

TENNCARE REPORT

Briarwood Community Living Center
Lexington, Tennessee

Cost Report and Resident Accounts
For the Period
April 1, 2007, Through March 31, 2008



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

Alla Cox, CFE
In-Charge Auditor

Regina Dobbins, CFE
Tammy Thompson, 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

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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 2, 2011

The Honorable Bill Haslam, 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 Briarwood Community Living Center, Lexington, Tennessee, for the period April 1, 2007, through March 31, 2008, and resident accounts for the period April 1, 2007, through March 31, 2008.

Sincerely,

Arthur A. Hayes, Jr., CPA
Director

AAH/pn
09/015

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
Briarwood Community Living Center
Lexington, Tennessee
Cost Report and Resident Accounts
For the Period
April 1, 2007, Through March 31, 2008

FINDING RECOMMENDING MONETARY REFUND

Improper Billing of Resident Leave Days

Briarwood Community Living Center improperly billed the Medicaid Program for 72 hospital and therapeutic leave days when the facility was operating below the 85% occupancy requirement for the period October 1, 2005, through August 31, 2008. Of the 72 improperly billed leave days, the facility was only paid for 34 days by the Medicaid Program. As a result of the improper billing of noncovered leave days, the facility should refund \$4,204.38 to the State of Tennessee.

FINDING NOT RECOMMENDING MONETARY REFUND

Nonallowable Expenses Included on the Cost Report

The facility reported \$16,019.70 of nonallowable expenses on the "Medicaid Nursing Facility Level 1 Cost Report" for the year ended March 31, 2008. Nonallowable expenses included nonallowable interest expense, penalty, donations, and prescription medication. These adjustments to allowable expenses had no effect on the facility's Medicaid reimbursable rate.

**Briarwood Community Living 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. Improper Billing of Resident Leave Days | 5 |
| 2. Nonallowable Expenses Included on the Cost Report | 6 |
| Summary of Monetary Finding and Recommendation | 8 |

**Briarwood Community Living Center
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Cost Report and Resident Accounts
For the Period
April 1, 2007, Through March 31, 2008**

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.

Briarwood Community Living Center, Lexington, Tennessee, provides both NF-1 and NF-2 services. The facility is owned and operated by CLC of Lexington, LLC.

During the examination period, the facility maintained a total of 55 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 20,130 available bed days, the facility reported 10,822 for Medicaid NF-1 residents and none for Medicaid NF-2 residents for the year ended March 31, 2008. Also, the facility reported total operating expenses of \$2,543,350 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 (744-0152)</u> | <u>Level II NF (044-5333)</u> |
|-------------------------------------|----------------------------------|-----------------------------------|
| July 1, 2006, through June 30, 2007 | \$131.82 | \$ 98.57 |
| July 1, 2007, through June 30, 2008 | \$139.70 | \$100.86 |

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 26, 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 August 26, 2008, that Briarwood Community Living Center complied with the following requirements on the "Medicaid Nursing Facility Level 1 Cost Report" for the period April 1, 2007, through March 31, 2008, and to the facility's resident accounts for the period April 1, 2007, through March 31, 2008.

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

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

- Improper billing of resident leave days
- Nonallowable expenses included on the cost report

In our opinion, except for the instances of material noncompliance described above, Briarwood 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, 2007, through March 31, 2008, and for resident accounts for the period April 1, 2007, through March 31, 2008.

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. Improper Billing of Resident Leave Days

Finding

Briarwood Community Living Center improperly billed the Medicaid Program for hospital and therapeutic leave days when the facility was operating below the 85% occupancy requirement for the period October 1, 2005, through August 31, 2008. Of the 72 improperly billed leave days, the facility was only paid for 34 days by the Medicaid Program.

The rule in effect for the period under examination, Chapter 1200-13-1.06(4)(b) of the *Rules of the 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 the 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 at the nursing facility are occupied at the time of hospital admission or therapeutic absence.

As a result of improper billing of resident leave days, the facility was overpaid \$4,204.38 by the Medicaid Program for the 34 noncovered leave days for the period October 1, 2005, through August 31, 2008.

Recommendation

Briarwood Community Living Center should not accumulate or bill the Medicaid Program for hospital or therapeutic leave days when the facility is operating below 85% occupancy. The facility should refund \$4,204.38, representing overpayments by the Medicaid Program, to the State of Tennessee, as a result of the improper billing of leave days.

Management's Comment

Adjustments were made to leave of absence days that did not meet the occupancy threshold of 85%. A total of 34 days were denied for \$4,204.38 of reimbursement. Corrected bills were submitted for all of these days, but amounts recouped by TennCare seem to be in error. The remit shows that the original claim was credited but the corrected claim was never reimbursed. We are working with claims processing to resolve this issue. To date, \$15,462.00 has been recouped, which is in excess of the amount due of \$4,204.38.

Auditor's Comment

Briarwood Community Living Center provided adjustment/void request forms and copies of the Medicaid remittance advices supporting the \$15,462.19 that has currently been recouped by the State of Tennessee.

2. Nonallowable Expenses Included on the Cost Report

Finding

Briarwood Community Living Center included \$16,019.70 of nonallowable expenses on the "Medicaid Nursing Facility Level 1 Cost Report" for the year ended March 31, 2008. This amount consists of \$9,383.44 of nonallowable interest expense due to recording error; \$6,500.00 of civil monetary penalty; \$100.00 of donations; and \$36.26 of prescription medication.

Chapter 1200-13-.09 of the *Rules of the 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 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.

- Costs of gifts or donations
- Cost of fines or penalties resulting from violations of federal, state, or local laws

Chapter 1200-13-13-.04(1)(b) of the *Rules of the Department of Finance and Administration* specifies that persons dually eligible for Medicare and Medicaid will receive their pharmacy services through Medicare Part D.

The adjustment to allowable expenses had no effect on the facility's Medicaid reimbursable rate.

Recommendation

Briarwood Community Living Center 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.

Management's Comment

Management concurs.

SUMMARY OF MONETARY FINDING AND RECOMMENDATION

Source of Overpayments

| | |
|---|-------------------|
| Improper billing of resident leave days (see finding 1) | <u>\$4,204.38</u> |
|---|-------------------|

Disposition of Overpayments

| | |
|-------------------------------|-------------------|
| Due to the State of Tennessee | <u>\$4,204.38</u> |
|-------------------------------|-------------------|