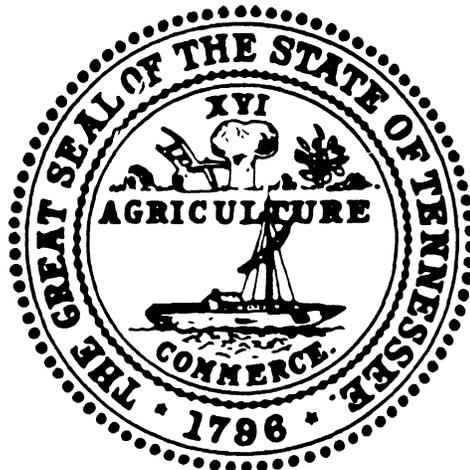


TENNCARE REPORT

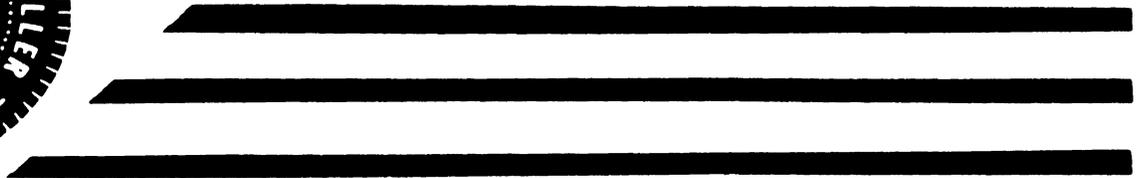
Hillview Health Center
Elizabethton, Tennessee

Cost Report and Resident Accounts
For the Period
September 1, 2003, Through August 31, 2004



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

Department of Audit
Division of State Audit



Arthur A. Hayes, Jr., CPA, JD, CFE
Director

Gregg S. Hawkins, CPA
Assistant Director

Donna Crutcher, CPA
Audit Manager

Alla Baranova
In-Charge Auditor

Adam Gamble
Andrea Thomas
Auditors

Amy Brack
Editor

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, Nashville, TN 37243-0264
(615) 401-7897

TennCare/Medicaid audits are available on-line at www.comptroller.state.tn.us/sa/reports/index.html.
For more information about the Comptroller of the Treasury, please visit our website at
www.comptroller.state.tn.us.



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
State Capitol
Nashville, Tennessee 37243-0260
(615) 741-2501

John G. Morgan
Comptroller

November 30, 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
310 Great Circle Road, 4W
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 Hillview Health Center, Elizabethton, Tennessee, for the period September 1, 2003, through August 31, 2004, and resident accounts for the period September 1, 2003, through August 31, 2004.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/pn
05/085

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
Hillview Health Center
 Elizabethton, Tennessee
Cost Report and Resident Accounts
For the Period
September 1, 2003, Through August 31, 2004

FINDINGS RECOMMENDING MONETARY REFUNDS

Need to Properly Manage Unrefunded Credit Balances

The facility has not established a system to ensure that credit balances on the accounts of deceased or discharged residents are properly managed. Management failed to refund \$230 of the credit balance due to the Medicaid Program.

FINDINGS NOT RECOMMENDING MONETARY REFUNDS

Nonallowable Expenses Included on the Cost Report

The facility included \$6,750.84 of nonallowable expenses on the "Medicaid Nursing Facility Level 1 Cost Report" for the fiscal year ended August 31, 2004. The adjustment to allowable costs consists of inadequately supported expenses and 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.

**Hillview Health Center
Elizabethton, Tennessee
Cost Report and Resident Accounts
For the Period
September 1, 2003, Through August 31, 2004**

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
FINDINGS AND RECOMMENDATIONS	5
1. Need to properly manage unrefunded credit balances	5
2. Nonallowable expenses included on the cost report	6
Summary of Monetary Findings and Recommendations	7

**Hillview Health Center
Elizabethton, Tennessee
Cost Report and Resident Accounts
For the Period
September 1, 2003, Through August 31, 2004**

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.

Hillview Health Center, Elizabethton, Tennessee, provides both NF-1 and NF-2 services. The facility is owned and operated by Hillview Medical Investors, Inc. The officers/members of the board of directors are as follows:

Garry J. Takacks – President
Bill Byrd – Secretary

During the examination period, the facility maintained a total of 56 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 20,496 available bed days, the facility reported 15,617 for Medicaid NF-1 residents and 212 for Medicaid NF-2 residents for the year ended August 31, 2004. Also, the facility reported total operating expenses of \$2,752,337 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 (744-0542)</u>	<u>Level II NF (044-5464)</u>
September 1, 2003 – June 30, 2004	\$120.21	\$158.29
July 1, 2004 – August 31, 2004	\$128.97	\$157.80

PRIOR EXAMINATION FINDINGS

This facility has not been examined within the past five years.

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
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT

SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0264
PHONE (615) 401-7897
FAX (615) 532-2765

Independent Accountant's Report

May 4, 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
310 Great Circle Road, 4W
Nashville, Tennessee 37247

Ladies and Gentlemen:

We have examined management's assertions, included in its representation letter dated May 4, 2005, that Hillview Health Center complied with the following requirements during the cost report period September 1, 2003, through August 31, 2004, and to the facility's resident accounts for the period September 1, 2003, through August 31, 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.

Page Two
May 4, 2005

- 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 Hillview Health 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 Hillview Health Center's compliance with specified requirements.

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

1. Need to properly manage unrefunded credit balances
2. Nonallowable expenses included on the cost report

In our opinion, except for the instances of material noncompliance described above, management's assertions that Hillview Health Center complied with the aforementioned requirements for the cost reporting period September 1, 2003, to August 31, 2004, and for resident accounts for the period September 1, 2003, to August 31, 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

FINDINGS AND RECOMMENDATIONS

1. Need to Properly Manage Unrefunded Credit Balances

Finding

Hillview Health Center has not established a system to ensure that credit balances on the accounts of deceased or discharged residents are properly managed. Management failed to refund the portion of the credit balances due the Medicaid Program.

Section 66-29-113, *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 the 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 totaling \$230.20 remain on the accounts of three former residents of Hillview Health Center. This entire amount is due the Medicaid Program for overpayments to the facility made on behalf of the three residents.

Recommendation

Hillview Health Center should maintain a system to refund credit balances on the accounts of former patients. The facility should maintain a record of the 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. The facility should also maintain evidence of attempts to contact the owner of the credit balance.

A refund of \$230.20 should be made to the State of Tennessee for the amount due the Medicaid Program.

Management’s Comment

Hillview Health Center acknowledges credit balances existed at the audit date. Adjustments had been submitted more than once to the state prior to the audit date; however, the state had not made the adjustments.

Hillview Health Center has instituted policies that will ensure credit balances are properly managed.

2. Nonallowable Expenses Included on the Cost Report

Finding

Hillview Health Center included \$6,750.84 of nonallowable expenses on the “Medicaid Nursing Facility Level 1 Cost Report” for the year ended August 31, 2004. The nonallowable amount consists of \$6,388.09 of expenses not related to resident care and \$362.75 of 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.” It also specifies that unnecessary costs and costs unrelated to resident care be deducted from allowable expenses.

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

Recommendation

Hillview Health Center 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

These expenses fall into three categories as follows:

- 1) Administrator’s auto lease. We treated this as an allowable expense as additional compensation to the administrator. The lease was terminated prior to the audit and will not be included in subsequent period expenses.
- 2) Travel expenses for convention. We will provide adequate documentation in the future or will not include the expenses in allowable cost.
- 3) Expenses which should have been reimbursed. Reimbursement should have been received from outside sources for these expenses. Reimbursement will be received and the related expenses offset in the future.

SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

Source of Overpayments

Unrefunded credit balances (see finding 1)	<u>\$230.20</u>
--	-----------------

Disposition of Overpayments

Due to the State of Tennessee	<u>\$230.20</u>
-------------------------------	-----------------