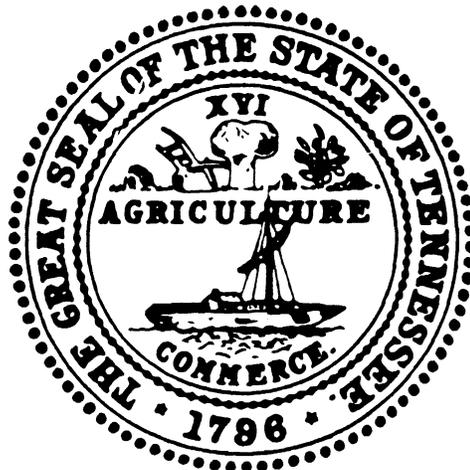


TENNCARE REPORT

Mariner Health of Newport
Newport, Tennessee

Cost Report and Resident Accounts
For the Period
January 1 Through December 31, 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
Nashville, Tennessee 37243-0260
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John G. Morgan
Comptroller

June 15, 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 Mariner Health of Newport, Newport, Tennessee, for the period January 1 through December 31, 2002, and resident accounts for the period January 1 through December 31, 2002.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/pn
04/031

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
Mariner Health of Newport
Newport, Tennessee
Cost Report and Resident Accounts
For the Period
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FINDINGS RECOMMENDING MONETARY REFUNDS

Nonallowable Expenses Included on the Cost Report

The facility included \$8,123.60 of nonallowable expenses on the cost report. The adjustment to allowable expenses consists of \$1,041.61 of unsupported expenses and \$7,081.99 of expenses not related to resident care. Since the facility's computed costs exceed the maximum reimbursement allowed by the Medicaid Program, no refund was required.

Deficiencies in Accumulation of Hospital Leave Days and Support of Reported Days

Mariner Health of Newport did not adequately support 403 reported Medicaid NF-1 resident days. Also, the facility billed the Medicaid Program for 369 hospital leave days when the facility was below 85% occupancy. As a result of the improper billing of noncovered hospital leave days, Mariner Health of Newport should refund \$12,885.81 to the State of Tennessee.

**Mariner Health of Newport
Newport, Tennessee
Cost Report and Resident Accounts
For the Period
January 1 Through December 31, 2002**

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**Mariner Health of Newport
Newport, Tennessee
Cost Report and Resident Accounts
For the Period
January 1 Through December 31, 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.

Mariner Health of Newport, Newport, Tennessee, provides both NF-1 and NF-2 services. The facility is owned and operated by Mariner Health Care, Inc., of Houston, Texas. Mariner Health Care, Inc.'s board of directors are as follows:

Victor Lund, Chairman of the Board
Chris Winkle, President and CEO
Patrick Daugherty
Earl Holland

Moshin Meghji
Phillip Maslowe
Edward Stearns

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, the facility reported 34,088 for Medicaid NF-1 residents and 1,090 for Medicaid NF-2 residents for the year ended December 31, 2002. Also, the facility reported total operating expenses of \$7,154,768 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 (744-0465)</u>	<u>Level II NF (044-5176)</u>
January 1 through January 31, 2002	\$ 98.67	\$136.01
February 1 through June 30, 2002	\$ 98.67	\$106.53
July 1 through December 31, 2002	\$112.75	\$142.51

PRIOR EXAMINATION FINDINGS

This is the first examination of Mariner Health of Newport.

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

October 29, 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
310 Great Circle Road, 4W
Nashville, Tennessee 37243

Ladies and Gentlemen:

We have examined management's assertions, included in its representation letter dated October 29, 2003, that Mariner Health of Newport complied with the following requirements during the cost report period January 1, 2002, through December 31, 2002, and to the facility's resident accounts for the period January 31, 2002, through December 31, 2002.

- 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 18-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 Mariner Health of Newport'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 Mariner Health of Newport's compliance with specified requirements.

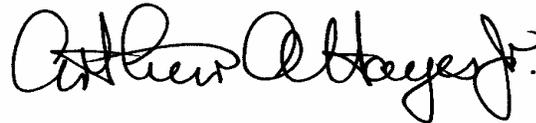
Our examination disclosed the following instances of material noncompliance applicable to state and federal regulations:

- Nonallowable expenses included on the cost report
- Deficiencies in accumulation of hospital leave days and support of reported days

In our opinion, except for the instances of material noncompliance described above, management's assertions that Mariner Health of Newport complied with the aforementioned requirements for the cost reporting period January 1 to December 31, 2002, and for resident accounts for the period January 1 to December 31, 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,



Arthur A. Hayes, Jr., CPA
Director

AAH/pn

FINDINGS AND RECOMMENDATIONS

1. Nonallowable Expenses Included on the Cost Report

Finding

Mariner Health of Newport included \$8,123.60 of nonallowable expenses on the “Medicaid Nursing Facility Level 1 Cost Report” for the year ended December 31, 2002. The adjustment to allowable expenses consists of \$1,041.61 of unsupported expense and \$7,081.99 in expenses not related to resident care.

Chapter 1200-13-6-.09(1) of the *Rules of 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.” It also specifies that unnecessary costs and costs unrelated to resident care be deducted from allowable expenses.

The adjustment to allowable expenses has no effect on the facility’s Medicaid reimbursable rate.

Recommendation

Mariner Health of Newport should include only allowable expenses on the “Medicaid Nursing Facility Level 1 Cost Report.” All reported expenses should be adequately supported and related to resident care.

Management’s Comment

We agree with your assessment that non-patient related expenses of \$7,081.99 and unsupported expenses of \$1,041.61 should be considered non-allowable. The provider and corporate office will strive to improve invoice processing and descriptions, and record retention. The reimbursement department will also work to remove non-allowable expenses.

2. Deficiencies in Accumulation of Hospital Leave Days and Support of Reported Days

Finding

Mariner Health of Newport improperly accumulated and charged for hospital leave days of Medicaid NF-1 residents while below 85% occupancy. Also, the facility records did not adequately support 403 reported Medicaid NF-1 resident days.

Chapter 1200-13-1.06(4)b of the *Rules of Tennessee Department of Finance and Administration* allows Level 1 nursing facilities to be reimbursed up to 15 days for a recipient's bed during his or her hospitalization, provided the following conditions are met:

- The resident intends to return to the facility and . . .
- At least 85% of all other beds at the nursing facility are occupied at the time of the hospital admission.

Chapter 1200-13-6-.15 of the *Rules of 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 . . . available for and capable of verification by the Comptroller of the Treasury or his agents.

As a result of the inaccurate accumulation and reporting of hospital leave days, NF-1 Medicaid days were overstated by 369 days. The facility was overpaid \$12,885.81 for noncovered hospital leave days. In addition, Mariner Health of Newport did not adequately support days by payor type. The facility overstated NF-1 Medicaid days by 403 and understated NF-1 private days by 403.

Recommendation

Mariner Health of Newport should establish adequate procedures to ensure compliance with applicable laws and regulations relative to hospital leave days. The facility should maintain adequate documentation to support days reported on the cost report. The facility should refund \$12,885.81 to the State of Tennessee for overpayments resulting from the billing of noncovered leave days.

Management's Comment

Management concurs with the finding. The provider's Admissions Department tracks the Medicaid hospital or therapeutic leave (bed hold) days on a daily basis to determine if there are any covered or non-covered bed holds. At the end of each month, the provider's Billing Department performs an adjustment to remove any non-covered bed holds. Afterwards, the provider uses appropriate billing codes and resident days when submitting Medicaid claims electronically to the State of Tennessee.

SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

Source of Overpayments

Improper billing for noncovered hospital leave days (see finding 2)	<u>\$12,885.81</u>
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Disposition of Overpayments

Due to the State of Tennessee	<u>\$12,885.81</u>
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