



DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of Inspector General

Office of Audit Services
1100 Commerce, Room 632
Dallas, Texas 75242

May 3, 2006

Report Number: A-06-06-00037

Mr. Daniel Olvera
Director of Reimbursement
Valley Baptist Medical Center
2101 Pease Street
Harlingen, Texas 78550

Dear Mr. Olvera:

Enclosed are two copies of the U.S. Department of Health and Human Services, Office of Inspector General (OIG) final report entitled "Review of Valley Baptist Medical Center's Reported Fiscal Year 2003 Wage Data." A copy of this report will be forwarded to the HHS action official noted below for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

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

Please refer to report number A-06-06-00037 in all correspondence.

Sincerely,

A handwritten signature in black ink that reads "Gordon L. Sato".

Gordon L. Sato
Regional Inspector General
for Audit Services

Enclosures

Direct Reply to HHS Action Official:

Mr. James R. Farris, M.D.
Regional Administrator
Centers for Medicare & Medicaid Services
1301 Young Street, Room 714
Dallas, Texas 75202

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF VALLEY BAPTIST
MEDICAL CENTER'S REPORTED
FISCAL YEAR 2003 WAGE DATA**



Daniel R. Levinson
Inspector General

May 2006
A-06-06-00037

Office of Inspector General

<http://oig.hhs.gov>

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Notices

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OAS FINDINGS AND OPINIONS

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

EXECUTIVE SUMMARY

BACKGROUND

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

CMS calculates a wage index for each core-based statistical area (CBSA) and one statewide rural wage index per State for areas that lie outside CBSAs. CMS will base the fiscal year (FY) 2007 wage indexes on wage data collected from hospitals' Medicare cost reports for the FYs that began between October 1, 2002, and September 30, 2003. Hospitals must accurately report wage data for CMS to determine the equitable distribution of payments and ensure the appropriate level of funding to cover hospitals' costs of furnishing services.

Valley Baptist Medical Center (the hospital) reported wage data of \$115.1 million and 3.44 million hours on its FY 2003 (September 1, 2002, through August 31, 2003) Medicare cost report, which resulted in an average hourly wage rate of \$33.50. The \$33.50 average hourly wage rate is the quotient of \$115.1 million (numerator) divided by 3.44 million hours (denominator). Arriving at the final numerator and denominator in this rate calculation involves a series of calculations. Therefore, inaccuracies in either the dollar amounts or hours reported may have varying effects on the final rate computation.

As of FY 2005, the wage index for one Texas CBSA applied to this hospital and four other hospitals.

OBJECTIVE

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

SUMMARY OF FINDINGS

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

- overstated contract labor services, which overstated wage data by \$78,337 and 1,645 hours;
- overstated wage-related benefit costs, which overstated wage data by \$63,633;
- understated physician Part A contract labor services, which understated wage data by \$100,615 and 1,135 hours; and

- misclassified hours, which overstated the hospital's wage data by \$910,139 and 48,952 hours.

These errors occurred because the hospital did not sufficiently review and reconcile wage data to ensure that all amounts reported were accurate, supportable, and in compliance with Medicare regulations and guidance. As a result, the hospital overstated its wage data by \$951,494 (numerator) and 49,462 hours (denominator) for the FY 2003 Medicare cost report period. Our correction of the hospital's errors increased the average hourly wage 0.62 percent, from \$33.50 to \$33.71. If the hospital does not revise the wage data in its cost report, the wage index for the Brownsville-Harlingen, Texas, urban area CBSA will be understated, which will result in underpayments to this hospital and the other four hospitals that use this wage index.

RECOMMENDATIONS

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

VALLEY BAPTIST MEDICAL CENTER'S COMMENTS

In its written comments on our draft report (see Appendix B), the hospital concurred with all of our findings. The hospital noted that its FY 2003 Medicare cost report, due to its early FY beginning date, was used to calculate the FY 2006 wage index, not the 2007 wage index; thus, the findings would not change the 2006 wage index currently in effect. The hospital also stated that the fiscal intermediary was notified of the understated overhead hours, the error that would have had the most significant impact on the 2006 wage index, and it was corrected in time to impact the current wage index. The hospital further stated that the fiscal intermediary corrected the error related to overstated contract labor services. Because of these circumstances, the hospital said that it does not need to resubmit its FY 2003 Medicare cost report.

OFFICE OF INSPECTOR GENERAL'S RESPONSE

We agree with the hospital that the corrections made to its wage data from its FY 2003 Medicare cost report were sufficient for the wage index calculation. Additionally, the remaining errors would not have a material impact on the wage index calculation. Therefore, we removed the recommendation to resubmit the FY 2003 Medicare cost report. The corrections that have been made need to be carried forward, and the remaining errors corrected, to ensure that future wage index calculations are correct.

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INTRODUCTION

BACKGROUND

Medicare Inpatient Prospective Payment System

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

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

Wage Indexes

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

To calculate wage indexes, CMS uses hospital wage data (which include wages, salaries, and related hours) collected 4 years earlier to allow time for the cost report settlement process and CMS's data review. Accordingly, wage data collected from hospitals' Medicare cost reports for the FYs that began between October 1, 2002, and September 30, 2003, will be used to calculate wage index values in FY 2007. A hospital's wage rate is the quotient of dividing total dollars (numerator) by total hours (denominator). Arriving at the final numerator and denominator in this rate computation involves a series of calculations. Therefore, inaccuracies in either the dollar amounts or the hours reported may have varying effects on the final rate computation.

Hospitals must accurately report wage data for CMS to determine the equitable distribution of payments and ensure the appropriate level of funding to cover hospitals' costs of furnishing services. Section 1886(d)(3)(E) of the Social Security Act (the Act) requires that CMS update the wage indexes annually in a manner that ensures that aggregate payments to hospitals are not affected by changes in the indexes.

Valley Baptist Medical Center

Valley Baptist Medical Center (the hospital) is a 315-bed community hospital in Harlingen, TX. As of FY 2005, the wage index for one Texas CBSA applied to this hospital and four other hospitals.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

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

Scope

Our review covered the \$115.1 million and 3.44 million hours that the hospital reported to CMS on Schedule S-3, part II, of its FY 2003 (September 1, 2002, through August 31, 2003) Medicare cost report, which resulted in an average hourly wage rate of \$33.50. We limited our review of the hospital's internal controls to the procedures that the hospital used to accumulate and report wage data for its FY 2003 Medicare cost report.

We performed our fieldwork at the hospital in Harlingen, Texas.

Methodology

To accomplish our objective, we:

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

- interviewed hospital staff regarding the nature of services that employees and contract labor provided to the hospital; and
- determined the effect of the reporting errors by recalculating the hospital's average hourly wage rate using the CMS methodology for calculating the wage index, which includes an hourly overhead factor, in accordance with instructions published in the Federal Register (see Appendix A).

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

FINDINGS AND RECOMMENDATIONS

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

- overstated contract labor services, which overstated wage data by \$78,337 and 1,645 hours;
- overstated wage-related benefit costs, which overstated wage data by \$63,633;
- understated physician Part A contract labor services, which understated wage data by \$100,615 and 1,135 hours; and
- misclassified hours, which overstated the hospital's wage data by \$910,139 and 48,952 hours.

These errors occurred because the hospital did not sufficiently review and reconcile wage data to ensure that all amounts reported were accurate, supportable, and in compliance with Medicare regulations and guidance. As a result, the hospital overstated its wage data by \$951,494 (numerator) and 49,462 hours (denominator) for the FY 2003 Medicare cost report period. Our correction of the hospital's errors increased the average hourly wage rate 0.62 percent from \$33.50 to \$33.71. If the hospital does not revise the wage data in its cost report, the wage index for the Brownsville-Harlingen, Texas, urban area CBSA will be understated, which will result in underpayments to this hospital and the other four hospitals that use this wage index.

ERRORS IN REPORTED WAGE DATA

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

Overstated Contract Labor Services

The "Provider Reimbursement Manual" (the Manual), part I, section 2304, states, "Cost information as developed by the provider must be current, accurate, and in sufficient detail to support payments made for services rendered to beneficiaries. This includes all ledgers, books,

records and original evidences of cost . . . , which pertain to the determination of reasonable cost, capable of being audited."

The hospital recorded FY 2002 contract labor service salaries and hours instead of FY 2003's. As a result, the hospital overstated its FY 2003 Medicare cost report by \$78,337 and 1,645 hours.

Overstated Wage-Related Benefit Costs

The Manual, part II, section 3605.2, requires that fringe benefits related to the excluded costs be reported on line 15 of Worksheet S-3, part II, as wage-related benefit costs. Section 1861(b) of the Act describes excluded services as costs not covered as Part A inpatient hospital services.

When the hospital calculated the excluded-costs portion of the wage-related core costs, it removed two physician groups' salaries from the excluded-costs portion of the equation (the numerator) but not from the total salaries portion (the denominator). As a result, the hospital, after factoring in the overhead adjustment, overstated the wage data by \$63,633.

Understated Physician Part A Contract Labor Services

The Manual, part II, section 3605.2, requires hospitals to report the amount paid under contracted Part A physician services and contracted teaching physician services separately on Worksheet S-3, part II.

Based on the hospital's documentation, the hospital reported \$631,104 and 6,829 hours for contract labor teaching physician services and an additional \$20,417 and 520 hours for Part A physician contract labor. The contract labor teaching physician services included salaries and hours for nonteaching physicians that should be reported as Part A physician contract labor. Thus the hospital understated the Part A physician contract labor services by \$100,615 and 1,135 hours.

Misclassified Hours

The Manual, part II, section 3605.2, requires hospitals to ensure that the wage data reported on their Medicare cost reports are accurate. Further, the Manual also requires hospitals to report excluded area salaries and hours on lines 8 and 8.01. Section 3605.2 also requires hospitals to report the direct wages and salaries increased by the amounts paid for vacation, holiday, sick, and other paid-time-off days. These amounts provide for the collection of hospital wage data for overhead costs to properly allocate the salary portion of the overhead costs to the appropriate service area. Accurate wage data hours are necessary to calculate correct overhead adjustments.

The hospital did not properly record the overhead and the excluded portions of salaries in the correct hours category. Specifically, the hospital overstated the excluded hours, totaling 15,430, by including hours that had been allocated to contract labor. The hospital also understated the overhead hours, totaling 275,625, by reporting prior year hours. The hospital excluded area hours and overhead hours that are factors in calculating the overhead adjustment for wage data.

As a result, the hospital's wage index calculation overstated the wage data by \$910,139 and 48,952 hours.

CAUSES OF WAGE DATA REPORTING ERRORS

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

OVERSTATED WAGE DATA AND POTENTIAL UNDERPAYMENTS

As a result of the reporting errors, the hospital overstated its wage data by \$951,494 (numerator) and 49,462 hours (denominator) for the FY 2003 Medicare cost report period. Our correction of the hospital's errors increased the average hourly wage rate 0.62 percent, from \$33.50 to \$33.71. If the hospital does not revise the wage data in its cost report, the wage index for the Brownsville-Harlingen, Texas, urban area CBSA will be understated, which will result in underpayments to this hospital and the four other hospitals that use this wage index.

RECOMMENDATIONS

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

VALLEY BAPTIST MEDICAL CENTER'S COMMENTS

In its written comments on our draft report (see Appendix B), the hospital concurred with all of our findings. The hospital noted that its FY 2003 Medicare cost report, due to its early FY beginning date, was used to calculate the FY 2006 wage index, not the 2007 wage index; thus, the findings would not change the 2006 wage index currently in effect. The hospital also stated that the fiscal intermediary was notified of the understated overhead hours, the error that would have had the most significant impact on the 2006 wage index, and it was corrected in time to impact the current wage index. The hospital further stated that the fiscal intermediary corrected the error related to overstated contract labor services. Because of these circumstances, the hospital said that it does not need to resubmit its FY 2003 Medicare cost report.

OFFICE OF INSPECTOR GENERAL'S RESPONSE

We agree with the hospital that the corrections made to its wage data from its FY 2003 Medicare cost report were sufficient for the wage index calculation. Additionally, the remaining errors would not have a material impact on the wage index calculation. Therefore, we removed the recommendation to resubmit the FY 2003 Medicare cost report. The corrections that have been made need to be carried forward, and the remaining errors corrected, to ensure that future wage index calculations are correct.

APPENDIXES

CUMULATIVE EFFECT OF FINDINGS

Components		Reported Fiscal Year 2003 Wage Data	Overstated Contract Labor Services	Overstated Wage-Related Benefit Costs	Understated Physician Part A Contract Labor Services	Misclassified Hours	Adjusted FY 2003 Wage Data
Valley Baptist Medical Center							
<i>Work Sheet S - 3, Part II</i>							
Total Salaries							
line1/col. 3	Total Salaries	\$96,942,084.00					\$96,942,084.00
Excluded Salaries							
line 4.01/col. 3	Teaching Physician	\$0.00					\$0.00
line5/col. 3	Physician - Part B	\$0.00					\$0.00
line6/col. 3	Interns and Residents	\$0.00					\$0.00
line6.01/col. 3	Contract services - Interns and Residents	\$413,362.00					\$413,362.00
line7/col. 3	Home Office	\$0.00					\$0.00
line 8/col. 3	Skilled Nursing Facility (SNF)	\$0.00					\$0.00
line8.01/col. 3	Excluded Area	\$10,981,197.00					\$10,981,197.00
subtotal (subtract)		\$11,394,559.00	\$0.00	\$0.00	\$0.00	\$0.00	\$11,394,559.00
Additional Salaries							
line9/col. 3	Contract Labor	\$10,402,566.00	-\$78,337.00				\$10,324,229.00
line 10/col. 3	Contract Labor - Physician Part A	\$20,417.00			\$100,614.91		\$121,031.91
line11/col. 3	Home Office	\$0.00					\$0.00
line13/col. 3	Wage-Related Cost (Core)	\$25,737,522.00		-\$68,328.00			\$25,669,194.00
line 14/col. 3	Wage-Related Cost (Other)	\$0.00					\$0.00
line 18/col. 3	Wage-Related Cost - Physician Part A	\$0.00					\$0.00
subtotal (add)		\$36,160,505.00	-\$78,337.00	-\$68,328.00	\$100,614.91	\$0.00	\$36,114,454.91
	Adjusted Salaries	\$121,708,030.00	-\$78,337.00	-\$68,328.00	\$100,614.91	\$0.00	\$121,661,979.91
Total Paid Hours							
line1/col. 4	Total Hours	3,772,616.00					3,772,616.00
Excluded Hours							
line 4.01/col. 4	Teaching Physician	0.00					0.00
line5/col. 4	Physician - Part B	0.00					0.00
line6/col. 4	Interns and Residents	0.00					0.00
line6.01/col. 4	Contract services - Interns and Residents	15,947.28					15,947.28
line7/col. 4	Home Office	0.00					0.00
line 8/col. 4	Skilled Nursing Facility (SNF)	0.00					0.00
line8.01/col. 4	Excluded Area	290,206.00				(15,430.00)	274,776.00
subtotal (subtract)		306,153.28	0.00	0.00	0.00	(15,430.00)	290,723.28
Additional Hours							
line9/col. 4	Contract Labor	208,833.00	(1,645.00)				207,188.00
line 10/col. 4	Contract Labor - Physician Part A	520.00			1,135.00		1,655.00
line11/col. 4	Home Office	0.00					\$0.00
subtotal (add)		209,353.00	(1,645.00)	0.00	1,135.00	0.00	208,843.00
	Adjusted Hours	3,675,815.72	(1,645.00)	0.00	1,135.00	15,430.00	3,690,735.72

CUMULATIVE EFFECT OF FINDINGS

Components	Reported Fiscal Year 2003 Wage Data	Overstated Contract Labor Services	Overstated Wage-Related Benefit Costs	Understated Physician Part A Contract Labor Services	Misclassified Hours	Adjusted FY 2003 Wage Data
Valley Baptist Medical Center						
<i>Work Sheet S - 3, Part III</i>						
Overhead Allocation						
line13/col. 3 Total Overhead Salaries	\$34,233,566.00					\$34,233,566.00
line13/col. 4 Total Overhead Hours	1,704,883.00				275,625.00	1,980,508.00
Total Hours	3,772,616.00	0.00	0.00	0.00	0.00	3,772,616.00
Less:						
Teaching Physician Hours	0.00	0.00	0.00	0.00	0.00	\$0.00
Physician Part B Hours	0.00	0.00	0.00	0.00	0.00	\$0.00
Interns and Residents Hours	0.00	0.00	0.00	0.00	0.00	\$0.00
Total Overhead Hours	1,704,883.00	0.00	0.00	0.00	275,625.00	1,980,508.00
Subtotal ->	1,704,883.00	0.00	0.00	0.00	275,625.00	1,980,508.00
Revised Hours	2,067,733.00	0.00	0.00	0.00	(275,625.00)	1,792,108.00
Overhead Reduction For Excluded Area Hours						
SNF Hours	0.00	0.00	0.00	0.00	0.00	\$0.00
Excluded Area Hours	290,206.00	0.00	0.00	0.00	(15,430.00)	274,776.00
Subtotal -->	290,206.00	0.00	0.00	0.00	(15,430.00)	274,776.00
[(SNF+Excluded Area Hours)/Revised Hours]	0.140349842	0.00	0.00	0.00	0.01	0.153325581
Excluded Overhead Rate						
(Overhead Salaries/Excluded Overhead Rate)	\$4,804,675.58	\$0.00	\$0.00	\$0.00	\$444,205.81	\$5,248,881.39
(Overhead Hours/Excluded Overhead Rate)	239,280.06	0.00	0.00	0.00	64,382.48	303,662.54
(Overhead Hours/(Revised Hours + Overhead Hours))	0.48956987	0.00	0.00	0.00	0.08	0.56620886
Overhead Rate						
Wage-Related Cost (Core)	\$25,737,522.00	\$0.00	(\$68,328.00)	\$0.00	\$0.00	\$25,669,194.00
Wage-Related Cost (Other)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Wage Related Cost - Physician Part A	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Wage-Related cost	\$25,737,522.00	\$0.00	(\$68,328.00)	\$0.00	\$0.00	\$25,669,194.00
Overhead Wage-Related Cost	\$12,600,315.22	\$0.00	(\$33,451.33)	\$0.00	\$1,972,497.78	\$14,534,125.08
Adjusted Salaries	\$1,768,452.25	\$0.00	(\$4,694.89)	\$0.00	\$465,932.77	\$2,228,453.17
Excluded Wage-Related Cost	\$121,708,030.00	(\$78,337.00)	(\$68,328.00)	\$100,614.91	\$0.00	\$121,661,979.91
Less: Excluded Overhead Salaries	\$4,804,675.58	\$0.00	\$0.00	\$0.00	\$444,205.81	\$5,248,881.39
	1,768,452.25	0.00	(4,694.89)	0.00	465,932.77	2,228,453.17
Revised Wages	115,134,902.17	(78,337.00)	(63,633.11)	100,614.91	(910,138.58)	114,184,645.35
Excluded Wage-Related Cost						
	1.00000					1.00000
Adjusted Hours (Adjusted Hours Used In Report) -	\$115,134,902.17	(\$78,337.00)	(\$63,633.11)	\$100,614.91	(\$910,138.58)	\$114,184,645.35
Revised Hours (Adjusted Hours Used In Report) -	3,436,535.66	(1,645.00)	0.00	1,135.00	(48,952.48)	3,387,073.18
Adjusted Hours (Adjusted Hours Used In Report) -						
Average Hourly Wage	\$33.50	(\$0.01)	(\$0.02)	\$0.02	\$0.22	\$33.71
Total Wage Data Revisions:						
Inflated Wages		(\$78,337.00)	(\$63,633.11)	\$100,614.91	(\$910,138.58)	(\$951,493.78)
Revised Hours		(1,645.00)	0.00	1,135.00	(48,952.48)	(49,462.48)



**Valley Baptist
Health System**

March 21, 2006

Mr. Gordon L. Sato
Regional Inspector General
for Audit Services
Office of Audit Services
1100 Commerce, Room 632
Dallas, Texas 75242

Re: Report Number A-06-06-00037

Dear Mr. Sato:

In response to the above referenced Office of Inspector General (OIG) audit report entitled, "Review of Valley Baptist Medical Center's Reported Fiscal Year 2003 Wage Data", I offer the following response.

Overstated Contract Labor Services

The OIG found that Valley Baptist Medical Center (VBMC) overstated its contract labor services by \$78,337 and 1,645 hours. I agree with this finding. The overstated contract labor services cost and hour amounts are related to the Operating Room and Sleep Disorder Clinic's contracted services. Please be apprised that the overstated cost and hour amounts related to the Sleep Disorder Clinic's contracted services were corrected as a result of the Medicare fiscal intermediary's wage-index-review process.

Overstated Wage-Related Benefit Costs

The OIG found that when calculating the excluded-costs portion of the wage-related core costs, VBMC removed two physician groups' salaries from the excluded-costs portion of the equation (the numerator) but not from the total salaries portion (the denominator). As a result, after factoring in the overhead adjustment, wage data was overstated by \$63,633. I agree with this finding.

Understated Physician Part A Hours

The OIG found that contract labor teaching physician services included salaries and hours for non-teaching physician services that should have been reported as Part A physician contract labor, resulting in an understatement of the Part A physician contract labor services by \$100,615 and 1,135 hours. I agree with this finding.

Misclassified Hours

The OIG found that VBMC overstated excluded hours totaling 15,430 and understated overhead hours totaling 275,625. I agree with this finding. Please be apprised that