

# TENNCARE REPORT

Reelfoot Manor  
Tiptonville, 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

*Melissa Wilson, CFE*  
In-Charge Auditor

*Andrea Thomas, CFE*  
*Regina Dobbins, CFE*  
Auditors

*Amy Brack*  
Editor

Comptroller of the Treasury, Division of State Audit  
1500 James K. Polk Building, Nashville, TN 37243-1402  
(615) 401-7897

TennCare/Medicaid examination reports are available on-line at [www.comptroller1.state.tn.us/RA\\_SA/](http://www.comptroller1.state.tn.us/RA_SA/).  
For more information about the Comptroller of the Treasury, please visit our website at  
[www.tn.gov/comptroller/](http://www.tn.gov/comptroller/).



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF STATE AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-1402  
PHONE (615) 401-7897  
FAX (615) 532-2765

May 18, 2010

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 Reelfoot Manor, Tiptonville, 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,

Arthur A. Hayes, Jr., CPA  
Director

AAH/pn  
07/033

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report

**Reelfoot Manor**

Tiptonville, 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**

Reelfoot Manor Nursing Home reported \$58,133.61 of nonallowable Expenses on the "Medicaid Nursing Facility Level 1 Cost Report" for the year ended December 31, 2004, and \$59,346.76 for the year ended December 31, 2005. Nonallowable

expenses included marketing related expenses, radiology and lab expenses, late fees, unsupported expenses, and excess depreciation expense. As a result of these adjustments, overpayments made to the facility by the Medicaid Program are estimated at \$103,885.60, computed from October 1, 2005, through June 30, 2010.

## FINDINGS NOT RECOMMENDING MONETARY REFUNDS

### **Deficiencies in Accounting for the Resident Trust Fund**

Adequate documentation was not maintained for bank reconciliations.

### **Charges on Cost Report Not Supported by Financial Records**

The facility was unable to provide adequate financial records that would substantiate the gross routine service charges as reported on the cost report.

**Reelfoot Manor  
Tiptonville, 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>
<b>INTRODUCTION</b>	1
Purpose and Authority of the Examination	1
Background	1
Prior Examination Findings	2
Scope of the Examination	2
<b>INDEPENDENT ACCOUNTANT'S REPORT</b>	3
<b>FINDINGS AND RECOMMENDATIONS</b>	5
1. Nonallowable expenses included on the cost report	5
2. Deficiencies in accounting for the resident trust fund	7
3. Charges on cost report not supported by financial records	8
Summary of Monetary Finding and Recommendation	9

**Reelfoot Manor  
Tiptonville, 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.

Reelfoot Manor, Tiptonville, Tennessee, provides both NF-1 and NF-2 services. The facility is owned by National Assistance Bureau, Inc., located in Roswell, Georgia.

During the examination period, the facility maintained a total of 116 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 42,456 available bed days, the facility reported 24,937 for Medicaid NF-1 residents and 1,048 for Medicaid NF-2 residents for the year ended December 31, 2004. Also, the facility reported total operating expenses of \$3,823,163 for the same period. Of the 42,340 available bed days, the facility reported 24,813 for Medicaid NF-1 residents and no Medicaid NF-2 resident days for the year ended December 31, 2005. Also, the facility reported total operating expenses of \$3,940,112 for the same 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 (744-0374)</u>	<u>Level II NF (044-5285)</u>
July 1, 2003, through June 30, 2004	\$103.11	\$158.33
July 1, 2004, through September 30, 2005	\$108.54	\$ 95.64
October 1, 2005, through June 30, 2006	\$124.36	\$109.30

**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 37243-1402  
PHONE (615) 401-7897  
FAX (615) 532-2765

**Independent Accountant's Report**

**October 26, 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 October 26, 2006, that Reelfoot Manor 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 Reelfoot Manor'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 Reelfoot Manor'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. Deficiencies in accounting for the resident trust fund
3. Charges on cost report not supported by financial records

In our opinion, except for the instances of material noncompliance described above, Reelfoot Manor 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, through December 31, 2005.

This report is intended solely for the information and 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

Reelfoot Manor included \$58,133.61 of nonallowable expenses on the “Medicaid Nursing Facility Level 1 Cost Report” for the year ended December 31, 2004. The nonallowable amount consists of \$36,946.15 of salary and travel expense related to marketing; \$1,454.00 in radiology expense; \$2,117.00 in lab expense; \$5,310.79 in late fees; and \$6,989.07 in unsupported expenses. The remaining \$5,316.60 is nonallowable depreciation for one asset the facility could not locate.

The facility included \$59,346.76 of nonallowable expenses on the “Medicaid Nursing Facility Level 1 Cost Report” for the year ended December 31, 2005. The nonallowable amount consists of \$37,381.97 of salary and travel expense related to marketing; \$989.00 in radiology expense; \$1,840.00 in lab expense; \$5,690.52 in late fees; \$7,662.00 for three chartered flights for home office staff to visit the facility; and \$175.00 in unsupported expense. The remaining \$5,608.27 is nonallowable depreciation for two assets the facility could not locate.

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, costs not related to resident care, and all fines and penalties are to be deducted from allowable expenses.

Paragraph 5866 of the *Medicare and Medicaid Guide* states,

Costs not related to patient care are costs which are not appropriate or necessary and proper in developing and maintaining the operation of patient care facilities and activities. Costs which are not necessary include costs which usually are not common or accepted occurrences in the field of the provider’s activity.

Such costs are not allowable in computing reimbursable costs and include . . .  
Cost of travel incurred in connection with non-patient care related purposes.

Chapter 1200-13-6-.10(1)(d) of the *Rules of Tennessee Department of Finance and Administration* states, “Costs may be included only for covered services as defined by the Department of Health.” Chapter 1200-13-6-.08(G)(2) requires the removal of various types of expenses including laboratory and radiology.

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	\$124.36	\$120.65	\$(3.71)
July 1, 2006, through June 30, 2007	\$127.32	\$123.37	\$(3.95)
July 1, 2007, through June 30, 2008	\$118.53	\$119.54	\$ 1.01
July 1, 2008, through June 30, 2009	\$124.25	\$125.78	\$1.53
July 1, 2009, through June 30, 2010	\$126.91	\$126.94	\$0.03

The above rate adjustments will be sent to the Bureau of TennCare for reprocessing of all Medicaid claims for each corresponding period. Overpayments made to the facility as a result of these adjustments are estimated at \$103,885.60, computed from October 1, 2005, through June 30, 2010.

### **Recommendation**

Reelfoot Manor should include only allowable expenses on the "Medicaid Nursing Facility Level 1 Cost Report." All reported expenses should be adequately supported, for covered services, related to resident care, and in compliance with other applicable regulations.

The Bureau of TennCare should reprocess all Medicaid claims for the period October 1, 2005, through June 30, 2010. The estimated recoupment for the reprocessed Medicaid claims for this period is \$103,885.60.

### **Management's Comment**

We concur with the finding with the exception of the nonallowable expenses classified as marketing. The coordination of admissions is performed by the marketing director, who goes to the hospital to retrieve the appropriate paperwork from the medical record. The marketing director performs an intense review of the paperwork prior to presentation to the facility admissions committee at the nursing home and makes an assessment as to whether the patient is appropriate for admission. This individual also often will make home visits to a patient's dwelling to assess the patient for admission. Fifty percent of the individual's time is spent doing public relations, which requires the individual to be involved in the community organizations as a facility representative. The marketing director works in health fairs, which help to attract employees seeking job placement and making sure the public is aware of the facility's offerings

to the public. As the administrator, I can attest to the fact that this position does require travel due to assessments that have to be made on patients prior to placement.

### **Rebuttal**

The marketing director's salary and travel expenses related to the marketing director are nonallowable since no supporting documentation was available to show the purpose of these marketing expenses.

## **2. Deficiencies in Accounting for the Resident Trust Fund**

### **Finding**

Reelfoot Manor has failed to take adequate measures to safeguard resident trust funds as required by federal law. The facility was periodically performing a bank reconciliation on the resident trust fund account, but the reconciliation was incorrect, resulting in the account being underfunded by \$503.08.

Paragraph 22,163.10(c)(4) 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."

The facility did properly fund the resident trust fund account after the shortage was discovered by auditors.

### **Recommendation**

Reelfoot Manor should establish adequate procedures to ensure compliance with applicable laws and regulations relative to protection of resident funds. Bank reconciliations should be accurately and routinely performed.

### **Management's Comment**

Management states that currently the resident trust is accounted for properly and reconciled on a timely basis.

### **3. Charges on Cost Report Not Supported by Financial Records**

#### **Finding**

The financial records of Reelfoot Manor did not support the gross charges reported on the “Medicaid Nursing Facility Level 1 Cost Reports” for the years ended December 31, 2004, and December 31, 2005. The facility was unable to provide adequate records to substantiate the gross routine service charges as reported on the cost reports. Although the facility’s home office accountant who prepares the cost report used alternative methods to determine gross charges, the facility’s financial accounting system had not been designed to properly accumulate these charges. The methods used by the facility’s home office accountant in determining gross charges were considered a reasonable alternative by auditors for the fiscal years ended December 31, 2004, and December 31, 2005.

Chapter 1200-13-6-.10 of the *Rules of Tennessee Department of Finance and Administration* states, “Gross charges to the patient accounts must match the charges to the patient log.”

Chapter 1200-13-6-.16 of the *Rules* 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.”

Gross routine service charges must be substantiated by the facility’s financial records in order to be utilized to compute the Medicaid reimbursement rate.

#### **Recommendation**

Reelfoot Manor should maintain sufficient records and documentation to support the cost data reported on the “Medicaid Nursing Facility Level 1 Cost Report.” Adequate charge logs must be maintained to accumulate monthly and yearly totals. These records must be available upon demand to the State Comptroller of the Treasury or his agents. The facility cannot rely on alternative methods in calculating charges, but must maintain the appropriate and adequate records necessary that are then, in turn, used to accurately complete the cost report.

#### **Management’s Comment**

Management states that adequate charge logs are currently maintained on the facility’s computer system to accumulate monthly and yearly charge totals.

## **SUMMARY OF MONETARY FINDING AND RECOMMENDATION**

### **Source of Overpayments**

Rate reduction (see finding 1)	<u>\$103,885.60</u>
--------------------------------	---------------------

### **Disposition of Overpayments**

Due to the State of Tennessee	<u>\$103,885.60</u>
-------------------------------	---------------------