

**Hancock Manor, Inc.  
Sneedville, Tennessee**

**Cost Report and Resident Accounts  
For the Period  
May 1, 2003, Through April 30, 2004**

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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 23, 2005

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  
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 Hancock Manor, Inc. in Sneedville, Tennessee, for the period May 1, 2003, through April 30, 2004, and resident accounts for the period May 1, 2003, through April 30, 2004.

Sincerely,

John G. Morgan  
Comptroller of the Treasury

JGM/pn  
05/025

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report  
**Hancock Manor, Inc.**  
Sneedville, Tennessee  
Cost Report and Resident Accounts  
For the Period  
May 1, 2003, Through April 30, 2004

## **FINDINGS RECOMMENDING MONETARY REFUNDS**

### **Improper Billing of Resident Hospital Leave Days**

Hancock Manor, Inc. improperly billed the Medicaid Program for 67 hospital leave days when the facility was operating under 85% occupancy. The facility was overpaid \$6,950.78 for these noncovered hospital leave days.

### **Need to Properly Manage Unrefunded Credit Balances**

Hancock Manor, Inc. has not established a system to ensure that credit balances on the accounts of deceased or discharged residents are properly disposed of by the facility. Accounts receivable unrefunded credit balances total \$9,008.43. Of this overpayment amount, \$4,827.18 is due the Medicaid Program and should be promptly refunded to the Medicaid Program, and \$4,181.25 is due former residents or their authorized representatives. The facility should take affirmative steps to identify the correct party to be paid and remit the funds as soon as practicable. If there are no authorized representatives, then the facility should remit the funds of these residents to the Department of Treasury, Division of Unclaimed Property.

**Hancock Manor, Inc.**  
**Sneedville, Tennessee**  
**Cost Report and Resident Accounts**  
**For the Period**  
**May 1, 2003, Through April 30, 2004**

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**Hancock Manor, Inc.**  
**Sneedville, Tennessee**  
**Cost Report and Resident Accounts**  
**For the Period**  
**May 1, 2003, Through April 30, 2004**

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**INTRODUCTION**

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**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.

Hancock Manor, Inc., Sneedville, Tennessee, provides both NF-1 and NF-2 services. The facility is owned and operated by National Assistance Bureau of Roswell, Georgia. The officers/members of the board of directors are as follows:

Mark Collins, President  
Bill Byrd, Secretary

During the examination period, the facility maintained a total of 50 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 18,300 available bed days, the facility reported 14,717 for Medicaid NF-1 residents and 73 for Medicaid NF-2 residents for the year ended April 30, 2004. Also, the facility reported total operating expenses of \$1,978,565 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<br/>(744-0507)</u> | <u>Level II NF<br/>(044-5459)</u> |
|---------------------------------|----------------------------------|-----------------------------------|
| May 1 to June 30, 2003          | \$114.56                         | \$154.92                          |
| July 1, 2003, to April 30, 2004 | \$120.45                         | \$154.90                          |

#### **PRIOR EXAMINATION FINDINGS**

This is the first examination of Hancock Manor, Inc.

#### **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  
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**Independent Accountant's Report**

**September 24, 2004**

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  
729 Church Street, Fifth Floor  
Nashville, Tennessee 37247

Ladies and Gentlemen:

We have examined management's assertions, included in its representation letter dated September 24, 2004, that Hancock Manor, Inc. complied with the following requirements during the cost report period May 1, 2003, through April 30, 2004, and to the facility's resident accounts for the period May 1, 2003, through April 30, 2004.

- 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 Hancock Manor, Inc.'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 Hancock Manor, Inc.'s compliance with specified requirements.

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

1. Improper billing of resident hospital leave days
2. Need to properly manage unrefunded credit balances
3. Resident trust funds not in an interest-bearing account

In our opinion, except for the instances of material noncompliance described above, management's assertions that Hancock Manor, Inc. of Sneedville, Tennessee, complied with the aforementioned requirements for the cost reporting period May 1, 2003, to April 30, 2004, and for resident accounts for the period May 1, 2003, to April 30, 2004, 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

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## FINDINGS AND RECOMMENDATIONS

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### 1. Improper Billing of Resident Hospital Leave Days

#### Finding

Hancock Manor, Inc. improperly billed the Medicaid Program for 67 hospital leave days for Medicaid NF-1 residents while the facility was operating under 85% occupancy for the period May 1, 2003, through April 30, 2004.

Chapter 1200-13-1-.06(4)(b) of the *Rules of Tennessee Department of Finance and Administration* states, “A level 1 nursing facility shall be reimbursed . . . for the recipient’s bed in that facility during the recipient’s temporary absence from that facility in accordance with the following . . . At least 85% of all other beds at the nursing facility are occupied at the time of hospital admission.”

The facility was overpaid \$6,950.78 for the 67 noncovered hospital leave days.

#### Recommendation

Hancock Manor, Inc. should not accumulate or bill the Medicaid Program for hospital leave days when the facility is operating under 85% occupancy. The TennCare Bureau should take necessary steps to recover the \$6,950.78 due to the State of Tennessee for overpayments by the Medicaid Program as a result of the improper billing of hospital leave days.

#### Management’s Comment

Hancock Manor, Inc. misunderstood the interpretation of billable hospital leave days. Hospital days were being billed for days when the occupancy level exceeded 85% rather than for the entire hospital stay. During the training session regarding the new online billing system with the State of Tennessee it was discovered that Hancock Manor’s interpretation was incorrect and subsequently the billing procedure was corrected.

Billing of resident hospital days is now in compliance with state guidelines.

## **2. Need to Properly Manage Unrefunded Credit Balances**

### **Finding**

Hancock Manor, Inc. has not established a system to ensure that credit balances on the accounts of deceased or discharged residents are properly disposed of by the facility. Management did not maintain evidence that former residents or their authorized representatives were notified of money due them. Also, facility management failed to refund the portion of the credit balances due the Medicaid Program.

Section 66-29-113 of *Tennessee Code Annotated* requires anyone holding funds or property presumed abandoned to file a report of that property with the State Treasurer. 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 \$9,008.43 remain on the accounts of 13 former residents of Hancock Manor, Inc. Of the total unrefunded credit balances, \$4,827.18 is due the State of Tennessee and should be promptly refunded to the Medicaid Program, and \$4,181.25 is due former residents or their authorized representatives. The facility should take affirmative steps to identify the correct party to be paid and remit the funds as soon as practicable. If there are no authorized representatives, then the facility should remit the funds of these residents to the Department of Treasury, Division of Unclaimed Property.

### **Recommendation**

Hancock Manor, Inc. should implement a system to promptly refund credit balances on the accounts of former residents. In addition, the facility should maintain evidence that former residents or their authorized representatives are notified of money due them. The facility should maintain a record of credit 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.

A refund of \$4,827.18 should promptly be made to the State of Tennessee, and a refund of \$4,181.25 should be made to the former residents or their authorized representatives.

### **Management's Comment**

Hancock Manor, Inc. acknowledges credit balances were not timely refunded. The facility was in the process of accumulating data necessary to correct this when the audit began. All credit balances have now been properly refunded.

Hancock Manor, Inc. has now established a system to ensure credit balances on the accounts are properly managed.

## **SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS**

### **Source of Overpayments**

|  |                    |
|--|--------------------|
| Improper billing of resident hospital leave days (see finding 1) | \$ 6,950.78        |
| Unrefunded credit balances (see finding 2)                       | <u>\$ 9,008.43</u> |
| Total  | <u>\$15,959.21</u> |

### **Disposition of Overpayments**

|  |                    |
|--|--------------------|
| Due to the State of Tennessee                        | \$11,777.96        |
| Due to residents or their authorized representatives | <u>\$ 4,181.25</u> |
| Total  | <u>\$15,959.21</u> |