

**Memorandum**

Date MAR 4 1999

From June Gibbs Brown
Inspector General *June G Brown*

Subject Review of Bad Debts Reported by Fresenius Medical Care's Facilities Under Medicare's End Stage Renal Disease Program for Calendar Year 1996 (A-01-98-00508)

To Nancy-Ann Min DeParle
Administrator
Health Care Financing Administration

Attached is the Office of Inspector General, Office of Audit Services' final report entitled "*Review of Bad Debts Reported by Fresenius Medical Care's Facilities Under Medicare's End Stage Renal Disease Program for Calendar Year 1996.*" The primary objective of our review was to determine whether home office costs and bad debts reported by Fresenius Medical Care (FMC), facilities for Calendar Year (CY) 1996 were in accordance with the prescribed Medicare laws and regulations.

Our review shows that FMC allocated approximately \$16.1 million in unallowable costs to 320 facilities claiming reimbursable bad debts in CY 1996. The FMC reported reimbursable bad debts totaling \$7,958,056 in CY 1996. To determine the adjustment to bad debts claimed, we prorated the total unallowable costs identified for each bad debt facility (based on a ratio of Medicare costs to total facility costs) which resulted in identification of the portion of unallowable costs applicable to Medicare expenses. Applying that ratio, we adjusted the facilities' reported Medicare expenses and recalculated bad debts using the Schedule D cost report format. We then compared the amount of bad debts claimed to the recalculated bad debts amount and determined that reimbursable bad debts were overstated by \$1,519,788 in CY 1996.

Although FMC has over the years taken actions to remove significant unallowable costs from its facilities' cost reports, corrective action is still needed to address those unallowable costs discussed in this report. Therefore, we are recommending that FMC establish additional procedures to exclude from future cost reports, the unallowable costs identified during our review. We also recommend that the Health Care Financing Administration (HCFA) instruct the fiscal intermediaries (FI) to apply our cost adjustments and make the appropriate adjustments to reimbursable bad debt amounts claimed by FMC on its facilities' cost reports for CY 1996, and recover all overpayments arising from unallowable amounts reimbursed to FMC facilities for bad debts.

The draft report was issued on October 14, 1998 to FMC for comment. In response to the draft report, FMC agreed with all our findings and recommendations with the exception of our findings relative to the sale of The Kidney Center (TKC) and rent expense.

With respect to the sale of TKC, FMC agreed that the amount of gain from the sale of the TKC, \$1.7 million, should have been used to recover depreciation costs previously reported. However, they disagreed with our allocating the total recoverable depreciation costs across all facilities. The FMC provided a detailed methodology which allocated the depreciation costs across the four components which occupied the TKC building, and then further allocated each component's share across the facilities served by that component. We agree with their methodology and reallocated our finding amount in accordance with the new information provided by FMC. This reallocation reduced our previously reported recoverable bad debt amount from \$1,577,593 to \$1,519,788.

With respect to rent expense, FMC stated that 2 months overlap of rent was prudent, claiming that relocation of its corporate offices could be accomplished only on the Thanksgiving weekend to ensure uninterrupted operations. The Office of Inspector General continues to believe 2 months overlap was not prudent. A similar Holiday period was available the next month in December. Further, the relocation site of the new corporate headquarters was only three miles away. Due to the short distance and the fact that the actual move took place over an extended weekend, we believe proper planning could have accomplished the move during the month of December, limiting the rental overlap to one month.

Under separate cover, we have provided home office audit adjustment reports for each FMC facility to their respective FI containing the necessary information for use in settling FMC facilities cost reports. In addition, we have instructed the FIs to notify HCFA once our recommendations have been implemented.

Please advise us within 60 days on actions taken or planned on our recommendations. If you have any questions, please call me or have your staff contact George M. Reeb, Assistant Inspector General for Health Care Financing Audits at (410) 786-7104.

To facilitate identification, please refer to Common Identification Number A-01-98-00508 in all correspondence relating to this report.

Attachment

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF BAD DEBTS REPORTED BY
FRESENIUS MEDICARE CARE'S
FACILITIES UNDER MEDICARE'S END
STAGE RENAL DISEASE PROGRAM
FOR CALENDAR YEAR 1996**



**JUNE GIBBS BROWN
Inspector General**

**MARCH 1999
A-01-98-00508**

EXECUTIVE SUMMARY

BACKGROUND

Under Medicare's composite rate reimbursement system, an End Stage Renal Disease (ESRD) facility is reimbursed 100 percent of its allowable ESRD Medicare bad debts, up to its unreimbursed Medicare reasonable costs. The amount is reimbursed by fiscal intermediaries (FI) outside the composite rate. However, if the facility's revenue exceeds its cost, it has no unrecovered cost and is not eligible to receive payment for Medicare bad debts.

OBJECTIVE

The primary objective of our review was to determine whether home office costs and bad debts reported by Fresenius Medical Care (FMC) facilities for Calendar Year (CY) 1996 were in accordance with the prescribed Medicare laws and regulations.

RESULTS OF REVIEW

Our review shows that FMC allocated approximately \$16.1 million in unallowable costs to 320 facilities claiming reimbursable bad debts in CY 1996.

The FMC reported reimbursable bad debts totaling \$7,958,056 in CY 1996. To determine the adjustment to bad debts claimed, we prorated the total unallowable costs identified for each bad debt facility (based on ratio of Medicare costs to total facility costs) which resulted in identification of the portion of unallowable costs applicable to Medicare expenses. Applying the ratio determined above, we adjusted the facilities' reported Medicare expenses and recalculated bad debts using the Schedule D cost report format. We then compared the amount of bad debts claimed to the recalculated allowable bad debts amount to determine the appropriate bad debt adjustment. As a result, we determined that reimbursable bad debts were overstated by \$1,519,788¹ in CY 1996.

RECOMMENDATIONS

Although FMC has over the years taken actions to remove significant unallowable costs from its facilities' cost reports, corrective action is still needed to address those unallowable costs discussed in this report. Therefore, we are recommending that FMC establish additional procedures to exclude from future cost reports the unallowable costs identified during our review. We also recommend that the Health Care Financing Administration instruct the FIs to apply our home office cost adjustments and make the appropriate adjustments to reimbursable

¹ This amount has been adjusted subsequent to the issuance of our draft report dated October 14, 1998.

bad debt amounts claimed by FMC on its facilities' cost reports for CY 1996, and recover all overpayments arising from unallowable amounts reimbursed to FMC facilities for bad debts.

The draft report was issued on October 14, 1998 to FMC for comment. In response to the draft report, FMC agreed with all our findings and recommendations with the exception of our findings relative to the sale of The Kidney Center (TKC) and rent expense.

With respect to the sale of TKC, FMC agreed that the \$1.7 million gain from the sale of TKC should have been included in the cost reports to recover depreciation costs previously reported. However, they disagreed with our allocating the total recoverable depreciation costs across all facilities. The FMC provided a detailed methodology which allocated the depreciation costs across the four components which occupied the TKC building, and then further allocated each component's share across the facilities served by that component. We agree with their methodology and reallocated our finding amount in accordance with the new information provided by FMC. This reallocation reduced our previously reported recoverable bad debt amount for all findings from \$1,577,593 to \$1,519,788.

With respect to rent expense, FMC claimed 2 months overlap of rent was prudent, claiming that relocation of its corporate offices could be accomplished only on the Thanksgiving weekend to ensure uninterrupted operations. The Office of Inspector General (OIG) continues to believe 2 months overlap was not prudent. A similar Holiday period was available the next month in December. Further, the relocation site of the new corporate headquarters was only three miles away. Even the auditee acknowledges that the bulk of the move was accomplished over the one extended weekend. Due to the short distance and the fact that the actual move took place over an extended weekend, we believe proper planning could have accomplished the move during the month of December, limiting the rental overlap to one month.

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INTRODUCTION

BACKGROUND

Fresenius Medical Care, Inc. (FMC)², headquartered in Lexington, Massachusetts, provided renal dialysis treatments at 647 domestic outpatient kidney dialysis facilities which are either owned or managed by FMC through its wholly owned subsidiary, Dialysis Services Division (DSD), for Calendar Year (CY) 1996. Each individual FMC facility has a Medicare provider number and prepares a separate cost report which is submitted to a designated intermediary. The FMC allocates indirect home office costs to the facilities and controls certain direct charges (i.e., medical director salaries, amortization of medical records, and management fees) that are also included in each facility's cost report.

At the start of the period under review, National Medical Care (NMC) was a wholly-owned subsidiary of W. R. Grace, Inc. In September of 1996, W. R. Grace, Inc. spun off NMC which was then combined with Fresenius AG, a German based dialysis concern. The resulting health care company in the United States is known as Fresenius Medical Care. We verified FMC's financial information to their 10K filing with the Securities and Exchange Commission.

The Health Insurance for the Aged and Disabled (Medicare), title XVIII of the Social Security Act, as amended, is a program of health insurance that is administered by the Health Care Financing Administration (HCFA). Medicare includes coverage for eligible persons suffering from kidney (renal) failure under its End Stage Renal Disease (ESRD) program. The HCFA established a prospective method of payment for maintenance dialysis. Under this system, HCFA uses a composite rate per treatment to reimburse independent renal dialysis and hospital based facilities. The Medicare program pays 80 percent of the composite rate, and the remaining 20 percent (the co-insurance) is the responsibility of the ESRD beneficiary.

Under Medicare's composite rate reimbursement system, ESRD facilities are reimbursed 100 percent of their allowable ESRD Medicare bad debts, up to their unreimbursed Medicare reasonable costs. The amount is reimbursed by the fiscal intermediaries (FI) outside the composite rate. However, if the facility's revenue exceeds its cost, it has no unrecovered cost and is not eligible to receive payment for Medicare bad debts. Of the 646 FMC dialysis facilities, 320 facilities claimed bad debts in CY 1996.

²

For purposes of this audit report, we have sometimes referred to the auditee by its former name, National Medical Care, Inc., as this was the organization's name for part of the period under review.

The FMC allocated home office costs to its divisions based on the ratio of divisional costs to total costs incurred by FMC. The DSD's portion of home office pooled costs reported was 59.08 (58.58 per audit) percent in CY 1996, as illustrated in **Table 1**.

<u>FMC DIVISION</u>	CY 1996	
	COST (in millions)	%
Dialysis Services Division (DSD)	1,234	59.08
Medical Products Division (MPD)	287	13.73
LifeChem	60	2.90
Home Care Division	275	13.17
DSD International	147	7.03
Diagnostic Services	86	4.10
TOTAL	2,089	100.00

Table 1 - Distribution of FMC's Home Office Costs to the Respective Divisions ³

SCOPE

We conducted our audit in accordance with generally accepted government auditing standards. The primary objective of this review was to determine whether home office costs and bad debts reported by FMC facilities were in accordance with the prescribed Medicare laws and regulations. Our review covered bad debts of \$7,958,056 reported by FMC for CY 1996. These bad debts were claimed by 320 FMC facilities.

As part of our examination, we obtained an understanding of FMC's internal control structure; however, we limited the consideration of the internal control structure and ascertained that the audit could be conducted more efficiently by expanding substantive audit tests, thus placing very little reliance on the internal control structure.

Our review relates to home office cost reports filed by FMC and DSD for CY 1996, and certain facility cost reports. The FMC reported \$25,513,443 in CY 1996 for pooled allocated costs. Likewise, for the DSD Home Office Cost Report, FMC claimed \$98,646,487 in CY 1996 for direct and pooled allocated costs. In addition, FMC controls certain facility costs such as

³ Percentage total off due to rounding

amortization of medical records. As they relate to the bad debt facilities, these costs account for \$10,387,553 in CY 1996.

To accomplish our audit objective, we:

- reconciled reported home office costs to FMC's financial records and the Form 10K filing required for the Securities Exchange Commission;
- reviewed selected cost categories for allowability and allocability in accordance with Medicare Principles of Reimbursement;
- researched the nature and reasonableness of judgmentally selected expenditures by examining invoices and other supporting documentation and through discussions with FMC personnel;
- reviewed reclassifications and adjustments made to FMC and facility cost reports to obtain an understanding of the nature and type of reclassifications and adjustments;
- followed-up on the audit adjustments recommended in our prior report of CYs 1994 and 1995 home office costs and bad debts (A-01-96-00519); and
- applied audit adjustments of FMC's 1996 home office costs to FMC facilities reporting reimbursable bad debts.

We did not review reported bad debt amounts to determine their validity. Accordingly, any adjusted bad debt balances are still subject to review by the respective FIs for due diligence requirements as outlined in chapter 27 of the Provider Reimbursement Manual (PRM).

In reviewing the allowability and allocability of costs, we considered whether costs incurred (1) were reasonable, (2) benefitted patient care, (3) were necessary to the overall operation of the FMC home office and facilities, and (4) were deemed to be assignable to patient care in view of the principles provided in the PRM and rulings of the Provider Reimbursement Review Board (PRRB).

Our review was performed during the period April 1998 through September 1998 at FMC headquarters located in Lexington, Massachusetts.

FINDINGS AND RECOMMENDATIONS

For each CY, FMC files a home office cost report as the parent of all divisions and a home office cost report for DSD. Our review of home office costs as well as costs directly claimed on facility cost reports disclosed the following unallowable costs reported by bad debt facilities (see Exhibit I through Exhibit VI):

COST CATEGORY	<u>AMOUNT RELATING TO BAD DEBT FACILITIES</u>
	CY 1996
Amortization of Medical Records	\$10,387,553
Inter-Co. Profit Elimination	\$2,496,393
Sale of TKC	\$1,497,659
Management Fees	\$329,099
Legal Expenses	\$237,113
TV Account Depreciation	\$290,193
Split Reporting Periods	\$262,211
Other Administrative Expenses	\$259,043
Managed Care Costs	\$58,026
Other Pooled Costs	\$136,545
H.O. Allocation Percentage	\$62,863
Rent Expense	\$112,635
TOTAL	\$16,129,333

In reviewing the allowability and allocability of costs, we considered whether costs incurred (1) were reasonable, (2) benefitted patient care, (3) were necessary to the overall operation of the FMC home office and facilities, and (4) were deemed to be assignable to patient care in view of the principles provided in title 42 CFR, the PRM, and rulings of the PRRB. We adjusted each facilities' reported costs for the above unallowable costs and recalculated allowable bad debts. We determined that reimbursable bad debts were overstated by \$1,519,788¹ in CY 1996.

¹ This amount has been adjusted subsequent to the issuance of our draft report dated October 14, 1998.

AMORTIZATION OF MEDICAL RECORDS

Contrary to Federal regulations, FMC claimed amortization expense associated with capitalizing medical records as an intangible asset.

42 CFR 413.134(a)(1), only allows depreciation expense on buildings and equipment when it is identifiable and recorded in the provider's accounting records. Furthermore, 42 CFR 413.134(g) and 413.157(c)(2) provide that the excess cost over fair market value of the assets acquired is goodwill and is therefore unallowable.

As a result, cost reports for bad debt facilities claiming reimbursement for amortization of medical records are overstated by \$10,387,553 in CY 1996.

Beginning with the 1984 stock purchase, it has been FMC's policy to account for the purchase of newly acquired facilities by redefining a portion of goodwill (excess of cost over fair market value) as an intangible asset (medical records), and reporting the yearly amortization expense on each facility cost report.

The Office of Inspector General's (OIG) conclusion relative to the amortization of medical records has been affirmed by the PRRB, HCFA, the Federal District Court for the District of Columbia, and the Federal Appeals Court for the District of Columbia. Therefore, we continue to recommend the disallowance of amortization expense associated with these medical records, which amounts to \$10,387,553 in CY 1996.

INTER-COMPANY PROFIT ELIMINATION

The FMC sells dialysis supplies internally to its own facilities and externally to non-FMC facilities through its MPD, a wholly-owned subsidiary of FMC. For Medicare reporting purposes, FMC makes an adjustment to decrease each facilities' reported cost of medical supplies by the amount of profit on internal sales. In 1996, MPD reported a profit on internal sales of \$8.2 million.

When calculating the internal profit for CY 1996, FMC overstated the adjustment to eliminate the EPOGEN Service Charge account, thereby understating the profit on internal sales to be removed from each facility's reported cost of medical supplies. Due to the miscalculation of profit on internal sales, each facility's reported cost of medical supplies was adjusted downward only 5.12% rather than the 8.86% necessary to remove the actual profit of \$14,179,378.

Title 42 CFR 413.17 - Cost to Related Organizations states that: "costs applicable to services, facilities, and supplies furnished to the provider by organizations related to the provider by common ownership or control are includable in the allowable cost of the provider at the cost to the related organization."

By understating the amount of internal profit to be eliminated, each facility's reported cost of medical supplies were overstated. We determined the cost of medical supplies were overstated by \$2,496,393 on the cost reports of those facilities claiming bad debts for CY 1996.

SALE OF THE KIDNEY CENTER (TKC)

The DSD of FMC improperly excluded the \$1,729,685 gain on the sale of TKC from allowable costs on DSD's home office cost report for 1996. The amount of depreciation previously included in allowable costs exceeded the amount of the gain.

Section 130 of the PRM states that: "If disposal of a depreciable asset results in a gain or loss, adjustment is necessary in the provider's allowable cost. The amount of gain included in the determination of allowable cost is limited to the amount of depreciation previously included in allowable costs."

When determining the amount of gain on the sale of TKC to be included in allowable costs on the DSD cost report, FMC did not consider the recovery of depreciation previously included in allowable costs.

As a result, the cost reports for facilities claiming bad debts are overstated by \$1,497,659 for CY 1996. Therefore, we recommend that FMC's 1996 cost reports for the bad debt facilities be adjusted to reflect the correct functional allocation of gain from the sale of TKC.

MANAGEMENT FEES

The FMC included management fees for 6 of its 320 bad debt facilities in CY 1996. Because FMC exercised significant control over managed facilities it should have classified them as related parties and included allocable home office costs as opposed to management fees.

Title 42 CFR, section 413.17 defines control as existing when an organization has the power, directly or indirectly, to significantly influence or direct the actions or policies of an organization. If control exists between two parties, then a related organization exists.

The FMC (1) employs all personnel, i.e., nurses, technicians, dieticians, office clerks, administrators, of the managed facilities with the exception of the medical directors, (2) provides

its managed facilities with equipment, supplies, and inventory, (3) provides professional liability, general liability, casualty, and workers compensation insurance for all employees, and (4) provides administrative, management, accounting, and financial services. In some instances, FMC provides the facility location and provides the funding to build the facility. Since FMC exercised significant control over the managed facilities, these facilities are related parties.

Since managed facilities are related parties, the costs for services provided by FMC should be limited to FMC's allocable home office costs.

Section 2150 of the PRM states that management fees between related organizations are disallowed. However, the home office's reasonable costs for providing the services related to patient care are allowable costs of the provider.

As a result, the excess of management fees over allowable home office costs related to patient care are unallowable. Therefore, we recommend disallowance of the excess management fees of \$329,099 for CY 1996.

LEGAL EXPENSES

On both the Parent Home Office Cost Report and the DSD Home Office Cost Report, FMC inappropriately claimed costs for outside legal expenses.

Section 2102.3 of the PRM states that costs not related to patient care are costs which are not appropriate (e.g., expense is not incurred and not paid) or necessary and proper in developing and maintaining the operation of patient care facilities and activities.

Section 2134.10 of the PRM states that "...reorganization costs are the types of costs...with regard to recreating, reestablishing or otherwise rearranging an entity. Reorganization costs are unallowable because they duplicate an entity's original organization costs. Therefore, any costs of studies, survey's etc., associated with or leading to a reorganization are also unallowable. It is not the intent of the Medicare program to reimburse an entity, i.e., a provider or provider component, more than once for its organization costs."

PARENT

The FMC improperly reported legal costs of \$278,629 because it included legal expenses relating to reorganization/spin-off costs.

DSD

The DSD improperly reported \$439,355 in legal costs which were not related to patient care; \$340,026 due to insufficient documentation and \$99,329 related to another program.

As a result of including unallowable legal fees, the amount reported on the bad debt facilities' cost reports is overstated by \$237,113.

TV ACCOUNT DEPRECIATION

The FMC included \$547,725 in unallowable television depreciation that was charged directly to all DSD facilities.

Section 2106.1 of the PRM states that the full cost of items or services such as television and radio which are located in patient accommodations and which are furnished solely for the personal comfort of the patients is not an allowable cost under the Medicare program.

The FMC did not remove the TV account depreciation that was directly charged to each facilities' cost reports for CY 1996. In prior years, this cost was removed by DSD Home Office. As a result, FMC's cost reports for the facilities claiming bad debts are overstated by \$290,193 in CY 1996. Therefore, we recommend that the cost reports for the DSD bad debt facilities be adjusted for unallowable TV account depreciation.

SPLIT REPORTING PERIODS

The FMC did not reconcile projected and actual home office costs for those facilities with cost reporting periods that differ from the home office's cost reporting periods. For the 13 bad debt facilities with cost reporting periods different from the home office's cost reporting period, projected home office costs exceeded actual home office costs by a net overstatement of \$262,211. The split cost report period occurred when 13 Massachusetts bad debt facilities became consolidated under the Bio Medical Applications (BMA) of Massachusetts on September 30, 1996. As actual amounts were not available for the period January 1, 1996 through September 30, 1996 at the time, FMC used prior year costs to project an estimate.

Section 2153 of the PRM, provides that where a provider in a chain organization has a cost reporting period ending date which differs from the home office's cost reporting period, the provider may project the allocated home office costs, not to exceed the previous year's home office costs. The following year, when actual home office costs are determined, adjustments should be made to reflect the difference between projected and actual home office costs allocated.

Based on the prior years costs, FMC projected an estimate of the home office cost to be reported by the 13 Massachusetts bad debt facilities for the period January 1, 1996 through September 30, 1996. However, FMC did not subsequently reconcile and adjust the estimated home office costs to actual amounts. As a result, the unreconciled estimated costs reported by the

13 Massachusetts bad debt facilities exceeded the actual home office costs, resulting in a net overstatement of \$262,211 in CY 1996. Therefore, we recommend that the cost reports for the 13 Massachusetts bad debt facilities be adjusted for the period January 1, 1996 through September 30, 1996 for the unallowable home office cost.

OTHER ADMINISTRATIVE EXPENSES

In June 1995, W.R. Grace, Inc. announced a plan to reorganize NMC into its own publicly traded company. In October 1995, FMC received five investigative subpoenas from the OIG. As a result, W.R. Grace, Inc. delayed the completion of the reorganization. In 1996, FMC reported \$901,542 in other administrative expenses directly relating to the spin-offs of NMC or its components from W.R. Grace and the reorganization of the new company as FMC.

Section 2134.10 of the PRM states that "...reorganization costs are the types of costs...with regard to recreating, reestablishing or otherwise rearranging an entity. Reorganization costs are unallowable because they duplicate an entity's original organization costs. Therefore, any costs of studies, surveys etc., associated with or leading to a reorganization are also unallowable. It is not the intent of the Medicare program to reimburse an entity, i.e., a provider or provider component, more than once for its organization costs."

The FMC did not make an adjustment to remove these costs from the Home Office Cost Report. As a result, the bad debt facilities' CY 1996 cost reports are overstated by \$259,043.

MANAGED CARE COSTS

The FMC recorded \$118,300 in managed care costs that were not related to patient care in its DSD home office cost report which was allocated to all facilities. Managed care is a new line of business whereby the nephrologist acts as a primary care physician overseeing the overall care of the patient.

Section 2102.3 of the PRM states that costs not related to patient care are costs which are not appropriate (e.g., expense is not incurred and not paid) or necessary and proper in developing and maintaining the operation of patient care facilities and activities.

The FMC did not make an adjustment to remove all managed care costs on the DSD home office cost report prior to allocating the cost to all facilities. As a result, the cost reports for facilities claiming bad debts are overstated by \$58,026 for CY 1996. Therefore, we recommend that FMC's cost reports for the bad debt facilities be adjusted to reflect this amount.

OTHER POOLED COSTS

In preparing the cost report for 1996, FMC improperly reported \$318,680 in costs related to OIG subpoenas on its home office cost report and \$156,534 in miscellaneous auditing, consulting, and other administrative expenses not related to patient care.

Section 2183 of the PRM states that: "...legal fees and related costs incurred by a provider related to ***alleged*** [emphasis added] civil fraud or indictment for a criminal act by the provider or its owners, employees, directors, etc., ...are not related to the furnishing of patient care and, therefore, are unallowable provider costs."

Section 2102.3 of the PRM states that costs not related to patient care are costs which are not appropriate (e.g., expense is not incurred and not paid) or necessary and proper in developing and maintaining the operation of patient care facilities and activities.

The FMC included expenses associated with OIG investigations in its home office costs. Resulting from an OIG subpoena, FMC made space available for OIG investigators to perform their investigation. The FMC also incurred printing and duplicating expenses related to the investigation. However, FMC included these costs in its home office cost report. In addition, our review of invoices for auditing, consulting, and other administrative expenses disclosed that costs 1) were not related to patient care (\$125,046), 2) related directly to another division (\$9,800) (PRM section 2150.3), or 3) were not supported by invoices (\$21,688).

As a result, the cost reports for facilities claiming bad debts are overstated by \$136,545 for CY 1996.

HOME OFFICE ALLOCATION PERCENTAGE

The FMC incorrectly calculated the DSD pooled Home Office cost allocation percentage on its Home Office Cost Report to be 59.08 rather than 58.58 percent. The incorrect percentage resulted in Home Office costs allocated to DSD being overstated by \$128,162.

Section 2150.3. D.2.b of the PRM states that: "...all chain components will share in the pooled home office costs in the same proportion that the total costs of each component...bear to the total costs of all components in the chain."

Net expenses for each division is the basis for determining the allocation percentages used to distribute Home Office pooled costs. The cost allocation percentages were incorrectly calculated because FMC did not include total revenues for three of its six divisions when calculating net expenses. This resulted in DSD absorbing an additional amount of the pooled home office cost. As such, the cost reports for facilities claiming bad debts are overstated by \$62,863 for CY 1996.

RENT EXPENSE

FMC, while under a rental lease for its Waltham location through December 31, 1996, signed a new lease effective as of November 1, 1996, a full 2 months prior to expiration of the current lease. As a result, FMC incurred rent expenses for both its old and new headquarters locations for the month of November as well as December 1996. Although a move of headquarter locations would involve some overlap of rental charges, 2 months does not seem reasonable or prudent. Therefore, we are questioning the November rental charge of \$392,000 for the new lease in Lexington.

Section 2103 of the PRM defines the "Prudent Buyer" concept. It states that: "The prudent and cost-conscious buyer not only refuses to pay more than the going price for an item or service, he also seeks to economize by minimizing cost."

FMC did not properly plan when signing a new lease to minimize its rental expense. As a result, the amount of rent expense reported on the bad debt facilities' cost reports is overstated by \$112,635.

ALLOCATION OF UNALLOWED COSTS TO BAD DEBT FACILITIES

Total reported reimbursable bad debts equaled \$7,958,056 in CY 1996. To determine the adjustment to bad debts claimed, we prorated the total unallowable home office costs identified for each bad debt facility (based on ratio of Medicare costs to total facility costs) which resulted in identification of the portion of unallowable costs applicable to Medicare expenses. Applying the ratio determined above, we adjusted the facilities' reported Medicare expenses and recalculated bad debts using the Schedule D cost report format. We then compared the amount of bad debts claimed to the recalculated bad debts amount to determine the appropriate bad debt adjustment (see Exhibit V).

EFFECT ON REIMBURSABLE BAD DEBTS

The ESRD facilities claimed reimbursable bad debts on Schedule D (Calculation of Reimbursable Bad Debts) of the cost report only when their Medicare revenues were less than Medicare reasonable costs. Based on the audit adjustments of \$15,480,083 for CY 1996, we recalculated Medicare expenses and revised Schedule D for each of the FMC facilities claiming reimbursable bad debts. We determined that reimbursable bad debts should be reduced by \$1,519,788² for CY 1996 (see Exhibit VI).

Reimbursement for any remaining bad debts is still subject to the facilities' due diligence in attempting to recover debts from beneficiaries. As noted in the scope section of this report, we did not perform any audit work relating to the validity of the bad debt amounts reported.

² This amount has been adjusted subsequent to the issuance of our draft report dated October 14, 1998.

We recognize that HCFA utilized a prospective composite rate for the ESRD program and audit adjustments did not effect the amount facilities were reimbursed for each dialysis treatment for CY 1996. However, allowable bad debts are reimbursed exclusive of the composite rate on a retrospective cost basis. Accordingly, for bad debts to be reimbursable, they must be based on reasonable costs. Since FMC's home office costs (direct and indirect) have a significant impact on each facility's total reported cost, annual audits of FMC are needed to ensure the accuracy of reported reimbursable bad debts.

RECOMMENDATIONS

Although FMC has over the years taken actions to remove significant unallowable costs from its facilities' cost reports, corrective action is still needed to address those unallowable costs discussed in this report. Therefore, we are recommending that FMC establish additional procedures to exclude from future cost reports the unallowable costs identified during our review. Those costs, related to the 1984 acquisition that are being protested, should continue to be disclosed in the facility cost reports in accordance with HCFA guidelines.

Further, we recommend that HCFA instruct the appropriate FIs to:

- (1) apply our home office cost adjustments of \$16,129,333 for CY 1996 and recalculate the reimbursable bad debts for the facilities in question;
- (2) perform a review of claimed bad debts for those facilities which have significant bad debts remaining to determine their allowability considering the facilities' due diligence in attempting to collect debts from beneficiaries; and
- (3) recover \$ 1,519,788³ in overpayments arising from unallowable bad debts reimbursed to FMC facilities in CY 1996.

FRESENIUS MEDICAL CARE'S COMMENTS

The FMC agreed with all our findings and recommendations with the exception of our findings relative to the sale of TKC and rent expense. We have summarized FMC's position below and provided additional OIG comments to each finding in question. The full text of FMC's comments are included as the APPENDIX to this report.

Sale of The Kidney Center

The FMC agreed that the \$1.7 million gain from sale of TKC should have been included in FMC cost reports to recover depreciation costs previously reported. However, they disagreed with allocating the total depreciation costs across all facilities. The FMC provided a detailed

³ This amount has been adjusted subsequent to the issuance of our draft report dated October 14, 1998.

methodology which allocated the depreciation costs across the four components which occupied the TKC building, and then further spread each component's share across the facilities served by that component.

Rent Expense

The FMC claimed that 2 months overlap of rent was prudent, claiming that relocation of its corporate offices could be accomplished only on the Thanksgiving weekend to ensure uninterrupted operations.

OIG's RESPONSE

With respect to the sale of TKC, we reviewed the detailed allocation methodology provided by FMC. We agree with their methodology and reallocated our finding amount in accordance with the new information provided by FMC. This reallocation reduced our previously reported recoverable bad debt amount from \$1,577,593 to \$1,519,788.

Regarding the rent expense, FMC responded that a 2 month overlap was necessary as the only time they could move without interrupted service was the Thanksgiving weekend. We disagree, as a similar holiday period was available the next month in December. Further, the relocation site of the new corporate headquarters was only three miles away. Even FMC officials acknowledges that the bulk of the move was accomplished over the one extended weekend. Due to the short distance and the fact that the actual move took place over an extended weekend, we believe proper planning could have accomplished the move during the month of December, limiting the rental overlap to one month.

EXHIBITS

SUMMARY OF AUDIT FINDINGS - DIRECT TO OWNED FACILITIES
FMC'S BAD DEBT FACILITIES
JANUARY 1, 1996 THROUGH DECEMBER 31, 1996

MEDICARE PROVIDER NUMBER	TOTAL FACILITY COST	MEDICAL RECORD AMORTIZATION	TV ACCOUNT DEPRECIATION	INTERCOMPANY PROFIT ELIMINATION	SPLIT REPORTING PERIODS	LEGAL EXPENSE DIRECT	TOTAL ADJUSTMENT
10 2034	524,746		801	2,044			2,845
10 2700	338,432		448	1,179			1,627
40 2501	1,544,782	27,704	1,044	5,642			34,390
40 2502	2,387,566	87,290	212	7,470			94,972
40 2504	3,185,069	37,761	1,792	12,635			52,188
40 2506	1,541,878	12,165	810	445			14,420
40 2512	1,820,676		746	7,148			7,894
40 2515	1,431,788		1,295	5,231			6,526
40 2517	1,702,473		1,159	6,732			7,891
10 2595	735,132		1,774	42			1,816
01 2524	3,593,405	152,429	1,637	19,112			173,178
01 2559	1,177,099		664	71			735
04 2519	1,405,545	40,353	1,527	5,597			47,477
04 2530	503,940	14,000	739	2,046			16,786
14 2573	624,678		633	1,968			2,601
19 2500	2,445,428		1,325	9,172			10,497
19 2503	2,851,013	65,031	882	16,556			82,469
19 2505	1,416,658	18,892	570	3,928			23,390
19 2510	3,274,803	201,659	86	20,024			221,769
19 2511	2,701,957	21,876	1,143	11,248			34,267
19 2512	3,621,335	71,325	1,091	24,469			96,885
19 2516	1,224,184		761	4,819			5,580
19 2521	2,976,925	6,752	1,049	14,206			22,007
19 2524	2,715,672	36,452	793	25,262			62,507
19 2546	2,246,860	60,587	1,171	9,122			70,880
19 2552	1,508,820	31,228	1,521	8,492			41,241
19 2565	1,896,290	53,529	774	13,688			67,991
19 2577	940,061		877	3,555			4,432
19 2587	621,312		726	2,094			2,820
19 2592	1,406,473		1,054	5,639			6,693
19 2594	1,001,087		1,281	4,031			5,312
19 2596	620,697		1,100	2,072			3,172
10 2697	467,392		517	1,559			2,076
23 2514	954,602		161	4,537			4,698
10 2688	294,872			254			254
23 2517	2,996,530	72,471	2,109	16,967			91,547
25 2540	3,671,175	113,647	7,782	15,639			137,068
23 2533	1,045,626		818	6,585			7,403
36 2508	3,232,544	38,030	580	15,169			53,199
36 2514	1,828,320		1,291	10,228			11,519
36 2521	3,448,037		528	3,262			3,790
36 2531	982,618		651	5,927			6,578
36 2537	1,514,738		807	4,740			5,547
36 2539	1,394,120		829	3,795			4,623
36 2549	982,493						

SUMMARY OF AUDIT FINDINGS - DIRECT TO OWNED FACILITIES
FMC'S BAD DEBT FACILITIES
JANUARY 1, 1996 THROUGH DECEMBER 31, 1996

MLICARE PROVIDER NUMBER	TOTAL FACILITY COST	MEDICAL RECORD AMORTIZATION	TV ACCOUNT DEPRECIATION	INTERCOMPANY PROFIT ELIMINATION	SPLIT REPORTING PERIODS	LEGAL EXPENSE DIRECT	TOTAL ADJUSTMENT
38 2550	1,041,614		1,050	3,857			4,907
38 2552	1,103,556		1,312	4,880			6,192
39 2503	2,196,391		874	10,849			78,187
39 2506	4,370,988	66,464		12,703			118,889
39 2511	2,850,090	106,186	1,868	10,167			47,271
39 2520	1,444,724	35,236	1,048	5,084			69,557
39 2524	1,418,353	63,425	950	5,901			45,680
39 2525	1,352,641	38,829	457	5,466			53,250
39 2530	2,441,932	47,327	351	0			351
39 2540	3,899,773	14,642	1,376	8,576			24,594
39 2547	956,731		544	2,648			3,192
39 2554	896,011		188	3,065			3,253
39 2560	2,022,787	31,483	1,170	5,487			38,140
39 2578	870,093		597	2,471			3,068
39 2594	1,596,477		765	4,845			5,610
39 2603	1,136,522		834	6,772			7,606
52 2500	1,421,520	13,130	1,153	4,429			18,712
52 2510	2,304,749	29,791	1,367	10,917			42,075
52 2516	393,516		628	1,481			2,109
52 2518	1,085,749		738	3,819			4,557
07 2505	2,850,279		1,479	13,158			14,637
08 2507	1,708,106		596	10,955			11,551
25 2543	1,221,424	37,059	795	5,665			43,519
25 2544	1,041,033	23,059	785	4,701			28,545
25 2547	1,290,673	14,824	539	4,596			19,959
25 2548	695,324		664	2,237			2,901
26 2501	6,290,134	81,436	365	32,699			114,500
26 2507	2,439,200	66,666	1,071	9,291			77,028
26 2509	1,513,942	30,745	650	6,979			38,374
26 2521	1,004,423	16,617	578	4,861			22,056
26 2528	1,266,216	42,000	302	10,070			52,371
26 2531	922,309	12,748	485	5,470			18,703
26 2535	1,741,832	52,706	1,367	13,223			67,296
37 2520	660,254		813	2,066			2,879
37 2532	2,175,462	39,253	131	12,180			51,569
44 2524	3,147,039	111,176	1,422	17,209			129,808
44 2545	752,427	12,194	432	2,534			15,160
44 2561	548,660		646	1,809			2,455
44 2593	1,496,223	842	842	0			842
01 2513	467,085	2,877	15	1,465			4,357
01 2518	537,989	14,214	637	1,838			16,689
01 2519	626,373	10,204	930	2,121			13,255
01 2520	998,339	7,125	516	3,690			11,331
01 2561	623,613			17			17
01 2564	422,739		603	1,343			1,945

SUMMARY OF AUDIT FINDINGS - DIRECT TO OWNED FACILITIES
 FMC'S BAD DEBT FACILITIES
 JANUARY 1, 1996 THROUGH DECEMBER 31, 1996

MEDICARE PROVIDER NUMBER	TOTAL FACILITY COST	MEDICAL RECORD AMORTIZATION	TV ACCOUNT DEPRECIATION	INTERCOMPANY PROFIT ELIMINATION	SPLIT REPORTING PERIODS	LEGAL EXPENSE DIRECT	TOTAL ADJUSTMENT
11 2501	1,970,550	57,912	1,129	12,187			71,228
11 2504	1,307,673	786	1,382	6,126			8,294
11 2510	3,113,400	26,935	1,321	22,856			51,112
11 2511	1,968,593	22,921	268	12,644			35,833
11 2516	2,712,857	117,457	2,233	13,206			132,896
11 2520	1,082,577		943	5,303			6,246
11 2521	2,207,798	24,381	1,124	16,318			41,823
20-2502	1,295,731		656	5,984			6,640
22 2512	2,202,174		961	9,006			9,967
22-2516	3,800,032		1,293	13,687			14,980
22-2518	761,153		599	2,778			3,377
22-2521	1,559,956		887	7,796			8,683
22-2525	2,185,965		1,160	9,434			10,594
30 2500	1,594,119	24,484	413	7,524			32,421
30-2501	2,359,631	14,343	658	10,783			25,784
31 2501	4,403,366	120,506	1,094	16,825			138,425
31-2502	6,322,329	103,540	908	27,844			132,292
31-2503	3,022,877	88,319	462	10,783			99,564
31 2504	3,370,121	44,372	1,066	14,704		12,958	73,100
31 2505	1,765,026	27,916	390	5,817			34,123
31 2515	825,753		845	2,096			2,941
11 2524	2,192,279	42,738	791	12,081			55,610
11 2531	1,029,886	4,054	602	5,428			10,084
11 2534	1,023,348	1,300	501	7,154			8,955
11 2551	752,893	320	632	2,298			3,250
11 2563	1,141,129		371	4,968			5,339
11 2591	810,148		757	2,752			3,508
11 2599	1,094,549		799	4,367			5,166
11-2623	355,256		386	1,403			1,789
15-2529	866,464		658	3,388			4,045
18 2503	4,472,155	229,898	2,335	11,071			243,304
18 2507	2,238,699	54,353	1,889	10,833			67,095
18 2509	1,885,509	41,176	814	6,287			48,277
18 2516	1,386,936		238	4,838			5,076
18 2517	1,420,275	38,706	613	4,731			44,051
18 2524	3,759,954	94,359	1,595	15,092			111,045
18 2532	752,537	8,235	44	3,254			11,533
34 2503	5,020,779	174,230	1,675	37,637			213,542
34 2509	1,713,958	54,311	671	6,258			61,240
34 2525	667,016		235	2,336			2,571
34 2540	816,547		410	7,455			7,865
34 2565	620,541		589	2,094			2,683
34-2568	671,572		317	2,348			2,665
34 2581	1,080,421		843	4,066			4,909
36 2534	1,757,836	46,118	1,264	6,737			54,119

SUMMARY OF AUDIT FINDINGS - DIRECT TO OWNED FACILITIES
FMC'S BAD DEBT FACILITIES
JANUARY 1, 1996 THROUGH DECEMBER 31, 1995

MEDICARE PROVIDER NUMBER	TOTAL FACILITY COST	MEDICAL RECORDS AMORTIZATION	TV ACCOUNT DEPRECIATION	INTERCOMPANY PROFIT ELIMINATION	SPLIT REPORTING PERIODS	LEGAL EXPENSE DIRECT	TOTAL ADJUSTMENT
42-2507	1,101,713	29,647	190	6,484			36,321
42-2514	1,837,106	42,931	771	8,984			52,686
42-2518	759,747	7,910	512	2,332			10,754
42-2535	527,016	14,824	177	2,453			17,454
42-2538	1,319,653		101	8,354			8,455
42-2542	1,404,562	25,529	(6,997)	7,449			25,981
42-2545	575,486		82	3,653			3,735
42-2551	358,566			1,534			1,534
03-2517	1,335,318	41,091	1,059	3,684			45,834
44-2579	1,281,417	25,529	100	6,416			32,045
44-2527	1,849,015	52,706	1,214	9,285			63,205
44-2522	432,677	269	666	1,549			2,484
44-2501	1,908,521	46,493	672	8,097			55,262
03-2522	881,069	22,941		3,886			26,827
03-2524	1,014,187	22,941	706	3,689			27,337
03-2529	1,699,986	58,118	412	3,762			62,292
03-2536	1,295,313	24,471	90	4,887			29,448
03-2539	1,248,222		865	3,989			4,854
03-2550	2,223,186	3,294	1,153	36,074			40,522
03-2552	820,559		1,016	2,511			3,527
45-2689	(127,526)		798	181			980
03-2558	508,804		800	1,368			2,168
05-2513	959,896	12,745		5,031			17,776
05-2523	1,814,934	25,232	953	5,630			31,815
05-2524	1,704,813	31,230		8,109			39,339
05-2534	2,654,030	3,903	269	9,203		51,384	64,759
05-2543	1,634,829	9,428	64	6,509			16,001
05-2544	2,805,789	80,767	314	10,894			91,975
05-2548	832,000		61	2,450			2,511
05-2556	1,168,959	6,273	799	3,497			10,569
05-2624	1,325,672	29,382	517	5,579			35,478
05-2633	3,460,247	42,070	168	14,083			56,321
05-2651	3,692,562	129,989		14,258			144,247
05-2656	3,594,189	125,729	1,123	23,416			150,268
05-2668	1,186,438	18,243	878	3,720			22,841
05-2681	1,393,759	28,938	389	4,740			34,067
05-2694	1,661,330	16,951	701	6,527			24,179
05-2757				0			0
05-2757	1,330,156		1,615	3,880			5,495
05-2758				0			0
05-2758	1,592,980		3,232	5,455			8,687
05-2759				0			0
05-2759	3,733,455	43,270	3,603	22,650			69,523
05-2780	895,160		1,492	4,973			6,465
06-2505	1,923,697	26,935	1,142	22,407			50,484

SUMMARY OF AUDIT FINDINGS - DIRECT TO OWNED FACILITIES
FMC'S BAD DEBT FACILITIES
JANUARY 1, 1996 THROUGH DECEMBER 31, 1996

MILICARL PHONIBER NUMBER	TOTAL FACILITY COST	MEDICAL RECORD AMORTIZATION	TV ACCOUNT DEPRECIATION	INTERCOMPANY PROFIT ELIMINATION	SPLIT REPORTING PERIODS	LEGAL EXPENSE DIRECT	TOTAL ADJUSTMENT
32 2500	2,887,030	34,950	1,716	16,532			53,198
32 2501	2,246,237	36,437	1,573	7,198			45,208
32 2504	1,774,579	11,147	1,047	7,561			19,755
32 2509	1,181,234		1,309	4,955			6,264
32 2513	784,650		567	2,195			2,763
45 2512	2,272,948	41,320	1,458	8,388			51,166
45 2581	1,742,171	19,447	730	5,660			25,837
45 2597	1,317,444	118,050		6,573			124,623
45 2629	1,161,769		1,076	4,114			5,190
45 2636	1,602,526		1,427	6,591			8,018
45 2644	1,038,883		637	3,358			3,995
45 2666	808,335		1,194	2,646			3,840
45 2668	1,725,482		1,056	5,607			6,663
45 2604	721,415	5,413	112	2,510			8,034
45 2640	2,944,679		1,470	22,379			23,849
45 2674	2,931,021		1,319	14,389			15,709
09 2502	2,346,188	52,419	926	12,629			65,974
09 2503	3,935,467	64,151	3,037	21,852			89,040
09 2505	1,906,909	36,781	529	12,910			50,220
09 2509	1,633,233		491	10,736			11,227
09 2515	2,812,890	14,679	539	13,368			28,586
21 2503	2,916,602	81,944	84	11,525			93,553
21 2504	1,344,859	11,734	331	5,574			17,639
31 2516	935,691		642	2,673			3,315
31 2518	1,117,375		687	3,827			4,514
31 2529	1,234,540		840	3,178			4,018
33 2517	9,717,833			0			0
33 2531	4,040,049			0			0
41 2500	5,162,110		2,454	21,144			23,598
41 2503	1,334,638		821	4,858			5,679
41 2504	1,616,059		1,094	6,933			8,027
45 2500	3,605,478		2,408	13,333			316,796
45 2501	6,628,581	301,055	2,918	51,043			53,961
45 2510	2,493,885		994	186			1,180
45 2519	2,649,171	59,763	1,617	11,829			73,209
45 2526	3,001,824	120,709	1,222	9,728			131,659
45 2520	2,836,419	66,493	1,068	12,086			79,647
45 2533	3,818,319	65,023	1,594	14,317			80,934
45 2537	643,972	21,778	189	2,065			24,032
45 2539	865,480	37,600	448	2,651			40,699
45 2544	1,189,774	72,178	2,807	3,488			78,473
45 2545	1,197,896	29,127	1,190	3,816			34,133
45 2553	1,371,484	23,409		4,966			28,375
19 2565	1,952,916	66,088	1,823	10,634			78,546
45 2603	2,45,252	96,353	537	235			97,125

SUMMARY OF AUDIT FINDINGS DIRECT TO OWNED FACILITIES
FMC'S BAD DEBT FACILITIES
JANUARY 1, 1996 THROUGH DECEMBER 31, 1996

MEDICARE PROVIDER NUMBER	TOTAL FACILITY COST	MEDICAL RECORD AMORTIZATION	TV ACCOUNT DEPRECIATION	INTERCOMPANY PROFIT ELIMINATION	SPLIT REPORTING PERIODS	LEGAL EXPENSE DIRECT	TOTAL ADJUSTMENT
45 2574	1,871,658	46,145	1,824	5,744			53,713
45 2573	1,117,816		141	4,318			4,459
45 2669	844,264		695	2,709			3,404
45 2671	1,146,347		699	5,312			6,011
45 2684	1,819,462		1,381	5,413			6,794
45 2673	688,033		764	2,301			3,065
45 2679	1,425,750	109,041	1,496	3,587			114,124
45 2682	1,374,436		3,012	4,645			7,658
45 2686	2,339,174		3,176	8,571			11,747
45 2688	2,988,979		2,450	10,862			13,312
45 2693	3,159,840		3,752	13,510			17,262
45 2694	1,716,757		2,250	6,272			8,522
04 2530	1,195,151	112,694	2,018	1,732			116,444
45 2699	3,283,629	403,466	2,196	12,534			14,730
45 2700	2,325,409		1,607	6,507			8,769
45 2702	1,855,355		2,301	4,090			5,010
45 2709	1,217,849		920	3,650			5,045
45 2722	1,173,494		1,395	1,141			1,631
45 2738	486,310		490	1,141			1,631
10 2502	3,108,560		886	13,834			83,896
10 2503	2,578,270		1,145	9,966			35,115
10 2506	2,638,923		1,765	7,901			38,144
10 2508	1,055,880		776	2,970			3,746
10 2522	3,087,160		1,097	12,877			67,967
10 2525	1,146,503		541	4,318			4,889
10 2538	1,984,290		1,941	6,313			30,974
10 2539	953,127		478	4,153			33,182
10 2542	671,734		658	1,912			18,106
10 2544	1,740,353		725	11,331			57,350
10 2548	1,166,173		639	3,769			8,508
10 2557	1,111,632		8,320	3,286			11,606
10 2559	3,936,787		2,206	27,539			104,686
10 2570	783,024		445	4,563			23,949
10 2579	1,614,607		2,658	10,091			42,396
10 2582	777,753		716	4,181			17,250
10 2609	1,081,875		305	3,722			4,027
15 2500	6,329,528	493,362	1,100	34,825			529,287
10 2612	2,155,817	55,175	278	11,545			66,998
10 2629	2,042,601	50,235	1,687	12,594			64,516
10 2650	568,074	25,529	1,039	2,214			28,782
10 2653	2,156,660	53,529	825	8,426			62,780
10 2657	510,446	13,176	508	1,922			15,606
10 2661	1,221,699	23,882	1,803	9,037			34,722
10 2677	448,661		649	1,525			2,175
10 2681	790,469		940	3,239			4,179

SUMMARY OF AUDIT FINDINGS - DIRECT TO OWNED FACILITIES
FMC'S BAD DEBT FACILITIES
JANUARY 1, 1996 THROUGH DECEMBER 31, 1996

MEDICARE PROVIDER NUMBER	TOTAL FACILITY COST	MEDICAL RECORD AMORTIZATION	TV ACCOUNT DEPRECIATION	INTERCOMPANY PROFIT ELIMINATION	SPLIT REPORTING PERIODS	LEGAL EXPENSE DIRECT	TOTAL ADJUSTMENT
10 2684	811,653		723	3,017			3,740
49 2568	1,211,458	17,294	173	3,889			21,356
49 2579	809,669		480	3,159			3,639
51 2501	454,803	11,199	612	1,491			13,302
51 2506	2,403,143	41,811	896	9,063			51,770
51 2508	753,638		584	3,439			4,023
14 2500	1,971,566	34,328	369	6,341			41,038
14 2511	2,630,480	59,632	863	12,420			72,915
21 2506	613,388	11,734	488	5,482			17,704
21 2509	2,376,813	9,894	330	7,163			17,387
21 2510	1,177,418	1,128	913	6,709			8,750
21 2524	1,596,533	42,000	33	8,960			50,992
21 2531	1,345,054		169	9,511			9,680
21 2540	1,706,597	59,294	853	7,288			67,434
21 2557	957,326		715	5,965			6,680
61 10 170	610,170		585	1,385			2,170
21 2558	463,921		552	1,198			1,750
21 2559	7,009,831	256,205	1,960	51,701			309,866
34 2542	2,052,095	37,645	1,086	12,198			50,929
34 2544	665,319		227	2,675			2,902
34 2545	724,696		519	2,781			3,300
34 2547	977,156		861	2,363			3,424
49 2504	3,545,363	57,058	1,659	15,235			73,952
49 2505	2,911,920	64,015	1,795	11,611			77,421
49 2510	429,006	9,639		1,487			11,126
49 2513	976,689	30,173	1,065	2,883			34,121
49 2515	1,095,045	21,332	583	3,191			25,106
49 2519	1,336,355	93,907	912	5,440			100,259
49 2525	1,299,901	28,387	1,199	5,710			35,296
49 2536	1,392,539	11,391	960	6,019			18,370
49 2540	774,854		85	2,619			2,704
49 2557	1,883,525	42,000	494	14,399			56,893
45 2680	995,392	43,823	1,656	3,068			4,724
10 2566	976,159	12,915	646	3,345			49,814
14 2523	781,076	8,786	79	2,095			15,089
23 2525	1,516,293		1,089	4,793			14,668
22 2515	1,678,252		470	5,292	15,219		20,981
22 2504	1,979,466	79,944	195	5,991	16,860		20,981
22 2501	2,740,877	31,932	517	12,303	30,896		75,326
45 2719	711,018	8,257	700	14,201	47,436		173,340
22 2502	5,485,390	111,003	233	8,382	22,855		41,968
22 2503	2,640,321	37,001	263	4,734	81,881		81,881
22 2503	16,794	50,381	88	2,794	19,676		19,676
22 2505	2,929,489	98,610	1,302	10,434	23,599		133,945

SUMMARY OF AUDIT FINDINGS - DIRECT TO OWNED FACILITIES
 FMC'S BAD DEBT FACILITIES
 JANUARY 1, 1996 THROUGH DECEMBER 31, 1996

MULTICARL PROVIDER NUMBER	TOTAL FACILITY COST	MEDICAL RECORD AMORTIZATION	TV ACCOUNT DEPRECIATION	INTERCOMPANY PROFIT ELIMINATION	SPLIT REPORTING PERIODS	LEGAL EXPENSE DIRECT	TOTAL ADJUSTMENT
22-2505		32,870	434	3,478			36,782
22-2506	2,311,015	62,797	350	7,634	23,117		93,898
22-2506		20,932	117	2,545			23,593
22-2507	1,979,812	10,133	647	6,290	14,027		40,096
22-2507		6,378	216	2,097			8,690
22-2513	3,006,444		754	10,878	31,081		42,712
22-2513			251	3,626			3,877
22-2519	1,523,256	14,824	859	5,348	6,779		27,811
22-2519		4,941	286	1,783			7,010
22-2519	1,479,151	46,324	1,292	4,725	8,652		60,993
22-2522		15,441	431	1,575			17,447
22-2524	1,795,092	9,059	191	2,094			11,344
22-2524		27,176	573	6,281	10,759		44,789
42-2510	3,886,106		1,014	4,852			5,866
42-2510		40,628	276	1,323			42,228
45-2502	5,543,936	273,525	1,643	15,288			290,456
45-2502			329	3,058			3,387
45-2689	3,774,005		198	2,280			2,477
45-2689		105,642	987	11,397			118,026
22-2500	3,575,255	192,738	743	10,359	10,931		214,771
22-2500		64,246 00	247 75	3,453 02			67,946 77
TOTAL	\$680,628,777	\$10,387,553	\$290,193	\$2,496,393	\$262,211	\$64,342	\$13,500,692

NOTE:
 Due to split cost reporting periods, the 320 bad debt facilities are shown on this schedule over 336 lines.

SUMMARY OF AUDIT FINDINGS - ALLOCATED TO OWNED FACILITIES
FMC'S BAD DEBT FACILITIES
JANUARY 1, 1996 THROUGH DECEMBER 31, 1996

MI DICARE PROVIDER NUMBER	TOTAL FACILITY COST	MANAGED CARE COSTS	SALE OF TKC	HOME OFFICE ALLOCATION PERCENTAGE	RENT EXPENSE	OTHER ADMIN. EXPENSE	OTHER POOLED COST	LEGAL EXPENSE CORP	LEGAL EXPENSE DSD	TOTAL ADJUSTMENT
10 2694	524,746	53	\$46	57	102	235	124	73	84	773
10 2700	338,432	34	\$30	37	66	151	80	47	54	499
40 2501	1,544,782	155	\$136	168	301	691	364	214	247	2,276
40 2502	2,387,566	239	\$210	259	465	1,068	563	330	382	3,517
40 2504	3,185,069	319	\$280	346	620	1,425	751	440	510	4,692
40 2506	1,541,878	155	\$136	167	300	690	364	247	271	2,271
40 2512	1,820,676	182	\$160	198	354	815	429	252	292	2,682
40 2515	1,431,788	144	\$126	155	279	641	338	198	229	2,109
40 2517	1,702,473	171	\$150	185	331	762	402	273	273	2,508
10 2595	735,132	74	\$65	80	143	329	173	102	118	1,083
01 2524	3,593,405	360	\$316	390	699	1,608	848	497	575	5,293
01 2559	1,177,099	118	\$104	128	229	527	278	163	189	1,734
04 2519	1,405,545	141	\$124	153	273	629	332	194	225	2,070
04 2530	503,940	51	\$44	55	98	225	119	70	81	742
14 2573	624,678	63	\$55	68	122	280	147	86	100	920
19 2500	2,445,428	245	\$215	266	476	1,094	577	338	392	3,602
19 2503	2,851,013	286	\$251	310	555	1,276	672	394	457	4,200
19 2505	1,416,658	142	\$125	154	276	634	334	196	227	2,087
19 2510	3,274,803	328	\$288	356	637	1,465	772	453	524	4,824
19 2511	2,701,957	271	\$238	293	526	1,209	637	374	433	3,980
19 2512	3,621,335	363	\$318	393	705	1,620	854	501	580	5,335
19 2516	1,224,184	123	\$108	133	238	548	289	169	196	1,803
19 2521	2,976,925	298	\$262	323	579	1,332	702	412	477	4,385
19 2524	2,715,672	272	\$239	295	528	1,215	641	376	435	4,000
19 2546	2,246,860	225	\$198	244	437	1,005	530	311	360	3,310
19 2552	1,508,820	151	\$133	164	294	675	356	209	242	2,223
19 2565	1,896,290	190	\$167	206	369	849	447	262	304	2,793
19 2577	940,061	94	\$83	102	183	421	222	130	151	1,385
19 2587	621,312	62	\$55	67	121	278	147	86	100	915
19 2592	1,406,473	141	\$124	153	274	629	332	195	225	2,072
19 2594	1,001,087	100	\$88	109	195	448	236	138	160	1,475
19 2596	620,697	62	\$55	67	121	278	146	86	99	914
10 2697	467,392	47	\$41	51	91	209	110	65	75	689
23 2514	954,602	96	\$84	104	186	427	225	132	153	1,406
10 2688	294,872	30	\$26	32	57	132	70	41	47	434
23 2517	2,996,530	300	\$263	325	583	1,341	707	414	480	4,414
25 2540	3,671,175	368	\$323	399	714	1,843	866	508	588	5,408
23 2533	1,045,626	105	\$82	114	203	468	247	145	167	1,540
36 2508	3,232,544	324	\$284	351	629	1,446	762	447	518	4,762
36 2514	1,828,320	183	\$161	199	356	818	431	253	293	2,693
36 2521	3,448,037	346	\$303	374	671	1,543	813	477	552	5,079
36 2531	982,618	98	\$86	107	191	440	232	136	157	1,447
36 2537	1,514,738	152	\$133	164	295	678	357	209	243	2,231
36 2539	1,394,120	140	\$123	151	271	624	329	193	223	2,054
36 2549	982,493	98	\$86	107	191	440	232	136	157	1,447

SUMMARY OF AUDIT FINDINGS - ALLOCATED TO OWNED FACILITIES
 FMC'S BAD DEBT FACILITIES
 JANUARY 1, 1996 THROUGH DECEMBER 31, 1996

MICARE PROVIDER NUMBER	TOTAL FACILITY COST	MANAGED CARE COSTS	SALE OF TKC	HOME OFFICE ALLOCATION PERCENTAGE	RENT EXPENSE	OTHER ADMIN. EXPENSE	OTHER POOLED COST	LEGAL EXPENSE CORP	LEGAL EXPENSE DSD	TOTAL ADJUSTMENT
36 2550	1,041,614	104	\$92	113	203	466	246	144	167	1,534
36 2552	1,103,556	111	\$97	120	215	494	260	153	177	1,626
39 2503	2,196,391	220	\$193	239	427	983	518	304	352	3,235
39 2506	4,370,988	438	\$384	475	850	1,956	1,031	604	700	6,439
39 2511	2,850,090	286	\$251	309	555	1,275	672	394	456	4,198
39 2520	1,444,724	145	\$127	157	281	646	341	200	231	2,128
39 2524	1,418,353	142	\$125	154	276	635	335	196	227	2,089
39 2525	1,352,641	136	\$119	147	263	605	319	187	217	1,993
39 2530	2,441,932	245	\$215	265	475	1,093	576	338	391	3,597
39 2540	3,899,773	391	\$343	423	759	1,745	920	539	625	5,745
39 2547	956,731	96	\$84	104	186	428	226	132	153	1,409
39 2554	896,011	90	\$79	97	174	401	211	124	143	1,320
39 2560	2,022,787	203	\$178	220	394	905	477	280	324	2,980
39 2578	870,093	87	\$77	94	169	389	205	120	139	1,282
39 2594	1,596,477	160	\$140	173	311	714	377	221	256	2,352
39 2603	1,136,522	114	\$100	123	221	509	268	157	182	1,674
52 2500	1,421,520	142	\$125	154	277	636	335	197	228	2,094
52 2510	2,304,749	231	\$203	250	448	1,031	544	319	369	3,395
52 2516	393,516	39	\$35	43	77	176	93	54	63	580
52 2518	1,085,749	109	\$95	118	211	486	256	150	174	1,599
07 2505	2,850,279	286	\$8,107	310	555	1,275	672	394	456	12,055
08 2507	1,708,106	171	\$5,459	185	332	764	403	236	274	7,825
25 2543	1,221,424	122	\$107	133	238	547	288	169	196	1,799
25 2544	1,041,033	104	\$92	113	203	466	246	144	167	1,534
25 2547	1,290,673	129	\$113	140	251	578	304	178	207	1,901
25 2548	695,324	70	\$61	76	135	311	164	96	111	1,024
26 2501	6,290,134	630	\$553	683	1,224	2,815	1,484	870	1,007	9,266
26 2507	2,439,200	244	\$214	265	475	1,091	575	337	391	3,593
26 2509	1,613,942	162	\$142	175	314	722	381	223	258	2,377
26 2521	1,004,423	101	\$88	109	195	449	237	139	161	1,480
26 2528	1,266,216	127	\$111	137	246	567	299	175	203	1,865
26 2531	922,309	92	\$81	100	179	413	218	128	148	1,359
26 2535	1,741,832	175	\$153	189	339	779	411	241	279	2,566
37 2520	660,254	66	\$58	72	128	295	156	91	106	973
37 2532	2,175,462	218	\$191	236	423	973	513	301	348	3,205
44 2524	3,147,039	315	\$277	342	612	1,408	742	435	504	4,636
44 2545	752,427	75	\$66	82	146	337	177	104	121	1,108
44 2561	548,660	55	\$48	60	107	246	129	76	88	808
44 2593	1,496,223	150	\$132	162	291	670	353	207	240	2,204
01 2513	467,085	47	\$41	51	91	209	110	65	75	688
01 2518	537,989	54	\$47	58	105	241	127	74	86	793
01 2519	626,373	63	\$55	68	122	280	148	87	100	923
01 2520	998,339	100	\$88	108	194	447	235	138	160	1,471
01 2561	623,613	63	\$55	68	121	279	147	86	100	919
01 2564	422,739	42	\$37	46	82	189	100	58	68	623

SUMMARY OF AUDIT FINDINGS - ALLOCATED TO OWNED FACILITIES
FMC'S BAD DEBT FACILITIES
JANUARY 1, 1996 THROUGH DECEMBER 31, 1996

M-DICARE PROVIDER NUMBER	TOTAL FACILITY COST	MANAGED CARE COSTS	SALE OF TKC	HOME OFFICE ALLOCATION PERCENTAGE	RENT EXPENSE	OTHER ADMIN. EXPENSE	OTHER POOLED COST	LEGAL EXPENSE CORP	LEGAL EXPENSE DSD	TOTAL ADJUSTMENT
11-2501	1,920,550	193	\$169	209	374	859	453	265	308	2,829
11-2504	1,307,873	131	\$115	142	254	585	308	181	209	1,926
11-2510	3,113,400	312	\$274	338	606	1,393	734	431	499	4,586
11-2511	1,968,593	197	\$173	214	383	881	464	272	315	2,900
11-2516	2,712,857	272	\$239	295	528	1,214	640	375	434	3,996
11-2520	1,082,577	109	\$95	118	211	484	255	150	173	1,595
11-2521	2,207,798	221	\$194	240	430	988	521	305	354	3,252
20-2502	1,295,731	130	\$11,417	141	252	580	306	179	208	13,212
22-2512	2,202,174	221	\$16,251	239	428	985	519	305	353	19,301
22-2516	3,800,032	381	\$28,246	413	739	1,700	896	526	609	33,510
22-2518	761,153	76	\$5,851	83	148	341	180	105	122	6,905
22-2525	1,559,966	156	\$11,059	169	304	698	368	216	250	13,220
30-2500	2,185,965	219	\$17,566	237	425	978	516	302	350	20,594
30-2501	1,594,119	160	\$9,161	173	310	713	376	220	255	11,369
31-2501	2,359,631	237	\$18,596	256	459	1,056	557	326	378	21,865
31-2502	4,403,366	441	\$16,519	478	857	1,970	1,039	609	705	22,619
31-2503	6,322,329	634	\$24,568	687	1,250	2,829	1,481	874	1,013	33,325
31-2504	3,370,121	338	\$10,158	366	656	1,353	713	418	484	14,345
31-2505	1,765,026	177	\$12,891	192	343	1,508	795	466	540	17,559
31-2515	825,753	83	\$5,098	90	161	790	416	244	283	7,543
11-2524	2,192,279	220	\$2,159	238	427	369	195	114	132	3,302
11-2531	1,029,886	103	\$91	112	200	981	517	303	351	3,229
11-2551	1,023,348	103	\$90	111	199	461	243	142	165	1,517
11-2563	752,893	75	\$66	82	146	458	241	142	164	1,507
11-2591	1,141,129	114	\$100	124	222	337	178	104	121	1,109
11-2599	810,148	81	\$71	88	158	363	191	112	130	1,193
11-2623	1,094,549	110	\$96	119	213	490	258	151	175	1,612
15-2529	355,256	36	\$31	39	69	159	84	49	57	523
18-2503	866,464	87	\$76	94	169	388	204	120	139	1,276
18-2507	4,472,155	448	\$393	486	870	2,001	1,055	618	716	6,588
18-2509	2,238,699	224	\$197	243	436	1,002	528	310	359	3,298
18-2516	1,685,509	169	\$148	183	328	754	398	270	270	2,483
18-2517	1,386,936	139	\$122	151	270	621	327	192	222	2,043
18-2524	1,420,275	142	\$125	154	276	636	335	196	227	2,092
18-2532	3,759,954	377	\$331	408	732	1,682	887	520	602	5,539
34-2503	752,537	75	\$66	82	146	337	177	104	121	1,109
34-2509	5,020,779	503	\$441	545	977	2,247	1,184	694	804	7,396
34-2525	1,713,958	172	\$151	186	333	767	404	237	274	2,525
34-2540	567,016	67	\$59	72	130	298	157	92	107	983
34-2565	816,547	82	\$72	89	159	365	193	113	131	1,203
34-2568	620,541	62	\$55	67	121	278	146	86	99	914
34-2581	671,572	67	\$59	73	131	301	158	93	108	989
36-2534	1,080,421	108	\$95	117	210	483	255	149	173	1,592
	1,757,836	176	\$155	191	342	787	415	243	282	2,589

SUMMARY OF AUDIT FINDINGS - ALLOCATED TO OWNED FACILITIES
FMC'S BAD DEBT FACILITIES
JANUARY 1, 1996 THROUGH DECEMBER 31, 1996

MI DICARE PROVIDER NUMBER	TOTAL FACILITY COST	MANAGED CARE COSTS	SALE OF TKC	HOME OFFICE ALLOCATION PERCENTAGE	RENT EXPENSE	OTHER ADMIN EXPENSE	OTHER POOLED COST	LEGAL EXPENSE CORP	LEGAL EXPENSE DSD	TOTAL ADJUSTMENT
42 2507	1,101,713	110	\$97	120	214	493	260	152	176	1,623
42 2514	1,837,106	184	\$162	199	357	822	433	254	294	2,706
42 2518	759,747	76	\$67	83	148	340	179	105	122	1,119
42 2535	527,016	53	\$46	57	103	236	124	73	84	776
42 2538	1,319,653	132	\$116	143	257	591	311	182	211	1,944
42 2542	1,404,562	141	\$124	153	273	628	331	194	225	2,069
42 2545	575,486	58	\$51	62	112	258	136	80	92	848
42 2551	358,566	36	\$32	39	70	160	85	50	57	528
03 2517	1,335,318	134	\$117	145	260	598	315	185	214	1,967
44 2579	1,281,417	128	\$113	139	249	573	302	177	205	1,888
44 2527	1,849,015	185	\$163	201	360	827	436	256	296	2,724
44 2522	432,677	43	\$38	47	84	194	102	60	69	637
44 2501	1,908,521	191	\$168	207	371	854	450	264	306	2,811
03 2522	881,069	88	\$77	96	171	394	208	122	141	1,298
03 2524	1,014,187	102	\$89	110	197	454	239	140	162	1,494
03 2529	1,699,986	170	\$149	185	331	761	401	235	272	2,504
03 2536	1,295,313	130	\$114	141	252	580	306	179	207	1,908
03 2539	1,248,222	125	\$110	136	243	559	294	173	200	1,839
03 2550	2,223,186	223	\$195	241	433	995	524	307	356	3,275
03 2552	820,559	82	\$72	89	160	367	194	113	131	1,209
45 2689	(127,526)	(13)	(\$11)	(14)	(25)	(57)	(30)	(18)	(20)	(188)
03 2558	508,804	51	\$45	55	99	228	120	70	81	750
05 2513	959,896	96	\$84	104	187	430	226	133	154	1,414
05 2523	1,814,934	182	\$160	197	353	812	428	251	291	2,674
05 2524	1,704,813	171	\$150	185	332	763	402	236	273	2,511
05 2534	2,654,030	266	\$233	288	516	1,188	626	367	425	3,910
05 2543	1,634,829	164	\$144	178	318	732	386	226	262	2,408
05 2544	2,805,789	281	\$247	305	546	1,255	662	388	449	4,133
05 2548	832,000	83	\$73	90	162	372	196	115	133	1,226
05 2556	1,168,959	117	\$103	127	227	523	276	162	187	1,722
05 2624	1,325,672	133	\$117	144	258	593	313	183	212	1,953
05 2633	3,460,247	347	\$304	376	673	1,548	816	479	554	5,097
05 2651	3,692,562	370	\$325	401	718	1,652	871	511	591	5,439
05 2656	3,594,189	360	\$316	390	699	1,608	848	497	576	5,295
05 2668	1,186,438	119	\$104	129	231	531	280	164	190	1,748
05 2681	1,393,759	140	\$123	151	271	624	329	193	223	2,053
05 2694	1,661,330	167	\$146	180	323	743	392	230	266	2,447
05 2757	0	0	\$0	0	0	0	0	0	0	0
05 2757	1,330,156	133	\$117	144	259	595	314	184	213	1,959
05 2758	0	0	\$0	0	0	0	0	0	0	0
05 2758	1,592,980	160	\$140	173	310	713	376	220	255	2,347
05 2759	0	0	\$0	0	0	0	0	0	0	0
05 2759	3,733,455	374	\$328	405	726	1,671	881	516	598	5,500
05 2780	895,160	90	\$79	97	174	401	211	124	143	1,319
06 2505	1,923,697	193	\$169	209	374	861	454	266	308	2,834

SUMMARY OF AUDIT FINDINGS - ALLOCATED TO OWNED FACILITIES
FMC'S BAD DEBT FACILITIES
JANUARY 1, 1996 THROUGH DECEMBER 31, 1996

MLD/CARE PROVIDER NUMBER	TOTAL FACILITY COST	MANAGED CARE COSTS	SALE OF TKC	HOME OFFICE ALLOCATION PERCENTAGE	RENT EXPENSE	OTHER ADMIN EXPENSE	OTHER POOLED COST	LEGAL EXPENSE CORP	LEGAL EXPENSE DSD	TOTAL ADJUSTMENT
32-2500	2,887,030	289	\$254	313	562	1,292	681	399	462	4,253
32-2501	2,246,237	225	\$198	244	437	1,005	530	311	360	3,309
32-2504	1,774,579	178	\$156	193	345	794	419	245	284	2,614
32-2509	1,181,234	118	\$104	128	230	529	279	163	189	1,740
32-2513	784,650	79	\$69	85	153	351	185	109	126	1,156
45-2512	2,272,948	228	\$200	247	442	1,017	536	314	364	3,348
45-2581	1,742,171	175	\$153	189	339	780	411	241	279	2,566
45-2597	1,317,444	132	\$116	143	256	590	311	182	211	1,941
45-2629	1,161,769	116	\$102	126	226	520	274	161	185	1,711
45-2636	1,602,526	161	\$141	174	312	717	378	222	257	2,361
45-2644	1,038,883	104	\$91	113	202	465	245	144	166	1,530
45-2666	808,335	81	\$71	88	157	362	191	112	129	1,191
45-2668	1,725,482	173	\$152	187	336	772	407	239	275	2,542
45-2604	721,415	72	\$63	78	140	323	170	100	116	1,063
45-2640	2,944,679	295	\$259	320	573	1,318	695	407	472	4,338
45-2674	2,931,021	294	\$258	318	570	1,312	691	405	469	4,318
09-2502	2,346,188	235	\$206	255	456	1,050	553	324	376	3,456
09-2503	3,935,467	394	\$346	427	766	1,761	928	544	630	5,797
09-2505	1,906,909	191	\$168	207	371	853	450	264	305	2,809
09-2509	1,633,233	164	\$144	177	318	731	385	226	262	2,406
09-2515	2,812,890	282	\$247	305	547	1,259	663	389	450	4,144
21-2503	2,916,602	292	\$256	317	567	1,305	688	403	467	4,296
21-2504	1,344,859	135	\$118	146	262	602	317	186	215	1,981
31-2516	935,691	94	\$2,999	102	182	419	221	129	150	4,295
31-2518	1,117,375	112	\$4,210	121	217	500	264	179	179	5,767
31-2529	1,234,540	124	\$4,023	134	240	552	291	171	198	5,733
33-2517	9,717,833	971	\$855	1,055	1,891	4,348	2,292	1,344	1,556	14,315
33-2531	4,040,049	405	\$355	439	786	1,808	953	559	647	5,951
41-2500	5,162,110	517	\$40,009	561	1,004	2,310	1,218	714	827	47,159
41-2503	1,334,638	134	\$11,923	145	260	597	315	185	214	13,772
41-2504	1,616,059	162	\$14,387	175	314	723	381	223	259	16,626
45-2500	3,605,478	361	\$317	392	701	1,613	850	499	577	5,311
45-2501	6,628,581	664	\$583	720	1,290	2,965	1,563	917	1,062	9,765
45-2510	2,493,885	250	\$219	271	485	1,116	588	345	399	3,674
45-2519	2,649,171	266	\$233	288	515	1,185	625	366	424	3,902
45-2526	3,001,824	301	\$264	326	584	1,343	708	415	481	4,422
45-2520	2,836,419	284	\$249	308	552	1,269	669	454	454	4,178
45-2533	3,818,319	383	\$336	415	743	1,709	901	528	612	5,625
45-2537	643,972	65	\$57	70	125	288	152	89	103	949
45-2539	865,480	87	\$76	94	168	387	204	120	139	1,275
45-2544	1,189,774	119	\$105	129	231	532	281	165	191	1,753
45-2545	1,197,896	120	\$105	130	233	536	283	166	192	1,765
45-2553	1,371,484	137	\$121	149	267	614	323	190	220	2,020
19-2565	1,992,916	200	\$175	216	388	892	470	276	319	2,936
45-2603	245,252	25	\$22	27	48	110	58	34	39	361

SUMMARY OF AUDIT FINDINGS - ALLOCATED TO OWNED FACILITIES
 FMC'S BAD DEBT FACILITIES
 JANUARY 1, 1996 THROUGH DECEMBER 31, 1996

MR. DICARE PROVIDER NUMBER	TOTAL FACILITY COST	MANAGED CARE COSTS	SALE OF TKC	HOME OFFICE ALLOCATION PERCENTAGE	RENT EXPENSE	OTHER ADMIN. EXPENSE	OTHER POOLED COST	LEGAL EXPENSE CORP	LEGAL EXPENSE DSD	TOTAL ADJUSTMENT
45 2574	1,871,658	188	\$165	203	364	838	441	259	300	2,757
45 2573	1,117,816	112	\$98	121	217	500	264	155	179	1,647
45 2669	844,264	85	\$74	92	164	378	199	117	135	1,244
45 2671	1,146,347	115	\$101	124	223	513	270	159	184	1,689
45 2684	1,819,462	182	\$160	198	354	814	429	252	291	2,680
45 2673	688,033	69	\$60	75	134	308	162	95	110	1,014
45 2679	1,425,750	143	\$125	155	277	638	336	197	228	2,100
45 2682	1,374,436	138	\$121	149	267	615	324	190	220	2,025
45 2686	2,399,174	240	\$211	261	467	1,074	566	332	384	3,534
45 2688	2,968,979	298	\$261	322	578	1,329	700	411	475	4,374
45 2693	3,159,840	317	\$278	343	615	1,414	745	437	506	4,655
45 2694	1,716,757	172	\$151	186	334	768	405	237	275	2,529
04 2530	1,195,151	120	\$105	130	233	535	282	195	191	1,761
45 2690	3,283,629	329	\$289	357	639	1,460	774	454	526	4,837
45 2700	2,325,409	233	\$204	253	452	1,041	548	322	372	3,426
45 2702	1,855,355	186	\$163	201	361	830	438	257	297	2,733
45 2709	1,717,849	122	\$107	132	237	545	287	168	195	1,794
45 2722	1,173,494	118	\$103	127	228	525	277	162	188	1,729
45 2738	486,310	49	\$43	53	95	218	115	67	78	716
10 2502	3,108,560	312	\$273	338	605	1,391	733	430	498	4,579
10 2503	2,578,270	258	\$227	280	502	1,154	608	357	413	3,798
10 2506	2,658,923	267	\$234	289	517	1,190	627	368	426	3,917
10 2508	1,055,880	106	\$93	115	205	472	249	146	169	1,555
10 2522	3,087,160	309	\$271	335	601	1,381	728	427	494	4,548
10 2525	1,146,909	115	\$101	125	223	513	271	159	184	1,690
10 2538	1,984,770	199	\$174	215	386	888	468	274	318	2,923
10 2539	953,127	96	\$84	103	185	426	225	132	153	1,404
10 2542	671,734	67	\$59	73	131	301	158	93	108	990
10 2544	1,740,353	174	\$153	189	339	779	410	241	279	2,564
10 2548	1,166,173	117	\$103	127	227	522	275	161	187	1,718
10 2557	1,111,632	111	\$98	121	216	497	262	154	178	1,638
10 2559	3,936,787	395	\$346	427	766	1,762	929	544	630	5,799
10 2570	783,024	78	\$69	85	152	350	185	108	125	1,153
10 2579	1,614,607	162	\$142	175	314	722	381	223	259	2,378
10 2582	777,753	78	\$68	84	151	348	183	108	125	1,146
10 2609	1,081,875	108	\$95	117	210	484	255	150	173	1,594
15 2500	6,329,528	634	\$557	687	1,231	2,832	1,493	875	1,014	9,324
10 2612	2,155,817	216	\$190	234	419	965	508	298	345	3,176
10 2629	2,042,601	205	\$180	222	397	914	482	282	327	3,009
10 2650	568,074	57	\$50	62	111	254	134	79	91	837
10 2653	2,156,660	216	\$190	234	420	965	509	298	345	3,177
10 2657	510,446	51	\$45	55	99	228	120	71	82	752
10 2661	1,221,699	122	\$107	133	238	547	288	169	196	1,800
10 2677	448,661	45	\$39	49	87	201	106	62	72	661
10 2681	790,469	79	\$70	86	154	354	186	109	127	1,164

SUMMARY OF AUDIT FINDINGS - ALLOCATED TO OWNED FACILITIES
FMC'S BAD DEBT FACILITIES
JANUARY 1, 1996 THROUGH DECEMBER 31, 1996

MLICARE PROVIDER NUMBER	TOTAL FACILITY COST	MANAGED CARE CO.'S	SALE OF TKC	HOME OFFICE ALLOCATION PERCENTAGE	RENT EXPENSE	OTHER ADMIN. EXPENSE	OTHER POOLED COST	LEGAL EXPENSE CORP	LEGAL EXPENSE DSD	TOTAL ADJUSTMENT
10 2684	811,653	81	\$71	88	158	363	191	112	130	1,196
49 2568	1,211,458	121	\$107	132	236	542	286	168	194	1,785
49 2579	809,669	81	\$71	88	158	362	191	112	130	1,193
51 2501	454,803	46	\$40	49	88	204	107	63	73	670
51 2506	2,403,143	241	\$211	261	468	1,075	567	332	385	3,540
51 2508	753,638	76	\$66	82	147	337	178	104	121	1,110
14 2500	1,971,566	198	\$173	214	384	882	465	273	316	2,904
14 2511	2,630,480	264	\$231	286	512	1,177	620	364	421	3,875
21 2506	613,388	61	\$54	67	119	274	145	85	98	904
21 2509	2,376,813	238	\$209	258	462	1,064	561	329	381	3,501
21 2510	1,177,418	118	\$104	128	229	527	278	163	189	1,734
21 2524	1,596,533	160	\$140	173	311	714	377	221	256	2,352
21 2531	1,345,054	135	\$118	146	262	602	317	186	215	1,981
21 2540	1,706,597	171	\$150	185	332	764	403	236	273	2,514
21 2557	957,326	96	\$84	104	186	428	226	132	153	1,410
21 2558	610,170	61	\$54	66	119	273	144	84	98	899
21 2559	463,921	47	\$41	50	90	208	109	64	74	683
34 2510	7,009,831	703	\$616	761	1,364	3,137	1,653	969	1,123	10,326
34 2542	2,052,095	206	\$180	223	399	918	484	284	329	3,023
34 2544	665,319	67	\$59	72	129	298	157	92	107	980
34 2545	724,696	73	\$64	79	141	324	171	100	116	1,068
34 2547	977,156	98	\$86	106	190	437	230	135	156	1,439
49 2504	3,545,363	355	\$312	385	690	1,586	836	490	568	5,223
49 2505	2,911,920	292	\$256	316	567	1,303	687	403	466	4,290
49 2510	429,006	43	\$38	47	83	192	101	59	69	632
49 2513	976,689	98	\$86	106	190	437	230	135	156	1,439
49 2515	1,095,045	110	\$96	119	213	490	258	151	175	1,613
49 2519	1,336,355	134	\$118	145	260	598	315	185	214	1,969
49 2525	1,299,901	130	\$114	141	253	582	307	180	208	1,915
49 2536	1,392,539	140	\$122	151	271	623	328	193	223	2,051
49 2540	774,854	78	\$68	84	151	347	183	107	124	1,141
49 2557	1,883,525	189	\$166	205	366	843	444	260	302	2,775
45 2680	995,392	100	\$88	108	194	445	235	138	159	1,466
10 2566	976,159	98	\$86	106	190	437	230	135	156	1,438
14 2523	781,076	78	\$69	85	152	350	184	108	125	1,151
23 2525	1,516,293	152	\$133	165	295	678	358	210	243	2,234
22 2515	1,678,252	126	\$139	137	245	563	296	174	202	1,214
22 2504	1,979,466	149	\$140	161	289	665	350	206	238	14,464
22 2501	2,740,877	206	\$177	224	400	920	485	284	329	11,025
45 2719	711,018	59	\$52	64	115	265	140	82	95	873
22 2502	5,485,390	412	\$155	447	800	1,841	970	569	659	20,954
22 2503	2,630,321	137	\$137	149	267	614	323	190	220	6,985
22 2503	2,630,321	198	\$188	214	384	883	465	273	316	8,611
22 2503	2,630,321	66	\$195	71	128	294	155	91	105	2,870
22 2505	2,929,489	220	\$250	239	427	983	518	304	352	11,543

SUMMARY OF AUDIT FINDINGS - ALLOCATED TO OWNED FACILITIES
FMC'S BAD DEBT FACILITIES
JANUARY 1, 1996 THROUGH DECEMBER 31, 1996

MI DICARE PROVIDER NUMBER	TOTAL FACILITY COST	MANAGED CARE COSTS	SALE OF TKC	HOME OFFICE ALLOCATION PERCENTAGE	RENT EXPENSE	OTHER ADMIN EXPENSE	OTHER POOLED COST	LEGAL EXPENSE - CORP	LEGAL EXPENSE DSD	TOTAL ADJUSTMENT
22 2505		73	2,833	80	142	328	173	101	117	3,847
22 2506	2,311,015	174	15,022	188	337	776	409	240	278	17,423
22 2506		58	5,007	63	112	259	136	80	93	5,807
22 2507	1,979,812	149	11,384	161	289	664	350	205	238	13,441
22 2507		51	3,795	54	96	221	117	68	79	4,481
22 2513	3,006,444	226	8,057	245	439	1,009	532	312	361	11,180
22 2513		75	2,686	82	146	336	177	104	120	3,727
22 2519	1,523,256	115	7,325	124	222	511	269	158	183	8,907
22 2519		38	2,442	41	74	170	90	53	61	2,969
22 2522	1,479,151	111	7,901	120	216	496	262	153	178	9,438
22 2522		37	2,634	40	72	165	87	51	59	3,146
22 2524	1,795,092	45	9,301	49	87	201	106	62	72	9,923
22 2524		135	3,206	146	262	602	318	186	216	5,071
42 2510	3,886,106	306	269	332	594	1,366	720	422	489	4,499
45 2502	5,543,936	83	73	90	162	373	196	115	133	1,227
45 2502		463	406	502	899	2,067	1,090	639	740	6,805
45 2689	3,774,005	93	81	100	180	414	218	128	148	1,361
45 2689		63	55	68	122	282	148	87	101	926
22 2500	3,575,255	269	768,096	291	522	1,407	742	435	504	4,633
22 2500		90	256,032	97	174	400	211	124	143	771,810
TOTAL	\$580,628,777	\$58,026	\$1,497,659	\$62,863	\$112,635	\$259,043	\$136,545	\$80,059	\$92,712	\$2,299,542

Note:
Due to split cost reporting periods the 320 bad debt facilities are shown on this schedule over 336 lines.
Sale of TKC allocation amounts have been adjusted since issuance of draft report dated October 14, 1998.
The new amounts include some direct charges in accordance with FMC's response.

SUMMARY OF AUDIT FINDINGS - OWNED FACILITIES
FMC'S BAD DEBT FACILITIES
JANUARY 1, 1996 THROUGH DECEMBER 31, 1996

MEDICARE PROVIDER NUMBER	TOTAL FACILITY COST	ALLOCATED COST ADJUSTMENTS	DIRECT COST ADJUSTMENTS	TOTAL ADJUSTMENTS
10-2694	524,746	773	2,845	3,618
10-2700	338,432	499	1,627	2,126
40-2501	1,544,782	2,276	34,390	36,666
40-2502	2,387,566	3,517	94,972	98,489
40-2504	3,185,069	4,692	52,188	56,880
40-2506	1,541,878	2,271	14,420	16,691
40-2512	1,820,676	2,682	7,894	10,576
40-2515	1,431,788	2,109	6,526	8,636
40-2517	1,702,473	2,508	7,891	10,399
10-2595	735,132	1,083	1,816	2,899
01-2524	3,593,405	5,293	173,178	178,472
01-2559	1,177,099	1,734	735	2,469
04-2519	1,405,545	2,070	47,477	49,547
04-2530	503,940	742	16,786	17,528
14-2573	624,678	920	2,601	3,521
19-2500	2,445,428	3,602	10,497	14,100
19-2503	2,851,013	4,200	82,469	86,669
19-2505	1,416,658	2,087	23,390	25,477
19-2510	3,274,803	4,824	221,769	226,593
19-2511	2,701,957	3,980	34,267	38,247
19-2512	3,621,335	5,335	96,885	102,220
19-2516	1,224,184	1,803	5,580	7,383
19-2521	2,976,925	4,385	22,007	26,392
19-2524	2,715,672	4,000	62,507	66,507
19-2546	2,246,860	3,310	70,880	74,189
19-2552	1,508,820	2,223	41,241	43,464
19-2565	1,896,290	2,793	67,991	70,784
19-2577	940,061	1,385	4,432	5,817
19-2587	621,312	915	2,820	3,735
19-2592	1,406,473	2,072	6,693	8,765
19-2594	1,001,087	1,475	5,312	6,787
19-2596	620,697	914	3,172	4,086
10-2697	467,392	689	2,076	2,765
23-2514	954,602	1,406	4,698	6,104
10-2688	294,872	434	254	688
23-2517	2,996,530	4,414	91,547	95,962
25-2540	3,671,175	5,408	137,068	142,476
23-2533	1,045,626	1,540	7,403	8,943
36-2508	3,232,544	4,762	53,199	57,961
36-2514	1,828,320	2,693	6,705	9,398
36-2521	3,448,037	5,079	11,519	16,598
36-2531	982,618	1,447	3,790	5,237
36-2537	1,514,738	2,231	6,578	8,809
36-2539	1,394,120	2,054	5,547	7,600
36-2549	982,493	1,447	4,623	6,071

SUMMARY OF AUDIT FINDINGS - OWNED FACILITIES
FMC'S BAD DEBT FACILITIES
JANUARY 1, 1996 THROUGH DECEMBER 31, 1996

MEDICARE PROVIDER NUMBER	TOTAL FACILITY COST	ALLOCATED COST ADJUSTMENTS	DIRECT COST ADJUSTMENTS	TOTAL ADJUSTMENTS
36-2550	1,041,614	1,534	4,907	6,441
36-2552	1,103,556	1,626	6,192	7,818
39-2503	2,196,391	3,235	78,187	81,422
39-2506	4,370,988	6,439	118,889	125,328
39-2511	2,850,090	4,198	47,271	51,469
39-2520	1,444,724	2,128	69,557	71,685
39-2524	1,418,353	2,089	45,680	47,770
39-2525	1,352,641	1,993	53,250	55,243
39-2530	2,441,932	3,597	351	3,948
39-2540	3,899,773	5,745	24,594	30,339
39-2547	956,731	1,409	3,192	4,602
39-2554	896,011	1,320	3,253	4,573
39-2560	2,022,787	2,980	38,140	41,119
39-2578	870,093	1,282	3,068	4,350
39-2594	1,596,477	2,352	5,610	7,962
39-2603	1,136,522	1,674	7,606	9,280
52-2500	1,421,520	2,094	18,712	20,806
52-2510	2,304,749	3,395	42,075	45,470
52-2516	393,516	580	2,109	2,689
52-2518	1,085,749	1,599	4,557	6,156
07-2505	2,850,279	12,055	14,637	26,692
08-2507	1,708,106	7,825	11,551	19,377
25-2543	1,221,424	1,799	43,519	45,318
25-2544	1,041,033	1,534	28,545	30,078
25-2547	1,290,673	1,901	19,959	21,860
25-2548	695,324	1,024	2,901	3,925
26-2501	6,290,134	9,266	114,500	123,766
26-2507	2,439,200	3,593	77,028	80,621
26-2509	1,613,942	2,377	38,374	40,751
26-2521	1,004,423	1,480	22,056	23,536
26-2528	1,266,216	1,865	52,371	54,237
26-2531	922,309	1,359	18,703	20,062
26-2535	1,741,832	2,566	67,296	69,862
37-2520	660,254	973	2,879	3,851
37-2532	2,175,462	3,205	51,569	54,774
44-2524	3,147,039	4,636	129,808	134,443
44-2545	752,427	1,108	15,160	16,269
44-2561	548,660	808	2,455	3,263
44-2593	1,496,223	2,204	842	3,046
01-2513	467,085	688	4,357	5,045
01-2518	537,989	793	16,689	17,482
01-2519	626,373	923	13,255	14,177
01-2520	998,339	1,471	11,331	12,802
01-2561	623,613	919	17	936
01-2564	422,739	623	1,945	2,568

SUMMARY OF AUDIT FINDINGS - OWNED FACILITIES
FMC'S BAD DEBT FACILITIES
JANUARY 1, 1996 THROUGH DECEMBER 31, 1996

MEDICARE PROVIDER NUMBER	TOTAL FACILITY COST	ALLOCATED COST ADJUSTMENTS	DIRECT COST ADJUSTMENTS	TOTAL ADJUSTMENTS
11-2501	1,920,550	2,829	71,228	74,057
11-2504	1,307,673	1,926	8,294	10,221
11-2510	3,113,400	4,586	51,112	55,698
11-2511	1,968,593	2,900	35,833	38,733
11-2516	2,712,857	3,996	132,896	136,892
11-2520	1,082,577	1,595	6,246	7,841
11-2521	2,207,798	3,252	41,823	45,075
20-2502	1,295,731	13,212	6,640	19,852
22-2512	2,202,174	19,301	9,967	29,268
22-2516	3,800,032	33,510	14,980	48,489
22-2518	761,153	6,905	3,377	10,283
22-2521	1,559,956	13,220	8,683	21,903
22-2525	2,185,965	20,594	10,594	31,189
30-2500	1,594,119	11,369	32,421	43,790
30-2501	2,359,631	21,865	25,784	47,649
31-2501	4,403,366	22,619	138,425	161,044
31-2502	6,322,329	33,325	132,292	165,618
31-2503	3,022,877	14,345	99,564	113,909
31-2504	3,370,121	17,559	73,100	90,660
31-2505	1,765,026	7,543	34,123	41,666
31-2515	825,753	3,302	2,941	6,243
11-2524	2,192,279	3,229	55,610	58,839
11-2531	1,029,886	1,517	10,084	11,601
11-2534	1,023,348	1,507	8,955	10,463
11-2551	752,893	1,109	3,250	4,359
11-2563	1,141,129	1,681	5,339	7,020
11-2591	810,148	1,193	3,508	4,702
11-2599	1,094,549	1,612	5,166	6,778
11-2623	355,256	523	1,789	2,312
15-2529	866,464	1,276	4,045	5,322
18-2503	4,472,155	6,588	243,304	249,892
18-2507	2,238,699	3,298	67,095	70,393
18-2509	1,685,509	2,483	48,277	50,760
18-2516	1,386,936	2,043	5,076	7,119
18-2517	1,420,275	2,092	44,051	46,143
18-2524	3,759,954	5,539	111,045	116,584
18-2532	752,537	1,109	11,533	12,642
34-2503	5,020,779	7,396	213,542	220,939
34-2509	1,713,958	2,525	61,240	63,765
34-2525	667,016	983	2,571	3,553
34-2540	816,547	1,203	7,865	9,067
34-2565	620,541	914	2,683	3,597
34-2568	671,572	989	2,665	3,655
34-2581	1,080,421	1,592	4,909	6,500
36-2534	1,757,836	2,589	54,119	56,708

SUMMARY OF AUDIT FINDINGS - OWNED FACILITIES
FMC'S BAD DEBT FACILITIES
JANUARY 1, 1996 THROUGH DECEMBER 31, 1996

MEDICARE PROVIDER NUMBER	TOTAL FACILITY COST	ALLOCATED COST ADJUSTMENTS	DIRECT COST ADJUSTMENTS	TOTAL ADJUSTMENTS
42-2507	1,101,713	1,623	36,321	37,944
42-2514	1,837,106	2,706	52,686	55,392
42-2518	759,747	1,119	10,754	11,873
42-2535	527,016	776	17,454	18,230
42-2538	1,319,653	1,944	8,455	10,399
42-2542	1,404,562	2,069	25,981	28,051
42-2545	575,486	848	3,735	4,583
42-2551	358,566	528	1,534	2,062
03-2517	1,335,318	1,967	45,834	47,801
44-2579	1,281,417	1,888	32,045	33,933
44-2527	1,849,015	2,724	63,205	65,929
44-2522	432,677	637	2,484	3,121
44-2501	1,908,521	2,811	55,262	58,073
03-2522	881,069	1,298	26,827	28,125
03-2524	1,014,187	1,494	27,337	28,831
03-2529	1,699,986	2,504	62,292	64,796
03-2536	1,295,313	1,908	29,448	31,356
03-2539	1,248,222	1,839	4,854	6,692
03-2550	2,223,186	3,275	40,522	43,797
03-2552	820,559	1,209	3,527	4,735
45-2689	(127,526)	(188)	980	792
03-2558	508,804	750	2,168	2,918
05-2513	959,896	1,414	17,776	19,191
05-2523	1,814,934	2,674	31,815	34,489
05-2524	1,704,813	2,511	39,339	41,850
05-2534	2,654,030	3,910	64,759	68,669
05-2543	1,634,829	2,408	16,001	18,410
05-2544	2,805,789	4,133	91,975	96,109
05-2548	832,000	1,226	2,511	3,736
05-2556	1,168,959	1,722	10,569	12,291
05-2624	1,325,672	1,953	35,478	37,431
05-2633	3,460,247	5,097	56,321	61,418
05-2651	3,692,562	5,439	144,247	149,687
05-2656	3,594,189	5,295	150,268	155,563
05-2668	1,186,438	1,748	22,841	24,589
05-2681	1,393,759	2,053	34,067	36,120
05-2694	1,661,330	2,447	24,179	26,626
05-2757	0	0	0	0
05-2757	1,330,156	1,959	5,495	7,455
05-2758	0	0	0	0
05-2758	1,592,980	2,347	8,687	11,034
05-2759	0	0	0	0
05-2759	3,733,455	5,500	69,523	75,023
05-2780	895,160	1,319	6,465	7,784
06-2505	1,923,697	2,834	50,484	53,318

SUMMARY OF AUDIT FINDINGS - OWNED FACILITIES
FMC'S BAD DEBT FACILITIES
JANUARY 1, 1996 THROUGH DECEMBER 31, 1996

MEDICARE PROVIDER NUMBER	TOTAL FACILITY COST	ALLOCATED COST ADJUSTMENTS	DIRECT COST ADJUSTMENTS	TOTAL ADJUSTMENTS
32-2500	2,887,030	4,253	53,198	57,451
32-2501	2,246,237	3,309	45,208	48,517
32-2504	1,774,579	2,614	19,755	22,369
32-2509	1,181,234	1,740	6,264	8,004
32-2513	784,650	1,156	2,763	3,918
45-2512	2,272,948	3,348	51,166	54,514
45-2581	1,742,171	2,566	25,837	28,403
45-2597	1,317,444	1,941	124,623	126,564
45-2629	1,161,769	1,711	5,190	6,901
45-2636	1,602,526	2,361	8,018	10,378
45-2644	1,038,883	1,530	3,995	5,526
45-2666	808,335	1,191	3,840	5,031
45-2668	1,725,482	2,542	6,663	9,205
45-2604	721,415	1,063	8,034	9,097
45-2640	2,944,679	4,338	23,849	28,187
45-2674	2,931,021	4,318	15,709	20,026
09-2502	2,346,188	3,456	65,974	69,430
09-2503	3,935,467	5,797	89,040	94,837
09-2505	1,906,909	2,809	50,220	53,029
09-2509	1,633,233	2,406	11,227	13,633
09-2515	2,812,890	4,144	28,586	32,730
21-2503	2,916,602	4,296	93,553	97,849
21-2504	1,344,859	1,981	17,639	19,620
31-2516	935,691	4,295	3,315	7,611
31-2518	1,117,375	5,767	4,514	10,281
31-2529	1,234,540	5,733	4,018	9,751
33-2517	9,717,833	14,315	0	14,315
33-2531	4,040,049	5,951	0	5,951
41-2500	5,162,110	47,159	23,598	70,757
41-2503	1,334,638	13,772	5,679	19,451
41-2504	1,616,059	16,626	8,027	24,653
45-2500	3,605,478	5,311	316,796	322,108
45-2501	6,628,581	9,765	53,961	63,725
45-2510	2,493,885	3,674	1,180	4,853
45-2519	2,649,171	3,902	73,209	77,112
45-2526	3,001,824	4,422	131,659	136,081
45-2520	2,836,419	4,178	79,647	83,825
45-2533	3,818,319	5,625	80,934	86,558
45-2537	643,972	949	24,032	24,981
45-2539	865,480	1,275	40,699	41,974
45-2544	1,189,774	1,753	78,473	80,225
45-2545	1,197,896	1,765	34,133	35,898
45-2553	1,371,484	2,020	28,375	30,395
19-2565	1,992,916	2,936	78,546	81,481
45-2603	245,252	361	97,125	97,486

SUMMARY OF AUDIT FINDINGS - OWNED FACILITIES
FMC'S BAD DEBT FACILITIES
JANUARY 1, 1996 THROUGH DECEMBER 31, 1996

MEDICARE PROVIDER NUMBER	TOTAL FACILITY COST	ALLOCATED COST ADJUSTMENTS	DIRECT COST ADJUSTMENTS	TOTAL ADJUSTMENTS
45-2574	1,871,658	2,757	53,713	56,470
45-2573	1,117,816	1,647	4,459	6,106
45-2669	844,264	1,244	3,404	4,648
45-2671	1,146,347	1,689	6,011	7,699
45-2684	1,819,462	2,680	6,794	9,475
45-2673	688,033	1,014	3,065	4,079
45-2679	1,425,750	2,100	114,124	116,224
45-2682	1,374,436	2,025	7,658	9,682
45-2686	2,399,174	3,534	11,747	15,281
45-2688	2,968,979	4,374	13,312	17,686
45-2693	3,159,840	4,655	17,262	21,917
45-2694	1,716,757	2,529	8,522	11,051
04-2530	1,195,151	1,761	116,444	118,205
45-2699	3,283,629	4,837	14,730	19,567
45-2700	2,325,409	3,426	411,580	415,006
45-2702	1,855,355	2,733	8,769	11,502
45-2709	1,217,849	1,794	5,010	6,804
45-2722	1,173,494	1,729	5,045	6,774
45-2738	486,310	716	1,631	2,348
10-2502	3,108,560	4,579	83,896	88,475
10-2503	2,578,270	3,798	35,115	38,913
10-2506	2,658,923	3,917	38,144	42,061
10-2508	1,055,880	1,555	3,746	5,301
10-2522	3,087,160	4,548	67,967	72,515
10-2525	1,146,909	1,690	4,889	6,579
10-2538	1,984,290	2,923	30,974	33,897
10-2539	953,127	1,404	33,182	34,586
10-2542	671,734	990	18,106	19,095
10-2544	1,740,353	2,564	57,350	59,913
10-2548	1,166,173	1,718	8,508	10,226
10-2557	1,111,632	1,638	11,606	13,244
10-2559	3,936,787	5,799	104,686	110,486
10-2570	783,024	1,153	23,949	25,103
10-2579	1,614,607	2,378	42,396	44,774
10-2582	777,753	1,146	17,250	18,395
10-2609	1,081,875	1,594	4,027	5,621
15-2500	6,329,528	9,324	529,287	538,611
10-2612	2,155,817	3,176	66,998	70,174
10-2629	2,042,601	3,009	64,516	67,525
10-2650	568,074	837	28,782	29,619
10-2653	2,156,660	3,177	62,780	65,957
10-2657	510,446	752	15,606	16,358
10-2661	1,221,699	1,800	34,722	36,522
10-2677	448,661	661	2,175	2,836
10-2681	790,469	1,164	4,179	5,344

SUMMARY OF AUDIT FINDINGS - OWNED FACILITIES
FMC'S BAD DEBT FACILITIES
JANUARY 1, 1996 THROUGH DECEMBER 31, 1996

MEDICARE PROVIDER NUMBER	TOTAL FACILITY COST	ALLOCATED COST ADJUSTMENTS	DIRECT COST ADJUSTMENTS	TOTAL ADJUSTMENTS
10-2684	811,653	1,196	3,740	4,936
49-2568	1,211,458	1,785	21,356	23,141
49-2579	809,669	1,193	3,639	4,832
51-2501	454,803	670	13,302	13,972
51-2506	2,403,143	3,540	51,770	55,310
51-2508	753,638	1,110	4,023	5,133
14-2500	1,971,566	2,904	41,038	43,943
14-2511	2,630,480	3,875	72,915	76,789
21-2506	613,388	904	17,704	18,608
21-2509	2,376,813	3,501	17,387	20,888
21-2510	1,177,418	1,734	8,750	10,485
21-2524	1,596,533	2,352	50,992	53,344
21-2531	1,345,054	1,981	9,680	11,661
21-2540	1,706,597	2,514	67,434	69,948
21-2557	957,326	1,410	6,680	8,090
21-2558	610,170	899	2,170	3,069
21-2559	463,921	683	1,750	2,433
34-2510	7,009,831	10,326	309,866	320,193
34-2542	2,052,095	3,023	50,929	53,952
34-2544	665,319	980	2,902	3,882
34-2545	724,696	1,068	3,300	4,368
34-2547	977,156	1,439	3,424	4,863
49-2504	3,545,363	5,223	73,952	79,175
49-2505	2,911,920	4,290	77,421	81,711
49-2510	429,006	632	11,126	11,758
49-2513	976,689	1,439	34,121	35,560
49-2515	1,095,045	1,613	25,106	26,719
49-2519	1,336,355	1,969	100,259	102,228
49-2525	1,299,901	1,915	35,296	37,211
49-2536	1,392,539	2,051	18,370	20,421
49-2540	774,854	1,141	2,704	3,846
49-2557	1,883,525	2,775	56,893	59,667
45-2680	995,392	1,466	4,724	6,190
10-2566	976,159	1,438	49,814	51,252
14-2523	781,076	1,151	15,089	16,239
23-2525	1,516,293	2,234	14,668	16,902
22-2515	1,678,252	12,142	20,981	33,123
22-2504	1,979,466	14,464	102,795	117,259
22-2501	2,740,877	11,025	75,326	86,351
45-2719	711,018	873	10,133	11,006
22-2502	5,485,390	20,954	173,340	194,294
22-2502		6,985	41,968	48,953
22-2503	2,630,321	8,611	81,881	90,491
22-2503		2,870	19,676	22,545
22-2505	2,929,489	11,543	133,945	145,489

SUMMARY OF AUDIT FINDINGS - OWNED FACILITIES
FMC'S BAD DEBT FACILITIES
JANUARY 1, 1996 THROUGH DECEMBER 31, 1996

MEDICARE PROVIDER NUMBER	TOTAL FACILITY COST	ALLOCATED COST ADJUSTMENTS	DIRECT COST ADJUSTMENTS	TOTAL ADJUSTMENTS
22-2505		3,847	36,782	40,630
22-2506	2,311,015	17,423	93,898	111,321
22-2506		5,807	23,593	29,400
22-2507	1,979,812	13,441	40,096	53,537
22-2507		4,481	8,690	13,171
22-2513	3,006,444	11,180	42,712	53,893
22-2513		3,727	3,877	7,604
22-2519	1,523,256	8,907	27,811	36,718
22-2519		2,969	7,010	9,980
22-2522	1,479,151	9,438	60,993	70,431
22-2522		3,146	17,447	20,593
22-2524	1,795,092	9,923	11,344	21,266
22-2524		5,071	44,789	49,860
42-2510	3,886,106	4,499	5,866	10,364
42-2510		1,227	42,228	43,454
45-2502	5,543,936	6,805	290,456	297,261
45-2502		1,361	3,387	4,748
45-2689	3,774,005	926	2,477	3,404
45-2689		4,633	118,026	122,659
22-2500	3,575,255	771,810	214,771	986,581
22-2500		257,270	67,947	325,217
TOTAL	\$580,628,777	\$2,299,542	\$13,500,692	\$15,800,234

SUMMARY OF AUDIT FINDINGS - MANAGED FACILITIES
 FMC BAD DEBT FACILITIES
 JANUARY 1, 1996 THROUGH DECEMBER 31, 1996

Provider #	Period	ALLOWED HOME OFFICE ALLOCATION	MANAGEMENT FEE ALLOCATED	MANAGEMENT FEE ADJUSTMENT
05-2757	1/1/96 - 2/29/96	18,227	24,471	6,244
05-2758	1/1/96 - 2/29/96	19,935	33,552	13,617
05-2759	1/1/96 - 2/29/96	26,655	79,306	52,651
45-2502	1/1/96 - 2/29/96	56,247	103,776	47,529
45-2689	1/1/96 - 2/29/96	43,290	69,673	26,383
42-2510	10/1/95 - 8/31/96	211,560	394,235	182,675
				<u>\$329,099</u>

EXAMPLE CALCULATION
ADJUSTMENT TO REIMBURSABLE BAD DEBTS

REIMBURSABLE BAD DEBTS

	BEFORE AUDIT ADJUSTMENTS	AFTER AUDIT ADJUSTMENTS	TOTAL BAD DEBTS	OIG ADJUSTMENT TO REIMBURSABLE BAD DEBTS
1 Medicare Expenses (Sch. C, Col 5, line 11)	327,124	323,934		
2 Medicare Payment (Sch. C, Col 7, Line 11)	334,052	334,052		
3 Program Payment (80% line 2)	267,242	267,242		
4 Medicare Patients (Line 1 Minus 3)	59,882	56,692		
5 Ded & Coins Bill Medicare Patients	66,810	66,810		
6 Bad Debts Ded & Coins Net Bad Debt Recovery	10,241	10,241		
7 Net Ded & Coins Billed Medicare Patients - (Line 5 Minus 6)	56,569	56,569		
8 Unrecovered from Patients (Line 4 Minus 7)	3,313	123		
9 Reimbursable Bad Debts (Lesser Line 6 or 8)	3,313	123		53,190
Audit Adjustments for FY 1996:	4,341			
Ratio of Medicare Costs To Total Costs				
Sch. C col 5 line 11 (Med)	327,124			
Sch. A Col 8 Line 27 (Tot)	445,159			
Ratio	73.48%			
Audit Adjustments Applied to Medicare Expenses	53,190			

SUMMARY OF BAD DEBT RECOVERIES
CALENDAR YEAR 1996

FACILITY NAME	PERIOD COVERED	Provider #	Bad Debt	Bad Debt	Bad Debt
			Amount	Allowed	Recovered
CHATTahoochee ARTIFICIAL KIDNEY CENTER	1/1/96 - 12/31/96	01-2513	14,508	14,508	0
VALLEY DIALYSIS CENTER	1/1/96 - 12/31/96	01-2518	11,200	11,200	0
SCOTTSBORO	1/1/96 - 12/31/96	01-2519	20,473	20,473	0
TROY NEPHROLOGY REFERRAL CENTER	1/1/96 - 12/31/96	01-2520	6,476	0	6,476
EAST MOBILE	1/1/96 - 12/31/96	01-2524	60,273	0	60,273
UNIV OF SO ALABAMA DRIVE	1/1/96 - 12/31/96	01-2559	31,432	31,432	0
LAKEVIEW DIALYSIS CENTER	12/7/95 - 12/31/96	01-2561	16,723	16,723	0
UNION SPRINGS	1/1/96 - 12/31/96	01-2564	3,484	3,484	0
CENTRAL PHOENIX	1/1/96 - 12/31/96	03-2517	10,401	10,401	0
PARKER DIALYSIS	1/1/96 - 12/31/96	03-2522	4,792	4,792	0
FLAGSTAFF DIALYSIS	1/1/96 - 12/31/96	03-2524	22,736	22,736	0
SALT RIVER DIALYSIS	1/1/96 - 12/31/96	03-2529	3,303	3,303	0
WINSLOW DIALYSIS	1/1/96 - 12/31/96	03-2536	3,569	3,569	0
MESA DIALYSIS	1/1/96 - 12/31/96	03-2539	29,934	29,934	0
NORTH PHOENIX DIALYSIS	1/1/96 - 12/31/96	03-2550	45,411	45,411	0
ARROWHEAD DIALYSIS	1/1/96 - 12/31/96	03-2552	11,146	11,146	0
SANTA CRUZ	1/1/96 - 2/29/96	03-2557	988	988	0
BULLHEAD CITY	1/1/96 - 12/31/96	03-2558	11,048	11,048	0
PINE BLUFF	1/1/96 - 12/31/96	04-2519	54,821	54,821	0
MCGEEHEE	1/1/96 - 12/31/96	04-2530	12,127	12,127	0
SANTA BARBARA	1/1/96 - 12/31/96	05-2513	5,359	5,359	0
LONG BEACH COMMUNITY HEMODIALYSIS	1/1/96 - 12/1/96	05-2523	6,464	6,464	0
SANTA ROSA DIALYSIS	1/1/96 - 12/31/96	05-2524	17,850	17,850	0
OAKLAND	1/1/96 - 12/31/96	05-2534	38,240	38,240	0
EUREKA/ARCATA HEMODIALYSIS	1/1/96 - 12/31/96	05-2543	9,188	9,188	0
CUIVER CITY DIALYSIS	1/1/96 - 12/31/96	05-2544	34,148	34,148	0
UKIAH HEMODIALYSIS CLINIC	1/1/96 - 12/31/96	05-2548	9,256	9,256	0
TORRANCE COMMUNITY HEMODIALYSIS	1/1/96 - 12/31/96	05-2556	4,370	4,370	0
PETALUMA	1/1/96 - 12/31/96	05-2624	9,433	9,433	0

SUMMARY OF BAD DEBT RECOVERIES
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FACILITY NAME	PERIOD COVERED	Provider #	Bad Debt Amount	Bad Debt Allowed	Bad Debt Recovered
MISSION HILLS KIDNEY CENTER	1/1/96 - 12/31/96	05-2633	15,329	15,329	0
BERKELEY	1/1/96 - 12/31/96	05-2651	50,990	50,990	0
VENTURA	1/1/96 - 12/31/96	05-2656	21,676	17,421	4,255
CAMARILLO DIALYSIS	1/1/96 - 12/31/96	05-2668	11,385	11,385	0
FOOTHILL DIALYSIS	1/1/96 - 12/31/96	05-2681	10,679	10,679	0
LOS GATOS	1/1/96 - 12/31/96	05-2694	20,009	20,009	0
SANTA CRUZ	1/1/96 - 2/29/96	05-2757	3,718	3,718	0
SANTA CRUZ	3/1/96 - 12/31/96	05-2757	5,821	5,821	0
DIABLO RENAL SERVICES OF WALNUT CREEK	1/1/96 - 2/29/96	05-2758	11,074	11,074	0
DIABLO RENAL SERVICES OF WALNUT CREEK	3/1/96 - 12/31/96	05-2758	2,082	2,082	0
DIABLO RENAL SERVICES OF CONCORD	3/1/96 - 12/31/96	05-2759	12,644	12,644	0
DIABLO RENAL SERVICES OF CONCORD	1/1/96 - 2/29/96	05-2759	16,239	13,630	2,609
SDDS EAST COUNTY	2/23/96 - 12/31/96	05-2780	863	863	0
NORTHERN COLORADO KIDNEY CENTER	1/1/96 - 12/31/96	06-2505	6,915	6,915	0
DIALYSIS CENTER OF NEWINGTON	1/1/96 - 12/31/96	07-2505	11,760	11,760	0
MILFORD	1/1/96 - 12/31/96	08-2507	32,125	32,125	0
CAPITOL HILL	1/1/96 - 12/31/96	09-2502	34,539	34,539	0
COLUMBIA HEIGHTS	1/1/96 - 12/31/96	09-2503	25,690	25,690	0
GREATER SOUTHEAST DIALYSIS CENTER	1/1/96 - 12/31/96	09-2505	10,905	10,905	0
MARTIN LUTHER KING	1/1/96 - 12/31/96	09-2509	21,186	21,186	0
NORTHEAST WASHINGTON	1/1/96 - 12/31/96	09-2515	6,811	6,811	0
SOUTH MIAMI	1/1/96 - 12/31/96	10-2502	85,714	37,958	47,756
MIAMI	1/1/96 - 12/31/96	10-2503	78,297	78,297	0
TAMPA	1/1/96 - 12/31/96	10-2506	41,264	41,264	0
HOLLYWOOD	1/1/96 - 12/31/96	10-2508	23,139	23,139	0
KENDALL	1/1/96 - 12/31/96	10-2522	28,249	0	28,249
TREASURE COAST NORTH	1/1/96 - 12/31/96	10-2525	5,428	5,428	0
BRAIDENTON ARTIFICIAL KIDNEY CENTER	1/1/96 - 12/31/96	10-2538	34,699	34,699	0
SOUTH PALM BEACH DIALYSIS	1/1/96 - 12/31/96	10-2539	18,473	18,473	0

SUMMARY OF BAD DEBT RECOVERIES
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FACILITY NAME	PERIOD COVERED	Provider #	Bad Debt Amount	Bad Debt Allowed	Bad Debt Recovered
CLEARWATER	1/1/96 - 12/31/96	10-2542	13,147	13,147	0
NORTHWEST BROWARD	1/1/96 - 12/31/96	10-2544	17,469	17,469	0
LAKI CITY	1/1/96 - 12/31/96	10-2548	2,804	0	2,804
RENAL CARE CENTER OF ST AUGUSTINE	1/1/96 - 12/31/96	10-2557	31,943	31,943	0
FLORIDA KIDNEY CENTER	1/1/96 - 12/31/96	10-2559	52,570	52,570	0
METRO MIAMI	1/1/96 - 12/31/96	10-2566	13,450	13,450	0
NORTHEAST BROWARD	1/1/96 - 12/31/96	10-2570	19,511	19,511	0
INVERNESS DIALYSIS CENTER	1/1/96 - 12/31/96	10-2579	30,071	30,071	0
WEST BOCA DIALYSIS CENTER	1/1/96 - 12/31/96	10-2582	8,568	8,568	0
PORT ST. LUCIE	1/1/96 - 12/31/96	10-2609	12,696	12,696	0
JACKSONVILLE	1/1/96 - 12/31/96	10-2612	64,382	17,890	46,492
TAMARAC KIDNEY CENTER	1/1/96 - 12/31/96	10-2629	7,510	7,510	0
NAPLES - NORTH COLLIER BRANCH	1/1/96 - 12/31/96	10-2650	50,209	50,209	0
COCONUT GROVE	1/1/96 - 12/31/96	10-2653	46,859	3,462	43,397
JUPITER DIALYSIS CENTER	1/1/96 - 12/31/96	10-2657	7,056	7,056	0
CRYSTAL RIVER KIDNEY CENTER	1/1/96 - 12/31/96	10-2661	22,503	22,503	0
TREASURE COAST SOUTH	1/1/96 - 12/31/96	10-2677	2,748	2,748	0
CARROLLWOOD	1/1/96 - 12/31/96	10-2681	17,940	17,940	0
ST JOHN	1/1/96 - 12/31/96	10-2684	15,150	15,150	0
HIC FT MYERS	1/1/96 - 12/31/96	10-2688	534	534	0
AVON PARK	2/9/96 - 12/31/96	10-2694	3,313	654	2,659
WEST ORLANDO	7/14/96 - 12/31/96	10-2697	2,317	2,317	0
NORTH ORLANDO	7/1/96 - 12/31/96	10-2700	1,049	1,049	0
AUGUSTA	1/1/96 - 12/31/96	11-2501	26,670	26,670	0
SOUTHERN STATES NEPHROLOGY	1/1/96 - 12/31/96	11-2504	31,787	31,787	0
RCC - MARIETTA	1/1/96 - 12/31/96	11-2510	673	0	673
ATLANTA NEPHROLOGY REFERRAL CENTER	1/1/96 - 12/31/96	11-2511	26,917	26,917	0
MACON	1/1/96 - 12/31/96	11-2516	28,900	0	28,900
SOUTHERN DIALYSIS	1/1/96 - 12/31/96	11-2520	35,502	35,502	0

SUMMARY OF BAD DEBT RECOVERIES
CALENDAR YEAR 1996

FACILITY NAME	PERIOD COVERED	Provider #	Bad Debt Amount	Bad Debt Allowed	Bad Debt Recovered
WILLETTE WALLACE	1/1/96 - 12/31/96	11-2521	32,189	32,189	0
DALTON DIALYSIS CLINIC	1/1/96 - 12/31/96	11-2524	34,839	34,839	0
WARNER ROBINS	1/1/96 - 12/31/96	11-2531	19,255	19,255	0
SANDERVILLE	1/1/96 - 12/31/96	11-2534	24,529	16,276	8,253
RENAL CARE CENTER OF NORTHERN GEORGIA	1/1/96 - 12/31/96	11-2551	44,926	44,926	0
TUCKER	1/1/96 - 12/31/96	11-2563	9,823	9,823	0
CARTERSVILLE	1/1/96 - 12/31/96	11-2591	34,490	34,490	0
CONYERS	1/1/96 - 12/31/96	11-2599	18,804	18,804	0
CALHOON	6/28/96 - 12/31/96	11-2623	1,802	1,802	0
NILES	1/1/96 - 12/31/96	14-2500	7,834	7,834	0
EVANSTON	1/1/96 - 12/31/96	14-2511	6,712	6,712	0
NORTH CHICAGO	1/1/96 - 12/31/96	14-2523	14,769	14,769	0
SALINE COUNTY	1/1/96 - 12/31/96	14-2573	2,149	2,149	0
DIALYSIS INSTITUTE OF INDIANA	1/1/96 - 12/31/96	15-2500	48,756	0	48,756
SCOTTSBURG	1/1/96 - 12/31/96	15-2529	11,130	11,130	0
LOUISVILLE	1/1/96 - 12/31/96	18-2503	32,151	0	32,151
PRESTONBURG	1/1/96 - 12/31/96	18-2507	23,460	23,460	0
MOREHEAD	1/1/96 - 12/31/96	18-2509	24,175	24,175	0
SOMERSET DIALYSIS CENTER	1/1/96 - 12/31/96	18-2516	9,129	9,129	0
HAZARD	1/1/96 - 12/31/96	18-2517	6,704	6,704	0
ASHLAND	1/1/96 - 12/31/96	18-2524	27,184	27,184	0
CENTRAL RICHMOND	1/1/96 - 12/31/96	18-2532	6,243	6,243	0
GREATER NEW ORLEANS KIDNEY CENTER	1/1/96 - 12/31/96	19-2500	63,751	63,751	0
ALEXANDRIA	1/1/96 - 12/31/96	19-2503	12,861	0	42,861
FLORIDA PARISHES ARTIFICIAL KIDNEY CENTER	1/1/96 - 12/31/96	19-2505	12,121	12,121	0
NORTHEAST LOUISIANA	1/1/96 - 12/31/96	19-2510	70,498	70,498	0
METAIRIE	1/1/96 - 12/31/96	19-2511	29,501	29,501	0
SHREVEPORT REGIONAL DIALYSIS CENTER	1/1/96 - 12/31/96	19-2512	71,702	2,926	68,776
EAST NEW ORLEANS ARTIFICIAL KIDNEY CENTER	1/1/96 - 12/31/96	19-2516	38,578	38,578	0

SUMMARY OF BAD DEBT RECOVERIES
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FACILITY NAME	PERIOD COVERED	Provider #	Bad Debt Amount	Bad Debt Allowed	Bad Debt Recovered
MARRERO ARTIFICIAL KIDNEY CENTER	1/1/96 - 12/31/96	19-2521	75,227	75,227	0
BATON ROUGE CENTRAL	1/1/96 - 12/31/96	19-2524	38,873	38,873	0
RUSTON DIALYSIS CENTER	1/1/96 - 12/31/96	19-2546	7,744	0	7,744
HOUMA	1/1/96 - 12/31/96	19-2552	17,292	0	17,292
QUALITY CARE DIALYSIS OF HAMMOND	1/1/96 - 12/31/96	19-2565	45,993	45,993	0
PINEVILLE	1/1/96 - 12/31/96	19-2577	4,051	0	4,051
FRANKLIN	1/1/96 - 12/31/96	19-2587	9,859	9,859	0
ZACHARY	2/1/96 - 12/31/96	19-2592	5,627	5,627	0
BASTROP DIALYSIS CENTER	2/29/96 - 12/31/96	19-2594	3,156	3,156	0
CENTRAL NEW ORLEANS	3/1/96 - 12/31/96	19-2596	13,039	13,039	0
BATH-BRUNSWICK COASTAL DIALYSIS	1/1/96 - 12/31/96	20-2502	528	528	0
WASHINGTON	1/1/96 - 12/31/96	21-2503	18,243	0	18,243
LOUIS J. KOJODNER DIALYSIS UNIT	1/1/96 - 12/31/96	21-2504	13,639	12,152	1,487
LAUREL	1/1/96 - 12/31/96	21-2506	2,600	2,600	0
ANNAPOLIS	1/1/96 - 12/31/96	21-2509	4,538	0	4,538
LEONARDTOWN	1/1/96 - 12/31/96	21-2510	5,877	5,877	0
METROPOLITAN	1/1/96 - 12/31/96	21-2524	8,735	2,051	6,684
GREATER BALTIMORE	1/1/96 - 12/31/96	21-2531	3,572	0	3,572
QUALITY CARE DIALYSIS OF BALTIMORE	1/1/96 - 12/31/96	21-2540	6,609	6,609	0
SOUTH ANNAPOLIS	1/1/96 - 12/31/96	21-2557	1,975	0	1,975
WOODLAWN	1/1/96 - 12/31/96	21-2558	1,179	1,179	0
UPPER MARI BORO	1/1/96 - 12/31/96	21-2559	1,945	1,945	0
BABCOCK ARTIFICIAL KIDNEY CENTER	10/1/96 - 12/31/96	22-2500	4,551	4,551	0
BABCOCK ARTIFICIAL KIDNEY CENTER	1/1/96 - 9/30/96	22-2500	13,857	0	13,857
CAPE COD ARTIFICIAL KIDNEY CENTER	1/1/96 - 9/30/96	22-2501	20,803	0	20,803
SPRINGFIELD	10/1/96 - 12/31/96	22-2502	7,102	7,102	0
SPRINGFIELD	1/1/96 - 9/30/96	22-2502	24,337	0	24,337
SOUTHEASTERN MASSACHUSETTS DIALYSIS	1/1/96 - 9/30/96	22-2503	9,788	9,788	0
SOUTHEASTERN MASSACHUSETTS DIALYSIS	10/1/96 - 12/31/96	22-2503	1,286	0	1,286

SUMMARY OF BAD DEBT RECOVERIES
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FACILITY NAME	PERIOD COVERED	Provider #	Bad Debt	Bad Debt	Bad Debt
			Amount	Allowed	Recovered
WEST SUBURBAN ARTIFICIAL KIDNEY CENTER	1/1/96 - 9/30/96	22-2504	8,534	8,534	0
BROCKTON DIALYSIS CENTER	1/1/96 - 9/30/96	22-2505	24,450	24,450	0
BROCKTON DIALYSIS CENTER	10/1/96 - 12/31/96	22-2505	4,099	4,099	0
BOSTON DIALYSIS	1/1/96 - 9/30/96	22-2506	21,839	0	21,839
BOSTON DIALYSIS	10/1/96 - 12/31/96	22-2506	16,722	16,722	0
MEDFORD	10/1/96 - 12/31/96	22-2507	677	677	0
MEDFORD	1/1/96 - 9/30/96	22-2507	1,982	1,982	0
NORTH SUBURBAN DIALYSIS CENTER	1/1/96 - 12/31/96	22-2512	9,018	9,018	0
CHICOPEE	1/1/96 - 9/30/96	22-2513	10,895	0	10,895
CHICOPEE	10/1/96 - 12/31/96	22-2513	3,556	3,556	0
SOUTH SUBURBAN DIALYSIS CENTER	1/1/96 - 9/30/96	22-2515	4,976	4,976	0
ARTIFICIAL KIDNEY CENTER OF FALL RIVER	1/1/96 - 12/31/96	22-2516	2,856	0	2,856
METRO WEST ARTIFICIAL KIDNEY CENTER	1/1/96 - 12/31/96	22-2518	5,482	5,482	0
QUALITY CARE DIALYSIS OF WEYMOUTH	1/1/96 - 9/30/96	22-2519	8,518	8,518	0
QUALITY CARE DIALYSIS OF WEYMOUTH	10/1/96 - 12/31/96	22-2519	2,685	2,685	0
UNIVERSITY DIALYSIS CENTER	1/1/96 - 12/31/96	22-2521	21,689	21,689	0
QUALITY CARE DIALYSIS OF BOSTON	10/1/96 - 12/31/96	22-2522	951	951	0
QUALITY CARE DIALYSIS OF BOSTON	1/1/96 - 9/30/96	22-2522	988	988	0
QUALITY CARE DIALYSIS OF STONEHAM	1/1/96 - 9/30/96	22-2524	17,600	17,600	0
QUALITY CARE DIALYSIS OF STONEHAM	10/1/96 - 12/31/96	22-2524	5,292	5,292	0
MARY ELIZABETH MAHONEY DIALYSIS CENTER	1/1/96 - 12/31/96	22-2525	39,988	39,988	0
ADRIAN	1/1/96 - 12/31/96	23-2514	2,533	2,533	0
QUALITY CARE DIALYSIS OF ST. CLAIR SHORES	1/1/96 - 12/31/96	23-2517	1,462	1,462	0
MADISON HEIGHTS	1/1/96 - 12/31/96	23-2525	311	311	0
GREAT LAKES DIALYSIS CENTER	1/1/96 - 12/31/96	23-2533	2,633	2,633	0
SMKC GULFPORT	1/1/96 - 12/31/96	25-2540	97,501	97,501	0
SMKC BILOXI	1/1/96 - 12/31/96	25-2543	32,923	32,923	0
SMKC BAY ST. LOUIS	1/1/96 - 12/31/96	25-2544	28,457	28,457	0
SMKC ORANGE GROVE	1/1/96 - 12/31/96	25-2547	16,099	16,099	0

SUMMARY OF BAD DEBT RECOVERIES
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FACILITY NAME	PERIOD COVERED	Provider #	Bad Debt	Bad Debt	Bad Debt
			Amount	Allowed	Recovered
KOSCIUSKO	1/1/96 - 12/31/96	25-2548	18,030	18,030	0
KANSAS CITY	1/1/96 - 12/31/96	26-2501	52,717	35,260	17,457
ST. LOUIS	1/1/96 - 12/31/96	26-2507	14,829	14,829	0
METRO NORTH DIALYSIS CENTER	1/1/96 - 12/31/96	26-2509	4,459	4,459	0
ST. CHARLES	1/1/96 - 12/31/96	26-2521	3,206	3,206	0
QUALITY CARE DIALYSIS OF ST. LOUIS	1/1/96 - 12/31/96	26-2528	13,410	13,410	0
METRO NORMANDY DIALYSIS CENTER	1/1/96 - 12/31/96	26-2531	5,836	5,836	0
QUALITY CARE DIALYSIS OF NORTH COUNTY	1/1/96 - 12/31/96	26-2535	27,650	27,650	0
NEW HAMPSHIRE KIDNEY CENTER	1/1/96 - 12/31/96	30-2500	907	907	0
SEACOAST DIALYSIS CENTER	1/1/96 - 12/31/96	30-2501	7,611	7,611	0
IRVINGTON	1/1/96 - 12/31/96	31-2501	21,593	0	21,593
JERSEY CITY	1/1/96 - 12/31/96	31-2502	7,436	0	7,436
PINE BROOK	1/1/96 - 12/31/96	31-2503	27,539	27,539	0
TRENTON	1/1/96 - 12/31/96	31-2504	52,342	52,342	0
A.P. MIELE DIALYSIS CENTER	1/1/96 - 12/31/96	31-2505	6,622	6,622	0
SOUTH PLAINFIELD	1/1/96 - 12/31/96	31-2515	13,999	13,999	0
PRINCETON	1/1/96 - 12/31/96	31-2516	7,885	7,885	0
COLONIA	1/1/96 - 12/31/96	31-2518	17,197	17,197	0
HOBOKEN	1/1/96 - 12/31/96	31-2529	5,079	5,079	0
ALBUQUERQUE	1/1/96 - 12/31/96	32-2500	10,494	10,494	0
SANTA FE DIALYSIS	1/1/96 - 12/31/96	32-2501	26,474	26,474	0
NORTHEAST ALBUQUERQUE	1/1/96 - 12/31/96	32-2504	10,541	5,845	4,696
WEST ALBUQUERQUE	1/1/96 - 12/31/96	32-2509	11,425	11,425	0
ESPANOLA DIALYSIS	1/1/96 - 12/31/96	32-2513	4,691	4,691	0
QUEENS ARTIFICIAL KIDNEY CENTER	1/1/96 - 12/31/96	33-2517	113,204	113,204	0
SOUTH QUEIENS DIALYSIS CENTER	1/1/96 - 12/31/96	33-2531	27,330	23,645	3,685
CHARLOTTE	1/1/96 - 12/31/96	34-2503	115,259	115,259	0
LENOIR	1/1/96 - 12/31/96	34-2509	33,345	14,604	18,741
FAYETTEVILLE	1/1/96 - 12/31/96	34-2510	136,155	133,568	2,587

SUMMARY OF BAD DEBT RECOVERIES
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FACILITY NAME	PERIOD COVERED	Provider #	Bad Debt		Bad Debt	
			Amount	Allowed	Recovered	Recovered
MONROE	1/1/96 - 12/31/96	34-2525	20,585	20,585	0	0
LAURINBURG DIALYSIS	8/14/96 - 12/31/96	34-2540	304	304	0	0
ROANOKE RAPIDS	1/1/96 - 12/31/96	34-2542	42,104	42,104	0	0
CARY KIDNEY CENTER	1/1/96 - 12/31/96	34-2544	27,110	27,110	0	0
SMITHFIELD KIDNEY CENTER	1/1/96 - 12/31/96	34-2545	19,391	19,391	0	0
WINSOR DIAYLSIS UNIT	1/1/96 - 12/31/96	34-2547	21,950	21,950	0	0
ALBERMARLE	1/1/96 - 12/31/96	34-2565	4,299	4,299	0	0
LINCOLNTON	1/1/96 - 12/31/96	34-2568	36,598	36,598	0	0
BEATTIES FORD	1/1/96 - 12/31/96	34-2581	8,486	3,836	4,650	4,650
MANSFIELD	1/1/96 - 12/31/96	36-2508	39,552	10,382	29,170	29,170
GRANT PARK	1/1/96 - 12/31/96	36-2514	5,918	0	5,918	5,918
AKRON CANTON KIDNEY CENTER	1/1/96 - 12/31/96	36-2521	9,564	0	9,564	9,564
WAYNE COUNTY KIDNEY CENTER	1/1/96 - 12/31/96	36-2531	6,521	6,521	0	0
PORTSMOUTH	1/1/96 - 12/31/96	36-2534	13,415	13,415	0	0
PORTAGE COUNTY KIDNEY CENTER	1/1/96 - 12/31/96	36-2537	10,356	10,356	0	0
HURON COUNTY KIDNEY CENTER	1/1/96 - 12/31/96	36-2539	20,824	20,824	0	0
HEART OF OHIO	1/1/96 - 12/31/96	36-2549	4,497	4,497	0	0
CHILLICOTHE	1/1/96 - 12/31/96	36-2550	3,489	3,489	0	0
CLAYTON-TAYLOR	1/1/96 - 12/31/96	36-2552	7,752	7,752	0	0
SOUTH OKLAHOMA CITY	1/1/96 - 12/31/96	37-2520	19,336	19,336	0	0
OKLAHOMA CITY	12/1/95 - 12/31/96	37-2532	17,275	0	17,275	17,275
PITTSBURGH	1/1/96 - 12/31/96	39-2503	6,143	5,579	564	564
ABINGTON	1/1/96 - 12/31/96	39-2506	11,222	11,222	0	0
BETHLEHEM	1/1/96 - 12/31/96	39-2511	11,749	11,749	0	0
GREENSBURG	1/1/96 - 12/31/96	39-2520	569	0	569	569
HAZLETON	1/1/96 - 12/31/96	39-2524	5,643	0	5,643	5,643
BUTLER	1/1/96 - 12/31/96	39-2525	848	848	0	0
TEMPLE UNIVERSITY DIALYSIS CENTER	1/1/96 - 12/31/96	39-2530	2,006	2,006	0	0
FAIRMOUNT	1/1/96 - 12/31/96	39-2540	18,228	18,228	0	0

SUMMARY OF BAD DEBT RECOVERIES
CALENDAR YEAR 1996

FACILITY NAME	PERIOD COVERED	Provider #	Bad Debt		Bad Debt	
			Amount	Allowed	Recovered	Recovered
EAST STROUDSBURG	1/1/96 - 12/31/96	39-2547	5,765	5,765	0	0
KITTANNING	1/1/96 - 12/31/96	39-2554	3,845	3,845	0	0
NORTHWEST PHILADELPHIA	1/1/96 - 12/31/96	39-2560	8,685	8,685	0	0
ELLWOOD CITY	1/1/96 - 12/31/96	39-2578	6,638	6,638	0	0
HARRISBURG	1/1/96 - 12/31/96	39-2594	1,856	1,856	0	0
FULLERTON	1/1/96 - 12/31/96	39-2603	65	65	0	0
SAN JUAN	1/1/96 - 12/31/96	40-2501	146,226	146,226	0	0
PONCE	1/1/96 - 12/31/96	40-2502	188,595	174,830	13,765	13,765
BAYMON	1/1/96 - 12/31/96	40-2504	192,324	140,707	51,617	51,617
SAN GERMAN	1/1/96 - 12/31/96	40-2506	7,149	0	7,149	7,149
LAS AMERICAS	1/1/96 - 12/31/96	40-2512	129,091	129,091	0	0
RIO PIEDRAS	1/1/96 - 12/31/96	40-2515	75,298	67,446	7,852	7,852
WEST PONCE	1/1/96 - 12/31/96	40-2517	80,387	71,469	8,918	8,918
VEGA BAJA RENAL DIALYSIS CENTER	5/14/96 - 12/31/96	40-2518	5,569	5,569	0	0
ARTIFICIAL KIDNEY CENTER OF RHODE ISLAND	1/1/96 - 12/31/96	41-2500	24,806	14,892	9,914	9,914
PIEDMONT DIALYSIS (GREENVILLE)	1/1/96 - 12/31/96	41-2503	10,792	10,792	0	0
COLUMBIA DIALYSIS	1/1/96 - 12/31/96	41-2504	10,423	0	10,423	10,423
MYRTLE BEACH DIALYSIS CENTER	1/1/96 - 12/31/96	42-2507	28,969	28,969	0	0
SUMTER DIALYSIS CENTER	10/1/95 - 8/31/96	42-2510	82,949	82,949	0	0
SUMTER DIALYSIS CENTER	9/1/96 - 12/31/96	42-2510	28,468	20,274	8,194	8,194
SOUTH CAROLINA	1/1/96 - 12/31/96	42-2514	15,019	0	15,019	15,019
TRICOUNTY DIALYSIS	1/1/96 - 12/31/96	42-2518	21,259	21,259	0	0
LORIS DIALYSIS CENTER	1/1/96 - 12/31/96	42-2535	12,719	12,719	0	0
ROCK HILL	8/14/96 - 12/31/96	42-2538	2,407	2,407	0	0
CONWAY DIALYSIS CENTER	1/1/96 - 12/31/96	42-2542	39,807	39,807	0	0
MARION DIALYSIS CENTER	8/14/96 - 12/31/96	42-2545	608	608	0	0
CHESTERFIELD DIALYSIS CENTER	8/14/96 - 12/31/96	42-2551	2,129	2,129	0	0
RENAL CARE CENTER OF JOHNSON CITY	1/1/96 - 12/31/96	44-2501	25,379	25,379	0	0
RENAL CARE CENTER OF GREENVILLE	1/1/96 - 12/31/96	44-2522	140	140	0	0

SUMMARY OF BAD DEBT RECOVERIES
CALENDAR YEAR 1996

FACILITY NAME	PERIOD COVERED	Provider #	Bad Debt Amount	Bad Debt Allowed	Bad Debt Recovered
EAST MEMPHIS KIDNEY CENTER	1/1/96 - 12/31/96	44-2524	27,663	0	27,663
NORT KNOXVILLE DIALYSIS CENTER	1/1/96 - 12/31/96	44-2527	20,069	20,069	0
HUMBOLDT	1/1/96 - 12/31/96	44-2545	1,818	1,818	0
BOLIVAR	1/1/96 - 12/31/96	44-2561	6,141	6,141	0
BRAIDLEY DIALYSIS CLINIC	1/1/96 - 12/31/96	44-2579	12,396	0	12,396
MEMPHIS KIDNEY AND DIALYSIS SERVICES NORTH	2/23/96 - 12/31/96	44-2593	8,975	8,975	0
GULF COAST DIALYSIS CENTER	1/1/96 - 12/31/96	45-2500	133,237	0	133,237
MOCKINGBIRD LANE # 300	1/1/96 - 12/31/96	45-2501	112,346	112,346	0
TARRANT COUNTY NEPHROLOGY CENTER	3/1/96 - 12/31/96	45-2502	86,846	0	86,846
TARRANT COUNTY NEPHROLOGY CENTER	1/1/96 - 2/29/96	45-2502	35,128	35,128	0
NORTH TEXAS DIALYSIS CENTER	1/1/96 - 12/31/96	45-2510	57,831	57,831	0
PERMIAN BASIN DIALYSIS CENTER	1/1/96 - 12/31/96	45-2512	62,894	23,758	39,136
WEST HOUSTON DIALYSIS	1/1/96 - 12/31/96	45-2519	36,548	0	36,548
ISLAND DIALYSIS	1/1/96 - 12/31/96	45-2520	96,485	31,747	64,737
BRAZOS KIDNEY DISEASE CENTER	1/1/96 - 12/31/96	45-2526	76,925	73,084	3,841
PASADENA	1/1/96 - 12/31/96	45-2533	65,535	8,948	56,587
SOUTH TEXAS KIDNEY CENTER	1/1/96 - 12/31/96	45-2537	11,388	11,388	0
CYPRESS CREEK DIALYSIS FACILITY	1/1/96 - 12/31/96	45-2539	29,068	29,068	0
SOUTHSIDE KIDNEY DISEASE CENTER	1/1/96 - 12/31/96	45-2544	25,992	25,992	0
KIDNEY DISEASE CLINIC OF SEGUIN	1/1/96 - 12/31/96	45-2545	31,855	27,266	4,589
MEDICAL ARTIFICIAL KIDNEY CENTER OF CORSICA	1/1/96 - 12/31/96	45-2553	42,671	42,671	0
JASPER DIALYSIS CENTER	1/1/96 - 12/31/96	45-2573	28,125	23,321	4,804
NORTH HOUSTON DIALYSIS CENTER	1/1/96 - 12/31/96	45-2574	61,160	61,160	0
EL PASO	1/1/96 - 12/31/96	45-2581	28,391	28,391	0
EAST EL PASO	1/1/96 - 12/31/96	45-2597	18,456	18,456	0
UNIVERSITY KIDNEY CENTER	1/1/96 - 8/2/96	45-2603	16,193	16,193	0
WEST TEXAS DIALYSIS CENTER	1/1/96 - 12/31/96	45-2604	13,094	13,094	0
QUALITY CARE DIALYSIS OF DALLAS	1/1/96 - 9/3/96	45-2621	65,186	65,186	0
METROPLEX KIDNEY DISEASE CENTER	1/1/96 - 12/31/96	45-2629	27,188	27,188	0

SUMMARY OF BAD DEBT RECOVERIES
CALENDAR YEAR 1996

FACILITY NAME	PERIOD COVERED	Provider #	Bad Debt		Bad Debt	
			Amount	Allowed	Recovered	Recovered
SOUTH TEXAS DIALYSIS CENTER	1/1/96 - 12/31/96	45-2636	33,989	31,299	2,690	
TEXAS GATEWAY	1/1/96 - 12/31/96	45-2640	72,811	54,267	18,544	
CLEBURNE DIALYSIS CENTER	1/1/96 - 12/31/96	45-2644	26,755	26,755	0	
RIO GRANDE CITY	1/1/96 - 12/31/96	45-2666	10,313	10,313	0	
WEST BEXAR COUNTY DIALYSIS CENTER	1/1/96 - 12/31/96	45-2668	38,299	38,299	0	
LIBERTY-DAYTON DIALYSIS CLINIC	1/1/96 - 12/31/96	45-2669	38,546	38,546	0	
NORTHWEST HOUSTON DIALYSIS	1/1/96 - 12/31/96	45-2671	65,999	65,999	0	
TRI-CITY DIALYSIS CENTER	1/1/96 - 12/31/96	45-2673	15,122	15,122	0	
TEXAS (CLIFF VIEW)	1/1/96 - 12/31/96	45-2674	42,046	42,046	0	
DALLAS SOUTH DIALYSIS CENTER	1/1/96 - 12/31/96	45-2679	48,156	48,156	0	
SOUTH CENTRAL DALLAS DIALYSIS CLINIC	1/1/96 - 1/31/97	45-2680	39,252	39,252	0	
FARMERS BRANCH DIALYSIS CENTER	1/1/96 - 12/31/96	45-2682	26,484	26,484	0	
DALLAS CENTRAL DIALYSIS CLINIC	1/1/96 - 12/31/96	45-2684	67,418	67,418	0	
COLLIN COUNTY DIALYSIS CENTER	1/1/96 - 12/31/96	45-2686	40,365	40,365	0	
VILLAGE II DIALYSIS CENTER	1/1/96 - 12/31/96	45-2688	56,457	43,113	13,343	
TRINITY DIALYSIS CENTER	1/1/96 - 12/31/96	45-2689	10,420	10,420	0	
TRINITY DIALYSIS CENTER	1/1/96 - 12/31/96	45-2689	74,200	74,200	0	
SWISS AVENUE DIALYSIS CENTER	1/1/96 - 12/31/96	45-2693	1,243	0	1,243	
NORTH EAST TEXAS DIALYSIS	1/1/96 - 12/31/96	45-2694	36,319	36,319	0	
DALLAS	1/6/96 - 4/16/96	45-2698	9,107	9,107	0	
REDBIRD DIALYSIS CENTER	1/1/96 - 12/31/96	45-2699	51,998	38,308	13,690	
EAST DALLAS	1/1/96 - 12/31/96	45-2700	39,853	39,853	0	
RICHARDSON DIALYSIS CENTER	1/1/96 - 12/31/96	45-2702	18,651	18,651	0	
WESTMINSTER	1/1/96 - 12/31/96	45-2709	13,279	8,895	4,384	
WEATHERFORD DIALYSIS CENTER	3/1/96 - 12/31/96	45-2719	10,850	10,850	0	
GUADALUPE KIDNEY DISEASE CENTER	1/1/96 - 12/31/96	45-2722	18,614	18,614	0	
EAST CENTRAL HOUSTON DIALYSIS CENTER	6/13/96 - 12/31/96	45-2738	3,095	3,095	0	
FAIRFAX DIALYSIS CENTER	1/1/96 - 12/31/96	49-2504	8,613	0	8,613	
ALEXANDRIA KIDNEY CENTER	1/1/96 - 12/31/96	49-2505	51,098	2,013	49,085	

SUMMARY OF BAD DEBT RECOVERIES
CALENDAR YEAR 1996

FACILITY NAME	PERIOD COVERED	Provider #	Bad Debt Amount	Bad Debt Allowed	Bad Debt Recovered
SMYTH COUNTY DIALYSIS CENTER	1/1/96 - 12/31/96	49-2510	1,401	1,401	0
ROANOKE VELLEY ARTIFICIAL KIDNEY CENTER	1/1/96 - 12/31/96	49-2513	7,562	7,562	0
NORTH ARLINGTON DIALYSIS CENTER	1/1/96 - 12/31/96	49-2515	6,504	6,504	0
RICHMOND	1/1/96 - 12/31/96	49-2519	8,990	8,990	0
WARRENTON DIALYSIS CENTER	1/1/96 - 12/31/96	49-2525	10,985	10,985	0
TAPPAHANOCK DIALYSIS CENTER	1/1/96 - 12/31/96	49-2536	2,068	0	2,068
DULLES REGIONAL DIALYSIS CENTER	1/1/96 - 12/31/96	49-2540	9,360	9,360	0
QCDC OF MT VERNON	1/1/96 - 12/31/96	49-2557	19,971	6,518	13,453
HAMPTON ROADS	1/1/96 - 12/31/96	49-2568	1,060	1,060	0
GARRISONVILLE	1/1/96 - 12/31/96	49-2579	4,561	1,468	3,093
EARL J. HAGAR DIALYSIS	1/1/96 - 12/31/96	51-2501	3,583	3,583	0
MORGANTOWN	1/1/96 - 12/31/96	51-2506	24,061	24,061	0
ELKINS	1/1/96 - 12/31/96	51-2508	6,142	6,142	0
NORTHEAST WISCONSIN	1/1/96 - 12/31/96	52-2500	118	118	0
MILWAUKEE KIDNEY CENTER	1/1/96 - 12/31/96	52-2510	1,916	1,916	0
MILWAUKEE KIDNEY CENTER SOUTH	1/1/96 - 12/31/96	52-2516	2,271	2,271	0
OSHKOSH	1/1/96 - 12/31/96	52-2518	271	271	0
			<u>\$7,958,055</u>	<u>\$6,438,268</u>	<u>\$1,519,787</u>



Fresenius Medical Care

18 November, 1998

William J. Hornby
Regional Inspector General
For Audit Services
Department of Health and Human Services
Office of Inspector General
Office of Audit Services
Region I
John F. Kennedy Federal Building
Boston, MA 02203

Re: National Medical Care's Response to OIG Audit for Calendar Year
1996 - Your Common Identification Number CIN: A-01-98-00508

Dear Mr. Hornby:

Enclosed please find National Medical Care, Inc's (NMC) response to the OIG's Review of Bad Debts reported by National Medical Care, Inc's facilities under Medicare's End Stage Renal Disease Program for calendar year 1996.

Please call if you have any questions.

Very truly yours,

David Kembel
Corporate Counsel

Enclosure

cc: Robert McGorty
Lisa Paquette-Rowland
Chris McEleney

RESPONSE OF NATIONAL MEDICAL CARE, INC. AND ITS AFFILIATES TO THE DRAFT AUDIT REPORT OF THE UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES OFFICE OF INSPECTOR GENERAL FOLLOWING ITS REVIEW OF BAD DEBTS REPORTED BY NATIONAL MEDICAL CARE, INC. FACILITIES UNDER MEDICARE'S END STAGE RENAL DISEASE PROGRAM FOR CALENDAR YEAR 1996.

OIG Common Identification Number CIN: A-01-98-00508

Response Dated: November 18, 1998

Introduction

National Medical Care, Inc. (a subsidiary of Fresenius Medical Care Holdings, Inc.) and its affiliates (NMC), submit the following Response to the October 14, 1998 Draft Report of the Office of Inspector General, Office of Audit - Region 1 (OIG), entitled Review of Bad Debts Reported by Fresenius Medical Care's Facilities Under Medicare's End Stage Renal Disease Program for Calendar Year 1996 (Draft Audit Report).

The OIG Audit (Audit) for Calendar Year 1996 (CY 1996) was conducted approximately from April, 1998 through September, 1998 at the NMC headquarters in Lexington, Massachusetts. The stated objective of the review was to determine whether home office costs and bad debts reported by NMC facilities for CY 1996 were in accordance with the prescribed Medicare laws and regulations. The Draft Audit Report found that, although NMC has over the years taken actions to remove significant unallowable costs from its facility cost reports, corrective action is still needed to address those unallowable costs discussed in the Draft Audit Report. The Draft Audit Report recommends adjustments that reduce costs for the 320 NMC affiliated facilities that claimed bad debts for CY 1996 by \$15.5m. (The total direct and indirect costs claimed by the 320 facilities was appr. \$580,628,777. The removal of these costs from the cost reports would reduce the bad debt claimed by the 320 facilities in CY 1996 by 1,577,593, according to OIG calculations.

I. Amortization of Medical Records

In light of the decision of the U.S. District Court for the District of Columbia in The Kidney Center of Hollywood, et al. v. Shalala, (no. 94-1459, Dist. Ct. D.C.), NMC accepts the recommendations of the OIG with respect to NMC's amortization of certain medical records, and agrees with the OIG's position that the proper adjustment should be \$10,387,553.

II. Inter-Company Profit Elimination

NMC accepts the recommendations of the OIG with respect to NMC's Inter-Company Profit Elimination calculations, and agrees with the OIG's position that the proper adjustment should be 8.86% not 5.12% which will result in the removal of \$14,179,378 in profit. The reduction in allowable cost to the bad debt facilities is \$2,496,393.

III. Sale of The Kidney Center (TKC) Building

In 1996, National Medical Care, Inc. sold the building it owned which housed the dialysis center known as Babcock Artificial Kidney Center (provider number 22-2500). The resulting gain from the sale was \$1,729,685. The OIG's proposes to recover depreciation previously included in allowable costs (up to the level of the gain) by spreading the depreciation, pro rata, over all facilities in which bad debts were claimed in 1996.

Section 130 of the PRM states that "If disposal of a depreciable asset results in a gain or loss, adjustment is necessary in the provider's allowable cost. The amount of gain included in the determination of allowable cost is limited to the amount of depreciation previously included in allowable costs."

Applying this standard, NMC believes that while depreciation expenses are properly recoverable, the OIG improperly spread the depreciation over all facilities in which bad debts were claimed in 1996.

NMC depreciated the building as follows. 58% of the depreciation was charged directly to the Babcock Artificial Kidney Center (provider no. 22-2500), 12% was charged to the Boston billing group, 24% was charged to the NE regional office and 6% was charged to Renal Scientific, all tenants.

Following section 130 of the PRM, the recovery is allowable against the provider claiming the depreciation. Nothing in section 130 allows the recovery to be allocated to providers which did not claim depreciation. Therefore, 58%, or \$1,003,217 of the gain should be recovered from Babcock Artificial Kidney Center.

The remaining 42%, or 726,468, of the gain should be recovered from the dialysis facilities that received the billing group and regional office expense allocation along with Loc. #1341 Renal Scientific (see Attachment 1).

IV. Management Fees

NMC accepts the recommendations of the OIG with respect to the treatment of management fee allocations at managed facilities, and agrees with the OIG's position that there was an overstatement of \$329,099 in the cost reports for CY 1996.

V. Legal Expense

NMC accepts the recommendations of the OIG with respect to the treatment of certain legal expenses, and agrees with the OIG's position that there was an overstatement of \$237,113 in the cost report for CY 1996.

VI. TV Account Depreciation

NMC accepts the recommendations of the OIG with respect to the treatment of television depreciation, and agrees with the OIG's position that the proper disallowance is \$290,193 for CY 1996.

VII. Split Reporting Periods

NMC accepts the recommendations of the OIG with respect to the treatment of split reporting period adjustments, and agrees with the OIG's position that the error resulted in a net overstatement of \$262,211 in CY 1996.

VIII. Other Administrative Expense

NMC accepts the recommendations of the OIG with respect to the treatment of "Other Administrative Expenses" relating to the NMC reorganization, and agrees with the OIG's position that the bad debt facilities' CY 1996 are overstated by \$259,043 as a result.

IX. Managed Care Costs

NMC accepts the recommendation of the OIG with respect to the treatment of "Managed Care Costs" relating to NMC's managed care business, and agrees with the OIG's position that the bad debt facilities' CY 1996 are overstated by \$58,026 as a result.

X. Other Pooled Costs

NMC accepts the recommendation of the OIG with respect to the treatment of "Other Pooled Costs" relating to expenses related to NMC's OIG investigation, as well as to those separate from patient care, those which are associated with another division, and certain unsupported invoices. NMC is in agreement with the OIG's position that the bad debt facilities' CY 1996 cost reports are overstated by \$136,545 as a result.

XI. H.O. Allocation Percentage

NMC accepts the recommendation of the OIG with respect to the treatment of the "Home Office Cost Allocation Percentage", and agrees with the OIG's position that the bad debt facilities' CY 1996 are overstated by \$62,863 as a result.

XII. Rent Expense

FMC, while under a lease for its Waltham location through December 31, 1996, signed a new lease for office space effective as of November 1, 1996, resulting in a two month overlap in rental space for the corporate office. The OIG states that this two month overlap is unreasonable, and proposes to exclude \$392,000 in allocable costs, an amount equal to one month's rent. The OIG relies on Section 2103 of the PRM, which describes the "Prudent Buyer" concept. According to the Prudent Buyer concept, "The prudent and cost-conscious buyer not only refuses to pay more than the going price for an item or service, he also seeks to economize by minimizing cost."

FMC agrees that the Prudent Buyer concept is applicable, but disagrees with the OIG's application of the Prudent Buyer concept in this case. Because the two month overlap was necessary to ensure the uninterrupted operations of the office during relocation of its corporate office, FMC complied with the Prudent Buyer standard and all rental costs should be allowed.

To minimize the disruption to FMC's operations, FMC selected the Thanksgiving weekend to implement the main relocation of the corporate office. The relocation began on the Wednesday evening prior to Thanksgiving, and continued through the Sunday after Thanksgiving. During this time, the corporate office was closed for the holiday – a period of three business days and two weekend days. This five day period of time, during which the corporate office was already scheduled to be closed because of the holiday,

allowed the move to occur without closing the corporate office. To select any other time would have resulted in a significant disruption to the operations of the corporate office, since the office would have had to close during the relocation.

FMC believes that the selection of the Thanksgiving weekend to relocate was clearly a prudent business decision, minimized the cost of the move, and minimized the disruption caused by the move. Because the relocation occurred over the Thanksgiving weekend, the corporate offices opened on the Monday after Thanksgiving without interruption in service. This prudent business decision falls within the plain meaning of the Prudent Buyer concept, and the entire cost of rent should be allowed.

XIII. Conclusion

Once again, NMC appreciates the cooperation of the OIG Audit Staff in completing the audit, and is pleased that the OIG recognizes the efforts of NMC to improve its cost reporting system for its affiliates. NMC urges the OIG to consider NMC's comments in this Response and discuss them with NMC personnel if necessary before issuing the final report.

1996 FMC/DSD Office of Inspector General/Home Office Audit
 Direct Allocation of Gain on Sale of TKC Building:

<u>LOC#</u>	<u>Description</u>	<u>Dir. Deprec.</u>	<u>Reg Off</u>	<u>Billing Grp</u>	<u>Tot. Direct</u>
1110	The Kidney Center	1003217	10085	10511	1023813
1341	Renal Scientific	103781			103781
1186	Wilmington		14850		14850
1303	Dover		8112		8112
1242	Millsboro		7568		7568
1493	Christiana		10601		10601
1719	Milford		5309		5309
1190	Portland		16713	17419	34132
1102	Lewiston		9984	10406	20391
1761	Bath		5534	5768	11303
1854	Biddeford		2135	2225	4360
1124	Newington		7856		7856
1112	Cape Cod		10661		10661
1111	Springfield		19858		19858
1320	New Bedford		7606		7606
1109	Framingham		8015	8353	16368
1392	Brockton		11076		11076
1211	Carney		9708	10118	19826
1246	Medford		7347	7658	15005
1611	Essex County		7862	8195	16057
1422	Westwood		9180	9568	18748
1389	Chicopee		10478		10478
1610	Quincy		6717	7000	13717
1631	Fall River		13667	14245	27912
1629	Waltham		2832	2952	5784
1944	QCDC Weymouth		4717	4916	9633
1684	Worcester		5348	5574	10922
1942	QCDC Newton		5095	5310	10405
1943	QCDC Stoneham		6047	6302	12349
1630	Roxbury		8507	8867	17374
1760	E. Springfield		3884		3884
1853	Northhampton		465		465
1450	New Hampshire		4417	4604	9021
1449	Portsmouth		9004	9385	18389
1487	Manchester		6019	6274	12293
1334	Irvington		16132		16132
1298	Jersey City		24012		24012
1330	Pinebrook		9892		9892
1261	Trenton		12595		12595
1332	East Orange		4943		4943
1338	Hillside		17036		17036
1720	Plainfield		2086		2086
1717	Princeton		2917		2917
1721	Colonia		4121		4121
1716	North Hudson		3914		3914
1170	Providence		19369	20187	39555
1307	Woonsocket		5781	6025	11806
1692	Warwick		6975	7270	14245
1691	North Providence		8091	8432	16523
	Total Alloc. of Gain	\$1,106,998	\$415,124	\$207,563	\$1,729,685