

**May Cravath Wharton Nursing Home  
Pleasant Hill, Tennessee**

**Cost Report and Resident Accounts  
for the Period  
July 1, 1999, Through June 30, 2000**

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TennCare/Medicaid audits are available on-line at [www.comptroller.state.tn.us/sa/reports/index.html](http://www.comptroller.state.tn.us/sa/reports/index.html).  
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STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY

State Capitol  
Nashville, Tennessee 37243-0260  
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John G. Morgan  
Comptroller

December 27, 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 and resident accounts of May Cravath Wharton Nursing Home, Pleasant Hill, Tennessee, for the period July 1, 1999, through June 30, 2000.

Sincerely,

John G. Morgan  
Comptroller of the Treasury

JGM/pn  
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State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report  
**May Cravath Wharton Nursing Home**  
Pleasant Hill, Tennessee  
Cost Report and Resident Accounts  
For the Year Ended June 30, 2000

## **FINDING RECOMMENDING MONETARY REFUNDS**

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

The facility included \$9,614 of nonallowable expenses on its cost report. The adjustment to allowable costs consists of \$1,563 of expenses unrelated to patient care, \$7,136 for a depreciable asset that was expensed during the period, and \$915 in unsupported expenses. The adjustments to reported expenses resulted in a reduction of the facility's reimbursable rate. A refund of \$5,917 is due the Medicaid Program (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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**May Cravath Wharton Nursing Home  
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Cost Report and Resident Accounts  
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**May Cravath Wharton Nursing Home  
Pleasant Hill, Tennessee  
Cost Report and Resident Accounts  
for the Period  
July 1, 1999, Through June 30, 2000**

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**INTRODUCTION**

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**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.

May Cravath Wharton Nursing Home, Pleasant Hill, Tennessee, provides only NF-1 services. Uplands Retirement Village, a nonprofit corporation, owns the facility. The Executive Committee of the current Board of Directors of Uplands Retirement Village is as follows:

Mrs. Michelle Ann Sabine, Chairman  
Mrs. Helen Lee, Secretary  
Mr. John Buck, Executive Director

Mr. Art Wojta, Vice-Chairman  
Mr. Kenneth Stephens, Treasurer

During the examination period, the facility maintained a total of 62 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 22,692 available bed days, 13,078 were for Medicaid NF-1 residents for the year ended June 30, 2000. Also, the facility reported total operating expenses of \$2,043,890 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 (744-0128)</u>
July 1, 1999, to June 30, 2000	\$101.02

#### **PRIOR EXAMINATION FINDINGS**

The previous report for this facility for the period ending June 30, 1987, contained no findings.

#### **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  
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**Independent Accountant's Report**

**May 24, 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:

We have examined management's assertions, included in its representation letter dated May 24, 2001, that May Cravath Wharton Nursing Home complied with the following requirements during the cost report period July 1, 1999, through June 30, 2000, and to the facility's resident accounts for the period July 1, 1999, through June 30, 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.
- Resident days reported on the Medicaid Cost Report have been counted in accordance with state regulations. Medicaid resident 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% occupancy rule, and the 60-day therapeutic leave day rule.
- Charges to residents and charges to residents' 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 May Cravath Wharton 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 May Cravath Wharton Nursing Home's compliance with specified requirements.

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

- The inclusion of \$9,614 of nonallowable expenses on the cost report

In our opinion, except for the instances of material noncompliance described above, management's assertions that May Cravath Wharton Nursing Home complied with the aforementioned requirements for the cost reporting period July 1, 1999, to June 30, 2000, and for resident accounts for the period July 1, 1999, to June 30, 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, JD, CFE, Director  
Division of State Audit

AAH/pn

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## FINDING AND RECOMMENDATION

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### Nonallowable expenses included on the cost report

#### Finding

May Cravath Wharton Nursing Home included \$9,614.22 of nonallowable expenses on the “Medicaid Nursing Facility Level I Cost Report” for the year ended June 30, 2000. The adjustment to allowable expenses consists of \$1,562.86 of expenses unrelated to patient care, \$915.00 in unsupported expenses, and \$7,136.36 for a depreciable asset that was improperly expensed during the period.

Chapter 1200-13-6-.09 of the *Rules of Tennessee Department of Health* states, “Adequate financial records, statistical data, and source documents must be maintained for proper determination of costs under the program.” It also specifies that unnecessary costs and costs unrelated to patient care are to be deducted from allowable expenses.

Paragraph 4720 of the *Medicare and Medicaid Guide* states that “if a depreciable asset has at the same time of its acquisition an estimated useful life of at least 2 years and a historical cost of at least \$5,000, its cost must be capitalized and written off ratably over the useful life of the asset using one of the approved methods of depreciation.”

As a result of the above adjustments to allowable expenses, the facility’s Medicaid reimbursable rate was decreased as follows:

<u>Period</u>	<u>Original Rate</u>	<u>Adjusted Rate</u>	<u>Difference</u>
July 1 through December 31, 2001	\$101.02	\$100.12	(\$0.90)

Based on this rate reduction, estimated overpayments made to the facility from July 1 through December 31, 2001, total \$5,917.26.

#### Recommendation

May Cravath Wharton Nursing Home should include only allowable expenses on the “Medicaid Nursing Facility Level I Cost Report.” All reported expenses should be adequately supported and related to patient care. All depreciable assets should be capitalized and written off over their estimated useful lives.

A refund of \$5,917.26, representing overpayments by the Medicaid Program as a result of the rate reduction, should be made to the State of Tennessee.

### **Management's Comment**

Management concurs. The majority of the correction was due to expensing items that our independent auditors had approved; however, the basic audit findings will not be disputed. The few items that were unrelated to patient care have been addressed.

**SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS**

**Source of Overpayments**

Rate reduction (see finding) \$5,917.26

**Disposition of Overpayments**

Due to the State of Tennessee \$5,917.26