

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF INTERN AND RESIDENT
FTE COUNTS FOR DIRECT AND
INDIRECT GRADUATE MEDICAL
EDUCATION COSTS AT
BARNES-JEWISH HOSPITAL,
ST. LOUIS, MISSOURI**



JANET REHNQUIST
Inspector General

MARCH 2002
A-07-02-02096

Office of Inspector General

<http://oig.hhs.gov/>

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Region VII
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CIN: A-07-02-02096
March 4, 2002

Ms. Sheila Butler
Manager, BJC Reimbursement
BJC HealthCare, Room 140
4353 Clayton Avenue
St. Louis, Missouri 63110

Dear Ms. Butler:

This report provides the results of our limited review of medical education payments made to Barnes-Jewish Hospital, St. Louis, Missouri under the Medicare program. The purpose of the review was to determine the accuracy of intern and resident full-time equivalents (FTEs) used by Barnes-Jewish Hospital (the Hospital) for claiming direct graduate medical education (GME) and indirect graduate medical education (IME) costs. The review covered FTEs claimed for the Hospital's fiscal year ended December 31, 1998, for which the hospital claimed costs of \$53,112,612.

Our review did not show a need to revise the FTE counts or change control procedures for developing the counts. Therefore, we have no recommendations for the Hospital to address.

INTRODUCTION

BACKGROUND

Barnes-Jewish Hospital at Washington University Medical Center, a 911-bed nonprofit teaching hospital located in St. Louis, Missouri, is the largest hospital in Missouri. The Hospital has a 1,600 member medical staff composed of full-time academic faculty and community physicians of Washington University School of Medicine. The medical staff is supported by more than 850 residents, interns and fellows.

Since the inception of Medicare in 1965, the program has shared in the costs of educational activities incurred by participating providers. Medicare now makes two different types of payments – GME and IME.

Under Sections 1886 (a)(4) and (d)(1)(A) of the Social Security Act (the Act) and 42 Code of Federal Regulations (CFR) 412.113, GME costs are excluded from the definition of a hospital's operating costs and, accordingly, are not included in the calculation of payment rates under the hospital inpatient prospective payment system (PPS) or in the calculation of the rate-of-increase limit for hospitals excluded from the PPS. Regulations at 42 CFR 413.85 (b) define approved educational activities to mean formally organized or planned programs of study usually engaged in by providers in order to enhance the quality of patient care in an institution. These activities include approved training programs for physicians, nurses, and certain allied health professionals. Under Section 1886(h) of the Act and 42 CFR 413.86, hospitals are paid for direct GME costs based on Medicare's share of a hospital-specific per resident amount multiplied by the number of FTE residents.

The IME payments are oriented towards services to Medicare patients. Medicare has made payments to hospitals under Section 1886(d) of the Act on the basis of the PPS since 1983. Under the PPS, hospitals receive a predetermined payment for each Medicare discharge. Section 1886(d)(5)(B) of the Act specifically directs the Secretary to provide an additional payment under the inpatient PPS to hospitals for IME. This additional payment, which reflects the higher operating costs associated with medical education, is based in part on the applicable indirect IME adjustment factor. The adjustment factor is calculated by using a hospital's ratio of residents-to-beds in the formula set forth at Section 1886(d)(5)(B) and specified in regulations at 42 CFR 412.105. The IME payment is usually viewed as an "add-on" to the basic PPS payment.

Both GME and IME payments are calculated annually based on formulas which are driven by the number of FTEs and the proportion of Medicare days of care. Thus, the amount of Medicare funds received by each hospital is determined, in large part, by the number of FTE residents at each hospital and the proportion of training time residents spend in the institution.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our audit was conducted in accordance with generally accepted government auditing standards. The audit objective was to determine the accuracy of intern and resident FTEs used by the Hospital for claiming GME and IME costs under the Medicare program. The audit covered GME and IME FTEs used to claim \$53,112,612 in medical education payments for the Hospital's fiscal year ended December 31, 1998.

To accomplish our objectives, we reviewed the GME and IME related audit work performed by the Fiscal Intermediary for Barnes-Jewish Hospital for FYE 12/31/98. To verify the calculation of the Hospital FTE's, the Fiscal Intermediary:

- Determined that all programs were approved.
- Determined if the FTE's were properly weighted for residents who exceeded the residency period of their program specialty.
- Verified the allowability of FTEs for those from foreign medical schools.
- Tested rotation schedules against summary rotation schedules.
- Compared rotation schedules with the Internal Resident Information System (IRIS).

During our on-site review at the Hospital we:

- o Determined if the FTE's were properly weighted for residents who exceeded the residency period of their program specialty.
- o Tested rotation schedules against Washington University payroll records and determined that FTEs for GME and IME did not include any time that residents were working on research.
- o Tested rotation schedules against rotation summaries.
- o Compared rotation schedules with the IRIS.
- o Discussed the results of our audit with the Hospital.

Consideration of the internal control structure was limited to those controls concerning the accumulation of FTEs reported on the Hospital's cost report, because the objective of our review did not require a complete understanding or assessment of the internal control structure at the Hospital.

Fieldwork was performed at the Hospital administrative offices and at the Fiscal Intermediary's St. Louis branch office from October to December 2001.

FINDINGS AND RECOMMENDATIONS

The Hospital's Medicare cost report, as audited by the Fiscal Intermediary, showed an unweighted resident count of 554.57 FTEs and costs of \$19,480,459, and \$33,632,153 for GME and IME respectively. Total medical education costs were \$53,112,612.

Our review showed the reported FTE counts for IME and GME costs were acceptable and there was no need to change the counts or revise controls over development of the counts. Therefore, this report contains no recommendations for the Hospital to address.

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To facilitate identification, please refer to Common Identification Number A-07-02-02096 in all correspondence relating to this report.

Sincerely,



James P. Aasmundstad
Regional Inspector General
for Audit Services