

TENNCARE REPORT

**Cordova Rehabilitation and Nursing Center
Cordova, Tennessee**

**Resident Days Reported on the Cost Report
and
Resident Accounts for the Period
January 1, 2007, Through December 31, 2007**



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

**Department of Audit
Division of State Audit**



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May 27, 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 limited scope examination of the resident days reported on the Medicaid cost report and resident accounts of Cordova Rehabilitation and Nursing Center, Cordova, Tennessee, for the period January 1, 2007, through December 31, 2007.

Sincerely,

Arthur A. Hayes, Jr., CPA
Director

AAH/pn
09/038

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
Cordova Rehabilitation and Nursing Center
Cordova, Tennessee
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and
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FINDING NOT RECOMMENDING MONETARY REFUND

Deficiencies in Maintaining Resident Trust Fund Financial Records

The facility did not properly maintain supporting documentation that was necessary to prove proper authorization for amounts deposited to and withdrawn from the resident trust funds for the period under examination. Facility management was unable to provide the required support for transactions occurring in March and July 2007. As a result, resident monies could have been inappropriately depleted or misused during this period.

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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
FINDING AND RECOMMENDATION	5
• Deficiencies in Maintaining Resident Trust Fund Financial Records	5

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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.

Cordova Rehabilitation and Nursing Center, Cordova, Tennessee, provides both NF-1 and NF-2 services. The facility was owned and operated by Kindred Healthcare, Inc., for the period

examined. The facility was sold on January 1, 2008, and is now owned and operated by Grace Healthcare Corporation. The current officers/members of the board of directors are as follows:

John P. O'Brien, Jr.	Craig D. Taylor
Trent E. Tolbert	Barry Ray
Debbie Jones	Toni J. Crow
Sue Birchett	Alice Marie Clark Danks
Michelle Burdette	Martha Abercrombie

During the examination period, the facility maintained a total of 284 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 103,660 available bed days, the facility reported 57,410 for Medicaid NF-1 residents and 5,652 for Medicaid NF-2 residents for the year ended December 31, 2007. Also, the facility reported total operating expenses of \$25,465,587 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 (744-0486)</u>	<u>Level II NF (044-5218)</u>
July 1, 2006, through June 30, 2007	\$139.07	\$175.42
July 1, 2007, through June 30, 2008	\$146.32	\$168.17

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

November 18, 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 November 18, 2008, that Cordova Rehabilitation and Nursing Center complied with the following requirements on the "Medicaid Nursing Facility Level 1 Cost Report" for the period January 1, 2007, through December 31, 2007, and to the facility's resident accounts for the period January 1, 2007, through December 31, 2007.

- 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' 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 Cordova Rehabilitation and Nursing 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 Cordova Rehabilitation and Nursing Center's compliance with specified requirements.

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

- Deficiencies in maintaining resident trust fund financial records

In our opinion, except for the instance of material noncompliance described above, Cordova Rehabilitation and Nursing Center complied with, in all material respects, the aforementioned requirements for the "Medicaid Nursing Facility Level 1 Cost Report" for the period January 1, 2007, through December 31, 2007, and for resident accounts for the period January 1, 2007, through December 31, 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,

A handwritten signature in black ink that reads "Arthur A. Hayes, Jr." with a stylized flourish at the end.

Arthur A. Hayes, Jr., CPA
Director

AAH/pn

FINDING AND RECOMMENDATION

Deficiencies in Maintaining Resident Trust Fund Financial Records

Finding

Cordova Rehabilitation and Nursing Center failed to take adequate measures to safeguard resident trust funds as required by state and federal law. The facility lacked documentation necessary to prove proper authorization for amounts deposited to and withdrawn from the resident trust funds for two months. Both prior and current management were unable to locate the required supporting documentation for the months of March and July 2007. As a result, resident monies could have been inappropriately depleted or misused during this period. For the remainder of the fiscal year ended December 31, 2007, the resident trust fund appeared properly maintained and mathematically correct, with only immaterial discrepancies noted. Transaction logs were reviewed for the two months where the supporting documentation was not provided by either current or prior management personnel, and no unusual transactions were noted.

Paragraph 22,163.420(b)(1) 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(c)(2) further states that “the facility must hold, safeguard, manage and account for the personal funds of the resident deposited with the facility.” In addition, Section 71-6-117, *Tennessee Code Annotated*, provides for penalties in cases where the improper use of funds paid by a government agency to an adult or to a caretaker for the adult’s use is shown to be willful.

Chapter 1200-13-6-.16 of the *Rules of the Department of Finance and Administration* states,

Each provider of Level 1 nursing facility services is required to maintain adequate financial and statistical records which are accurate and in sufficient detail to substantiate the cost data reported. These records must be maintained for a period of not less than five years from the date of the submission of the cost report, and the provider is required to make such records available upon demand to representatives of the State Department of Health, the State Comptroller of the Treasury, or the United States Department of Health and Human Services.

Recommendation

Cordova Rehabilitation and Nursing Center needs to ensure resident trust fund records are properly retained and available upon inspection by any governmental agency. Adequate documentation must be maintained to support deposits and withdrawals for the resident trust

fund accounts. These records must be maintained for a minimum of five years and made available upon demand to auditors of the Comptroller of the Treasury.

Management's Comment

Management did not respond to this finding.