

**Life Care Center of Missionary Ridge
Chattanooga, Tennessee**

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

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

June 10, 2004

The Honorable Phil Bredesen, Governor
and

Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

and

Mr. Manny Martins, Deputy Commissioner
Bureau of TennCare
Department of Finance and Administration
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 Life Care Center of Missionary Ridge, Chattanooga, 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
03/017

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report

Life Care Center of Missionary Ridge

Chattanooga, Tennessee

Cost Report and Resident Accounts

For the Period

January 1 Through December 31, 2001

FINDINGS RECOMMENDING MONETARY REFUNDS

Excessive Charges to Medicaid Residents

Life Care Center of Missionary Ridge improperly charged private residents an amount per day less than Medicaid Nursing Facility Level 1 residents. As a result, the facility was overpaid \$4,089.52, computed from October 1 to October 31, 2001 (page 5).

Need to Properly Manage Resident Accounts

Life Care Center of Missionary Ridge's resident trust had a withdrawal of \$100 in excess of the 2362 amount for one resident. The resident trust fund ledger contained two residents with balances over the Medicaid resource limit of \$2,000 (page 5).

FINDINGS NOT RECOMMENDING MONETARY REFUNDS

Nonallowable Expenses Included on the Cost Report

The facility reported \$7,455.37 of total nonallowable expenses in its cost report. The adjustment to allowable costs consists of \$87.50 in expenses not related to patient care and \$7,367.87 in unsupported expenses. The facility's computed cost was not lowered by the adjustment (page 6).

Inaccurate Accumulation of Resident Days

The facility inaccurately accumulated resident days on the cost report. The facility overreported 145 NF-2 Medicaid days and 792 NF-1 Medicaid days. In addition, the facility underreported 780 NF-1 private days, 37 NF-2 Medicare days, and 134 NF-2 private days. Total days were underreported by 14. The computed cost of the facility was not lowered by the adjustment (page 7).

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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.

Life Care Center of Missionary Ridge, Chattanooga, Tennessee, provides both NF-1 and NF-2 services. The facility is owned by Chattanooga Medical Investors and leased to Life Care Center of America Missionary Ridge. Mr. Forrest Preston owns both entities.

During the examination period, the facility maintained a total of 78 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 28,470 available bed days, 19,889 were for Medicaid NF-1 residents for the year ended December 31, 2001. Also, the facility reported total operating expenses of \$3,223,819 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 (744-0419)</u>	<u>Level II NF (044-5280)</u>
January 1, 2001, to June 30, 2001	\$ 101.40	\$ 115.95
July 1, 2001, to December 31, 2001	\$ 107.00	\$ 129.11

PRIOR EXAMINATION FINDINGS

The prior report of Life Care Center of Missionary Ridge, for the year ended December 31, 1989, contained the following findings:

- Nonallowable expenses included on the cost report
- Deficiencies in accounting for the resident trust fund

These findings are repeated in this report.

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.



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Independent Accountant's Report

October 23, 2002

The Honorable Don Sundquist, Governor
and

Members of the General Assembly
State Capitol

Nashville, Tennessee 37243

and

Mr. Manny Martins, Deputy Commissioner

Bureau of TennCare

Department of Finance and Administration

729 Church Street, Fifth Floor

Nashville, Tennessee 37247

Ladies and Gentlemen:

We have examined management's assertions, included in its representation letter dated October 23, 2002, that Life Care Center of Missionary Ridge 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 January 1 through December 31, 2001.

- 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 Life Care Center of Missionary Ridge'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 Life Care Center of Missionary Ridge's compliance with specified requirements.

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

- Excessive charges to Medicaid residents
- Need to properly manage resident accounts
- Nonallowable expenses included on the cost report
- Inaccurate accumulation of resident days

In our opinion, except for the instances of material noncompliance described above, management's assertions that Life Care Center of Missionary Ridge 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.", written in a cursive style.

Arthur A. Hayes, Jr., CPA,
Director

AAH/pn

FINDINGS AND RECOMMENDATIONS

1. EXCESSIVE CHARGES TO MEDICAID RESIDENTS

Finding

Life Care Center of Missionary Ridge improperly charged private residents less per day than Medicaid residents on the “Medicaid Nursing Facility Level 1 Cost Report” for the fiscal year ended December 31, 2001.

Chapter 1200-13-1-.05(5)(h) of the *Rules of the Tennessee Department of Finance and Administration* stipulates that “Regardless of reimbursement 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 and services.”

As a result of the improper charges, overpayments totaling \$4,089.52 were made to the facility.

Recommendation

Life Care Center of Missionary Ridge should maintain a system to account for revenue charged per day to Private Nursing Facility Level 1 residents at a rate equal to or greater than the Nursing Facility Level 1 Medicaid rate. The facility should refund \$4,089.52 to the State of Tennessee, representing overpayments by the Medicaid Program for the year ended December 31, 2001.

Management’s Comment

Management concurs. A more effective system has been put in place to ensure revenue charged per day to ICF private residents is at a rate equal to or greater than the Medicaid NF1 rate.

2. NEED TO PROPERLY MANAGE RESIDENT ACCOUNTS

Finding

Life Care Center of Missionary Ridge has failed to take adequate measures to safeguard resident trust funds as required by federal law. The following deficiencies were noted:

1. An improper withdrawal of \$100 was made in excess of the 2362 amount for one resident.
2. The resident trust fund ledger contained two residents with balances over the Medicaid resource limit of \$2,000.

Paragraph 22,163.10 of the *Medicare and Medicaid Guide* states,

Upon written authorization of a resident, the facility must hold, safeguard, manage, and account for the personal funds of the resident deposited with the facility . . . the facility must establish and maintain a system that assures a full and complete separate accounting, according to generally accepted accounting principles, of each resident's personal funds entrusted to the facility on the resident's behalf. . . . The facility must notify each resident that receives Medicaid benefits when the amount in the resident's account reaches \$200 less than the SSI limit . . . and that, if the amount in the account . . . reaches the SSI resource limit for one person, the resident may lose eligibility for Medicaid or SSI.

Recommendation

Life Care Center of Missionary Ridge should institute measures to adequately safeguard and account for residents' trust funds. The facility should maintain records adequate to verify resident accounts. The facility should immediately reimburse the \$100 to the fund. Proper controls over withdrawals should be maintained. The facility should confer with officials of the Department of Finance and Administration for reviewing activities involving resident trust funds to ensure that the procedures they intend to employ are appropriate and acceptable.

Management's Comment

Management concurs. The resident of the account in question is still at the facility. A check for \$100 was deposited into her patient trust account. Also, procedures for safeguarding and managing the personal funds of residents have been amended to include biweekly reviews of patient trust accounts.

3. NONALLOWABLE EXPENSES INCLUDED ON THE COST REPORT

Finding

Life Care Center of Missionary Ridge included \$7,455.37 of nonallowable expenses on the "Medicaid Nursing Facility Level 1 Cost Report" for the year ended December 31, 2001. The

adjustment to allowable expenses consists of \$87.50 of expenses not related to patient care and \$7,367.87 in unsupported expenses.

Chapter 1200-13-6-.09(1) of the *Rules of the Tennessee Department of Finance and Administration* states, “Adequate financial records, statistical data, and source documents must be maintained for proper determination of costs under the program.” The rule also specifies that unnecessary costs and costs not related to patient care are to be deducted from allowable expenses.

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

Recommendation

Life Care Center of Missionary Ridge should include only allowable expenses on the “Medicaid Facility Level 1 Cost Report.” All reported expenses should be adequately supported and related to patient care.

Management’s Comment

Management concurs. During the audit, several checks and invoices for allowable expenses could not be located. However, since the exclusion of these expenses would have no monetary import on the facility, it was determined that additional resources would not be used to search for the missing documentation. Additional measures have been taken to properly maintain financial records.

4. INACCURATE ACCUMULATION OF RESIDENT DAYS

Finding

Life Care Center of Missionary Ridge did not adequately support or accurately report resident days on the “Medicaid Nursing Facility Level 1 Cost Report” for the fiscal year ended December 31, 2001. The facility over-reported 145 NF-2 Medicaid days and 792 NF-1 Medicaid days. Also, the facility under-reported 780 NF-1 private days, 37 NF-2 Medicare days, and 134 NF-2 private days. Total days were under-reported by 14.

Chapter 1200-13-6-.15 of the *Rules of the Tennessee Department of Finance and Administration* states:

The 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.

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

Recommendation

Life Care Center of Missionary Ridge should maintain an adequate system to report and account for resident days. The report should provide adequate and accurate statistical data necessary for proper completion of the "Medicaid Nursing Facility Level 1 Cost Report."

Management's Comment

Management concurs. We will take measures to adequately report and account for resident days.

SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

Source of Overpayments

Improper charges for private residents less than Medicaid NF-1 (see finding 1)	\$4,089.52
Overcharge of resident trust fund (see finding 2)	<u>\$ 100.00</u>
Total	<u><u>\$5,152.52</u></u>

Disposition of Overpayments

Due to residents or their authorized representatives	\$ 100.00
Due to the State of Tennessee	<u>\$4,089.52</u>
Total	<u><u>\$4,189.52</u></u>