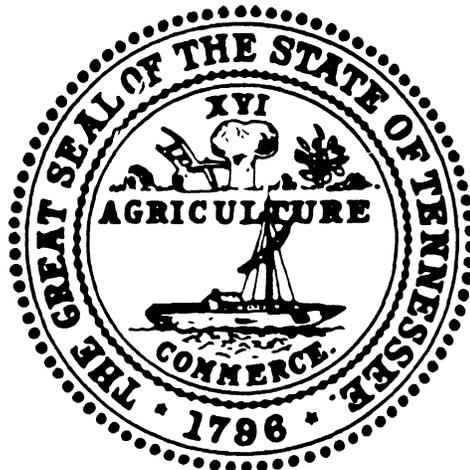


# TENNCARE REPORT

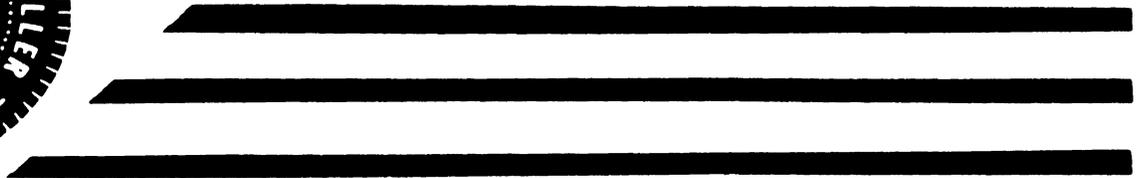
Elm Hurst Nursing Home  
Springfield, Tennessee

Cost Report and Resident Accounts  
For the Period  
July 1, 2003, Through June 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**

State Capitol  
Nashville, Tennessee 37243-0260  
(615) 741-2501

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 Elm Hurst Nursing Home, Springfield, Tennessee, for the period July 1, 2003, through June 30, 2004, and resident accounts for the period July 1, 2003, through June 30, 2004.

Sincerely,

John G. Morgan  
Comptroller of the Treasury

JGM/pn  
06/016

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report  
**Elm Hurst Nursing Home**  
Springfield, Tennessee  
Cost Report and Resident Accounts  
For the Period  
July 1, 2003, Through June 30, 2004

## **FINDINGS RECOMMENDING MONETARY REFUNDS**

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

Elm Hurst Nursing Home has not established a system to ensure that credit balances on the accounts of deceased or discharged residents are properly managed. Accounts receivable unrefunded credit balances total \$3,907.48. This overpayment amount is due to the Medicaid Program. Resident trust fund unrefunded credit balances total \$793.33. This overpayment is due former residents or their responsible representatives.

### **Inaccurate Accumulation of Resident Days**

The facility inaccurately reported resident days. The facility underreported total inpatient days by 53. As a result of this adjustment, the facility should refund \$4,294.70 to the Medicaid Program, computed from October 1, 2005, through June 30, 2006.

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

Elm Hurst Nursing Home improperly billed the Medicaid Program for 22 hospital leave days when the facility was operating below 85% occupancy. As a result, the facility should refund \$2,124.54 to the Medicaid Program.

## **FINDING NOT RECOMMENDING MONETARY REFUNDS**

### **Lack of Documentation to Support Reported Costs**

Elm Hurst Nursing Home lacked documentation to support the "Medicaid Nursing Facility Level 1 Cost Report" for the year ended June 30, 2004. The facility is required to maintain adequate financial and statistical records which are in sufficient detail to substantiate the cost data reported for at least five years from the submission of the cost report.

**Elm Hurst Nursing Home  
Springfield, Tennessee  
Cost Report and Resident Accounts  
For the Period  
July 1, 2003, Through June 30, 2004**

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**Elm Hurst Nursing Home  
Springfield, Tennessee  
Cost Report and Resident Accounts  
For the Period  
July 1, 2003, Through June 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.

Elm Hurst Nursing Home, Springfield, Tennessee, provides only NF-1 services. The non-profit facility is governed by a five-member board of directors. The officers/members of the board of directors are as follows:

J. T. White, Jr., Chairman  
James Sawyer  
Alice Ray

Calvin Porter  
John Boone, Jr.

During the examination period, the facility maintained a total of 70 licensed nursing facility beds that was reduced to 66 by the end of the fiscal year. 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 24,812 available bed days, the facility reported 17,396 for Medicaid NF-1 residents and 1,390 for Private NF-1 residents for the year ended June 30, 2004. Also, the facility reported total operating expenses of \$2,043,934 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 (744-0061)</u>
July 1, 2003, to June 30, 2004	\$96.57

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

**September 13, 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 September 13, 2005, that Elm Hurst Nursing Home complied with the following requirements during the cost report period July 1, 2003, through June 30, 2004, and to the facility's resident accounts for the period.

- 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 Elm Hurst Nursing Home'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 Elm Hurst Nursing Home's compliance with specified requirements.

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

- Need to properly manage unrefunded credit balances
- Inaccurate accumulation of resident days
- Improper billing of resident hospital leave days
- Lack of documentation to support reported costs

In our opinion, except for the instances of material noncompliance described above, management's assertions that Elm Hurst Nursing Home complied with the aforementioned requirements for the cost reporting period July 1, 2003, to June 30, 2004, and for resident accounts for the period July 1, 2003, to June 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. Need to Properly Manage Unrefunded Credit Balances

#### Finding

Elm Hurst Nursing Home 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 were notified of money due them. Management also failed to refund the portion of the credit balances due to 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.”

An accounts receivable unrefunded credit balance of \$3,907.48 remains on the account of one resident of Elm Hurst Nursing Home. This amount is due to the Medicaid Program.

Resident trust fund unrefunded credit balances of \$793.33 remain on the accounts of three former residents of Elm Hurst Nursing Home. These residents have been discharged or deceased for over six months. This amount is due to the former residents or their authorized representatives.

#### Recommendation

Elm Hurst Nursing Home should implement a system to 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.

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 \$3,907.48 should be made to the State of Tennessee for the amount due the Medicaid Program. A refund of \$793.33 should be refunded to the former residents or their authorized representatives.

**Management’s Comment**

We agree with the finding. A check for \$3,907.48 has been paid by Elm Hurst Nursing Home. The new home office requires Medicaid adjustments be prepared every month to return any monies due to the Medicaid program due to overpayments.

Last September we refunded the \$793.33. Resident Trust Fund balances are reconciled monthly at the home office. All bank reconciliations are done at the home office. Any refunds due to residents are paid within 14 days of discharge.

**2. Inaccurate Accumulation of Resident Days**

**Finding**

Elm Hurst Nursing Home inaccurately reported resident days on the “Medicaid Nursing Facility Level 1 Cost Report” for the fiscal year ended June 30, 2004. The facility underreported four NF-1 Medicaid days and 49 NF-1 private days. This resulted in 53 total inpatient days being underreported.

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 to support payment made for services rendered to beneficiaries.

As a result of the adjustment to total inpatient days, the facility’s Medicaid reimbursement rate decreased as follows:

<u>Period</u>	NF-1 (744-0061) <u>Original Rate</u>	<u>Adjusted Rate</u>	<u>Difference</u>
October 1, 2005, to the present	\$122.46	\$122.13	(\$0.33)

The overpayment to the nursing facility as a result of the above adjustment totals \$4,294.70, computed from October 1, 2005, through June 30, 2006.

### **Recommendation**

Elm Hurst Nursing Home should maintain an adequate system to report and account for resident days. The report should provide adequate and accurate statistical data necessary for proper completion of the "Medicaid Nursing Facility Level 1 Cost Report."

The facility should refund \$4,294.70, representing overpayments by the Medicaid Program, to the State of Tennessee as a result of the rate reduction computed from October 1, 2005, through June 30, 2006.

### **Management's Comment**

We agree with the finding. The new home office requires a midnight census to be prepared each midnight by the nursing department. A daily census is kept manually at the facility business office and it is matched monthly to the computer census kept at the home office. Census mistakes are very rare in our company.

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

#### **Finding**

Elm Hurst Nursing Home improperly billed the Medicaid Program for 22 hospital leave days when the facility was operating below 85% occupancy.

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.

Elm Hurst Nursing Home was overpaid \$2,124.54 for the 22 hospital leave days billed to the Medicaid Program when the facility was operating below 85% occupancy.

## **Recommendation**

The facility should not accumulate or bill the Medicaid Program for hospital leave days when the facility is operating under 85% occupancy. The State of Tennessee should take necessary steps to recover the \$2,124.54 due to the state, which represents overpayments by the Medicaid Program as a result of the improper billing of hospital leave days.

## **Management's Comment**

We agree with the finding. Elm Hurst Nursing Home has paid the \$2,124.54. The home office has trained all of the business office managers about the new bed hold rules. We review the Medicaid billing monthly to make sure the business office managers do not bill incorrectly.

### **4. Lack of Documentation to Support Reported Costs**

#### **Finding**

Elm Hurst Nursing Home lacked documentation to support the "Medicaid Nursing Facility Level 1 Cost Report" for the fiscal year ended June 30, 2004. Elm Hurst Nursing Home was sold in July 2005 and the facility is now known as Christian Care Center of Springfield, LLC. The examination of Elm Hurst Nursing Home was performed subsequent to the ownership change. Christian Care Center of Springfield was unable to locate or obtain many of the financial records from the prior ownership. Hence, testing was limited and alternative procedures were utilized to verify reasonableness of expenses reported on the "Medicaid Nursing Facility Level 1 Cost Report."

The facility was unable to produce a detailed accounts payable aging report for June 30, 2004. Elm Hurst's outside accountant's workpapers were reviewed and the aging accounts payable listing at June 30, 2004, was exhibited and tested in detail by the accountant. After reviewing the accountant's workpapers, the accounts payable amount listed on the cost report appears reasonable. The facility was unable to produce the accounts receivable journal for the period July 1, 2003, through January 31, 2004. Detailed testwork was performed for the period February 1 through June 30, 2004, with no discrepancies noted.

Chapter 1200-13-6-.16 of the *Rules of Tennessee Department of Finance and Administration* states:

Each provider of Level 1 nursing facility services is required to maintain adequate financial and statistical records which are accurate and in sufficient detail to substantiate the cost data reported. These records must be retained for a period of not less than five years from the date of submission of the cost report, and the provider is required to make such records available upon demand to

representatives of the State Department of Health, the State Comptroller of the Treasury, or the United States Department of Health and Human Services.

Elm Hurst Nursing Home was unable to locate the cash disbursements journal for the residents' trust fund for the period July 1 through December 31, 2004. Also, the facility was unable to produce any receipts for the disbursements of the residents' trust fund monies for the year ended June 30, 2004.

Paragraph 22,163.10(c) of the *Medicare and Medicaid Guide* requires the facility to "establish and maintain a system that assures a full and complete and separate accounting, according to generally accepted accounting principles, of each resident's personal funds entrusted to the facility on the resident's behalf."

### **Recommendation**

Elm Hurst Nursing Home should maintain sufficient records and documentation to support the cost data reported on the "Medicaid Nursing Facility Level 1 Cost Report." These records should be kept at least five years from the date of the submitted cost report and should be available upon demand to the State Comptroller of the Treasury or his agents.

Elm Hurst Nursing Home should establish adequate procedures to ensure compliance with applicable laws and regulations relative to protection of resident trust funds. Proper controls over withdrawals should be maintained.

### **Management's Comment**

We agree with the findings. The home office archives all documentation to support billed claims and paid invoices. Adequate reports are maintained and can be submitted timely at the request of state auditors.

## SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

### Source of Overpayments

Unrefunded credit balances (see finding 1)	\$ 4,700.81
Rate reduction (see finding 2)	\$ 4,294.70
Noncovered hospital leave days (see finding 3)	<u>\$ 2,124.54</u>
Total	<u>\$11,120.05</u>

### Disposition of Overpayments

Due to the State of Tennessee	\$ 10,326.72
Due to residents or their authorized representatives	<u>\$ 793.33</u>
Total	<u>\$11,120.05</u>