

# TENNCARE REPORT

Whitehaven Community Living Center  
Memphis, Tennessee

Cost Report and Resident Accounts  
For the Period  
April 1, 2005, Through March 31, 2006



STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY

Department of Audit  
Division of State Audit



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**COMPTROLLER OF THE TREASURY**  
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June 10, 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 report and resident accounts of Whitehaven Community Living Center, Memphis, Tennessee, for the period April 1, 2005, through March 31, 2006.

Sincerely,

Arthur A. Hayes, Jr., CPA  
Director

AAH/pn  
08/011

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report  
**Whitehaven Community Living Center**  
Memphis, Tennessee  
Cost Report and Resident Accounts  
For the Period  
April 1, 2005, Through March 31, 2006

## **FINDINGS RECOMMENDING MONETARY REFUNDS**

### **Deficiencies in Accounting for Resident Trust Funds**

Whitehaven Community Living Center failed to take adequate measures to safeguard resident trust funds. The facility had \$430.26 in unsupported withdrawals that the facility must refund to the trust fund accounts.

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

The facility has not established a system to ensure that credit balances on the accounts of deceased or discharged residents are properly managed and promptly refunded. Management failed to refund \$8,495.87 to the State of Tennessee Medicaid Program and \$5,084.85 to the former residents or their authorized representatives.

**Whitehaven Community Living Center  
Memphis, Tennessee  
Cost Report and Resident Accounts  
For the Period  
April 1, 2005, Through March 31, 2006**

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**Whitehaven Community Living Center  
Memphis, Tennessee  
Cost Report and Resident Accounts  
For the Period  
April 1, 2005, Through March 31, 2006**

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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 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.

Whitehaven Community Living Center, Memphis, Tennessee, provides both NF-1 and NF-2 services. The facility is operated by Community Eldercare, which is owned by Douglas M. Wright, Jr., and located in Tupelo, Mississippi.

During the examination period, the facility maintained a total of 92 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 33,580 available bed days, the facility reported 21,322 for Medicaid NF-1 residents and 1,653 for Medicaid NF-2 residents for the year ended March 31, 2006. Also, the facility reported total operating expenses of \$4,264,242 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 (744-0205)</u>	<u>Level II NF (044-5233)</u>
July 1, 2004, to October 1, 2005	\$128.97	\$132.14
October 1, 2005, to June 30, 2006	\$132.98	\$145.17

**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.



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**Independent Accountant's Report**

**August 1, 2007**

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 August 1, 2007, that Whitehaven Community Living Center complied with the following requirements on the "Medicaid Nursing Facility Level 1 Cost Report" for the period April 1, 2005, through March 31, 2006, and to the facility's resident accounts for the period April 1, 2005, through March 31, 2006.

- 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 Whitehaven Community Living 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 Whitehaven Community Living Center's compliance with specified requirements.

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

- Deficiencies in accounting for resident trust funds
- Need to properly manage unrefunded credit balances

In our opinion, except for the instances of material noncompliance described above, Whitehaven Community Living Center complied with, in all material respects, the aforementioned requirements for the "Medicaid Nursing Facility Level 1 Cost Report" for the period April 1, 2005, through March 31, 2006, and for resident accounts for the period April 1, 2005, through March 31, 2006.

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,

A handwritten signature in black ink that reads "Arthur A. Hayes, Jr." with a stylized, cursive script.

Arthur A. Hayes, Jr., CPA  
Director

AAH/pn

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## FINDINGS AND RECOMMENDATIONS

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### 1. Deficiencies in Accounting for the Resident Trust Fund

#### Finding

Whitehaven Community Living Center failed to take adequate measures to safeguard resident trust funds as required by federal and state laws. The facility lacked adequate documentation and proper authorization for withdrawals from the trust funds. There were nine transactions totaling \$430.26 for four of the resident trust fund accounts tested that were unsupported, either by receipt, invoice, or patient authorization.

Paragraph 22,163.10(c)(2) of the *Medicare and Medicaid Guide* states that “the facility must hold, safeguard, manage and account for the personal funds of the resident deposited with the facility.” Paragraph 22,163.10(c)(4) further 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 trust funds entrusted to the facility on the resident’s behalf.”

Chapter 1200-13-6-.10(4) of the *Rules of Tennessee Department of Finance and Administration* states, “Personal funds held by the provider for Medicaid patients used in purchasing clothing and personal incidentals must be properly accounted for with detailed records of amounts received and disbursed and shall not be commingled with nursing facility funds.”

#### Recommendation

Whitehaven Community Living Center should establish adequate procedures to ensure compliance with applicable laws and regulations relative to protection of resident trust funds. The facility should institute measures to adequately safeguard and account for resident trust funds and ensure that there are proper controls and authorizations for withdrawals. Documentation should be in place to ensure the adequate safeguarding and accounting for residents’ trust funds. The \$430.26 in unsupported withdrawals should be refunded to the four residents or their authorized representatives.

#### Management’s Comment

These amounts will be refunded to the resident or responsible party as appropriate.

## 2. Need to Properly Manage Unrefunded Credit Balances

### Finding

Whitehaven Community Living Center 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 or property presumed abandoned, the holder shall exercise due diligence to ascertain the whereabouts of the owner to prevent abandonment from being presumed."

Accounts receivable unrefunded credit balances of \$13,580.72 remain on the accounts of 32 former residents of Whitehaven Community Living Center. Of the total unrefunded credit balances, \$8,495.87 is due the State of Tennessee, and \$5,084.85 is due to former residents or their authorized representatives.

### Recommendation

Whitehaven Community Living Center 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 \$8,495.87 should be made to the State of Tennessee for the amount due the Medicaid Program, and \$5,084.85 should be refunded to the former residents or their authorized representatives.

### **Management's Comment**

Of these amounts, a total of \$5,083.68 has been refunded to the residents or recouped by Medicaid. Also, adjusting entries and billing adjustments in the amount of \$8,497.04 were made subsequent to the audit to correct amounts that were not true credit balances.

### **Auditor's Comment**

Whitehaven Community Living Center has not provided evidence of the resident refunds, Medicaid recoupments, or billing adjustments.

## SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

### Source of Overpayments

Unsupported withdrawals from trust fund (see finding 1)	\$ 430.26
Unrefunded credit balances (see finding 2)	<u>\$13,580.72</u>
Total	<u>\$14,010.98</u>

### Disposition of Overpayments

Due to the State of Tennessee	\$ 8,495.87
Due to residents or their authorized representatives	<u>\$ 5,515.11</u>
Total	<u>\$14,010.98</u>