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HUMAN RESOURCES DIVISION

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APRIL 1, 1981

The Honorable Henry A. Waxman  
Chairman, Subcommittee on Health  
and the Environment  
Committee on Interstate and  
Foreign Commerce  
House of Representatives



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Dear Mr. Chairman:

Subject: Transfer of Physicians from the Boston Public  
Health Service Hospital (HRD-81-69)

In response to your October 30, 1980, request, we reviewed several matters pertaining to the administration of the Boston Public Health Service (PHS) hospital. On January 29, 1981, we briefed your office on our findings. At that briefing, your office requested that we give you a written summary on the transfer of the PHS physicians to private community hospitals. We were asked to address the (1) reasons for, and personnel costs associated with, the transfers, (2) adequacy of compensation arrangements between PHS and the private hospitals, and (3) other re-assignment options available to PHS. We were also asked to identify Federal regulations governing payback requirements for PHS salaried physicians who receive training at non-Federal facilities. This report confirms the information we provided in our briefing.

SCOPE OF EFFORT

We identified PHS regulations governing payback requirements for PHS salaried physicians who receive training at non-PHS hospitals, and we determined how PHS implemented these regulations for the physicians transferred to the private hospitals. We interviewed PHS officials in Hyattsville and Rockville, Maryland, and officials of the Department of Health and Human Services (HHS) regional office in Boston, Massachusetts. Due to time constraints, we interviewed only five of the nine physicians transferred to private hospitals. We also interviewed current and former Boston PHS hospital officials involved in the transfer decisions. We spoke with officials at the Baltimore, Maryland, and Staten Island, New York, PHS hospitals and officials at the Veterans Administration (VA) hospitals at Brockton and Jamaica Plain, Massachusetts,

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to determine PHS' efforts to place the physicians at these hospitals. We also spoke with officials at the Carney hospital, Dorchester, Massachusetts, and the Waltham hospital, Waltham, Massachusetts (where the physicians were transferred) to determine PHS' efforts to obtain salary reimbursement for the physicians' services.

SUMMARY

Eleven physicians were in the internal medicine residency training program at the Boston PHS hospital at June 30, 1980. During July and August 1980, PHS transferred 10 residents from the training program to other hospitals to complete their training. Nine residents were transferred to the private Carney and Waltham hospitals, one resident was transferred to the PHS hospital at Staten Island, and one resident resigned from PHS.

PHS officials said that one reason for transferring the residents was the lack of a sufficient number and mix of patients at the Boston PHS hospital for a proper internal medicine training program. An average occupancy rate of 80 percent is generally recognized as a measure of hospital efficiency. HHS statistics showed that the 110-bed Boston PHS hospital averaged only 48 patients per day (an occupancy rate of about 44 percent). On the average, 14 of these 48 patients were alcoholism patients. At times, according to the hospital director, there were only 10 to 15 medical patients in the hospital.

Another reason PHS officials cited for the transfers was that the Liaison Committee on Graduate Medical Education 1/ notified PHS in February 1980 that it would withdraw its accreditation of the Boston PHS hospital's internal medicine residency training program after June 30, 1981. One reason the Committee cited for withdrawing its accreditation was the low number of patients in the hospital. In light of the low patient volume and the forthcoming loss of accreditation, PHS decided it was in the residents' best interest to transfer them to private hospitals.

PHS could have transferred the residents to other Federal hospitals that had accredited internal medicine training programs, some of which were in the Boston area, but it chose not to do so. Instead, it transferred nine of the residents to private hospitals

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without receiving compensation for their services. PHS transferred eight of the nine residents from a training program at the Boston PHS hospital, which was accredited until June 30, 1981, by which time the residents could have completed their training requirements, to an unaccredited program at the Waltham hospital. PHS had reassignment options available other than transferring the residents to private hospitals at the Federal Government's expense. Had PHS chosen any of these options, the Government would have (1) continued to receive the residents' services or (2) been reimbursed by the private hospitals for the residents' services.

PHS TRANSFERRED PHYSICIANS TO A  
NONACCREDITED TRAINING PROGRAM

As stated earlier, PHS transferred eight residents to the Waltham hospital. However, this hospital is not accredited to conduct an internal medicine residency training program. On October 20, 1980, the former director of medical education of the Boston PHS hospital notified the American Board of Internal Medicine of the transfer. In an October 30, 1980, response, the Board's president discussed how the training for the eight residents at the nonaccredited hospital should be treated. He said

"Insofar as the \* \* \* [American Board of Internal Medicine] \* \* \* is concerned, these residents will be best protected if they understand that their 1980-1981 residency year should be listed as having been served at the U.S. Public Health Service Hospital in Boston and under your supervision. Neither the \* \* \* [Residency Review Committee on Internal Medicine] \* \* \* nor the Board wishes to accredit Waltham Hospital, which itself does not have a titled, accredited residency in internal medicine \* \* \*. So long as the USPHS hospital is recognized as having an accredited residency this year, it is simplest to assign the residents to that hospital and consider them to be on elective rotations to other institutions under your supervision."

Since the PHS hospital was accredited for residency training until June 30, 1981, the residents could have remained at the Boston PHS hospital and satisfied their residency training requirements. However, PHS officials considered it to be in the residents' best interest to transfer them to the private hospitals because of the PHS hospital's low patient volume and mix of patients and forthcoming loss of accreditation.

REASSIGNMENT OPTIONS AVAILABLE TO PHS

Once it decided that the residents should complete their training at other locations, PHS had five reassignment options available other than transferring them to private hospitals with no compensation to the Federal Government. These other options would have resulted in either (1) PHS continuing to receive the residents' services, (2) the physicians continuing to provide service at Federal hospitals, or (3) PHS being reimbursed by private hospitals for the residents' salaries.

Consideration given to  
transferring physicians to  
other Federal hospitals

PHS did not fully explore the possibility of transferring its Boston residents to other Federal hospitals to complete their training. The Baltimore, Maryland, PHS hospital had three resident vacancies that could have been used by the Boston residents. At the request of the Baltimore hospital, PHS considered transferring some of the residents there. However, according to PHS officials, the residents did not want to go to Baltimore because they had accepted positions with the Boston PHS hospital, so PHS did not pursue the matter further. However, one resident told us she would have been willing to transfer to another PHS hospital. Another resident said he too was willing to be assigned to another PHS hospital, but PHS never pursued this matter. Both residents were fulfilling their service payback obligations to the Federal Government (see pp. 6 and 7) and were more concerned about the payback continuing at the new location than about the location itself.

The Staten Island, New York, PHS hospital had two resident vacancies. However, except for one person who was transferred to Staten Island because PHS officials said he could not be placed elsewhere, the possibility of transferring other residents to Staten Island was not pursued.

According to PHS officials, they felt they could not transfer the residents to hospitals outside the Boston area. The PHS officials and residents said PHS had a legal obligation to provide training to the residents in the Boston area because PHS participated in the American Medical Association's process for placing interns and residents at hospitals for training. However, PHS had not sought a legal opinion from HHS on the matter.

PHS did not fully explore the possibility of transferring residents to the VA hospitals in the Boston area. The VA hospitals at Brockton and Jamaica Plain, Massachusetts, have accredited residency training programs. PHS officials said they had contacted these two hospitals. However, Jamaica Plain hospital officials said they were never contacted by PHS about the possible transfer. The director of medical education at Jamaica Plain said they might have taken all of the residents had there been adequate advance notice. The director of medical education at the Brockton VA hospital told us that PHS did discuss the transfer of one resident to the hospital. However, this was an individual whom PHS was unable to place at any other Boston hospital and who was unacceptable to the Brockton hospital. The Brockton official also told us that the hospital would have taken one or two residents, but that no other residents were offered by PHS.

In summary, PHS had two reassignment options available that would have permitted the residents to serve in Federal hospitals:

- Transfer the residents to other PHS hospitals with vacancies.
- Transfer the residents to Boston area VA hospitals with vacancies.

PHS received no compensation  
from private hospitals for  
physicians' services

PHS received no compensation for services provided to the private hospitals by the transferred residents. The director of medical education of the Boston PHS hospital made some attempt to obtain compensation, but he did not pursue the matter to finalize the arrangements with the hospitals. A Carney hospital official told us the hospital desperately needed residents and would have taken all the residents and paid their salaries. He added that this was conveyed to PHS, but PHS did not pursue the matter. A Waltham hospital official said the PHS director of medical education discussed reimbursement of the residents' salaries with him, but that PHS never followed up on the discussions to finalize arrangements. Had PHS attempted to transfer more of the residents to the Carney hospital or finalized arrangements with the Waltham hospital, PHS could have been reimbursed for most or all of the residents' salaries. Therefore, once the decision was made to transfer the residents to private hospitals, PHS had two additional reassignment options:

- Transfer the residents to private hospitals under PHS supervision with PHS receiving compensation for their services.
- Transfer the residents to private hospitals, under private supervision, with PHS receiving compensation for their salaries.

Another reassignment option  
available to PHS

Seven of the residents were members of PHS' National Health Service Corps (NHSC) and had received NHSC scholarship assistance while in medical school. These residents owed NHSC future service for the financial assistance they had received (see p. 7 for a discussion of the service payback requirements). Three of the seven residents had completed 1 year of residency training required by NHSC before being assigned to an NHSC site. Another option available to PHS would have been to transfer these three residents to an approved NHSC site.

COSTS TO THE FEDERAL GOVERNMENT  
FOR PHYSICIAN SERVICES PROVIDED  
TO PRIVATE HOSPITALS

The estimated personnel costs to PHS resulting from the transfer of the residents to private hospitals were

- \$233,000 for the residents' salaries and benefits and
- \$129,000 for a contract to provide physicians for night coverage at the Boston PHS hospital to perform duties previously performed by the residents.

In addition, the Federal Government lost the services of the residents when it transferred them. We could not assign a dollar value to these lost services. However, as discussed in the next section, we identified PHS' regulations governing service payback requirements for PHS physicians who receive training in a non-PHS facility and determined how PHS implemented these regulations for the transferred residents.

PHS' regulations on  
physician payback

All nine residents transferred to the Carney and Waltham hospitals are members of the PHS Commissioned Corps. The residents are expected to receive 1 year of training at these hospitals.

PHS' personnel instructions for implementing its outside training program require that, when a Corps member receives more than 30 days of training at a non-PHS facility and PHS pays either tuition or fees for the training, the member incurs an additional service obligation to PHS amounting to the greater of 6 months or twice the period of training received, not to exceed 2 years.

The training instructions also allow 1 year of training in a non-PHS facility without a future service obligation if tuition and fees are not paid by PHS. A PHS official told us salaries paid to its transferred residents are not classified as tuition or fees. Since six of the residents were in their first year of training, they incurred no future service obligation. However, the other three residents were in their second and third years of training and had previous training at non-PHS hospitals during their first and/or second year residencies. These individuals should have incurred various lengths of future service obligations to PHS. PHS has no provision to waive these obligations. PHS waived all the associated penalties if the residents should fail to fulfill their service obligations by leaving the Commissioned Corps. PHS' action, in effect, was a waiver of future service obligations for the three residents who will have more than 1 year of service at a non-PHS facility.

The seven residents who had received NHSC 1/ scholarships owed PHS 1 year of future service at an approved NHSC site for each year of assistance they received, or a minimum of 2 years of future service. The period of obligation commences when the physician begins providing health services at an approved NHSC site. Before 1977, PHS hospitals were approved NHSC sites. Since all seven residents received their original scholarships before 1977, they can receive credit toward their payback obligation for services performed at a PHS hospital. However, PHS is allowing six of the residents to receive credit toward their payback obligation for the time they are spending at the Waltham hospital, which is not an approved NHSC site. The seventh resident was transferred to Carney hospital, an approved NHSC site.

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1/NHSC was established to improve the delivery of health services to residents of areas where health services are inadequate. To this end, NHSC recruits physicians and other health care providers for communities determined by HHS to have critical shortages of health manpower. Other physicians who avail themselves of the NHSC scholarship program are obligated to serve in shortage areas for prescribed periods and are assigned to NHSC.

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As requested by your office, we did not obtain formal written comments from HHS on this report. However, we presented our findings to PHS officials in the Bureau of Medical Services and at the Boston hospital to obtain their oral comments. We considered these comments in preparing this report.

As arranged with your office, we plan no further distribution of this report until 60 days from the date of the report.

Sincerely yours,



Gregory J. Ahart  
Director