TENNCARE REPORT

Arlington Developmental Center
Arlington, Tennessee

Cost Report and Resident Accounts
For the Period
July 1, 2006, Through June 30, 2007

STATE OF TENNESSEE

COMPTROLLER OF THE TREASURY

Department of Audit

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June 15, 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 Arlington Developmental Center, Arlington, Tennessee, for the period July 1, 2006, through June 30, 2007.

Sincerely,

Arthur A. Hayes, Jr., CPA
Director

AAH/pn
09/014

State of Tennessee

A u d i t   H i g h l i g h t s

Comptroller of the Treasury   Division of State Audit

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FINDING RECOMMENDING MONETARY REFUND

Deficiencies in Accounting for Resident Trust Funds
Arlington Developmental Center failed to properly reconcile the bank statement to the resident trust fund ledger in a timely manner. The reconciliation originally had a variance of $4,156.18. After auditor review, facility personnel revised and corrected the reconciliation. Auditors deemed the resident trust funds to be underfunded by $98.46, which the facility should refund to the trust fund account.

FINDINGS NOT RECOMMENDING MONETARY REFUNDS

Inaccurate Accumulation and Reporting of Resident Days
The facility improperly billed the Medicaid Program for 80 hospital leave days when the facility was operating below 85% occupancy. The facility improperly reported non-covered leave days as private days on the cost report. For the year ended June 30, 2007, the facility improperly reported 30 private days for intensive training residents and 138 private days for high personal care residents. The facility does not have private days since all of its residents are Medicaid residents. Also, the facility reported 178 resident days while exceeding 100% occupancy for its high personal care section. Since state-owned ICF/MRs are cost-settled after year end, the adjustment to days will be reflected in Arlington Developmental Center’s cost settlement.

Need to Properly Manage Accounts Receivable Credit Balances
Arlington Developmental Center has failed to ensure that credit balances on all the accounts receivable of discharged and deceased residents are properly managed by the facility. Adjustments were not made to reflect Medicaid reimbursement rate changes from November 1,

2006, through April 30, 2007. These errors contributed to the discrepancies with the credit balances on the accounts receivable. The facility should investigate these accounts and determine the correct balances, make appropriate adjustments, and make any necessary refunds. Since the facility is cost settled at year-end, the failure to post accurate payments will be reflected in the cost settlement.

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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.

An Intermediate Care Facility for the Mentally Retarded (ICF/MR) is a facility approved for Medicaid reimbursement and is required to provide routine services, including supplies, that comply with current federal standards and certification. Medicaid pays for covered services through an all-inclusive per diem rate, less any available patient resources.

Arlington Developmental Center, Arlington, Tennessee, is certified to provide ICF/MR services. The facility is owned and operated by the State of Tennessee. The officers/members of the board of directors are as follows:

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 54,225 available bed days, the facility reported 15,179 for Medicaid ICF/MR Intensive Care residents and 38,377 for Medicaid ICF/MR High Personal Care residents for the year ended June 30, 2007. Also, the facility reported total operating expenses of $58,684,105 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:

Period	ICF/MR (744-7006)	ICF/MR (744-7004)
August 1, 2005, Through October 31, 2006	$816.86	$1,028.04
November 1, 2006, Through October 31, 2007	$880.45	$970.07

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

September 4, 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:

We have examined management's assertions, included in its representation letter dated September 4, 2008, that Arlington Developmental Center complied with the following requirements on the Medicaid cost report for the period July 1, 2006, through June 30, 2007, and to the facility's resident accounts for the period July 1, 2006, through June 30, 2007.

- Income and expenses reported on the Medicaid cost report are reasonable, allowable, and in accordance with state and federal rules, regulations, and reimbursement principles.

- Resident days reported on the Medicaid 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 15 day per occasion hospital stay rule, the 85% occupancy rule applicable to hospital leave days, and the therapeutic leave day rule limited to 60 days per state fiscal year and 14 days per occasion.

- 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 Arlington Developmental 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 Arlington Developmental 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
- Inaccurate accumulation and reporting of resident days
- Need to properly manage accounts receivable credit balances

In our opinion, except for the instances of material noncompliance described above, Arlington Developmental Center complied with, in all material respects, the aforementioned requirements for the Medicaid cost report for the period July 1, 2006, through June 30, 2007, and for resident accounts for the period July 1, 2006, through June 30, 2007.

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. Deficiencies in Accounting for Resident Trust Funds

Finding

Arlington Developmental Center has failed to take adequate measures to safeguard resident trust funds as required by federal and state laws. The resident trust fund account was not properly or timely reconciled to the bank statement and the resident trust fund ledger. The facility's June 2008 reconciliation had a variance of $4,156.18. After auditor review, the reconciliation was revised by facility personnel. Auditors determined that the resident trust fund was underfunded by $98.46.

Paragraph 22,163.420 of the *Medicare and Medicaid Guide* requires the facility to "establish and maintain a system that – (i) assures a full and complete accounting of clients' personal funds entrusted to the facility." Paragraph 22,163.10 further states that "the facility must hold, safeguard, manage and account for the personal funds of the resident deposited with the facility . . . 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."

Recommendation

Arlington Developmental Center should immediately implement adequate procedures to ensure compliance with applicable laws and regulations relative to protection of resident funds. Bank reconciliations should be timely, properly reconciled, and accurate. The facility should reimburse $98.46 to the resident trust fund.

Management's Comment

Management concurs. During that period we were behind with reconciliations and there was a discrepancy in the accounting record and the bank record from the direct deposit of SSI and SSA checks. That has been corrected and is now done timely.

Auditor's Comment

Management did not comment on our recommendation to reimburse $98.46 to the resident trust fund. We have no evidence that the refund was made by Arlington Developmental Center.

2. Inaccurate Accumulation and Reporting of Resident Days

Finding

Arlington Developmental Center billed the Medicaid Program for hospital leave days when the facility was operating below the 85% occupancy requirement for hospital stays. The facility improperly reported non-covered hospital and therapeutic leave days as private days on the cost report. For the year ended June 30, 2007, the facility reported 30 private days for intensive training residents and 138 private days for high personal care residents. The facility should not report any private days since all of its residents are Medicaid residents. Also, the facility reported 178 resident days while exceeding 100% occupancy for its high personal care section.

Chapter 1200-13-01-.30(6)(a) of the *Rules of the Tennessee Department of Finance and Administration* allows for days not to exceed 15 days per occasion while the recipient is hospitalized and the following conditions are met:

> The resident intends to return to the ICF/MR
>
> At least 85% of all other beds in the ICF/MR certified at the recipient's designated level of care when computed separately, are occupied at the time of hospital admission.

Since state-owned ICF/MRs are cost settled after year-end, the adjustment to days will be reflected in Arlington Developmental Center's cost settlement.

Recommendation

Arlington Developmental Center should establish adequate procedures to ensure compliance with applicable regulations relative to hospital leave days. The facility should not accumulate or bill the Medicaid Program for hospital leave days when it is operating below the 85% occupancy requirement. Private days should not be accumulated or reported on the Medicaid cost report since all of the residents at Arlington Developmental Center are Medicaid residents. Also, the facility should never exceed 100% occupancy for any level of care.

Management's Comment

Management concurs. Arlington Developmental Center is closing and certified beds have not been decreased as quickly as projected, resulting in delays in the change. This has now been corrected and as state operated group home(s) open, we reduce the certified beds.

3. <u>Need to Properly Manage Accounts Receivable Credit Balances</u>

Finding

Arlington Developmental Center failed to ensure that credit balances on all of the accounts of deceased or discharged residents are properly managed by the facility. The facility should investigate these accounts and determine the correct balances, make appropriate adjustments, and refund all monies to the appropriate parties.

Management failed to post recoupments of Medicaid payments and to post the corrected Medicaid payments for services rendered from November 1, 2006, through April 30, 2007. As a result, all of the accounts receivable balances are incorrect, thus contributing to the problem with credit balances.

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.”

Recommendation

Arlington Developmental Center should immediately implement an adequate system to promptly adjust charges to reflect updated Medicaid reimbursement rates and post all recoupment amounts and corrections to Medicaid payments. The facility should promptly refund corrected credit balances on the accounts of discharged or deceased residents. Since the facility is cost settled at year-end, the failure to post accurate payments will be reflected in the cost settlement.

Management’s Comment

Management concurs. Our current computerized system used to record these records is archaic, to the point that the Division has purchased a new accounting and case management system. The design and implementation stage is underway. We anticipate this finding being fully resolved once the new system is fully implemented. Preliminary examination of the accounts in anticipation of this system is ongoing.

SUMMARY OF MONETARY FINDING AND RECOMMENDATION

Source of Overpayments

Deficiencies in accounting for resident trust funds	$98.46

Disposition of Overpayments

Due to residents or their authorized representatives	$98.46