



**American Hospital
Association**

Liberty Place, Suite 700
325 Seventh Street, NW
Washington, DC 20004-2802
(202) 638-1100 Phone
www.aha.org

December 11, 2013

Daniel R. Levinson
Inspector General
Department of Health and Human Services
Attention: OIG-404-P, Room 5541C
Cohen Building
330 Independence Avenue, SW
Washington, DC 20201

RE: Audit of “Excessive Compensation at Medicare Participating Hospitals”

Dear Mr. Levinson:

Over the few past few months, several of our member hospitals have received demands for information from the Office of Audit Services, Region IV, requesting detailed information concerning the identity of their highest compensated employees for calendar years dating back to 2008 as well information detailing their compensation, title and responsibilities for each of those years. The letter requesting the information identifies the audit as one of “Excessive Compensation at Medicare Participating Hospitals” and contains only a vague, general statement of purpose as “whether compensation claimed for Medicare reimbursement for employees of the hospital . . . is reasonable and necessary and directly related to patient care.”

The “Excessive Compensation” audit is not listed in the current work plan for your office. That omission is notable, as is the faulty premise for the audit stated in the letter itself. In an era of prospective payment for inpatient and outpatient hospital services, as a general rule with few exceptions “Medicare Participating Hospitals” do not receive “reimbursement for [compensation paid to] employees of the hospital” and compensation costs reflected on hospital cost reports bear a relationship to rate-setting that is so attenuated as to be practically immeasurable. Simply put, where the audit letter implies that cost reports provide hospitals an opportunity to pass excessive compensation through to Medicare, the prospective payment system effectively insures there is no such opportunity. Moreover, for hospitals organized and operating as tax-exempt organizations, as are many of our hospital members, executive compensation is subject to scrutiny and limitations under standards imposed and audits conducted by the Internal Revenue Service, affording Medicare additional protection that hospitals will not claim reimbursement for “excessive” compensation.



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In this context, requiring hospitals to extract and analyze historic data and to report personal information concerning employee compensation is a waste of hospital and government resources. As you know, our members have been the subject of increasingly demanding, burdensome and costly government audits in recent years. Adding an unnecessary and intrusive audit on top of RAC and other audits is yet another unfortunate diversion of valuable hospital resources into clerical activity and away from patient care. On behalf of our members, we respectfully request that you undertake a review and terminate the "Excessive Compensation at Medicare Participating Hospitals" audit.

If you would like to discuss, I would be glad to meet at your convenience. I can be reached at mhatton@aha.org or (202) 626-2236.

Sincerely,

/s/

Melinda Reid Hatton
Senior Vice President & General Counsel

cc: Gloria L. Jarmon, CGFM, CPA
Deputy Inspector General