

**Imperial Manor Convalescent Center, LLC  
Madison, Tennessee**

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

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[www.comptroller.state.tn.us](http://www.comptroller.state.tn.us).



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**

State Capitol  
Nashville, Tennessee 37243-0260  
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**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, Deputy Commissioner

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 Health, 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 Imperial Manor Convalescent Center, LLC, Madison, Tennessee, for the period January 1 through December 31, 1999, and resident accounts for the period January 1 through December 31, 1999. Our review revealed certain discrepancies which are set forth in the Findings and Recommendations section of the report.

Sincerely,

John G. Morgan  
Comptroller of the Treasury

JGM/pn  
01/014

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report  
**Imperial Manor Convalescent Center, LLC**  
Cost Report and Resident Accounts  
for the Period  
January 1 Through December 31, 1999

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## FINDINGS NOT RECOMMENDING MONETARY REFUNDS

### **Nonallowable Expenses Included on the Cost Report**

The facility included \$1,343.43 of nonallowable expenses on its Medicaid cost report. The adjustment to allowable costs consists of expenses not related to patient care. Since the facility's computed cost exceeds the maximum reimbursement allowed by Medicaid, no refund was required (page 5).

### **Inaccurate Accumulation of Inpatient Days**

Inpatient days were inaccurately accumulated by the facility. The Medicaid NF1 days were understated by 724; private NF1 days were overstated by 9,704; Medicaid NF2 days were overstated by 652; and private NF2 days were understated by 9,632. The adjustments had no effect on the facility's Medicaid reimbursable rate (page 5).

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"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

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**Imperial Manor Convalescent Center, LLC  
Madison, Tennessee  
Cost Report and Patient Accounts  
for the Period  
January 1 Through December 31, 1999**

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**INTRODUCTION**

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**PURPOSE AND AUTHORITY OF THE EXAMINATION**

The terms of contract between the Tennessee Department of Health 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.

Imperial Manor Convalescent Center, LLC, Madison, Tennessee, provides both NF-1 and NF-2 services. The facility is owned and operated by Vanguard Healthcare, LLC, and Vanguard Healthcare Holdings, LLC. The officers/managers are as follows:

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

During the examination period, the facility maintained a total of 150 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 54,750 available bed days, 20,583 were for Medicaid NF-1 patients and 10,343 were for Medicaid NF-2 patients for the year ended December 31, 1999. Also, the facility reported total operating expenses of \$6,720,831 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<br/>(744-0514)</u> | <u>Level II NF<br/>(044-5047)</u> |
|----------------------------------|----------------------------------|-----------------------------------|
| January 1 through June 30, 1999  | \$90.54                          | \$146.87                          |
| July 1 through December 31, 1999 | \$96.11                          | \$144.73                          |

**PRIOR EXAMINATION FINDINGS**

This is the first examination of Imperial Manor Convalescent Center, LLC.

**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  
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PHONE (615) 741-3697  
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**Independent Accountant's Report**

**July 27, 2000**

The Honorable Don Sundquist, Governor  
and

Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243

and

Mr. Mark Reynolds, Deputy Commissioner  
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 July 27, 2000, that Imperial Manor Convalescent Center, LLC, 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 through December 31, 1999.

- 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 the 60-day therapeutic leave day rule.

- Charges to patients and charges to patients' personal funds are in accordance with state and federal regulations.

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 the compliance of Imperial Manor Convalescent Center, LLC, 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 the compliance of Imperial Manor Convalescent Center, LLC, with specified requirements.

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

- The facility included \$1,349 of nonallowable expenses on its Medicaid cost report.
- The facility inaccurately accumulated patient days for its Medicaid cost report.

In our opinion, except for the material noncompliance described above, management's assertions that Imperial Manor Convalescent Center, LLC, complied with the aforementioned requirements for the cost reporting period January 1 to December 31, 1999, and for resident accounts for the period January 1 to December 31, 1999, 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 Health. 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

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## FINDINGS AND RECOMMENDATIONS

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### 1. Nonallowable expenses included on the cost report

#### Finding

Imperial Manor Convalescent Center, LLC, included \$1,349.43 of nonallowable expenses on the “Intermediate Care Statement of Reimbursable Cost” for the year ended December 31, 1999. The adjustment to allowable expenses consists of \$99.43 of expenses unrelated to patient care and \$1,250.00 in nonallowable depreciation expense for a finder’s fee.

Chapter 1200-13-6-.09 of the *Rules of Tennessee Department of Health* specifies that unnecessary costs and costs unrelated to patient care are to be deducted from allowable expenses.

Paragraph 5862 of the *Medicare and Medicaid Guide* states that “whether designated as a ‘consulting fee’ or a ‘finders fee,’ the payment did not meet the requirement of a necessary or proper cost.”

The adjustments to allowable expenses had no effect on the facility’s Medicaid reimbursable rate.

#### Recommendation

Imperial Manor Convalescent Center, LLC, should include only allowable expenses on the “Intermediate Care Statement of Reimbursable Cost.” All reported expenses should be adequately supported and related to patient care.

#### Management’s Comment

Management concurs.

### 2. Inaccurate accumulation of inpatient days

#### Finding

Imperial Manor Convalescent Center, LLC, inaccurately accumulated inpatient days. Census records were not reconciled with reported inpatient days on the “Intermediate Care Statement of Reimbursable Cost.”

Chapter 1200-13-6-.15 of the *Rules of Tennessee Department of Health* stipulates, “This data must be based on and traceable to the provider’s financial and statistical records and must be adequate, accurate, and in sufficient detail to support payment made for services rendered to beneficiaries.”

As a result of the inaccurate accumulation of patient days, the Medicaid NF1 days were understated by 724; Medicaid NF2 days were overstated by 652; private NF1 days were overstated by 9,704; and private NF2 days were understated by 9,632.

The adjustments had no effect on the facility’s Medicaid reimbursable rate.

### **Recommendation**

Imperial Manor Convalescent Center, LLC, should maintain census records that adequately and accurately provide the statistical data necessary for proper completion of the “Intermediate Care Statement of Reimbursable Cost.”

### **Management’s Comment**

Management concurs. We have implemented procedures to ensure accurate census data is reported.