

**Vanguard of Crestview, LLC
d/b/a Crestview Nursing Home
Nashville, Tennessee**

**Cost Report for the Period
January 1 Through December 31, 1999,
and Resident Accounts for the Period
January 1, 1999, Through September 27, 2000**

Arthur A. Hayes, Jr., CPA, JD, CFE
Director

Ronald M. Paolini, CPA
Assistant Director

Gregg S. Hawkins, CPA
Audit Manager

Steve Phillips, CPA, CFE
In-Charge Auditor

Tammy Thompson
Auditor

Amy Brack
Editor

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, Nashville, TN 37243-0264
(615) 741-3697

TennCare/Medicaid audits are available on-line at www.comptroller.state.tn.us/sa/reports/index.html.
For more information about the Comptroller of the Treasury, please visit our Web site at
www.comptroller.state.tn.us.



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
State Capitol
Nashville, Tennessee 37243-0260
(615) 741-2501

John G. Morgan
Comptroller

May 16, 2001

The Honorable Don Sundquist, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
Mr. Mark Reynolds, Director
Bureau of TennCare
729 Church Street, Fifth Floor
Nashville, Tennessee 37247

Ladies and Gentlemen:

Pursuant to Section 71-5-130, *Tennessee Code Annotated*, and a cooperative agreement between the Comptroller of the Treasury and the Department of Finance and Administration, the Division of State Audit performs examinations of nursing facilities participating in the Tennessee Medical Assistance Program under Title XIX of the Social Security Act (Medicaid).

Submitted herewith is the report of the examination of the Medicaid cost report of Vanguard of Crestview, LLC, d/b/a Crestview Nursing Home, Nashville, Tennessee, for the period January 1 through December 31, 1999, and resident accounts for the period January 1, 1999, through September 27, 2000.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/pn
01/013

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
Vanguard of Crestview, LLC
d/b/a Crestview Nursing Home
Nashville, Tennessee
Cost Report for the Period
January 1 Through December 31, 1999,
and Resident Accounts for the Period
January 1, 1999, Through September 27, 2000

FINDINGS RECOMMENDING MONETARY REFUNDS

Deficiencies in Accounting for the Patient Trust Fund

Crestview Nursing Home did not adequately reconcile and protect patient trust funds. As a result, the facility has retained \$34,097.42 of funds due to discharged residents, and the trust fund remained out of balance on September 27, 2000. Also, the facility overcharged several resident accounts \$12,697.80 for patient liability and double-billed some accounts in the amount of \$6,542.95 for the same services (page 5).

Excess Charges in Accounts Receivable

Crestview Nursing Home charged Medicaid residents \$37,887.30 more than private residents were charged for the same services during three months. Also, the facility has retained \$277.48 of funds due to discharged residents (page 7).

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report, which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, Nashville, TN 37243-0264
(615) 741-3697

TennCare/Medicaid audits are available on-line at
www.comptroller.state.tn.us/sa/reports/index.html.
For more information about the Comptroller of the Treasury, please visit our Web site at
www.comptroller.state.tn.us.

**Vanguard of Crestview, LLC
d/b/a Crestview Nursing Home
Nashville, Tennessee
Cost Report for the Period
January 1 Through December 31, 1999,
and Resident Accounts for the Period
January 1, 1999, Through September 27, 2000**

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
Purpose and Authority of the Examination	1
Background	1
Prior Examination Findings	2
Scope of the Examination	2
INDEPENDENT ACCOUNTANTS' REPORT	3
FINDINGS AND RECOMMENDATIONS	5
1. Deficiencies in accounting for the patient trust fund	5
2. Excess charges in accounts receivable	7
Summary of Monetary Findings and Recommendations	8

**Vanguard of Crestview, LLC
d/b/a Crestview Nursing Home
Nashville, Tennessee
Cost Report for the Period
January 1 Through December 31, 1999,
and Resident Accounts for the Period
January 1, 1999, Through September 27, 2000**

INTRODUCTION

PURPOSE AND AUTHORITY OF THE EXAMINATION

The terms of contract between the Tennessee Department of Finance and Administration and the Tennessee Comptroller's office authorize the Comptroller to perform examinations of Nursing Facilities that participate in the Tennessee Medicaid Nursing Facility Program.

Under their agreements with the state and as stated on cost reports submitted to the state, participating nursing facilities have asserted that they are in compliance with the applicable state and federal regulations covering services provided to Medicaid-eligible recipients. The purpose of our examination is to render an opinion on the nursing facilities' assertions that they are in compliance with such requirements.

BACKGROUND

To receive services under the Medicaid Nursing Facility Program, a recipient must meet Medicaid eligibility requirements under one of the coverage groups included in the *State Plan for Medical Assistance*. The need for nursing care is not in itself sufficient to establish eligibility. Additionally, a physician must certify that recipients need nursing facility care before they can be admitted to a facility. Once a recipient is admitted, a physician must certify periodically that continued nursing care is required. The number of days of coverage available to recipients in a nursing facility is not limited.

The Medicaid Nursing Facility Program provides for nursing services on two levels of care. Level I Nursing Facility (NF-1) services are provided to recipients who do not require an intensive degree of care. Level II Nursing Facility (NF-2) services, which must be under the direct supervision of licensed nursing personnel and under the general direction of a physician, represent a higher degree of care.

Crestview Nursing Home, Nashville, Tennessee, provides both NF-1 and NF-2 services. The operation is owned by Vanguard Healthcare, LLC, and managed by Vanguard Healthcare Management Services, LLC. The officers/managers are as follows:

William Orand, Chief Manager and CEO
 Richard Wager, President
 Jerry Ervin, Executive Vice-President
 Kirk Hebert, Secretary/Treasurer and Tax Matters Member

During the examination period, the facility maintained a total of 111 licensed nursing facility beds. The Division of Quality Assurance of the Department of Health licensed the facility for these beds. Eligible recipients receive services through an agreement with the Department of Health. Of the 40,515 available bed days, 30,794 were for Medicaid NF-1 residents and 2,912 were for Medicaid NF-2 residents for the year ended December 31, 1999. Also, the facility reported total operating expenses of \$3,696,052 for the period.

The Division of Quality Assurance inspected the quality of the facility's physical plant, professional staff, and patient services. The nursing facility met the required standards.

The following Medicaid reimbursable rates were in effect for the period covered by this examination:

<u>Period</u>	<u>Level I NF (744-0042)</u>	<u>Level II NF (044-5409)</u>
January 1 through June 30, 1999	\$90.54	\$146.87
July 1 through October 31, 1999	\$95.94	\$156.55
November 1 through December 31, 1999	\$96.11	\$156.55

PRIOR EXAMINATION FINDINGS

This is the facility's first examination under the current ownership.

SCOPE OF THE EXAMINATION

Our examination covers certain financial-related requirements of the Medicaid Nursing Facility Program. The requirements covered are referred to under management's assertions specified later in the Independent Accountants' report. Our examination does not cover quality of care, clinical, or medical provisions.



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0264
PHONE (615) 741-3697
FAX (615) 532-2765**

Independent Accountant's Report

September 27, 2000

The Honorable Don Sundquist, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
Mr. Mark Reynolds, Director
Bureau of TennCare
729 Church Street, Fifth Floor
Nashville, Tennessee 37247

Ladies and Gentlemen:

We have examined management's assertions, included in its representation letter dated September 27, 2000, that Vanguard of Crestview, LLC, d/b/a Crestview Nursing Home complied with the following requirements during the cost report period January 1 through December 31, 1999, and to the facility's resident accounts for the period January 1, 1999, through September 27, 2000.

- Income and expenses reported on the Medicaid Cost Report are reasonable, allowable, and in accordance with state and federal rules, regulations, and reimbursement principles.
- Patient days reported on the Medicaid Cost Report have been counted in accordance with state regulations. Medicaid patient days billed to the state for periods when residents were hospitalized or on therapeutic leave are in accordance with the 15-day hospital stay rule, the 85 percent occupancy rule, and 60-day therapeutic leave day rule.

- Charges to residents and charges to residents' personal funds are in accordance with state and federal regulations except as noted in the findings.

As discussed in management's representation letter, management is responsible for ensuring compliance with those requirements. Our responsibility is to express an opinion on management's assertions about the facility's compliance based on our examination.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants, and accordingly, included examining on a test basis, evidence about Crestview Nursing Home's compliance with those requirements and performing such other procedures as we considered necessary under the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Crestview Nursing Home's compliance with specified requirements.

Our examination disclosed the following material noncompliance applicable to state and federal regulations:

- The facility did not take adequate measures to safeguard patient trust funds through reconciliation and review and did not maintain adequate documentation for expenditures
- The facility charged Medicaid residents more than private-paying residents were charged for the same services
- The facility did not refund credit balances in the trust fund and the accounts receivable to discharged or deceased residents or their authorized representatives

In our opinion, except for the material noncompliance described above, management's assertions that Crestview Nursing Home complied with the aforementioned requirements for the cost reporting period January 1 through December 31, 1999, and for resident accounts for the period January 1, 1999, through September 27, 2000, are fairly stated in all material respects.

This report is intended solely for the use of the Tennessee General Assembly and the Tennessee Department of Finance and Administration. However, this report is a matter of public record and its distribution is not limited.

Sincerely,



Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/pn

FINDINGS AND RECOMMENDATIONS

1. Deficiencies in accounting for the patient trust fund

Finding

Crestview Nursing Home has failed to take adequate measures to safeguard patient trust funds as required by federal law. The following deficiencies were noted:

1. The patient trust fund ledger was not reconciled to the bank statement on a regular basis, and those reconciliations were not adequately reviewed.
2. Adequate documentation was not maintained for cash withdrawals.
3. Charges totaling \$12,697.80 were made against the trust fund accounts for monthly patient liability when the residents' income for those months was not received. Also, patient liability totaling \$6,542.95 was charged twice against some accounts.
4. There was a shortage of \$54,339.23 before the facility reimbursed \$38,524.09 and made correcting entries to some accounts. The trust fund was still out of balance on September 27, 2000, showing a surplus of \$6,647.55.
5. The trust fund contained unrefunded credit balances of \$34,097.42 on the accounts of deceased or former residents.
6. Individual accounts were routinely overdrawn.

Paragraph 22,163.420(b)(1) of the *Medicare and Medicaid Guide* requires the facility to "establish and maintain a system that-- (i) assures a full and complete accounting of clients' personal funds entrusted to the facility." Paragraph 22,163.10(c)(2) further states that "the facility must hold, safeguard, manage and account for the personal funds of the resident deposited with the facility." In addition, *Tennessee Code Annotated*, Title 71-6-117, provides for penalties in cases where the improper use of funds paid by a government agency to an adult or to a caretaker for the adult's use is shown to be willful.

Section 66-29-112 of *Tennessee Code Annotated* states:

All property . . . that is held or owing in the ordinary course of the holder's business and has remained unclaimed by the owner for more than five (5) years after it became payable or distributable is presumed abandoned. . . . Property . . .

shall also be presumed abandoned if the owner thereof is known to the holder to have died and left no one to take the property by will and no one to take the property by intestate succession.

Section 66-29-113 requires anyone holding funds or property presumed abandoned to file a report of that property with the State Treasurer.

Chapter 1700-2-1-.19 of the *Rules of Tennessee Department of Treasury* states, “Before filing the annual report of property presumed abandoned, the holder shall exercise due diligence to ascertain the whereabouts of the owner to prevent abandonment from being presumed.”

Return of a first-class mailing sent to the owner’s last known address would satisfy the requirement that an attempt to contact the owner had been made, provided the mailing was not returned “undeliverable.”

Recommendation

Crestview Nursing Home should establish adequate procedures to ensure compliance with applicable laws and regulations relative to protection of patient trust funds. The facility should immediately bring all overdrawn accounts to a zero balance with appropriate charges carried to the facility’s accounts receivable. The facility should reimburse resident accounts \$12,697.80 to correct improper charges for patient liability where resident income was never received. The facility should also refund \$6,542.95 to resident accounts for double-billed charges for the same routine services. The facility should refund \$34,097.42 to discharged residents or their authorized representatives. The facility should reconcile the trust fund ledger to the control account and to the bank statement on a monthly basis. Adequate documentation should be maintained for cash withdrawals.

Management’s Comment

We concur with the finding. The trust fund policies and procedures in place at the time were usual and customary in the nursing home industry. In addition, it is our understanding that the trust fund is included in the annual State survey process. This finding would not have arisen were it not for the circumvention of these policies and procedures by individuals employed at the facility during this time period.

As a result, we have implemented more detailed review procedures to ensure that the trust fund is properly reconciled monthly, adequate documentation is maintained, charges are correct, and refunds are processed in a timely manner.

2. Excess charges in accounts receivable

Finding

Crestview Nursing Home charged Medicaid residents more than private-pay residents were charged for identical services during three months of 1999. The overcharges and related overcollections from the State of Tennessee totaled \$37,887.30. In addition, the facility retained credit balances in residents' accounts receivable of \$4,904.86 due to the State of Tennessee and \$277.48 due to the residents or their authorized representatives.

Chapter 1200-13-1-.05(5)(h) of the *Rules of Tennessee Department of Finance and Administration* states, "Regardless of the reimbursable rate established for an intermediate care facility, no intermediate care facility may charge Medicaid patients an amount greater than the amount per day charge to private paying patients for equivalent accommodations or services."

Recommendation

Crestview Nursing Home should exercise care not to charge Medicaid residents more than private residents are charged for the same accommodation or service. The facility should refund to the State of Tennessee \$37,887.30 for excessive charges and \$4,904.86 for credit balances in the accounts of discharged or deceased residents. Credit balances of \$277.48 should be refunded either to the former residents or their authorized representatives.

Management's Comment

We concur with the finding. We understand the regulation stating that a facility cannot charge Medicaid patients an amount greater than the per diem charge for private patients for equivalent accommodations or services. The facility's policy is to adjust private room rates in conjunction with any Medicaid rate increases. This policy includes a proper and timely notification to patients of the room rate increase. Individuals employed at Crestview during this time did not adhere to this policy.

We concur with the amounts noted regarding the settlement due to the State and the credit balances in residents' accounts receivable.

SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

Source of Overpayments

Overcharged resident accounts for patient liability (finding 1)	\$12,697.80
Unrefunded credit balances in the patient trust fund (finding 1)	34,097.42
Charges double-billed to resident accounts (finding 1)	6,542.95
Unrefunded credit balances in accounts receivable (finding 2)	277.48
Charges to Medicaid residents in excess of private charges (finding 2)	<u>37,887.30</u>
Total	<u>\$91,502.95</u>

Disposition of Overpayments

Due to the State of Tennessee	\$37,887.30
Due to residents or their authorized representatives	<u>53,615.65</u>
Total	<u>\$91,502.95</u>