

TENNCARE REPORT

**Peachtree Center Nursing and Rehabilitation
Smyrna, Tennessee**

**Cost Report and Resident Accounts
For the Period
April 1, 2008, Through March 31, 2009**



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

**Department of Audit
Division of State 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 of Peachtree Center Nursing and Rehabilitation, Smyrna, Tennessee, for the period April 1, 2008, through March 31, 2009, and resident accounts for the period April 1, 2008, through March 31, 2009.

Sincerely,

Arthur A. Hayes, Jr., CPA
Director

AAH/pn
10/032

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
Peachtree Center Nursing and Rehabilitation
Smyrna, Tennessee
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FINDINGS RECOMMENDING MONETARY REFUNDS

Improper Billing of Resident Hospital Leave Days

Peachtree Center Nursing and Rehabilitation improperly billed the Medicaid Program for 12 resident leave days when the facility was operating below the 85% occupancy requirement for the period July 1, 2007, through June 30, 2009. As a result of the improper billing of noncovered resident leave days, the facility should refund \$1,339.80 to the State of Tennessee.

Need to Properly Manage Unrefunded Credit Balances

The facility has not established a system to ensure that credit balances on the accounts of deceased or discharged residents are properly managed and promptly refunded. Management failed to refund \$533.84 due to the State of Tennessee Medicaid Program and \$830.28 due to former residents or their authorized representatives.

FINDINGS NOT RECOMMENDING MONETARY REFUNDS

Nonallowable Expenses Included on the Cost Report

Peachtree Center Nursing and Rehabilitation included \$108,760.99 of nonallowable expenses on the "Medicaid Nursing Facility Level 1 Cost Report" for the year ended March 31, 2009. The nonallowable amount included marketing expenses; late fees; expenses not related to resident care; noncovered dental expenses; unreasonable training expenses, including a cruise; legal expenses related to fines; tobacco; unjustified salary and auto expenses; excess depreciation expenses; and unsupported expenses. The adjustment to allowable expenses had no effect on the facility's Medicaid reimbursable rate.

Charges on the Cost Report Not Supported by Financial Records

The facility was unable to provide adequate financial records to substantiate the gross routine service charges reported on the cost report.

**Peachtree Center Nursing and Rehabilitation
Smyrna, Tennessee
Cost Report and Resident Accounts
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**Peachtree Center Nursing and Rehabilitation
Smyrna, Tennessee
Cost Report and Resident Accounts
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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.

Peachtree Center Nursing and Rehabilitation, Smyrna, Tennessee, provides both NF-1 and NF-2 services. The facility is owned and operated by AMG Healthcare Centers, Inc., located in Chattanooga, Tennessee. The officers/members of the board of directors are as follows:

Bill Hardin
William Costas
Dr. David V. Chigurapati
Dr. Demosthenes Katsarkas
Joan Zodhiates

William S. Hardin
George Kefalas
Paul Jenks
Dr. Spiros Zodhiates
Phillip Zodhiates

During the examination period, the facility maintained a total of 98 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 35,770 available bed days, the facility reported 15,343 for Medicaid NF-1 residents and 2,086 for Medicaid NF-2 residents for the year ended March 31, 2009. Also, the facility reported total operating expenses of \$6,099,497 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 (744-0558)</u>	<u>Level II NF (044-5323)</u>
July 1, 2007, through June 30, 2008	\$146.47	\$168.30
July 1, 2008, through June 30, 2009	\$153.11	\$168.92

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

December 11, 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:

We have examined management's assertions, included in its representation letter dated December 11, 2009, that Peachtree Center Nursing and Rehabilitation complied with the following requirements on the "Medicaid Nursing Facility Level 1 Cost Report" for the period April 1, 2008, through March 31, 2009, and to the facility's resident accounts for the period April 1, 2008, through March 31, 2009.

- 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 Peachtree Center Nursing and Rehabilitation'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 Peachtree Center Nursing and Rehabilitation'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 hospital leave days
2. Need to properly manage unrefunded credit balances
3. Nonallowable expenses included on the cost report
4. Charges on cost report not supported by financial records

In our opinion, except for the instances of material noncompliance described above, Peachtree Center Nursing and Rehabilitation complied with, in all material respects, the aforementioned requirements for the "Medicaid Nursing Facility Level 1 Cost Report" for the period April 1, 2008, through March 31, 2009, and for resident accounts for the period April 1, 2008, through March 31, 2009.

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." The signature is written in a cursive, flowing style.

Arthur A. Hayes, Jr., CPA
Director

AAH/pn

FINDINGS AND RECOMMENDATIONS

1. Improper Billing of Resident Hospital Leave Days

Finding

Peachtree Center Nursing and Rehabilitation improperly billed the Medicaid Program for 12 hospital leave days when the facility was operating below the 85% occupancy requirement for the period July 1, 2007, through June 30, 2009.

Chapter 1200-13-1-.03(9)(a) 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:

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.

As a result of the improper billing of resident leave days, the facility was overpaid \$1,339.80 by the Medicaid Program for the 12 noncovered leave days for the period July 1, 2007, through June 30, 2009.

Recommendation

Peachtree Center Nursing and Rehabilitation 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 \$1,339.80, representing overpayments by the Medicaid Program, to the State of Tennessee as a result of the improper billing of resident hospital leave days.

Management's Comment

Management concurs with the finding and agrees the facility should refund the \$1,339.80 to the State of Tennessee.

2. Need to Properly Manage Unrefunded Credit Balances

Finding

Peachtree Center Nursing and Rehabilitation has not established a system to ensure that credit balances on the accounts of deceased or discharged residents are properly managed. Management did not maintain evidence that former residents or their authorized representatives were notified of money due them. Also, facility management failed to refund 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 \$1,364.12 remain on the accounts of five former residents of Peachtree Center Nursing and Rehabilitation. Of the total unrefunded credit balances, \$533.84 is due the State of Tennessee Medicaid Program and \$830.28 is due to former residents or their authorized representatives.

Recommendation

Peachtree Center Nursing and Rehabilitation should implement a system to promptly refund credit balances on the accounts of former residents. In addition, the facility should maintain evidence that former residents or their authorized representatives are notified of money due them. The facility should maintain a record of credit balances with the resident's name and social security number, the dates of last account activity and last owner contact, and the amount due the former resident.

The facility should also maintain evidence of attempts to contact the owner of the credit balance. Return of first-class mailing sent to the owner's last known address would satisfy the requirement that an attempt to contact the owner had been made, provided the mailing was not returned "undeliverable." If the proper owners cannot be located within five years from the date of the last account activity, a report of the abandoned property must be filed with the Tennessee Department of Treasury, Division of Unclaimed Property. Such a report is to be made before May 1 of each year and is to include all property deemed abandoned as of the previous December

31. Remittance of the abandoned property is due with the filing of the report. Funds transferred to the Tennessee Department of Treasury must include any accrued interest. Proper claims against the funds will be honored by the Tennessee Department of Treasury.

Peachtree Center Nursing and Rehabilitation should refund \$533.84 to the State of Tennessee Medicaid Program and \$830.28 to former residents or their authorized representatives.

Management's Comment

One resident's credit balance of \$527.62 was recouped on a remittance advice dated December 18, 2009. The balance of \$6.22 for one resident will be remitted back to the State of Tennessee.

The credit balances of \$830.28 for three residents will be remitted and copies of the checks will be submitted when the bank has cleared them.

3. Nonallowable Expenses Included on the Cost Report

Finding

Peachtree Center Nursing and Rehabilitation included \$108,760.99 of nonallowable expenses on the "Medicaid Nursing Facility Level 1 Cost Report" for the year ended March 31, 2009. The nonallowable amount consisted of \$5,086.14 of marketing expenses; \$3,330.32 of late fees; \$8,141.33 of expenses not related to NF-1 resident care; \$696.00 of noncovered dental expenses; \$1,800.60 of unreasonable training expenses, including a cruise; \$25,478.23 of legal expenses related to fines; \$449.53 to replace resident items that were lost or damaged; \$100.00 for gift cards given to a resident and a family advocate; \$68.52 for tobacco; \$48,760.00 for salary expense and \$3,923.86 for auto expenses that were not justified; and \$9,411.97 of unsupported expenses. Also, the adjustment included \$1,514.49 of excess depreciation expense due to 7 assets being depreciated too rapidly and one asset that had been returned by the facility and therefore should not be depreciated.

Chapter 1200-13-6.09(1) 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." Such costs that are not allowable in computing reimbursable costs include

- fines, penalties, or interest paid on any tax payments or interest charges on overdue payables;
- advertising costs which seek to increase patient population;

- travel expenses which are personal in nature, not proper or related to patient care; and
- costs which are not necessary or related to patient care.

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 guidelines. The guidelines used depend on when the asset was acquired. . . . For assets acquired on or after January 1, 1981, only the AHA (American Hospital Association) guidelines may be used.

The adjustment to allowable expenses has no effect on the facility's Medicaid reimbursable rate, since their per diem costs are greater than the statewide ceiling.

Recommendation

Peachtree Center Nursing and Rehabilitation 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.

Management's Comment

Management concurs with the finding and understands that there is no reimbursement effect as a result of the nonallowed expenses.

4. Charges on Cost Report Not Supported by Financial Records

Finding

The financial records of Peachtree Center Nursing and Rehabilitation did not support the gross charges reported on the "Medicaid Nursing Facility Level 1 Cost Report" for the fiscal year ended March 31, 2009. The facility was unable to provide adequate records to substantiate the gross routine service charges as reported on the cost report. The auditors used alternative procedures to ensure that costs were reasonably allocated to the Medicaid Program.

Chapter 1200-13-6-.10(4) of the *Rules of Tennessee Department of Finance and Administration* states, "Gross charges to the patient accounts must match the charges to the patient log."

Chapter 1200-13-6-.16 of the *Rules* 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.”

Gross routine service charges must be maintained by the facility’s financial records in order to be utilized to compute the Medicaid reimbursement rate.

Recommendation

Peachtree Center Nursing and Rehabilitation should maintain sufficient records and documentation to support the cost data reported on the “Medicaid Nursing Facility Level 1 Cost Report.” Adequate charge logs must be maintained to accumulate monthly and yearly totals. These records must be available upon demand to the State Comptroller of the Treasury or his agents. The facility cannot rely on alternative methods in calculating charges, but must maintain the appropriate and adequate records necessary that are then, in turn, used to accurately complete the cost report.

Management’s Comment

Management concurs with the finding and understands that there is no reimbursement effect as a result of the non-supported gross routine service charges.

Summary of Monetary Findings and Recommendations

Source of Overpayments

Noncovered resident leave days (see finding 1)	\$1,339.80
Unrefunded credit balances (see finding 2)	<u>\$1,364.12</u>
Total	<u>\$2,703.92</u>

Disposition of Overpayments

Due to the State of Tennessee	\$1,873.64
Due to residents or their authorized representatives	<u>\$ 830.28</u>
Total	<u>\$2,703.92</u>