

TENNCARE REPORT

Wayne County Nursing Home
Waynesboro, Tennessee

Cost Report for the Period
July 1, 2005, Through June 30, 2006,
and
Resident Accounts for the Period
July 1, 2005, Through October 31, 2007



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

Department of Audit
Division of State Audit



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June 16, 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 Wayne County Nursing Home, Waynesboro, Tennessee, for the period July 1, 2005, through June 30, 2006, and resident accounts for the period July 1, 2005, through October 31, 2007.

Sincerely,

Arthur A. Hayes, Jr., CPA
Director

AAH/pn
08/026

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
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FINDINGS RECOMMENDING MONETARY REFUNDS

Improper Billing of Resident Leave Days

Wayne County Nursing Home improperly billed 999 resident leave days for the period July 1, 2005, through October 31, 2007. As a result of the improper billing of noncovered leave days, the facility should refund \$96,295.77 to the State of Tennessee.

Need to Properly Manage Unrefunded Credit Balances

The facility failed to ensure that credit balances on the accounts of deceased or discharged residents are properly managed. Unrefunded credit balances of \$19,359.20 due to the Medicaid Program remain on the accounts of 17 former residents.

Nonallowable Expenses Included on the Cost Report

The facility reported \$16,809.11 of nonallowable expenses on the "Medicaid

Nursing Facility Level 1 Cost Report." As a result of the expense adjustment and the adjustment to resident days in finding 1, estimated underpayments to the facility by the Medicaid Program are \$317.21, computed from July 1, 2007, through June 30, 2009.

Lack of Documentation or Authorization for Withdrawals From the Resident Trust Fund

Wayne County Nursing Home failed to take adequate measures to safeguard the resident trust fund. The facility lacked support for withdrawals or proper authorization from two of the resident trust fund accounts. The facility should refund two residents a total of \$42.40. Also, the facility did not properly ensure the resident trust fund account balances were correct.

**Wayne County Nursing Home
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**Wayne County Nursing Home
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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.

Wayne County Nursing Home, Waynesboro, Tennessee, provides only NF-1 services. The facility is owned and operated by Wayne County. The officers/members of the board of directors are as follows:

- Mr. Larry Haggard
- Mrs. Rachael Abrams
- Mr. Gene Davidson
- Mrs. Diane Rich
- Mr. Edward Mathis

During the examination period, the facility maintained a total of 109 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 39,785 available bed days, the facility reported 32,223 for Medicaid NF-1 residents for the fiscal year ended June 30, 2006. Also, the facility reported total operating expenses of \$4,554,374 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 (744-0200)</u>
July 1, 2004, through September 30, 2005	\$117.65
October 1, 2005, through June 30, 2006	\$103.90

PRIOR EXAMINATION FINDINGS

The prior report of Wayne County Nursing Home, for the period July 1, 2003, through June 30, 2004, contained the following findings:

1. Improperly maintaining accounts off the nursing facility books
2. Nonallowable expenses included on the cost report
3. Improper billing of resident hospital leave days
4. Inappropriate charges of resident accounts
5. Deficiency in accounting for resident trust fund

Findings 1 and 4 have been satisfactorily remedied and findings 2, 3, and 5 are 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.



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Independent Accountant's Report

September 20, 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 September 20, 2007, that Wayne County Nursing Home complied with the following requirements on the "Medicaid Nursing Facility Level 1 Cost Report" for the period July 1, 2005, through June 30, 2006, and to the facility's resident accounts for the period July 1, 2005, through October 31, 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 Wayne 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 Wayne County Nursing Home's compliance with specified requirements.

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

1. Improper billing of resident leave days
2. Need to properly manage unrefunded credit balances
3. Nonallowable expenses included on the cost report
4. Lack of documentation or authorization for withdrawals from the resident trust fund

In our opinion, except for the instances of material noncompliance described above, Wayne County Nursing Home complied with, in all material respects, the aforementioned requirements for the "Medicaid Nursing Facility Level 1 Cost Report" for the period July 1, 2005, to June 30, 2006, and for resident accounts for the period July 1, 2005, to October 31, 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. Improper Billing of Resident Leave Days

Finding

Wayne County Nursing Home improperly billed the Medicaid Program for 999 hospital and therapeutic leave days for the period July 1, 2005, through October 31, 2007. Of the 999 improperly billed leave days, 31 were disallowed from August 1 through September 30, 2005, when the facility was not allowed to bill any leave days; 882 were disallowed from October 1, 2005, through October 31, 2007, for not meeting the 85 percent occupancy rule per state fiscal year; 66 were disallowed from October 1, 2005, through June 30, 2007, for exceeding the ten-day leave rule; and an additional 20 days were billed during January 2006 for one resident who had been previously discharged from the facility.

Chapter 1200-13-1-.06(4)(b) of the *Rules of Tennessee Department of Finance and Administration* states,

A Level 1 nursing facility (NF) shall be reimbursed . . . for the recipient's bed in that facility during the recipient's temporary absence from that facility in accordance with the following:

Effective October 1, 2005, reimbursement will be made for 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 resident intends to return to the NF.

At least 85% of all other beds in the NF are occupied at the time of hospital admission or therapeutic absence.

Chapter 1200-13-6-.15 of the *Rules* states:

The costs reports . . . must provide adequate cost and statistical data. This data must be based on and traceable to the provider's financial and statistical records and must be adequate, accurate and in sufficient detail to support payments made for services rendered to beneficiaries.

As a result of the improper billing of resident leave days, the facility was overpaid \$96,295.77 for the 999 noncovered leave days for the period July 1, 2005, through October 31, 2007.

The adjustment to resident days reported above is incorporated in the rate change noted in finding 3.

Recommendation

Wayne County Nursing Home should not accumulate or bill the Medicaid Program for leave days when the facility is operating under 85% occupancy or leave days exceed ten per state fiscal year. The facility must properly report, account, and bill for resident days, thus providing adequate and accurate statistical data necessary for proper completion of the “Medicaid Nursing Facility Level 1 Cost Report.” The facility can only include reimbursable resident days on its cost report.

The facility should reimburse \$96,295.77 to the Medicaid Program, which represents overpayments as a result of improperly billing for resident leave days.

Management’s Comment

Management concurs with the finding of improper billing of resident leave days. Billing personnel have resubmitted corrected claims for the year of 2005 and are currently working on resubmitting claims related to the period audited. Accounts receivable and billing personnel work together to ensure that no leave days are billed when they exceed 10 days or occupancy is below 85%.

2. Need to Properly Manage Unrefunded Credit Balances

Finding

Wayne County Nursing Home failed to ensure that credit balances on all of the accounts of deceased or discharged residents are properly managed by the facility. Management failed to refund accounts receivable credit balances due 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 of 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 \$19,359.20 remain on the accounts of 17 former residents of Wayne County Nursing Home. The entire amount is due the Medicaid Program.

Recommendation

Wayne County Nursing Home should immediately implement an adequate system to promptly refund credit balances on the accounts of former residents. A refund of \$19,359.20 should be made to the State of Tennessee for the amount due the Medicaid Program.

Management's Comment

Management concurs with findings to properly manage unrefunded credit balances. Some of the unrefunded credit balances were for Hospice patients and some on the 10-day leave limit. Wayne County Nursing Home will ensure that all credit balances on all accounts will be properly managed and refunded by the facility as we have done on the audited amount of \$19,359.20.

3. Nonallowable Expenses Included on the Cost Report

Finding

Wayne County Nursing Home included \$16,809.11 of nonallowable expenses on the "Medicaid Nursing Facility Level 1 Cost Report" for the year ended June 30, 2006. This amount consists of \$3,364.98 of unsupported expenses; \$8,124.60 of excess depreciation expense due to 13 fixed assets being depreciated too rapidly; \$5,189.06 of nonallowable interest expense that should have been capitalized; and \$130.47 of nonallowable expenses, which include unnecessary expenses and expenses unrelated to patient care.

Chapter 1200-13-6-.09 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.

Paragraph 4955 of the *Medicare and Medicaid Guide* states,

Frequently, providers may borrow funds to construct facilities to enlarge existing facilities. Usually, construction of facilities will extend over a long period of time, during which interest costs on the loan are incurred. Interest costs incurred during the period of construction must be capitalized as part of the cost of the facility. The period of construction is considered to extend to the date the facility is put into use for patient care.

Where a bond issue is involved, any bond discount and expense, or bond premium amortized during the period of construction is included in the capitalized cost of the facility constructed.

Paragraph 4695 of the *Medicare and Medicaid Guide* states,

. . . the provider may use certain published useful life guidelines. The guidelines used depend on when the asset was acquired. For assets acquired before January 1, 1981, either the Internal Revenue Service (IRS) or the American Hospital Association (AHA) guidelines may be used. For assets acquired on or after January 1, 1981, only the AHA guidelines may be used.

As a result of the adjustment to allowable expenses and the adjustments to resident days in finding 1, the facility's Medicaid reimbursable rate was increased as follows:

<u>Period</u>	<u>Original Rate</u>	<u>Adjusted Rate</u>	<u>Difference</u>
July 1, 2007, through June 30, 2008	\$146.95	\$146.96	\$ 0.01
July 1, 2008, through June 30, 2009	\$153.36	\$153.36	\$ 0.00

The above rate adjustments will be sent to the Bureau of TennCare for reprocessing of all Medicaid claims for the dates of service July 1, 2007, through June 30, 2008. Estimated underpayments to the facility as a result of the expense adjustment and resident days adjustment are \$317.21.

Recommendation

Wayne County Nursing Home 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 patient care, and in compliance with other applicable regulations.

The Bureau of TennCare should reprocess all Medicaid claims for the period from July 1, 2007, through June 30, 2008. The estimated underpayment for the reprocessed Medicaid claims for this period is \$317.21.

Management's Comment

Management concurs with the findings of nonallowable expenses included on the cost report. Greater care will be exercised in preparing the cost report and greater effort will be made to retain adequate support for expenses.

4. **Lack of Documentation or Authorization for Withdrawals from the Resident Trust Fund**

Finding

Wayne County Nursing Home 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 from either the resident or their responsible parties for withdrawals from two of the resident trust fund accounts totaling \$42.40. Also, the facility did not ensure the resident trust fund account balances were correct, as multiple mathematical errors were noted.

Paragraph 22,163.10(c) 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.”

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

Wayne County Nursing Home should immediately establish adequate internal controls, including policies and 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. The facility should reimburse two Medicaid residents or their responsible parties a total of \$42.40.

Management’s Comment

Management concurs with the findings of lack of documentation or authorization for withdrawals from the resident trust fund. Wayne County Nursing Home now ensures that trust fund balances are reconciled to the bank statement monthly. Procedures are now in place to ensure proper documentation is maintained for each resident trust fund withdrawal. The audited amount of \$42.40 has now been corrected.

Auditor's Comment

Evidence was provided that \$5.00 had been credited back to one resident's account. Also, copies of checks cut on May 19, 2009, and May 29, 2009, were provided refunding the remaining \$37.40. As of May 29, 2009, these checks have yet to clear the bank.

SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

Source of Overpayments

Improper billing of resident leave days (see finding 1)	\$ 96,295.77
Unrefunded credit balances (see finding 2)	\$ 19,359.20
Rate increase (see finding 3)	\$ (317.21)
Lack of authorized withdrawals for resident trust funds (see finding 4)	<u>\$ 42.40</u>
Total	<u>\$115,380.16</u>

Disposition of Overpayments

Due to the State of Tennessee	\$115,337.76
Due to residents or their authorized representatives	<u>\$ 42.40</u>
Total	<u>\$115,380.16</u>