



Postgraduate Year One (PGY1) Pharmacy Residency and CMS funding audits - UPDATE August 2010

Hospitals with PGY1 pharmacy residency programs requesting CMS pass-through funds have been experiencing an increased number of audits by their Fiscal Intermediaries (FI) during routine Medicare Cost Report Audits, and/or during audits performed by Recovery Audit Contractors (RAC). As a result of these audits, several questions have been raised when determining whether a PGY1 program is eligible to receive pass-through funding for approved nursing and allied health education activities under current regulations ([42 CFR 413.85](#)).

Pass-through funding is based on CMS inpatient Medicare reimbursement laws and regulations. This funding is specifically for hospitals that meet the requirements of the regulations. Criteria for identifying programs operated by a provider can be found in [42 CFR 413.85 \(f\)](#) and criteria for certain non-provider-operated programs can be found in [42 CFR 413.85 \(g\)](#). Please note non-provider run programs must meet very specific requirements listed in this section. Some common questions from recent audits include:

- 1) **Title of the Residency Program:** Based on documentation regarding the residency, who is in charge of the residency program (hospital/provider, or a non-provider?)
- 2) **ASHP Accreditation Status:** Can the program show proof of ongoing accreditation by the American Society of Health-System Pharmacists (ASHP)?
- 3) **Job Description that Requires a Pharmacy Residency:** Can the program demonstrate that some pharmacists in the hospital require residency training as a condition of their employment?
- 4) **Significant Changes in Requests for Medicare Pass-Through Funding:** If the amount exceeds \$250,000 or has increased over 15% of the previous year, what has changed to warrant such an increase?

1. Title of the Residency Program - The title of the PGY1 residency program must match the name of the hospital on the CMS cost accounting report.

Background: Many PGY1 residency programs are listed as “Health Systems” rather than by the hospital’s name. This listing may trigger auditors to question whether the residency is actually run by the hospital, or a non-provider. CMS considers any organization that is not the hospital submitting the cost accounting report (e.g., health system, university) to be a “non-provider” who must meet the criteria for non-providers (see 42 CFR 413.85 (g). If you hear the term “non-provider” or “legal operator,” auditors may have looked at the name on the residency program’s certificate/letters from ASHP regarding accreditation status that may not match the cost accounting report name for the hospital. If the residency is run by the hospital, the residency’s name should match the name on the hospital’s Medicare Cost Accounting Report. In particular, large health systems may be presented with this issue.

Proactive steps you can take: Determine if the residency is run by the hospital. If it is run by the hospital make sure the name of your residency program matches the hospital name, as it is listed on the Medicare Cost Accounting Report. If the residency is not run by the hospital please read section 42 CFR 413.85 (g) very carefully as you may not be eligible for CMS pass-through funding. Some programs that have been existence since 1989 may be eligible due to a grandfathering clause. Your financial department should be able to provide you with the name listed on the Medicare Cost Accounting Report. If changes need to be made, contact the Accreditation Services Division at ASHP to make sure your program’s name in our database matches the Medicare Cost Accounting Report.

2. ASHP Accreditation Status – A PGY1 residency program must have proof of ASHP accreditation to receive CMS pass-through funding.

Background: Auditors look for all documentation from ASHP to show that programs have been accredited continuously during the years for which cost accounting reports have been submitted.

Auditors may go back to review previous letters from ASHP to verify program accreditation. One situation that results in audit questions occurs when letters from ASHP make it appear that there has been a gap in accreditation. For example, you might receive a letter from ASHP stating that you are accredited through the remainder of your 6-year cycle (2008). However, ASHP does not survey you until June 2009, and you receive your next letter from ASHP affirming accreditation in spring, 2010, after the Commission on Credentialing and Board of Directors action. The auditors may ask whether you were accredited in 2009 and request proof of accreditation during this time period. ***ASHP Regulations on Accreditation of Pharmacy Residencies***, Section IV E. 4, states “A program granted accreditation will continue in an accredited status until the Commission on Credentialing recommends further action,” which covers your program during times when there appear to be gaps in accreditation. If your auditor still has concerns, please contact ASHP Accreditation Services Division staff and we can contact the auditors to confirm your continuous accreditation status.

Proactive steps you can take: Save all letters regarding your ASHP accreditation status and certificates of accreditation from ASHP, and ensure they can be located in case of audits. Auditors will want to see all letters and certificates that relate to the years they are auditing. Note: ASHP sends programs a certificate when they are accredited initially or, if ASHP changes the name of the accreditation standard, a new certificate will be issued after the next onsite survey under the new standard. Certificates indicate the original date of accreditation by ASHP.

3. Job Description that Requires a Pharmacy Residency – Auditors may request proof that hospitals conducting a PGY1 residency program require pharmacy residency training for some of their staff.

Background: The premise for CMS reimbursement of hospitals that conduct PGY1 pharmacy residency programs is that hospitals require some of their pharmacists to have residency training as a condition of employment, and that this training enhances the quality of inpatient care at the hospital. You should be prepared to provide a job description for at least one pharmacist’s position at your hospital that requires residency training (*not one for which resident training is preferred*).

Proactive steps you can take: Review your pharmacists’ job descriptions to ensure you can provide proof that your hospital requires pharmacy residency training. Job descriptions are the best way to document this request by auditors.

4. Significant Changes in Requests for Medicare Pass Through Dollars – If you are requesting significantly more than your previous year, this may trigger an audit.

Background: Fiscal Intermediaries may be auditing programs that are requesting greater than 15% over the last Medicare Cost Accounting Report. Make sure you have good documentation on reasons for increased costs associated with running the residency program (e.g. additional residency positions, time study data, etc.)

Proactive steps you can take: Work with your financial staff to see what is submitted each year on your Medicare Cost Accounting Report related to the pharmacy residency program. Make sure you have ample documentation to support the dollar amounts you are submitting.

Disclaimer

The information contained in this Update is provided for informational purposes only and should not be construed as legal or other professional advice of any kind.

No recipients of this Update should act or refrain from acting on the basis of any content included in this Update without seeking the appropriate legal or other professional advice on the particular facts and circumstances at issue from an attorney licensed in the recipient’s state. The content of the document contains general information and may not reflect current legal developments, verdicts or settlements. The ASHP expressly disclaims all liability in respect to actions taken or not taken based on any or all the contents of the document. The content of the document addresses topics of interest to our membership and other audiences, and is offered on a blind basis, without any knowledge as to your specific circumstances. The application and impact of relevant laws will vary from jurisdiction to jurisdiction. There may be delays or omissions in information contained in the document. The content should not be relied upon or used as a substitute for consultation with professional advisers.