

**Mariner Health of Norris
Norris, Tennessee**

**Cost Report and Resident Accounts
For the Period
January 1 Through December 31, 2002**

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

June 22, 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

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 Mariner Health of Norris in Norris, Tennessee, for the period January 1, 2002, through December 31, 2002, and resident accounts for the period January 1, 2002, through December 31, 2002.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/pn
04/043

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report

Mariner Health of Norris

Norris, Tennessee

Cost Report and Resident Accounts

For the Period January 1, 2002, Through December 31, 2002

FINDING RECOMMENDING MONETARY REFUNDS

Need to Properly Manage Unrefunded Credit Balances

Mariner Health of Norris has not established a system to ensure that credit balances on the accounts of deceased or discharged residents are properly managed. Unrefunded credit balances total \$8,904.55. Of this overpayment amount, \$263.11 is due the TennCare Program, and \$8,641.44 is due former residents or their responsible representatives (page 5).

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TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
Purpose and Authority of the Examination	1
Background	1
Prior Examination Findings	2
Scope of the Examination	2
INDEPENDENT ACCOUNTANT'S REPORT	3
FINDING AND RECOMMENDATION	5
• Need to properly manage unrefunded credit balances	5
Summary of Monetary Findings and Recommendations	7

**Mariner Health of Norris
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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.

Mariner Health of Norris in Norris, Tennessee, provides both NF-1 and NF-2 services. The facility is owned by Mariner Health Care, Inc. of Houston, Texas. Mariner Health Care, Inc.'s board of directors are Victor Lund, Chairman of the Board; Chris Winkle, President and CEO; Patrick Daugherty, Earl Holland, Moshin Meghji, Phillip Maslowe, and Edward Stearns.

During the examination period, the facility maintained a total of 103 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 37,595 available bed days, all were dually certified for Medicaid NF-1 and NF-2 patients for the year ended December 31, 2002. Also, the facility reported total operating expenses of \$2,806,402 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 (744-0426)</u>
January 1, 2002, to June 30, 2002	\$107.00
July 1, 2002, to December 31, 2002	\$113.14
	<u>Level II NF (044-5303)</u>
January 1, 2002, to June 30, 2002	\$119.73
July 1, 2002, to December 31, 2002	\$155.64

PRIOR EXAMINATION FINDINGS

This the first examination of Mariner Health of Norris.

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

December 11, 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
729 Church Street, Fifth Floor
Nashville, Tennessee 37247

Ladies and Gentlemen:

We have examined management's assertions, included in its representation letter dated December 11, 2003, that Mariner Health of Norris 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 1, 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.
- Patient days reported on the Medicaid Cost Report have been counted in accordance with state regulations. Medicaid patient 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 patients and charges to patients' 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 attestation standards established by the American Institute of Certified Public Accountants, and accordingly, included examining on a test basis, evidence about Mariner Health of Norris'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 Norris's compliance with specified requirements.

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

- Need to properly manage unrefunded credit balances

In our opinion, except for the material noncompliance described above, management's assertions that Mariner Health of Norris of Norris, Tennessee, complied with the aforementioned requirements for the cost reporting period January 1, 2002, to December 31, 2002, for resident accounts for the period January 1, 2001, 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

FINDING AND RECOMMENDATION

NEED TO PROPERLY MANAGE UNREFUNDED CREDIT BALANCES

Finding

Mariner Health of Norris has not established a system to ensure that credit balances on the accounts of deceased or discharged residents are properly managed. Management did not maintain evidence that former residents or their authorized representatives were notified of money due them. Management also failed to refund the portion of the credit balances due to the TennCare Program.

Section 62-29-112 of *Tennessee Code Annotated* states:

All property . . . that is held or owing in the ordinary course of the holder's business and has remained unclaimed by the owner for more than five (5) years after it became payable or distributable is presumed abandoned. . . . Property . . . shall also be presumed abandoned if the owner thereof is known to the holder to have died and left no one to take the property by will and no one to take the property by intestate succession.

Section 66-29-113 requires anyone holding funds or property presumed abandoned to file a report of that property with the State Treasury.

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 to prevent abandonment from being presumed."

Accounts receivable unrefunded credit balances of \$8,904.55 remain on the accounts of 16 former residents of Mariner Health of Norris. Of this amount, \$263.11 is due the TennCare Program for overpayments to the facility made on behalf of the residents, and \$8,641.44 is due former residents or their authorized representatives who were not notified of money due them.

Recommendation

Mariner Health of Norris should maintain evidence that former residents or their authorized representatives are notified of money due them. The facility should maintain a record of balances with the resident's name and social security number, the dates of last account activity and last owner contact, and the amount due the former resident.

Return of first-class mailing sent to the owner's last known address would satisfy the requirement that an attempt to contact the owner had been made, provided the mailing was not returned "undeliverable." If the proper owners cannot be located within five years from the date of last account activity, a report of the abandoned property must be filed with the Tennessee Department of Treasury, Division of Unclaimed Property. Such a report is to be made before May 1 of each year and is to include all property deemed abandoned as of the previous December 31. Remittance of the abandoned property is due with the filing of the report. Funds transferred to the Tennessee Department of Treasury must include any accrued interest. Proper claims against the funds will be honored by the Tennessee Department of Treasury.

A refund of \$263.11 should be made to the State of Tennessee for the amount due the TennCare Program, and \$8,641.44 should be refunded to the former residents or their authorized representatives.

Management's Comment

Management concurs with the \$8,904.55 total in regard to the credit balances of Medicaid residents that were listed on Mariner Health of Norris's Accounts Receivable. All accounts are in the process of being adjusted/resolved so that our books are accurate.

Documentation of procedures to review credit balances has been made and staff is aware and will comply.

Expectations have been made to refund/notify former residents and the State, of present and future credit balances.

SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

Source of Overpayments

Total Overpayments for discharged or deceased residents (see finding 1)	<u>\$8,904.55</u>
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Disposition of Overpayments

Due to patients or their authorized representatives	\$8,641.44
Due to the State of Tennessee	<u>\$ 263.11</u>
Total	<u>\$8,904.55</u>