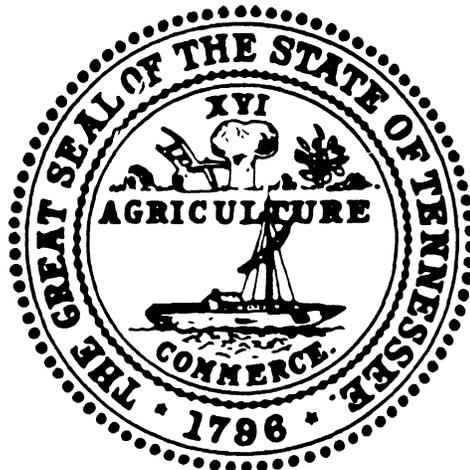


TENNCARE REPORT

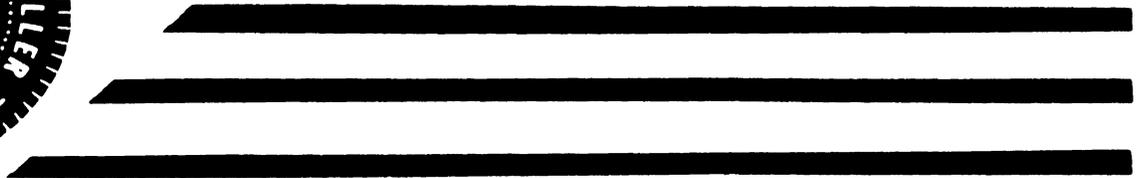
Bristol Nursing Home, Inc.
Bristol, Tennessee

Cost Report and Resident Accounts
For the Period
October 1, 2003, Through September 30, 2004



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
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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 Bristol Nursing Home, Inc., Bristol, Tennessee, for the period October 1, 2003, through September 30, 2004, and resident accounts for the period October 1, 2003, through September 30, 2004.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/pn
05/086

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report

Bristol Nursing Home, Inc.

Bristol, Tennessee

Cost Report and Resident Accounts

For the Period

October 1, 2003, Through September 30, 2004

FINDING RECOMMENDING MONETARY REFUND

Nonallowable Expenses Included on the Cost Report

Bristol Nursing Home, Inc., included \$2,572.87 of nonallowable expenses on the "Medicaid Nursing Facility Level 1 Cost Report." The adjustments to allowable

expenses consist of \$1,026.24 of expenses not related to patient care and \$1,546.63 of excess owner's compensation. As a result of these adjustments, the facility was overpaid \$1,011.97, computed from October 1, 2005, through June 30, 2006.

FINDINGS NOT RECOMMENDING MONETARY REFUNDS

Need to Properly Manage Resident Trust Fund Accounts

Bristol Nursing Home, Inc., had three Medicaid residents with trust fund balances exceeding the \$2,000 resource limit.

Insufficient Surety Bond Coverage for the Resident Trust Fund

The facility's surety bond coverage was insufficient to insure all funds held in trust for its residents.

Bristol Nursing Home, Inc.
Bristol, Tennessee
Cost Report and Resident Accounts
For the Period
October 1, 2003, Through September 30, 2004

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Bristol Nursing Home, Inc.
Bristol, Tennessee
Cost Report and Resident Accounts
For the Period
October 1, 2003, Through September 30, 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.

Bristol Nursing Home, Inc., Bristol, Tennessee, provides only NF-1 services. The facility is owned and operated by Bristol Nursing Home, Inc. The officers/members of the board of directors are as follows:

William D. Moneyhun, President
Bettye Moneyhun
Loraine W. Hale, Secretary
Frederick A. Souder, Treasurer

During the examination period, the facility maintained a total of 120 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 43,920 available bed days, the facility reported 22,550 for Medicaid NF-1 residents for the year ended September 30, 2004. Also, the facility reported total operating expenses of \$3,152,123 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 (744-0020)</u>
July 1, 2003, to June 30, 2004	\$87.64
July 1, 2004, to September 30, 2005	\$82.11

PRIOR EXAMINATION FINDINGS

The 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

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PHONE (615) 401-7897
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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 37243

Ladies and Gentlemen:

We have examined management's assertions, included in its representation letter dated May 4, 2005, that Bristol Nursing Home, Inc., complied with the following requirements during the cost report period October 1, 2003, through September 30, 2004, and to the facility's resident accounts for the period October 1, 2003, through September 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 Bristol Nursing Home, 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 Bristol Nursing Home, Inc.'s compliance with specified requirements.

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

1. Nonallowable expenses included on the cost report
2. Need to properly manage resident trust fund accounts
3. Insufficient surety bond coverage for the resident trust fund

In our opinion, except for the instances of material noncompliance described above, management's assertions that Bristol Nursing Home, Inc., complied with the aforementioned requirements for the cost reporting period October 1, 2003, to September 30, 2004, and for resident accounts for the period October 1, 2003, to September 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

FINDINGS AND RECOMMENDATIONS

1. Nonallowable Expenses Included on the Cost Report

Finding

Bristol Nursing Home, Inc., included \$2,572.87 of nonallowable expenses on the “Medicaid Nursing Facility Level 1 Cost Report” for the year ended September 30, 2004. The nonallowable amount consists of \$1,026.24 of expenses not related to patient care and \$1,546.63 of excess owner’s compensation.

Chapter 1200-13-6-.09(1) of the *Rules of Tennessee Department of Finance and Administration* states, “the following are . . . expenses not considered a part of the cost of providing routine service, and should be deducted. . . . Costs which are not necessary or related to patient care.”

Chapter 1200-13-6-.11 of the *Rules* sets the rates for allowable compensation ranges for owners and/or their relatives employed in an individual nursing facility.

As a result of the above adjustments, the facility’s Medicaid reimbursable rate was decreased as follows:

<u>Period</u>	<u>Original Rate</u>	<u>Adjusted Rate</u>	<u>Difference</u>
October 1, 2005, to the present	\$75.56	\$75.50	(\$0.06)

The overpayment to the nursing facility as a result of the above adjustments totals \$1,011.97 computed from October 1, 2005, through June 30, 2006.

Recommendation

Bristol Nursing Home, Inc., should include only allowable expenses on the “Medicaid Nursing Facility Level 1 Cost Report.” All reported expenses should be related to patient care.

The TennCare Bureau should take the necessary steps to recover the \$1,011.97 due to the State of Tennessee, which represents overpayments by the Medicaid Program as a result of the rate adjustments computed from October 1, 2005, through June 30, 2006.

Management's Comment

We disagree with the finding to the extent of the removal of the facility's subscription to the *Wall Street Journal* in the amount of \$132.67. We believe that the standard of a reasonable relationship to patient care encompasses the operation of the facility's business office in a reasonable and professional manner. As such, a subscription to the *Wall Street Journal* is both a normal and a typical expense of a well run business.

We concur with the balance of the finding.

Rebuttal

It is our position that a subscription to the *Wall Street Journal* is not related to patient care and therefore not considered a Medicaid reimbursable cost.

2. Need to Properly Manage Resident Trust Fund Accounts

Finding

Bristol Nursing Home, Inc., had three residents with trust fund balances exceeding the Medicaid resource limit.

Chapter 1240-3-3.05 of the *Rules of Department of Human Services* states, "(1) Applicants for medical assistance are permitted to retain resources in an amount not to exceed the SSI limits. . . . (3)(b) Countable resources for Adults Medically Needy cases are determined by using SSI policy at 20 C.F.R. Part 416."

Paragraph 15,642 of the *Medicare and Medicaid Guide* states, "Resources that may be retained are . . . cash assets up to \$2,000 for an individual."

As a result, Medicaid had been billed for three residents who do not currently satisfy the financial eligibility requirements.

Recommendation

Bristol Nursing Home, Inc., should notify each resident or the resident's authorized representative when any resident's funds approach the \$2,000 Medicaid resource limit. The facility should not bill the Medicaid program for services rendered to any resident whose resources exceed the SSI limit. Those residents must be billed as private payors until the resources are spent down sufficiently to satisfy the financial eligibility requirements.

Management's Comment

We concur with the finding. Subsequent to the field audit, the accounts of the three cited residents were reduced below the \$2,000 resource limit.

3. Insufficient Surety Bond Coverage for the Resident Trust Fund

Finding

Bristol Nursing Home, Inc., failed to maintain an adequate trust fund surety bond to protect resident funds. The amount of the surety bond was not sufficient to cover all funds held in trust. The coverage limits of the surety bond during the examination period was \$40,000. The trust fund had a balance of \$156,088.80 on March 3, 2005, and regularly had balances exceeding \$115,000.

Section 68-11-906(f), *Tennessee Code Annotated*, states, "The nursing home shall maintain a surety bond on all funds held in trust for facility residents and shall make an annual, audited accounting of such funds available to the residents and for public inspection."

Recommendation

Bristol Nursing Home, Inc., should maintain controls to ensure compliance with applicable laws and regulations relative to protection of resident trust funds. The facility should increase the surety bond as necessary to provide coverage for all money held in trust at any point in time.

Management's Comment

We concur with the finding. Subsequent to the field audit, steps have been taken to increase the limits of the surety bond to provide coverage for the highest account balance at any given point in a month rather than the average balance per month.

SUMMARY OF MONETARY FINDING AND RECOMMENDATION

Source of Overpayments

Rate reduction (see finding 1)	<u>\$1,011.97</u>
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Disposition of Overpayments

Due to the State of Tennessee	<u>\$1,011.97</u>
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