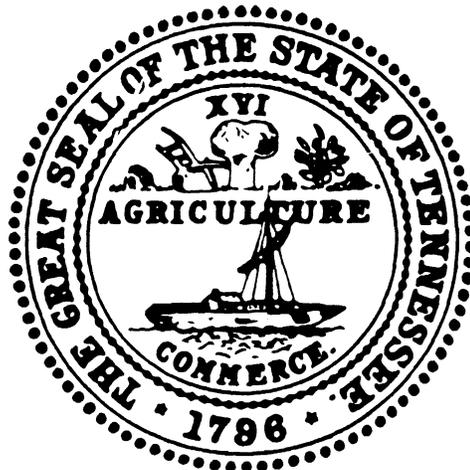


TENNCARE REPORT

Chester County Nursing Home
Henderson, Tennessee

Cost Reports for the Periods
January 1, 2004, Through December 31, 2004, and
January 1, 2005, Through December 31, 2005,
and
Resident Accounts for the Period
January 1, 2005, Through December 31, 2005



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

Steve Phillips, CPA, CFE
In-Charge Auditor

Robert McCloud, CFE
Yan Shumaker, CFE
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

June 12, 2008

The Honorable Phil Bredesen, Governor
and

Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

and

Mr. Darin Gordon, 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 reports of Chester County Nursing Home, Henderson, Tennessee, for the periods January 1, 2004, through December 31, 2004, and January 1, 2005, through December 31, 2005, and resident accounts for the period January 1, 2005, through December 31, 2005.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/pn
07/032

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
Chester County Nursing Home
Henderson, Tennessee
Cost Reports for the Periods
January 1, 2004, Through December 31, 2004, and
January 1, 2005, Through December 31, 2005,
and
Resident Accounts for the Period
January 1, 2005, Through December 31, 2005

FINDING RECOMMENDING MONETARY REFUND

Nonallowable Expenses Included on the Cost Report

The facility included \$3,524.90 of nonallowable expenses on the “Medicaid Nursing Facility Level 1 Cost Report” for the fiscal year ended December 31, 2004, and \$3,731.76 of nonallowable expenses for the fiscal year ended December 31, 2005. The nonallowable amount consists of expenses not related to patient care and unsupported expenses. As a result of these adjustments, the facility was overpaid \$3,465.38, computed from October 1, 2005, through June 30, 2008.

**Chester County Nursing Home
Henderson, Tennessee
Cost Reports for the Periods
January 1, 2004, Through December 31, 2004, and
January 1, 2005, Through December 31, 2005,
and
Resident Accounts for the Period
January 1, 2005, Through December 31, 2005**

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	3
INDEPENDENT ACCOUNTANT'S REPORT	4
FINDING AND RECOMMENDATION	6
• Nonallowable expenses included on the cost report	6
Summary of Monetary Finding and Recommendation	8

**Chester County Nursing Home
Henderson, Tennessee
Cost Reports for the Periods
January 1, 2004, Through December 31, 2004, and
January 1, 2005, Through December 31, 2005,
and
Resident Accounts for the Period
January 1, 2005, Through December 31, 2005**

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 of the Treasury 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.

Chester County Nursing Home, Henderson, Tennessee, provides both NF-1 and NF-2 services. The facility is owned and operated by Chester County Healthcare, Inc. The owners and officers are Dee Etta Shires, 50% owner and president; and Mahlia J. Russell, 50% owner and secretary.

During the examination period, the facility maintained a total of 132 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 48,312 available bed days, the facility reported 30,110 for Medicaid NF-1 residents and 9,049 for Medicaid NF-2 residents for the year ended December 31, 2004. Of the 48,180 available bed days, the facility reported 28,007 for Medicaid NF-1 residents and 10,098 for Medicaid NF-2 residents for the year ended December 31, 2005. Also, the facility reported total operating expenses of \$6,188,364 for the year ended December 31, 2004, and \$6,857,166 for the year ended December 31, 2005.

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 (744-0034)</u>	<u>Level II NF (044-5471)</u>
January 1 through June 30, 2004	\$100.94	\$156.10
July 1, 2004, through September 30, 2005	\$103.33	\$144.79
October 1 through December 31, 2005	\$129.72	\$164.53

PRIOR EXAMINATION FINDINGS

The prior report of Chester County Nursing Home, for the period January 1 through December 31, 2003, contained the following findings:

1. Nonallowable expenses included on the cost report
2. Patient trust funds not in an interest-bearing account
3. Inadequate surety bond

Findings 2 and 3 have been satisfactorily remedied. Finding 1 is repeated in this report.

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

November 21, 2006

The Honorable Phil Bredesen, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
Mr. Darin Gordon, 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 November 21, 2006, that Chester County Nursing Home complied with the following requirements on the "Medicaid Nursing Facility Level 1 Cost Report" for the periods January 1, 2004, through December 31, 2004, and January 1, 2005, through December 31, 2005, and to the facility's resident accounts for the period January 1, 2005, through December 31, 2005.

- Income and expenses reported on the cost report are reasonable, allowable, and in accordance with state and federal rules, regulations, and reimbursement principles.
- Resident days reported on the 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 85% occupancy rule and hospital and therapeutic leave rule in effect for the period tested.

- 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 based on our examination.

Our examination was made in accordance with attestation standards established by the American Institute of Certified Public Accountants, and accordingly, included examining on a test basis, evidence about Chester County 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 Chester County Nursing Home's compliance with specified requirements.

Our examination disclosed the following instances 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, Chester County Nursing Home complied with, in all material respects, the aforementioned requirements for the "Medicaid Nursing Facility Level 1 Cost Report" for the periods January 1, 2004, through December 31, 2004, and January 1, 2005, through December 31, 2005, and for resident accounts for the period January 1, 2005, to December 31, 2005.

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

FINDING AND RECOMMENDATION

Nonallowable Expenses Included on the Cost Report

Finding

Chester County Nursing Home included \$3,524.90 of nonallowable expenses on the “Medicaid Nursing Facility Level 1 Cost Report” for the year ended December 31, 2004. The nonallowable amount consisted of \$3,424.90 of expenses not related to NF-1 patient care and \$100.00 of unsupported expenses.

The facility included \$3,731.76 of nonallowable expenses on the “Medicaid Nursing Facility Level 1 Cost Report” for the year ended December 31, 2005. The nonallowable amount consisted of \$924.00 of expenses not related to NF-1 patient care and \$2,807.76 of unsupported expenses.

Chapter 1200-13-6-.09(1) of the *Rules of 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 patient care be deducted from allowable expenses.

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

<u>Period</u>	<u>Original Rate</u>	<u>Adjusted Rate</u>	<u>Difference</u>
October 1, 2005, through June 30, 2006	\$129.72	\$129.63	\$(0.09)
July 1, 2006, through June 30, 2007	\$135.98	\$135.90	\$(0.08)
July 1, 2007, through June 30, 2008	\$145.03	\$145.06	\$ 0.03

The overpayment made to the facility as a result of the above adjustments totals \$3,465.38, computed from October 1, 2005, through June 30, 2008.

Recommendation

Chester County Nursing Home should include only allowable expenses on the “Medicaid Nursing Facility Level 1 Cost Report.” All reported expenses should be related to patient care and adequately supported.

The facility should refund \$3,465.38 to the State of Tennessee, representing overpayments by the Medicaid Program as a result of the rate adjustments computed from October 1, 2005, through June 30, 2008.

Management's Comment

Management concurs with the finding. Every effort will be made to ensure that all reported expenses are related to patient care and adequately supported. Supporting detail will be included with checks as they are written. Level I, Level II, and Private Pay charges will be allocated to separate accounts, and late charges for accounts, not paid timely, will not be included on future cost reports.

SUMMARY OF MONETARY FINDING AND RECOMMENDATION

Source of Overpayments

Rate reduction \$3,465.38

Disposition of Overpayments

Due to the State of Tennessee \$3,465.38