

**Perry County Nursing Home
Linden, Tennessee**

**Cost Report and Patient Accounts
For the Period
January 1 Through December 31, 2001**

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
State Capitol
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John G. Morgan
Comptroller

January 14, 2003

The Honorable Don Sundquist, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and

Mr. Manny Martins, Deputy Commissioner
Department of Finance and Administration
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 Perry County Nursing Home, Linden, Tennessee, for the period January 1 through December 31, 2001, and resident accounts for the period January 1 through December 31, 2001.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/pn
03/011

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
Perry County Nursing Home
Linden, Tennessee
Cost Report and Resident Accounts
For the Period
January 1 Through December 31, 2001

FINDINGS RECOMMENDING MONETARY REFUNDS

IMPROPERLY CLAIMED EXPENSES INCLUDED ON THE COST REPORT

Perry County Nursing Home has included \$3,566.68 of nonallowable expenses on the NF-1 cost report for the fiscal year ended December 31, 2001. As a result of this adjustment to expenses and an adjustment to patient days, Perry County Nursing Home should repay \$23,549.36 to the State of Tennessee.

NEED TO PROPERLY MANAGE AND SUPPORT RESIDENT ACCOUNTS

Perry County Nursing Home did not adequately maintain the resident trust accounts or support expenditures for those accounts. The facility also did not maintain individual resident accounts receivable. Failure to properly manage resident accounts contributed to unrefunded credit balances due to two former residents. The facility did not maintain evidence of attempts to refund the balances. The facility should refund \$1,107.00 to the residents or to their authorized representatives.

"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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**Perry County Nursing Home
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Cost Report and Resident Accounts
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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.

Perry County Nursing Home, Linden, Tennessee, provides only NF-1 services. The facility is owned by the County of Perry and is leased to Perry Managed Care, a partnership. The partnership consisted of two partners, Barry and Rhnnea Cunningham, during the period under review.

During the examination period, the facility maintained a total of 114 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 41,610 available bed days, 36,957 were for Medicaid NF-1 residents during the fiscal year ended December 31, 2001. Also, the facility reported total operating expenses of \$3,630,912 for the period.

The Division of Quality Assurance inspected the quality of the facility's physical plant, professional staff, and resident 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 (744-0536)</u>
January 1 through June 30, 2001	\$93.03
July 1 through December 31, 2001	\$90.98

PRIOR EXAMINATION FINDINGS

The prior report for Perry County Nursing Home covered the periods December 1, 1998, through December 31, 1999, and January 1 through December 31, 2000. The report contained the following findings:

1. Improperly claimed expenses included on the cost report
2. Need to adequately support Medicaid and total resident days
3. Need to maintain adequate documentation

Finding 2 has been satisfactorily corrected. Findings 1 and 3 have not been satisfactorily corrected.

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 Accountant's 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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Independent Accountant's Report

August 13, 2002

The Honorable Don Sundquist, Governor

and

Members of the General Assembly

State Capitol

Nashville, Tennessee 37243

and

Mr. Manny Martins, Deputy Commissioner

Department of Finance and Administration

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 August 13, 2002, that Perry County Nursing Home complied with the following requirements during the cost report period January 1 through December 31, 2001, and to the facility's resident accounts for the period.

- 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 percent 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 Perry County 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 Perry County Nursing Home's compliance with specified requirements.

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

- Improperly claimed expenses included on the cost report
- Need to properly manage and support resident accounts

In our opinion, except for the instances of material noncompliance described above, management's assertions that Perry County Nursing Home complied with the aforementioned requirements for the cost reporting period January 1 to December 31, 2001, and for resident accounts for the period January 1 to December 31, 2001, 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,

A handwritten signature in black ink, appearing to read "Arthur A. Hayes, Jr." with a stylized flourish at the end.

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

AAH/pn

FINDINGS AND RECOMMENDATIONS

1. IMPROPERLY CLAIMED EXPENSES INCLUDED ON THE COST REPORT

Finding

Perry County Nursing Home included \$3,566.68 of improperly claimed expenses on the “Medicaid Nursing Facility Level I Cost Report” for the period January 1 through December 31, 2001. Disallowed costs for this period consist of \$984.00 of inadequately supported expenses, \$1,222.13 of costs not related to patient care, \$520.55 of expenses erroneously included on the depreciation schedule, and \$840.00 of expenses that should have been reported in the prior year.

Chapter 1200-13-6-.15 of the *Rules of the Tennessee Department of Finance and Administration* states that “cost reports . . . must provide adequate cost and statistical data. 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.” Chapter 1200-13-6-.09(1)(d) notes, “Adequate financial records, statistical data, and source documents must be maintained for proper determination of costs under the program.”

Chapter 1200-13-6-.09(4)(f) of the *Rules* states that “the following are . . . expenses not considered a part of the cost of providing routine service, and should be deducted . . . (5) Costs which are not necessary or related to patient care. . . .”

The facility also made a clerical error that resulted in the understatement of Medicaid resident days by 458 and of total resident days by 461 on the “Medicaid Nursing Facility Level I Cost Report.” The error does not warrant a finding but is material to the computation of the Medicaid reimbursable rate.

As a result of the expense adjustments and the adjustment to reported resident days noted above, 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, 2002, to present	\$87.53	\$86.01	(\$1.52)

Overpayments made to the facility as a result of the above adjustments total \$23,549.36 computed from July 1 through November 30, 2002.

Recommendation

Perry County Nursing Home should include only allowable expenses on the “Medicaid Nursing Facility Level I Cost Report.” All reported expenses should be adequately supported, related to patient care, and in compliance with other applicable regulations.

The facility should refund \$23,549.36 to the State of Tennessee, representing overpayments by the Medicaid Program as a result of the rate reduction computed from July 1 through November 30, 2002.

Management’s Comment

Management did not respond.

2. NEED TO PROPERLY MANAGE AND SUPPORT RESIDENT ACCOUNTS

Finding

Perry County Nursing Home has failed to maintain documentation necessary to protect resident trust monies. The individual trust accounts were poorly organized and the posted transactions were not noted as to the year in which the transactions occurred, making current account balances difficult to determine. The facility did not regularly reconcile cash to the trust fund ledger. Also, many disbursements lacked adequate supporting documentation.

The facility does not maintain individual accounts receivable. The facility relies on monthly charge and payment logs and on the bookkeeper’s memory to determine accounts receivable balances at any given time. As a result, unrefunded credit balances due to residents or their authorized representatives are not readily apparent. Unrefunded credit balances totaling \$1,107.00 were determined to be due to two former residents or to their authorized representatives.

Chapter 1200-13-6-.10(4) of the *Rules of the Tennessee Department of Finance and Administration* notes that gross charges on the patient’s accounts must match the charges on the patient log and that all charges on the accounts must be supported by charge slips and must correspond to the charges reported on the department’s billing forms. This rule further requires that personal funds held by the provider for Medicaid patients must be properly accounted for with detailed records of amounts received and disbursed. Chapter 1200-13-6-.15 of the *Rules* states, “(C)ost and statistical 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.”

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.”

Recommendation

Perry County Nursing Home should institute measures to adequately safeguard and account for resident trust funds. The facility should maintain records adequate to verify resident accounts without the need to employ alternative methods. The facility should institute and maintain individual resident accounts receivable records. The facility should refund \$1,107.00 of unrefunded credit balances to former residents or their authorized representatives.

Management’s Comment

Management did not respond.

SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

Source of Overpayments

Rate reduction (see finding 1)	\$23,549.36
Unrefunded credit balances (see finding 2)	<u>\$1,107.00</u>
Total	<u>\$24,656.36</u>

Disposition of Overpayments

Due to the State of Tennessee	\$23,549.36
Due to residents or their authorized representatives	<u>\$1,107.00</u>
Total	<u>\$24,656.36</u>