

TENNCARE REPORT

Country Place Health Care Center
Crossville, Tennessee

Cost Report for the Period
January 1, 2006, Through December 31, 2006,
and
Resident Accounts for the Period
January 1, 2004, Through June 30, 2007



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

Regina Dobbins, CFE
Scott Waller
Auditors

Amy Brack
Editor

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

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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

June 9, 2009

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 of Country Place Health Care Center, Crossville, Tennessee, for the period January 1, 2006, through December 31, 2006, and resident accounts for the period January 1, 2004, through June 30, 2007.

Sincerely,

Arthur A. Hayes, Jr., CPA
Director

AAH/pn
08/021

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
Country Place Health Care Center
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FINDINGS RECOMMENDING MONETARY REFUNDS

Incorrect Useful Lives Used on Depreciable Assets

Country Place Health Care Center included \$5,195.59 of nonallowable depreciation expense on the "Medicaid Nursing Facility Level 1 Cost Report" for the fiscal year ended December 31, 2006. This is due to five of the facility's assets being assigned useful lives shorter than required. As a result of this adjustment, estimated overpayments to the facility by the Medicaid Program are \$6,017.20, computed from July 1, 2007, through June 30, 2009.

Residents Inappropriately Charged for Covered Services

The facility inappropriately charged Medicaid residents' trust fund accounts for haircuts, which are Medicaid covered services. As a result of the inappropriate charges, the facility should reimburse 187 Medicaid residents a total of \$7,540.00.

Improper Billing of Resident Hospital Leave Days

Country Place Health Care Center improperly billed the Medicaid Program for 21 hospital leave days in excess of the 10-day annual leave limitation. As a result, the facility should refund \$1,946.14 to the State of Tennessee.

FINDING NOT RECOMMENDING MONETARY REFUND

Insufficient Surety Bond Coverage for the Resident Trust Fund

Country Place Health Care Center's surety bond coverage was insufficient to ensure all funds held in trust for its residents.

**Country Place Health Care Center
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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
FINDINGS AND RECOMMENDATIONS	5
1. Incorrect useful lives used on depreciable assets	5
2. Residents inappropriately charged for covered services	6
3. Improper billing of resident hospital leave days	7
4. Insufficient surety bond coverage for the resident trust fund	7
Summary of Monetary Findings and Recommendations	9

**Country Place Health Care Center
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Cost Report for the Period
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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.

Country Place Health Care Center, Crossville, Tennessee, provides both NF-1 and NF-2 services. The facility was owned and operated by C&E Management, Inc., located in Knoxville,

Tennessee, during the time of the examination. As of January 12, 2009, the facility was sold and is now owned and operated by Life Care Centers of America, Inc., located in Cleveland, Tennessee. The facility is currently operating as Life Care Center of Crossville.

During the examination period, the facility maintained a total of 122 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 44,530 available bed days, the facility reported 30,086 for Medicaid NF-1 residents and 2,206 for Medicaid NF-2 residents for the year ended December 31, 2006. Also, the facility reported total operating expenses of \$4,998,002 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 (744-0421)</u>	<u>Level II NF (044-5167)</u>
October 1, 2005, through June 30, 2006	\$105.43	\$139.66
July 1, 2006, through June 30, 2007	\$103.99	\$138.69

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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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

August 29, 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 29, 2007, that Country Place Health Care Center complied with the following requirements on the "Medicaid Nursing Facility Level 1 Cost Report" for the period January 1, 2006, through December 31, 2006, and to the facility's resident accounts for the period January 1, 2004, through June 30, 2007.

- 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 Country Place Health Care 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 Country Place Health Care Center's compliance with specified requirements.

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

1. Incorrect useful lives used on depreciable assets
2. Residents inappropriately charged for covered services
3. Improper billing of resident hospital leave days
4. Insufficient surety bond coverage for the resident trust fund

In our opinion, except for the instances of material noncompliance described above, Country Place Health Care Center complied with, in all material respects, the aforementioned requirements for the "Medicaid Nursing Facility Level 1 Cost Report" for the period January 1, 2006, through December 31, 2006, and for resident accounts for the period January 1, 2004, through June 30, 2007.

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

FINDINGS AND RECOMMENDATIONS

1. Incorrect Useful Lives Used on Depreciable Assets

Finding

Country Place Health Care Center included \$5,195.59 of nonallowable expense on the “Medicaid Nursing Facility Level 1 Cost Report” for the year ended December 31, 2006. The nonallowable expense resulted from excess depreciation claimed on five of the facility’s assets that were assigned incorrect useful lives.

Paragraph 4695 of the *Medicare and Medicaid Guide* states, “In initially selecting a proper useful life for computing depreciation . . . the provider may use certain published useful life guidelines. . . . For assets acquired on or after January 1, 1981, only the AHA (American Hospital Association) guidelines may be used.”

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 above adjustments, the facility’s Medicaid reimbursement rate was affected as follows:

<u>Period</u>	<u>Original Rate</u>	<u>Adjusted Rate</u>	<u>Rate Reduction</u>
July 1, 2007, through June 30, 2008	\$113.28	\$113.08	\$(0.20)
July 1, 2008, through June 30, 2009	\$113.69	\$113.69	\$ 0.00

The above rate adjustments will be sent to the Bureau of TennCare for reprocessing of all Medicaid claims for dates of service from July 1, 2007, through June 30, 2008. Estimated overpayments to the facility as a result of these adjustments are \$6,017.20.

Recommendation

Country Place Health Care Center should include only allowable expenses on the “Medicaid Nursing Facility Level 1 Cost Report.” Assets should be depreciated in accordance with required useful life guidelines.

The Bureau of TennCare should reprocess all Medicaid claims for the period July 1, 2007, through June 30, 2008. The estimated recoupment for the reprocessed Medicaid claims for this period is \$6,017.20.

Management's Comment

Current management opted not to respond to the finding.

2. Residents Inappropriately Charged for Covered Services

Finding

Country Place Health Care Center has inappropriately charged Medicaid residents' trust fund accounts for Medicaid covered services. From January 1, 2004, through February 21, 2007, the facility inappropriately charged 187 residents \$7,540.00 for basic haircuts.

Chapter 1200-8-6-.06(4)(q) of the *Rules of Tennessee Department of Health* states, in regard to basic services, "Residents shall have shampoos, haircuts, and shaves as needed, or desired."

As a result of the inappropriate charges, the resident trust fund accounts for Medicaid residents have been incorrectly charged \$7,540.00 for Medicaid covered services.

Recommendation

Country Place Health Care Center should not charge Medicaid residents for covered services. The facility should reimburse Medicaid residents or their responsible parties a total of \$7,540.00. In the future, the facility should provide covered services to all Medicaid residents without charge.

Management's Comment

Current management opted not to respond to the finding.

3. Improper Billing of Resident Hospital Leave Days

Finding

Country Place Health Care Center improperly billed the Medicaid Program 9 days during the state fiscal year ended June 30, 2006, and 12 days during the state fiscal year ended June 30, 2007, for four residents' bed hold days in excess of the Medicaid hospital and therapeutic leave limitation.

Chapter 1200-13-1-.06(4)(b) of the *Rules of the Tennessee Department of Finance and Administration* allows Level 1 nursing facilities to be reimbursed up to a total of 10 days per state fiscal year while the resident is hospitalized or absent from the facility on therapeutic leave. The following conditions must be met in order for a bed hold reimbursement to be made under this provision:

- The resident intends to return to the nursing facility . . .
- At least 85% of all other beds at the nursing facility are occupied at the time of the hospital admission or therapeutic absence.

As a result of the improper billing of hospital leave days, the facility was overpaid \$1,946.14 by the State of Tennessee for the 21 noncovered hospital leave days.

Recommendation

Country Place Health Care Center should not accumulate or bill the Medicaid Program for hospital and therapeutic leave days in excess of the ten bed hold days allowed for reimbursement per state fiscal year. The facility should refund to the State of Tennessee \$1,946.14, which represents overpayments by the Medicaid Program as a result of the improper billing of hospital leave days.

Management's Comment

Current management opted not to respond to the finding.

4. Insufficient Surety Bond Coverage for the Resident Trust Fund

Finding

Country Place Health Care Center failed to maintain an adequate resident trust fund surety bond as required by law. The amount of the surety bond was not sufficient to cover all funds held on trust. The coverage limit of the surety bond during the examination period was

\$60,000. As of August 14, 2007, the surety bond was not sufficient to ensure the resident trust fund balance of \$86,152.06.

Section 68-11-906, *Tennessee Code Annotated*, states that “the nursing home shall maintain a surety bond on all funds held in trust for the facility residents and shall make an annual audited account of such funds, available to their residents and for public inspection.”

Recommendation

Country Place Health Care Center should maintain controls to ensure compliance with applicable laws and regulations for the protection of resident trust funds. The facility should increase the surety bond as necessary to provide coverage for all money held in trust at any point in time.

Management’s Comment

Current management opted not to respond to the finding.

Summary of Monetary Findings and Recommendations

Source of Overpayments

Rate reduction (see finding 1)	\$ 6,017.20
Inappropriate charges for covered services (see finding 2)	7,540.00
Improper billing of leave days (see finding 3)	<u>1,946.14</u>
Total	<u>\$15,503.34</u>

Disposition of Overpayments

Due to the State of Tennessee	\$ 7,963.34
Due to residents or their authorized representatives	<u>7,540.00</u>
Total	<u>\$15,503.34</u>