim for kidney acquisition by \$679,291 by claiming \$828,202 of laboratory charges as costs on its Medicare cost reports for FYs 2000 through 2002. The allowable cost for these laboratory tests was \$148,911. We adjusted the laboratory charges to costs by applying the cost to charge ratio on the Medicare cost report. Hospital officials explained that the laboratory claims were corrected during FY 2002. Although we did not verify the corrections, we noted that kidney acquisition laboratory charges decreased from \$389,847 to \$63,929 in FY 2002. As a result of the overstatement of the kidney acquisition costs, Medicare overpaid the hospital an estimated \$389,581.

UNSUPPORTED COSTS

The hospital's cost reports included \$2,299,519 of personnel and related space costs that were for both pre-transplant and post-transplant activities that were not properly supported with current, accurate documentation that differentiated between pre-transplant and post-transplant activities as required by Medicare. Costs claimed must be reasonable, properly allocated, and supported by proper documentation. The hospital's systems and procedures in place did not produce or retain adequate supporting documentation. In general, the hospital did not have a definitive answer and did not want to speculate as to why all these costs were claimed as organ acquisition.

While we recognize that some portion of the \$2,299,519 may have related to organ acquisition activities and would have been allowable if properly documented, based on 42 CFR §§ 413.24(a) and (c) and the Provider Reimbursement Manual, part 1, § 2304, these unsupported costs are considered unallowable for Medicare reimbursement. Although the hospital did not provide the necessary supporting documentation for these costs, when settling the audit findings, CMS and the Medicare intermediary may elect to use an allowable alternative methodology to estimate the portion of unsupported costs related to organ acquisition. If the hospital cannot provide adequate support for these costs, the Medicare intermediary should recover the estimated Medicare overpayment of \$949,226. The balance of this section of the report details the unsupported costs.

Unsupported Costs

<u>Cost Categories</u>	<u>Unsupported Costs</u>	<u>Estimated Medicare Overpayments</u>
Salaries	\$1,449,355	\$705,683
Floor space	602,081	170,332
Other Costs	<u>248,083</u>	<u>73,101</u>
Totals	<u>\$2,299,519</u>	<u>\$949,296</u>

Salaries

The hospital claimed \$1,449,355 of unsupported salary costs for its kidney, liver, lung, and heart transplant programs as organ acquisition. Of that amount, the hospital claimed \$38,595, \$152,522, \$264,055, and \$994,183, respectively, for its kidney, liver, lung and heart transplant programs. These amounts represented unsupported salaries claimed for the four programs in FY 2000 through FY 2002 and included salary costs for transplant program employees. These salary costs were unsupported because the time-and-effort reporting and accounting systems and documentation did not differentiate between pre-transplant and post-transplant activities. However, the salary costs were for employees who performed both pre-transplant and post-transplant activities. The hospital did not have a definitive answer and did not want to speculate as to why all of the salary costs for its lung, kidney, liver, and heart transplant programs were claimed as organ acquisition. If the hospital does not provide adequate support for these costs, the Medicare intermediary should recover the estimated Medicare overpayment of \$705,683.

The hospital did not provide documentation sufficient in detail to support the salary costs claimed as organ acquisition. Our audit revealed that the job descriptions, time reporting, and accounting documentation did not meet Medicare's supporting documentation requirements (noted above in "Medicare's Supporting Documentation Rules") for the amount claimed as organ acquisition. Although most of the job descriptions we reviewed identified both pre-transplant and post-transplant services, none specified what portion of the employees' job was to be spent on either. In addition, the hospital's time reporting and accounting systems did not differentiate between pre-transplant and post-transplant activities and costs. However, hospital officials advised us that they were revising their time-and-effort and accounting systems to properly identify pre-transplant and post-transplant salaries effective for FY 2004.

During interviews, hospital officials and employees stated that both pre-transplant and post-transplant services were rendered by many employees during the audit period. Several employees stated that they rendered only pre-transplant activities while others stated that they rendered only post-transplant services. However, without documentary evidence, we are unable to determine the amount of salaries that should have been classified as organ acquisition costs.

Floor Space

The hospital claimed \$602,081 of unsupported floor space costs for its lung, liver, and heart transplant programs for FYs 2000 through 2002. These costs related to 3,263 square feet of the total floor space claimed. Hospital officials provided documentation for the 3,263 square feet that did not contain sufficient detail to differentiate between pre-transplant and post-transplant activities related to the floor space. If the hospital does not provide adequate support for these costs, the Medicare intermediary should recover the estimated Medicare overpayment of \$170,332.

Other Costs

The hospital claimed \$248,083 of unsupported other costs pertaining to lung, kidney, liver, and heart transplant programs as organ acquisition. These costs related to employee benefits, such as malpractice insurance and cafeteria costs, associated with the unsupported personnel costs.

SUMMARY OF ADJUSTMENTS AND MEDICARE OVERPAYMENTS

The following table summarizes the unallowable and unsupported costs claimed and the related estimated overpayments:

Summary of Adjustments and Medicare Overpayments

Cost Categories	Unallowable		Unsupported	
	Costs	Estimated Medicare Overpayments	Costs	Estimated Medicare Overpayments
Salaries	0	0	\$1,449,335	\$705,863
Floor space			602,081	170,332
Other costs:				
Related party expense	362,427	210,107	0	0
Laboratory charges stated as cost	679,291	389,581	0	0
Employee Benefits	0	0	248,083	73,101
Misclassified Organ Acquisition Costs		(110,070)		
Totals	<u>\$1,041,718</u>	<u>\$489,618</u>	<u>\$2,299,519</u>	<u>\$949,296</u>

Note: The hospital claimed unsupported costs of \$2,299,519 that did not comply with Medicare's documentation requirements. Some portion of this amount may have related to organ acquisition activities and would have been allowable if properly documented. If the hospital cannot provide alternate support for these costs, the Medicare intermediary should recover the entire Medicare overpayment of \$949,296.

RECOMMENDATIONS

We recommend that the Medicare intermediary:

- recover the net Medicare overpayment of \$489,618 for the unallowable costs claimed as organ acquisition
- work with the hospital to determine, if possible, what portion of the \$2,299,519 of unsupported costs and related Medicare payment of \$949,296 is associated with allowable organ acquisition activities, and recover that portion of the \$949,296 that the hospital is unable to support with allowable organ acquisition costs
- review organ acquisition costs claimed by the hospital on its subsequent Medicare cost reports for issues similar to those identified in FYs 2000 through 2002, and recover any Medicare overpayments
- monitor future Medicare cost report claims for organ acquisition costs from the hospital to ensure compliance with Medicare requirements
- instruct the hospital to develop and maintain adequate time-and-effort reporting and accounting controls, and to provide clear direction to responsible personnel as to Medicare requirements for claiming and documenting organ acquisition costs.

MEDICARE INTERMEDIARY AND HOSPITAL COMMENTS

Medicare Intermediary Comments

In written response to the draft report, Associated Hospital Services, the Medicare intermediary, agreed with all the findings and recommendations. The Medicare intermediary's response to our draft report is included in its entirety as Appendix B.

Massachusetts General Hospital Comments

In written response to the draft report, Hospital officials agreed with the findings discussed in this report and stated that they have moved promptly to respond to the recommendations. Specifically, the Hospital will work with the Medicare intermediary to make appropriate adjustments for the unallowable and unsupported costs. In addition, the hospital will direct close attention to the accounting controls and systems (such as time and effort reporting) for documenting organ acquisition costs. The Hospital's response to our draft report is included in its entirety as Appendix C.

APPENDIXES

AUDIT RESULTS BY CATEGORY AND FISCAL YEAR

Table A-1: Results of Audit (Note 1)

Cost Categories	Claimed	Allowable	Unallowable	Unsupported	Unaudited	Medicare Overpayments		Notes
						Unallowable	Unsupported	
Salaries	\$3,333,298	\$1,883,943	\$0	\$1,449,355	\$0	\$0	\$705,863	2
Floor Space	602,081	0	0	602,081	0	0	170,332	3
Other Costs	12,312,585	\$7,799,649	1,041,718	248,083	3,223,135	489,618	73,101	4
Totals	\$16,247,964	\$9,683,592	\$1,041,718	\$2,299,519	\$3,223,135	\$489,618	\$949,296	

Notes

- 1: For totals by fiscal year see Table A-2
- 2: For Salaries detail see Table A-3
- 3: For Floor Space detail see Table A-4
- 5: For Other Costs detail see Table A-5

Table A-2: Totals by Fiscal Year

Fiscal Years	Claimed	Allowable	Unallowable	Unsupported	Unaudited	Medicare Overpayments	
						Unallowable	Unsupported
FY 2000	\$5,088,189	\$3,055,012	\$399,025	\$673,191	\$960,961	\$219,186	\$350,373
FY 2001	5,381,983	3,180,156	456,620	761,844	983,363	178,552	203,067
FY 2002	5,777,792	3,448,424	186,073	864,484	1,278,811	91,880	395,856
Totals	\$16,247,964	\$9,683,592	\$1,041,718	\$2,299,519	\$3,223,135	\$489,618	\$949,296

Table A-3: Salaries Detail

Categories and Fiscal Years	Claimed	Allowable	Unallowable	Unsupported	Unaudited	Medicare Overpayments	
						Unallowable	Unsupported
FY 2000	\$1,080,501	\$638,499	\$0	\$442,002	\$0	\$0	\$284,079
FY 2001	1,045,572	\$604,333	0	441,239	0	0	122,712
FY 2002	1,207,225	\$641,111	0	566,114	0	0	299,072
Subtotals	3,333,298	1,883,943	0	1,449,355	0	0	705,863

Table A-4: Floor Space Detail

Fiscal Years	Claimed	Allowable	Unallowable	Unsupported	Unaudited	Medicare Overpayments	
						Unallowable	Unsupported
FY 2000	\$181,039	\$0	\$0	\$181,039	\$0	\$0	\$49,092
FY 2001	209,918	0	0	209,918	0	0	53,824
FY 2002	211,124	0	0	211,124	0	0	67,416
Totals	\$602,081	\$0	\$0	\$602,081	\$0	\$0	\$170,332

Table A-5: Other Costs Detail

Categories and Fiscal Years	Claimed	Allowable	Unallowable	Unsupported	Unaudited	Medicare Overpayments	
						Unallowable	Unsupported
Related Organization							
FY 2000	\$280,172	\$187,029	\$93,143	\$0	\$0	\$58,587	\$0
FY 2001	416,767	280,348	\$136,419	0	0	70,115	0
FY 2002	406,247	273,382	\$132,865	0	0	81,405	0
Subtotals	<u>1,103,186</u>	<u>740,759</u>	<u>362,427</u>	<u>0</u>	<u>0</u>	<u>210,107</u>	<u>0</u>
Lab Charges							
FY 2000	374,426	68,544	305,882	0	0	192,444	0
FY 2001	389,847	69,646	320,201	0	0	164,548	0
FY 2002	63,929	10,721	53,208	0	0	32,589	0
Subtotals	<u>828,202</u>	<u>148,911</u>	<u>679,291</u>	<u>0</u>	<u>0</u>	<u>389,581</u>	<u>0</u>
Other							
FY 2000	3,172,051	2,160,940	0	50,150	\$960,961	0	17,202
FY 2001	3,319,879	2,225,829	0	110,687	983,363	0	26,531
FY 2002	3,889,267	2,523,210	0	87,246	1,278,811	0	29,368
Subtotals	<u>\$10,381,197</u>	<u>\$6,909,979</u>	<u>\$0</u>	<u>\$248,083</u>	<u>\$3,223,135</u>	<u>\$0</u>	<u>\$73,101</u>
Misclassified Organs						(110,070)	
Totals	<u>\$12,312,585</u>	<u>\$7,799,649</u>	<u>\$1,041,718</u>	<u>\$248,083</u>	<u>\$3,223,135</u>	<u>\$489,618</u>	<u>\$73,101</u>

**Medicare**Part A Intermediary
Maine & Massachusetts
Regional Home Health

December 16, 2004

Mr. Michael Armstrong
Regional Inspector General for Audit Services
Office of Audit Services
Region I
John F. Kennedy Federal Building
Boston, MA 02203

Subject: Audit of Massachusetts General Hospital Organ Acquisition Cost
Provider #: 220071
FYE: 9/30/00 – 9/30/02
Report #: A-01-04-00516

Dear Mr. Armstrong:

This letter is in response to your letter dated November 16, 2004, regarding the above referenced report. We have reviewed the draft audit findings and recommendations of Massachusetts General Hospital's Organ Acquisition Cost for the periods ending 9/30/00 – 9/30/02 and agree with them. In addition, we have the following comments.

- 1.) The unallowable Related Organization costs of \$362,427 pertain to related organization expense of the MGPO which was not reduced to cost. We will work with the provider to ensure that the MGPO expense is incorporated into the Medicare cost report at cost.
- 2.) The unallowable Related Organization costs of \$679,291 pertain to related organization expense for Laboratory which was not reduced to cost. We will work with the provider to ensure that the Laboratory expense is incorporated into the Medicare cost report at cost.
- 3.) The unsupported costs of \$2,299,519 pertain to costs associated with kidney, liver, lung and heart transplant unit salaries, floor space and other costs. These costs were unsupported because the provider did not have adequate documentation to differentiate between pre-transplant and post-transplant costs. We are currently working with the provider to develop detailed time studies for all functions related to organ acquisitions in order to properly allocate pre and post transplant costs for future cost report settlements. The intermediary will then present the proposed time study format to the CMS regional office for approval. In the event that the provider is not able to document an alternative methodology to estimate unsupported costs related to organ acquisition for the earlier years, we will seek CMS guidance whether current time studies may be applied retroactively.

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Based on the final OIG findings we will issue reopening letters for FYE 9/30/00 and 9/30/01 and adjust the Provider's cost reports as necessary. We are currently auditing the FY 2002 report and will ensure that we handle organ acquisition costs in a similar manner.

We look forward to working with the Massachusetts General Hospital to resolve these issues. If you have any questions, please contact me at 781-224-0460.

Sincerely,

A handwritten signature in cursive script, appearing to read "V. Guarino".

Vincent Guarino
Director of Audit & Reimbursement

cc: David Crowley, Executive Director
Bethany Tielinen, Project Manager



MASSACHUSETTS
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Sally Mason Boemer
Vice President for Finance

December 8, 2004

Mr. Michael J. Armstrong
JFK Federal Building - Room 2425
Boston, MA 02203

CIN: A-01-04-00516

Dear Mr. Armstrong:

I am writing in response to your office's draft report on Organ Acquisition Costs. We are in agreement with the findings discussed in the report and have moved promptly to respond to the recommendations. Our specific responses are listed below:

- (1) We will work with our Medicare intermediary to make appropriate adjustments for unallowable costs.
- (2) We will work with our Medicare intermediary to make appropriate adjustments for unsupported costs. We have already presented preliminary data to our intermediary and are confident that we can reach an agreement and substantiate a significant amount of the previously unsupported salary and other expenses.
- (3) We continue to direct close attention to the accounting controls and systems (such as time and effort reporting) for documenting organ acquisition costs. We will also continue to provide training and education to responsible personnel who track these costs. As noted in your report, we proactively identified and initiated changes in our accounting for laboratory testing during 2002 as part of our ongoing compliance efforts.

The hospital would like to acknowledge the cooperation and assistance of your staff in working with us. The cost reporting requirements for organ acquisition costs are complex and bring considerable challenge in implementation. Nonetheless, we are committed to making ongoing enhancements to our operational procedures and control systems to ensure all current and prior cost report filings are appropriately stated.

Please contact me should you have any questions concerning this response or the hospital's actions.

Sincerely,

A handwritten signature in cursive script that reads "Sally Mason Boemer".

Sally Mason Boemer