



JUL 8 2004

Office of Audit Services  
Region I  
John F. Kennedy Federal Building  
Boston, MA 02203  
(617) 865-2684

Report Number: A-01-04-00503

Mr. Michael Loftus  
Director of Reimbursement  
Yale-New Haven Hospital  
20 Cedar Street  
New Haven, CT 06503

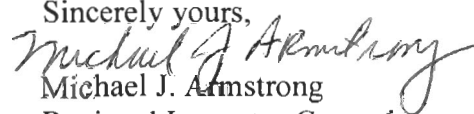
Dear Mr. Loftus:

Enclosed are two copies of the U.S. Department of Health and Human Services (HHS), Office of Inspector General, Office of Audit Services' report entitled "Audit of Yale-New Haven Hospital Organ Acquisition Costs Claimed for the Period October 1, 1997 through September 30, 2001." A copy of this report will be forwarded to the action official noted below for his/her review and any action deemed necessary.

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

In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104-231), Office of Inspector General, Office of Audit Services reports issued to the department's grantees and contractors are made available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act which the department chooses to exercise. (See 45 CFR Part 5.)

If you have any questions or comments about this report, please do not hesitate to call me or David Lamir at (617) 565-2704 or through e-mail at [DLAMIR@oig.hhs.gov](mailto:DLAMIR@oig.hhs.gov). To facilitate identification, please refer to report number A-01-04-00506 in all correspondence.

Sincerely yours,  
  
Michael J. Armstrong  
Regional Inspector General  
for Audit Services

Enclosures - as stated

**Direct Reply to HHS Action Official:**

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

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**AUDIT OF YALE-NEW  
HAVEN HOSPITAL ORGAN  
ACQUISITION COSTS CLAIMED  
FOR THE PERIOD  
OCTOBER 1, 1997 THROUGH  
SEPTEMBER 30, 2001**



**JULY 2004  
CIN A-01-04-00503**

# *Office of Inspector General*

<http://oig.hhs.gov>

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The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

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The OIG's Office of Audit Services (OAS) provides all auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations in order to reduce waste, abuse, and mismanagement and to promote economy and efficiency throughout the department.

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In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104-231), Office of Inspector General, Office of Audit Services reports are made available to members of the public to the extent the information is not subject to exemptions in the act. (See 45 CFR Part 5.)

## **OAS FINDINGS AND OPINIONS**

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



# EXECUTIVE SUMMARY

## BACKGROUND

Yale-New Haven Hospital (Yale-New Haven), located in New Haven, Connecticut, is a 944-bed tertiary referral center which includes the 201-bed Yale-New Haven Children's Hospital and the 76-bed Yale-New Haven Psychiatric Hospital. On its fiscal year (FY) 1998 through FY 2001 Medicare cost reports, Yale-New Haven claimed over \$13.4 million for organ acquisition costs associated with kidney, heart, liver, and pancreas transplants. Medicare reimburses certified transplant programs for costs associated with the acquisition of organs for transplant to Medicare beneficiaries. Of the amount claimed for FY 1998 through FY 2001, Medicare's share was \$6,492,769.

Medicare allows as organ acquisition costs all costs associated with the organ donor and recipient before admission to a hospital for the transplant operation (i.e., pre-transplant services) and the hospital inpatient costs associated with the donor. Regarding salaries, only the portion of salaries that relates to time spent on pre-transplant activities may be included as organ acquisition costs on the Medicare cost report. If an employee performs both pre-transplant and other activities (post-transplant or non-transplant), then the related salary should be allocated to the appropriate cost centers using a reasonable basis, such as time studies.

## OBJECTIVE

The objective of this self-initiated audit was to determine whether organ acquisition costs claimed on the FYs 1998 through 2001 Medicare cost reports by Yale-New Haven for its kidney, heart, liver and pancreas transplant programs were allowable and supported. Specifically, did Yale-New Haven:

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

## SUMMARY OF FINDINGS

Yale-New Haven did not comply with Medicare laws, regulations, and guidelines in the preparation of its Medicare cost report and received excess reimbursement for organ acquisition activities. Specifically, Yale-New Haven claimed costs associated with post-transplant activities. This occurred because Yale-New Haven did not have a system to identify salaries related to post-transplant activities. As a result, Yale-New Haven claimed, as organ acquisition costs, \$1,572,795 of salary costs that were not properly supported with current, accurate documentation that differentiated between pre-transplant and post-transplant activities as required by Medicare.

The table below summarizes the results of the audit by fiscal year:

### **Unsupported Cost and Medicare Overpayments by Fiscal Year**

<b>Year</b>	<b>Claimed<sup>1</sup> Costs</b>	<b>Unsupported</b>	<b>Allowable</b>	<b>Unaudited<sup>2</sup></b>	<b>Medicare Reimbursement</b>	<b>Medicare Overpayments</b>
<b>1998</b>	<b>2,664,324</b>	<b>324,395</b>	<b>1,302,480</b>	<b>1,037,449</b>	<b>1,438,543</b>	<b>180,332</b>
<b>1999</b>	<b>3,170,740</b>	<b>441,604</b>	<b>-</b>	<b>2,729,136</b>	<b>1,289,492</b>	<b>183,796</b>
<b>2000</b>	<b>3,605,050</b>	<b>371,350</b>	<b>-</b>	<b>3,233,700</b>	<b>1,770,439</b>	<b>197,134</b>
<b>2001</b>	<b>4,045,180</b>	<b>435,446</b>	<b>-</b>	<b>3,609,734</b>	<b>1,994,295</b>	<b>232,220</b>
<b>Total</b>	<b>13,485,294</b>	<b>1,572,795</b>	<b>1,302,480</b>	<b>10,610,019</b>	<b>6,492,769</b>	<b>793,482</b>

The unsupported costs pertain to the total salaries claimed as OAC during FYs 1998 – 2001. Based on interviews with various transplant employees, we determined that the salaries claimed were for personnel that performed both pre-transplant and post-transplant activities in the OAC cost centers. However, each employee’s entire salary was included in the OAC cost centers because Yale-New Haven did not have a system to identify salaries related to post-transplant activities.

While we recognize that some portion of the salaries may have related to organ acquisition activities and would have been allowable if properly documented, based on Federal regulations and the Provider Reimbursement Manual the costs are considered unallowable for Medicare reimbursement. If Yale-New Haven cannot provide adequate support for these costs, the Medicare intermediary should remove the \$1,572,795 of salaries from the organ acquisition cost center and recover the entire Medicare overpayment of \$793,482 associated with those costs.

We provided a copy of this report to both Yale-New Haven and Empire Medical Services, as both parties shall be responsible for correcting the issues identified in this report. While Yale-New Haven will be responsible for instituting internal controls to ensure that salaries claimed as OAC are limited to those related to pre-transplant services, Empire Medical Services shall be responsible for all financial adjustments.

## **RECOMMENDATIONS**

We recommend that the Medicare intermediary:

1. Work with Yale-New Haven to determine, if possible, what portion of the \$1,572,795 of unsupported costs and related Medicare payment of \$793,482 is associated with

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<sup>1</sup> We limited the scope of our audit based on our analysis of high risk cost categories and a review of audits performed by the Medicare contractor. We do not express an opinion on the \$10.6 million not audited.

<sup>2</sup> We limited the scope of our audit to the salaries for FY 1999 through FY 2001 based on analysis of FY 1998.

allowable organ acquisition activities, and recover that portion of the \$793,482 that Yale-New Haven is unable to support with allowable organ acquisition costs.

2. Monitor future Medicare cost report claims for organ acquisition costs from Yale-New Haven to ensure compliance with Medicare requirements.
3. Instruct Yale-New Haven to develop and maintain adequate time studies and accounting controls, and to provide clear direction to responsible personnel as to Medicare requirements for claiming and documenting organ acquisition costs.

### **Yale-New Haven Hospital and Empire Medicare Services Comments**

In their responses to our draft report, Yale-New Haven Hospital and Empire Medicare Services agreed with our findings and recommendations.

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# INTRODUCTION

## BACKGROUND

### Yale-New Haven Hospital

Yale-New Haven Hospital (Yale-New Haven), located in New Haven, Connecticut, is a 944-bed tertiary referral center which includes the 201-bed Yale–New Haven Children’s Hospital and the 76-bed Yale-New Haven Psychiatric Hospital.

Our audit covered fiscal years 1998 through 2001. During that period, Yale-New Haven operated transplant programs that were Medicare-certified for kidney (July 1, 1966), heart (March 14, 1992), liver (November 4, 1998) and pancreas (July 1, 1999). During this period, Yale-New Haven purchased organs for transplant from the New England Organ Bank.

Yale-New Haven claimed \$13,485,294 for organ acquisition costs associated with its transplant programs during FYs 1998 through 2001. Of the amount claimed, Medicare’s share was \$6,492,769 (48 % percent). There was an additional \$785,821 in organ acquisition costs associated with liver and pancreas transplants that was non-reimbursable because the Medicare certification had not yet been obtained.

### Medicare Reimbursement of Organ Acquisition and Transplant Costs

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

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

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

## **Medicare Allowable Organ Acquisition Costs**

Medicare allows as organ acquisition costs all costs associated with the organ donor and recipient before admission to a hospital for the transplant operation (i.e., pre-transplant services) and the hospital inpatient costs associated with the donor. Allowable organ acquisition costs include costs for activities, such as tissue typing, recipient registration fees, recipient and donor evaluations, purchase and transportation of the organs, and inpatient stays for organ donors.

## **Medicare's Supporting Documentation Rules**

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

Regarding salaries, an employee's job description often describes activities that are both pre- and post-transplant. In such situations, the hospital is expected to keep accurate time records or time studies to support its decision to allocate a portion of the employee's salary to the organ acquisition cost center.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

### **Objective**

The objective of this self-initiated audit was to determine whether organ acquisition costs claimed on the FY 1998 through FY 2001 Medicare cost reports by Yale-New Haven for its kidney, heart, liver and pancreas transplant programs were allowable and supported. Specifically, did Yale-New Haven:

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

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

## **Scope**

The scope of our audit included kidney, heart, liver, and pancreas acquisition costs claimed by Yale-New Haven on its FYs 1998 through 2001 Medicare cost reports. We did not audit the total number of organs transplanted, the Medicare eligibility of the recipients, inpatient days, or the ratio of costs to charges used on the Medicare Part A cost report to determine certain costs. We limited our review of costs claimed in FY 1998 to salaries and organ acquisition invoices. Based on those, we limited our review of FY 1999 – 2001 to salaries.

Our audit was conducted in accordance with generally accepted government auditing standards. We did not review the internal controls at Yale-New Haven because a review of such controls was not necessary to accomplish the objectives of our audit. We issued a draft report to Yale-New Haven and Empire Medicare Services on May 21, 2004. Yale-New Haven and Empire Medicare Services comments to our draft report are included in their entirety as an appendix to this report and summarized on Page 5.

## **Methodology**

To accomplish our objective, we:

- obtained an understanding of Medicare reimbursement principles for organ acquisition costs
- reviewed the documentation supporting organ acquisition costs claimed by Yale-New Haven for FYs 1998 through 2001
- reviewed accounting records and reports
- reviewed payroll records
- interviewed Yale-New Haven employees and managers
- obtained documentation from the Empire Medical Services fiscal intermediary (FI)
- reviewed working papers from prior FI audits
- discussed the OIG recommended adjustments with the FI

The FI determined the estimated Medicare overpayment amounts associated with our findings using proprietary software to adjust Yale-New Haven's Medicare cost report.

We performed our fieldwork at Yale-New Haven Hospital and the FI during the period from December 2003 through January 2004.

## **FINDINGS AND RECOMMENDATIONS**

Yale-New Haven did not comply with Medicare laws, regulations, and guidelines in the preparation of its Medicare cost report and received excess reimbursement for organ acquisition activities. Specifically, Yale-New Haven claimed costs associated with post-transplant activities. This occurred because Yale-New Haven did not have a system to identify salaries related to post-transplant activities. As a result, Yale-New Haven claimed, as organ acquisition costs, \$1,572,795 of salary costs that were not properly supported with current, accurate documentation that differentiated between pre-transplant and post-transplant activities as required by Medicare. The table below summarizes the results of the audit by fiscal year:

### **Unsupported Costs and Medicare Overpayments by Fiscal Year**

<b>Year</b>	<b>Claimed Costs</b>	<b>Unsupported</b>	<b>Allowable</b>	<b>Unaudited</b>	<b>Medicare Reimbursement</b>	<b>Medicare Overpayments</b>
<b>1998</b>	<b>2,664,324</b>	<b>324,395</b>	<b>1,302,480</b>	<b>1,037,449</b>	<b>1,438,543</b>	<b>180,332</b>
<b>1999</b>	<b>3,170,740</b>	<b>441,604</b>	<b>-</b>	<b>2,729,136</b>	<b>1,289,492</b>	<b>183,796</b>
<b>2000</b>	<b>3,605,050</b>	<b>371,350</b>	<b>-</b>	<b>3,233,700</b>	<b>1,770,439</b>	<b>197,134</b>
<b>2001</b>	<b>4,045,180</b>	<b>435,446</b>	<b>-</b>	<b>3,609,734</b>	<b>1,994,295</b>	<b>232,220</b>
<b>Total</b>	<b>13,485,294</b>	<b>1,572,795</b>	<b>1,302,480</b>	<b>10,610,019</b>	<b>6,492,769</b>	<b>793,482</b>

The unsupported costs pertain to the total salaries claimed as OAC during FYs 1998 – 2001. Based on interviews with various transplant employees, we determined that all salaries claimed as organ acquisition were for personnel that performed both pre-transplant and post-transplant activities in the OAC cost centers. Yale-New Haven did not have a system to identify salaries related to post-transplant activities.

According to the Provider Reimbursement Manual, part 1, § 2304, and 42 CFR §§ 413.24(a) and 413.24(c), costs claimed must be reasonable, properly allocated, and supported by proper documentation. Only the portion of salaries that relate to time spent on allowable organ acquisition activities may be included as organ acquisition costs on the cost report. If an employee performs both pre-transplant and other activities (post-transplant or non-transplant), then the related salary should be allocated to the appropriate cost centers using a reasonable basis, such as time studies. Costs incurred to supervise or support organ transplant employees should be allocated on a basis consisted with the supervised and supported staff.

While we recognize that some portion of the salaries may have related to organ acquisition activities and would have been allowable if properly documented, these costs are considered unallowable for Medicare reimbursement. If Yale-New Haven cannot provide adequate support for these costs, the Medicare intermediary should remove the \$1,572,795 of salaries from the organ acquisition cost center and recover the entire Medicare overpayment of \$793,482 associated with those costs.

We provided a copy of this report to both Yale-New Haven and Empire Medical Services, as both parties shall be responsible for correcting the issues identified in this report. While Yale-New Haven will be responsible for instituting internal controls to ensure that salaries claimed as OAC are limited to those related to pre-transplant services, Empire Medical Services shall be responsible for all financial adjustments.

## **RECOMMENDATIONS**

We recommend that the FI:

1. Work with Yale-New Haven to determine, if possible, what portion of the \$1,572,795 of unsupported costs and related Medicare payment of \$793,482 is associated with allowable organ acquisition activities, and recover that portion of the \$793,482 that Yale-New Haven is unable to support with allowable organ acquisition costs.
2. Monitor future Medicare cost report claims for organ acquisition costs from Yale-New Haven to ensure compliance with Medicare requirements.
3. Instruct Yale-New Haven to develop and maintain adequate time and effort reporting and accounting controls, and to provide clear direction to responsible personnel as to Medicare requirements for claiming and documenting organ acquisition costs.

### **Yale-New Haven Hospital and Empire Medicare Services Comments**

#### **Yale-New Haven Hospital Response**

In its response to our draft report, Yale New Haven agreed with our findings and recommendations and agreed to take corrective actions. Yale New Haven officials have initiated discussions with the FI, regarding the determination of the amount of salaries that related to pre-transplant services, and have developed several alternative approaches. In addition, Yale New Haven has included the OIG recommendations in its recently filed 2003 Medicare Cost Report. Regarding time studies and accounting controls, the Yale New Haven officials stated that they have drafted a template to be used for staff time allocations related to OAC and will seek the FI's agreement on their methodology.

Yale New Haven officials also noted that there were additional allowable OAC costs, not included in the Medicare Cost Reports for the period under audit, that were determined to be allowable by the OIG. Yale New Haven will work with the FI to include those costs in the FY 1998 through FY 2001 cost reports and in the future.

#### **Additional OIG Comments**

We commend Yale New Haven for the actions taken to date on our recommendations. However, regarding Yale New Haven officials' comments pertaining to additional OAC costs

that were not included on the Medicare Cost Reports, we did not conduct any audit tests to determine whether the costs were valid and supported. While we agree that those costs that, by their nature, are allowable as OAC if properly documented, we cannot express an opinion on those costs.

### **Empire Medicare Services Response**

In its response to our draft report, Empire Medicare Services agreed with our findings and recommendations and agreed to take corrective actions.

## **APPENDICES**



June 18, 2004

Mr. Michael J. Armstrong  
Regional Inspector General for Audit Services  
Department of Health & Human Services  
Office of Inspector General  
Office of Audit Services, Region 1  
John F. Kennedy Federal Building  
Boston, MA 02203

***RE: Report Number A-01-04-00503***

Dear Mr. Armstrong:

We are in receipt of your draft audit report for Yale-New Haven Hospital regarding Organ Acquisition Costs for the fiscal years 1998 to 2001. We have reviewed the report and have prepared responses to your recommendations and action plans for future improvements in our operations.

In general, we are in agreement with the findings discussed in the report, and have responded with some additional points we believe are worthy of consideration. At your suggestion, we are working with our Fiscal Intermediary, Empire Medicare Services, in resolution of the problems raised. Since your review, we have incorporated your recommendations in our most recent Medicare cost report filing, and have initiated other corrective steps to enhance the accuracy and our compliance with cost reporting requirements.

We appreciate the opportunity to respond to your draft report. I would also like to acknowledge the cooperation and assistance provided by your staff on their recent audit. They were professional and objective in their review and have been helpful in making suggestions for future enhancements in our reporting.

Please do not hesitate to contact me at (203) 688-2603 or Michael Loftus, Reimbursement Director at (203) 688-5490 if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads 'James M. Staten'.

James M. Staten  
Senior Vice President and Chief Financial Officer



**Yale-New Haven Hospital  
Responses to Draft Audit Report Findings  
Organ Acquisition Costs, FYs 1998 to 2001**

**Summary**

We have reviewed the draft audit report findings and in general, agree with the recommendations made. Prior to this review, we believed that we had prepared and filed our Medicare cost reports in compliance with Medicare guidance related to Organ Acquisition costs. Since this review, we have incorporated these recommendations into our most recent Medicare cost report filing for FY 03, and have implemented corrective steps to address the audit findings. In addition, we are in the process of working with our Fiscal Intermediary, Empire Medicare Services (EMS) to address the recommendations.

There are other points we believe are worthy of presentation. First, OIG staff in their initial scope of work, reviewed Organ Acquisition expenses beyond salary expenses, and found the reporting accurate and in accordance with Medicare cost reporting standards. In addition, during OIG fieldwork, there were additional Organ Acquisition costs identified that were not ever captured or reported to Medicare by the Hospital. OIG staff determined those costs to be allowable Medicare expense. The Hospital will work with the Fiscal Intermediary to include these expenses in FY 1998 to 2001 cost reports and in the future.

**Issues Raised in Recommendations**

Recommendation #1:

OIG recommended that the Medicare Intermediary work with Yale-New Haven Hospital to determine, if possible, what portion of the \$1,572,795 of unsupported costs and related Medicare payment of \$793,482 is associated with allowable organ acquisition activities, and recover that portion of the \$793,482 if the Hospital is unable to support it with allowable organ acquisition costs.

Response to Recommendation #1:

Prior to this review, we believed that we had filed our Organ Acquisition costs consistent with Medicare guidance for these expenses. Since the review, we have instituted several corrective steps for a recent cost report filing and a recent audit of a cost report.

In response to Recommendation #1, we have contacted the Middletown, Connecticut office of EMS and initiated discussion to determine the amount of the salary that was allowable (pre-transplant) compared to non-allowable (post-transplant) services. We have developed several alternative approaches for consideration and will meet with EMS in the coming weeks to resolve this issue and develop a fair and reasonable apportionment methodology.

Recommendation #2:

OIG recommended that the Medicare Intermediary monitor future Medicare cost report claims for organ acquisition costs from Yale-New Haven Hospital to ensure compliance with Medicare requirements.

Response to Recommendation #2:

Since completion of the OIG fieldwork, we have filed our FY 2003 Medicare Cost Report (MCR). The OIG recommendations were included in the 2003 MCR filing. Once we have reached resolution with EMS on the allowable apportionment methodology for salary expense related to Organ Acquisition, we will propose additional audit adjustments that will include other salary expense to be incorporated in our FY 03 filing.

EMS has also recently audited our FY 2000 MCR. During that audit, we discussed with EMS many of the OIG recommendations in proposed audit adjustments and expect to complete that audit over the coming months.

It has been our intention to fully comply with all Medicare requirements for cost reporting and billing.

Recommendation #3:

OIG recommended that the Medicare Intermediary instruct Yale-New Haven Hospital to develop and maintain adequate time studies and accounting controls, and to provide clear direction to responsible personnel as to Medicare requirements for claiming and documenting organ acquisition costs.

Response to Recommendation #3:

Yale-New Haven Hospital has been and will continue to be receptive to the Medicare Intermediary instructions, and will implement those instructions. We have drafted a template to be used for staff time allocations related to Organ Acquisition costs and will obtain EMS' agreement on a fair and reasonable apportionment methodology. We will implement those time studies upon EMS' agreement.

We continue to improve our accounting controls, and acknowledge that the OIG initial scope of review included additional categories of Organ Acquisition expense that upon OIG review, were determined to be adequately supported by our existing accounting controls and allowable for Medicare reimbursement.

## **Other Issues Related to Organ Acquisition Costs**

### **A. Other Organ Acquisition Costs**

There are other significant costs that we have not included in the organ acquisition cost as reported to Medicare in the past. In the future, we will seek to add those allowable costs to our cost reports. In the past we have not included costs for patients covered by Medicare as a Secondary Payor, organ harvesting costs and costs associated with overhead statistical areas related to Organ Acquisition.

We will work with EMS to address more accurate costs related to Organ Acquisitions for pending and future cost reports.



**MEDICARE**

*Part A Intermediary*

*Part B Carrier*

June 23, 2004

Mr. Michael J. Armstrong  
Regional Inspector General for Audit Services  
Department of Health and Human Services  
Office of the Inspector General  
Office of Audit Services  
John F. Kennedy Federal Building  
Boston, MA 02203

Ref: Draft Report "Audit of Yale-New Haven Hospital Organ Acquisition Costs Claimed for the Period October 1, 1997 through September 30, 2001" (A-01-04-00503)

Dear Mr. Armstrong:

We have reviewed the draft report. We agree with, and will implement, the recommendations presented in the report.

Thank you for the opportunity to comment.

Sincerely,

A handwritten signature in black ink, appearing to read "Lloyd S. Kasow".

Lloyd S. Kasow

Medicare Coordination

cc: Warren A. Willis