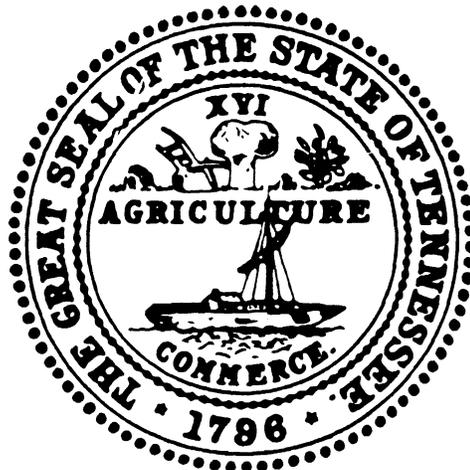


TENNCARE REPORT

The Margie and Thomas Winfrey Center
Trenton, 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



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

Gregg S. Hawkins, CPA, CFE
Assistant Director

Julie Rogers, CPA, CISA
Audit Manager

Bob McCloud, CFE
In-Charge Auditor

Lisa A. White, CFE
Auditor

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

June 22, 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 The Margie and Thomas Winfrey Center, Trenton, 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
06/018

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
The Margie and Thomas Winfrey Center
Trenton, Tennessee
Cost Report and Resident Accounts
For the Period
July 1, 2003, Through June 30, 2004

FINDING RECOMMENDING MONETARY REFUND

Nonallowable Expenses Included on the Cost Report

The facility included \$12,140.03 of nonallowable expenses on the "Medicaid Nursing Facility Level 1 Cost Report." The adjustment to allowable expenses consists of \$3,430.19 not related to patient care and \$9,168.25 for depreciable assets that were improperly expensed during the period, net of \$458.41 of allowable depreciation expense for the period. A refund of \$14,223.19 should be remitted to the State of Tennessee for overpayments made by the Medicaid Program for the period November 1, 2004, through June 30, 2006.

**The Margie and Thomas Winfrey Center
Trenton, Tennessee
Cost Report and Resident Accounts
For the Period
July 1, 2003, Through June 30, 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
FINDING AND RECOMMENDATION	5
• Nonallowable Expenses Included on the Cost Report	5
Summary of Monetary Finding and Recommendation	7

**The Margie and Thomas Winfrey Center
Trenton, Tennessee
Cost Report and Resident Accounts
For the Period
July 1, 2003, Through June 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.

An Intermediate Care Facility for the Mentally Retarded (ICF/MR) is a facility approved for Medicaid reimbursement and is required to provide routine services, including supplies, that comply with current federal standards and certification. Medicaid pays for covered services through an all-inclusive per diem rate, less any available patient resources.

RHA/Trenton MR, Inc., doing business as The Margie and Thomas Winfrey Center, Trenton, Tennessee, is certified to provide ICF/MR services. The facility is owned by Resource Housing of America, Inc., and is managed by Developmental Disability Management Services of Tennessee, LLC, with offices in Memphis, Tennessee. The officers/members of the board of directors are as follows:

Robert G. Coats
Chet H. Braden
Howard Oakes
William P. Walker

Robert B. Coats, Jr., Chairman
Charles W. Northcutt, Secretary
James D. Loftin, Jr.
Gordon J. Simmons

During the examination period, the facility maintained a total of 84 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 30,744 available bed days, the facility reported 30,276 for Medicaid ICF/MR residents for the year ended June 30, 2004. Also, the facility reported total operating expenses of \$4,535,184 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>ICF/MR (744-7036)</u>
July 1 through October 31, 2003	\$158.58
November 1, 2003, through June 30, 2004	\$152.40

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

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

Independent Accountant's Report

August 17, 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 August 17, 2005, that The Margie and Thomas Winfrey Center 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 July 1, 2003, through June 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 The Margie and Thomas Winfrey 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 The Margie and Thomas Winfrey Center's compliance with specified requirements.

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

- Nonallowable expenses included on the cost report

In our opinion, except for the instances of material noncompliance described above, management's assertions that The Margie and Thomas Winfrey Center 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,

A handwritten signature in black ink that reads "Arthur A. Hayes, Jr." with a stylized flourish at the end.

Arthur A. Hayes, Jr., CPA
Director

AAH/pn

FINDING AND RECOMMENDATION

Nonallowable Expenses Included on the Cost Report

Finding

The Margie and Thomas Winfrey Center included \$12,140.03 of nonallowable expenses on the “Medicaid Nursing Facility Level 1 Cost Report” for the year ended June 30, 2004. The adjustment to allowable expenses consists of \$3,430.19 of expenses not related to resident care, which included \$3,313.19 in tobacco products purchased for residents and \$117.00 in bank overdraft charges. The remaining \$9,168.25 was for depreciable assets improperly expensed during the period, net of \$458.41 of allowable depreciation expense for the period.

Chapter 1200-13-6-.09 of the *Rules of Tennessee Department of Finance and Administration* states, “the following are also 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.”

Paragraph 4720 of the *Medicare and Medicaid Guide* states, “If a depreciable asset has at the time of its acquisition an estimated useful life of at least 2 years and a historical cost of at least \$5,000, its cost must be capitalized and written off ratably over the estimated useful life of the asset using one of the approved methods of depreciation.”

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

<u>Period</u>	ICF/MR (744-7036) <u>Original Rate</u>	<u>Adjusted Rate</u>	<u>Difference</u>
November 1, 2004, to July 31, 2005	\$148.90	\$148.28	(\$0.62)
August 1, 2005, to the present	\$151.69	\$151.68	(\$0.01)

Overpayments made to the facility as a result of the above adjustments total \$14,223.19 computed from November 1, 2004, through June 30, 2006.

Recommendation

The Margie and Thomas Winfrey 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 patient care. All assets, including betterments or improvements, costing \$5,000 or more must be capitalized and written off over their estimated useful lives.

A refund of \$14,223.19, representing overpayments by the Medicaid Program as a result of the rate changes, should be made to the State of Tennessee.

Management’s Comment

A Level I ICF/MR is specifically designed to provide active treatment services to persons who are mentally retarded through an individual support plan (ISP). One very important component of active treatment is behavior therapy. The Center currently provides behavioral services for 69 individuals. These services consist of a combination of medication and a formal behavior support plan (BSP). Both medication and the BSP are individualized and approved by the primary care physician and the psychiatrist.

Of the 69 service recipients with a BSP, 11 residents have tobacco products identified as their preferred reinforcer. The Center argues that used in this manner the cost of tobacco should be an allowable expense. It is clearly related to patient care as defined by Medicaid §2102.2, which states in part, “. . . all necessary and proper costs which are appropriate and helpful in developing and maintaining the operation of patient care facilities and activities. Necessary and proper costs related to patient care are usually costs which are common and accepted occurrences in the field of the provider’s activity. . . .” The Center further argues that these costs are reasonable under Medicaid §2102.1, which states in part, “. . . Costs may vary from one institution to another because of scope of services, level of care, geographical location, and utilization.” Arguably the cost of this reinforcer is as reasonable as the cost of other preferred reinforcers (soft drinks, hamburgers, CDs and videos) which were deemed allowable expenses in the audit findings.

Rebuttal

It is our position that tobacco products are not related to patient care and therefore not considered a Medicaid reimbursable cost.

SUMMARY OF MONETARY FINDING AND RECOMMENDATION

Source of Overpayments

Rate reduction	<u>\$14,223.19</u>
----------------	--------------------

Disposition of Overpayments

Due to the State of Tennessee	<u>\$14,223.19</u>
-------------------------------	--------------------