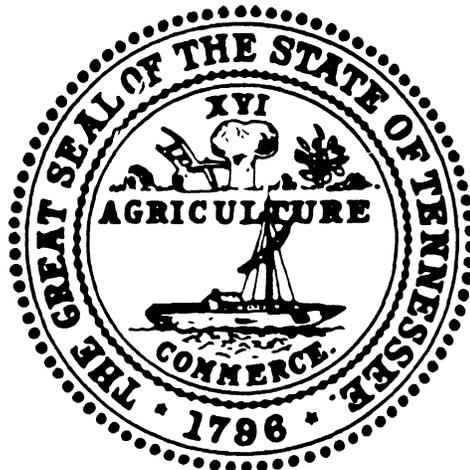


TENNCARE REPORT

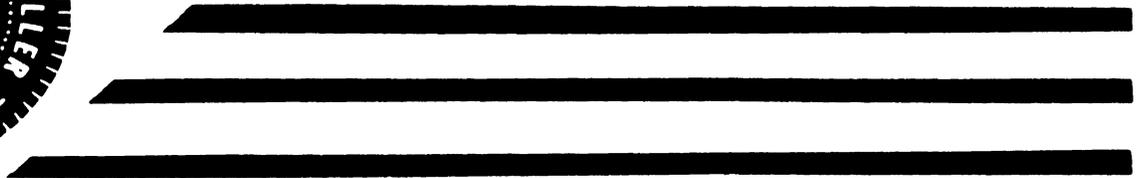
Westmoreland Care and Rehabilitation Center
Westmoreland, Tennessee

Cost Report and Resident Accounts
For the Period
November 1, 2001, Through September 30, 2002



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

Department of Audit
Division of State Audit



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

June 20, 2006

The Honorable Phil Bredesen, Governor
and

Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

and

J. D. Hickey, M.D., Deputy Commissioner
Bureau of TennCare
Department of Finance and Administration
310 Great Circle Road, 4W
Nashville, Tennessee 37243

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 Westmoreland Care and Rehabilitation Center, Westmoreland, Tennessee, for the period November 1, 2001, through September 30, 2002, and resident accounts for the period November 1, 2001, through September 30, 2002.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/pn
03/079

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
Westmoreland Care and Rehabilitation Center
Westmoreland, Tennessee
Cost Report and Resident Accounts
For the Period
November 1, 2001, Through September 30, 2002

FINDING RECOMMENDING MONETARY REFUND

Nonallowable Expenses Included on the Cost Report

Westmoreland Care and Rehabilitation Center included \$1,160.48 of nonallowable expenses on the Medicaid cost report. As a result of this adjustment, the facility was overpaid \$2,568.90, computed from February 1, 2003, through June 30, 2005.

**Westmoreland Care and Rehabilitation Center
Westmoreland, Tennessee
Cost Report and Resident Accounts
For the Period
November 1, 2001, Through September 30, 2002**

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**Westmoreland Care and Rehabilitation Center
Westmoreland, Tennessee
Cost Report and Resident Accounts
For the Period
November 1, 2001, Through September 30, 2002**

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.

Westmoreland Care and Rehabilitation Center, Westmoreland, Tennessee, provides both NF-1 and NF-2 services. The facility is owned, operated, and managed by Home Quality Management, Inc., a related party. The real property is owned by and leased from Healthcare REIT of Toledo, Ohio. Home Quality Management, Inc., is owned by Healthcare Acquisitions, Inc.

During the examination period, the facility maintained a total of 100 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 33,400 available bed days, 19,813 were for Medicaid NF-1 residents and 3,523 were for Medicaid NF-2 residents during the period from November 1, 2001, through September 30, 2002. Also, the facility reported total operating expenses of \$4,296,118 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 (744-0571)</u>	<u>Level II NF (044-5342)</u>
November 1, 2001, – June 30, 2002	\$107.00	\$154.55
July 1, 2002 – September 30, 2002	\$108.76	\$161.65

PRIOR EXAMINATION FINDINGS

This is the first examination of Westmoreland Care and Rehabilitation Center under its 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 Accountant’s report. Our examination does not cover quality of care, clinical, or medical provisions.



STATE OF TENNESSEE
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Independent Accountant's Report

August 28, 2003

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 37243

Ladies and Gentlemen:

We have examined management's assertions, included in its representation letter dated August 28, 2003, that Westmoreland Care and Rehabilitation Center complied with the following requirements during the cost report period November 1, 2001, through September 30, 2002, 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% 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 Westmoreland Care and Rehabilitation Center'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 Westmoreland Care and Rehabilitation Center's compliance with specified requirements.

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

- Nonallowable expenses included on the cost report

In our opinion, except for the instances of material noncompliance described above, management's assertions that Westmoreland Care and Rehabilitation Center complied with the aforementioned requirements for the cost reporting period November 1, 2001, through September 30, 2002, and for resident accounts for the period November 1, 2001, through September 30, 2002, 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 that reads "Arthur A. Hayes, Jr." The signature is written in a cursive, flowing style.

Arthur A. Hayes, Jr., CPA
Director

AAH/pn

FINDING AND RECOMMENDATION

Nonallowable expenses included on the cost report

Finding

Westmoreland Care and Rehabilitation Center included \$1,160.48 of nonallowable expenses on the "Medicaid Nursing Facility Level 1 Cost Report" for the period November 1, 2001, through September 30, 2002. The nonallowable amount consisted of \$1,160.48 of excess depreciation resulting from nonapproved useful lives of some assets.

Paragraph 4695 of the *Medicare and Medicaid Guide* states, "In initially selecting a proper useful life for computing depreciation . . . the provider may use certain published useful life guidelines. . . . For assets acquired on or after January 1, 1981, only the AHA (American Hospital Association) guidelines may be used."

As a result of the above adjustment, the facility's Medicaid reimbursable rates were affected as follows:

<u>Period</u>	<u>Original Rate</u>	<u>Adjusted Rate</u>	<u>Difference</u>
February 1 through June 30, 2003	\$102.46	\$102.43	\$ (.03)
July 1, 2003, through June 30, 2004	\$107.73	\$107.70	\$ (.03)
July 1, 2004, through June 30, 2005	\$114.62	\$114.54	\$ (.08)

Overpayments made to the facility as a result of the above adjustments total \$2,568.90 computed from February 1, 2003, through June 30, 2005.

Recommendation

Westmoreland Care and Rehabilitation Center should include only allowable expenses on the "Medicaid Nursing Facility Level 1 Cost Report." Assets should be depreciated in accordance with approved useful life guidelines.

The facility should refund \$2,568.90 to the State of Tennessee, representing overpayments by the Medicaid Program as a result of the rate adjustments computed from February 1, 2003, through June 30, 2005.

Management's Comment

Management concurs.

SUMMARY OF MONETARY FINDING AND RECOMMENDATION

Source of Overpayments

Rate adjustments (see finding 1)	<u>\$2,568.90</u>
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Disposition of Overpayments

Due to the State of Tennessee	<u>\$2,568.90</u>
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