

TENNCARE REPORT

**Good Samaritan Health and Rehabilitation Center
Antioch, Tennessee**

**Cost Report for the Period
January 1, 2008, Through December 31, 2008,
Resident Days for the Period
January 1, 2006, Through December 31, 2009,
and Resident Accounts for the Period
January 1, 2008, Through December 31, 2009**



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

**Department of Audit
Division of State Audit**



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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
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June 13, 2013

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 Good Samaritan Health and Rehabilitation Center, Antioch, Tennessee, for the period January 1, 2008, through December 31, 2008; resident days for the period January 1, 2006, through December 31, 2009; and resident accounts for the period January 1, 2008, through December 31, 2009.

Sincerely,

Deborah V. Loveless, CPA
Director

DVL/pn
10/033

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
Good Samaritan Health and Rehabilitation Center
Antioch, Tennessee
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FINDINGS RECOMMENDING MONETARY REFUNDS

Improper Billing of Resident Leave Days

Good Samaritan Health and Rehabilitation Center improperly billed the Medicaid Program for 656 resident hospital and therapeutic leave days while operating below 85% occupancy; 2 days when the facility exceeded the ten-day leave rule; 6 days billed after two residents were discharged; and 9 Medicare-eligible days for the period January 1, 2006, through December 31, 2009. As a result of the billing for 673 noncovered resident leave days, the facility should refund \$81,389.49 to the State of Tennessee.

Need to Properly Manage Unrefunded Credit Balances

The facility failed to ensure that credit balances on the accounts of 81 deceased or discharged residents were properly managed and promptly refunded. Resident trust fund unrefunded credit balances of \$54,256.02 are due to former residents or their authorized representatives.

Deficiencies in Accounting for the Resident Trust Fund

Good Samaritan Health and Rehabilitation Center failed to take adequate measures to safeguard the resident trust fund and did not perform proper and timely reconciliations of the resident trust fund. Several variances and mathematical errors were noted. Auditors determined the account was underfunded by \$681.98. The facility also had \$3,141.95 in inadequately documented withdrawals for 18 residents. The facility should replenish the \$681.98 shortage as well as refund \$3,141.95 to 18 residents or their authorized representatives.

Residents Inappropriately Charged for Covered Items

Good Samaritan Health and Rehabilitation Center inappropriately charged Medicaid residents' trust fund accounts for diapers, which are Medicaid covered items. As a result of the inappropriate charges, the facility should reimburse \$792.02 to ten Medicaid residents or their authorized representatives.

FINDINGS NOT RECOMMENDING MONETARY REFUNDS

Nonallowable Expenses Included on the Cost Report

The facility included \$87,540.57 of nonallowable expenses on the "Medicaid Nursing Facility Level 1 Cost Report" for the year ended December 31, 2008. The nonallowable amount includes monies spent as a purchase deposit on non-resident-related property; mortgage payments, association fees, and utilities for a non-resident-related house and condo; marketing and marketing-related travel expenses; expenses related to ancillary medical supplies; travel expenses not related to resident care; legal fees that should have been expenses in the next fiscal year; late fees; personal comfort items; purchase discounts received when the entire expense was on the cost report; excess depreciation expense; and inadequately documented expenses. The adjustment to allowable expenses had no effect on the facility's Medicaid reimbursable rate, since the facility's per diem costs are greater than the statewide ceiling.

Charges on Cost Report Not Supported by Financial Records

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

Resident Trust Fund Balances Exceeding the Medicaid Resource Limit

The facility had nine Medicaid residents with trust fund balances exceeding the Medicaid resource limit of \$2,000. The facility should not bill the Medicaid Program for services rendered to any resident whose resources exceed the Social Security Income limit.

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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. Need to Properly Manage Unrefunded Credit Balances	7
3. Deficiencies in Accounting for the Resident Trust Fund	9
4. Residents Inappropriately Charged for Covered Items	10
5. Nonallowable Expenses Included on the Cost Report	11
6. Charges on Cost Report Not Supported by Financial Records	14
7. Resident Trust Fund Balances Exceeding the Medicaid Resource Limit	15
Summary of Monetary Findings and Recommendations	16

**Good Samaritan Health and Rehabilitation Center
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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.

Good Samaritan Health and Rehabilitation Center, Antioch, Tennessee, provides both NF-1 and NF-2 services. On March 31, 2009, Tri-State Properties, LLC sold the land, building, and equipment to Goodhope, LLC. Goodhope, LLC is solely owned by the Valdomar Family Trust. Ebenezer Home of Tennessee, Inc. has leased Good Samaritan from Tri-State Properties, LLC since 1986. Ebenezer Home of Tennessee, Inc. is owned by Celia and Jose Valdomar, the trustees of the Valdomar Family Trust. The officers/members of the board of directors are as follows:

Celia D. Valdomar, President
 Emmanuel B. David, Treasurer
 Antonio T. Quion, Corporate Secretary

During the examination period, the facility maintained a total of 110 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 40,260 available bed days, the facility reported 22,876 for Medicaid NF-1 residents and 2,431 for Medicaid NF-2 residents for the year ended December 31, 2008. Also, the facility reported total operating expenses of \$6,464,701 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 (744-0473)</u>	<u>Level II NF (044-5170)</u>
January 1, 2006, through June 30, 2006	\$129.11	\$164.53
July 1, 2006, through June 30, 2007	\$139.07	\$175.42
July 1, 2007, through June 30, 2008	\$146.00	\$167.85
July 1, 2008, through June 30, 2009	\$146.05	\$168.62
July 1, 2009, through June 30, 2010	\$148.68	\$153.11

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 or clinical or medical provisions.



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT

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Independent Accountant's Report

January 25, 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:

We have examined management's assertions, included in its representation letter dated January 25, 2010, that Good Samaritan Health and Rehabilitation Center complied with the following requirements:

- Income and expenses reported on the "Medicaid Nursing Facility Level 1 Cost Report" for the fiscal year ended December 31, 2008, 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 from January 1, 2006, through December 31, 2009, when residents were hospitalized or on therapeutic leave are in accordance with the 85 percent occupancy rule and hospital and therapeutic leave day rule in effect for the period tested.
- Charges to residents and charges to residents' personal funds from January 1, 2008, through December 31, 2009, 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 conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and accordingly, included examining, on a test basis, evidence about Good Samaritan Health and Rehabilitation Center's compliance with those requirements and performing other such procedures we considered necessary. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Good Samaritan Health and Rehabilitation 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
- Need to properly manage unrefunded credit balances
- Deficiencies in accounting for the resident trust fund
- Residents inappropriately charged for covered items
- Nonallowable expenses included on the cost report
- Charges on cost report not supported by financial records
- Resident trust fund balances exceeding the Medicaid resource limit

In our opinion, except for the instances of material noncompliance described above, Good Samaritan Health and Rehabilitation Center complied with, in all material respects, the aforementioned requirements for the "Medicaid Nursing Facility Level 1 Cost Report" for the period January 1, 2008, through December 31, 2008; for resident days for the period January 1, 2006, through December 31, 2009; and for resident accounts for the period January 1, 2008, through December 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 and is not intended to be and should not be used by anyone other than these specified parties. 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

Good Samaritan Health and Rehabilitation Center improperly billed the Medicaid Program for 673 noncovered days for the period January 1, 2006, through December 31, 2009. Of the 673 improperly billed days, 656 were for NF-1 hospital and therapeutic leave days when the facility was operating below 85% occupancy; 2 were for NF-1 hospital leave days that exceeded the ten-day leave rule; 6 days were billed after two residents were discharged; and 9 Medicare-eligible days were billed to 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.

Chapter 1200-13-6-.10(5) of the *Rules* states, "Each facility must maintain daily census records and an adequate patient log. . . . This log, however, must be sufficient . . . to accumulate monthly and yearly totals for Medicaid NF-1 patients and for all other patients."

As a result of the improper billing of resident days, the facility was overpaid a total of \$81,389.49 by the Medicaid Program for 673 noncovered days for the period January 1, 2006, through December 31, 2009.

Recommendation

Good Samaritan Health and Rehabilitation Center should not accumulate or bill the Medicaid Program for NF-1 hospital or therapeutic leave days when the facility is operating below 85% occupancy or when a resident's leave days exceed ten per state fiscal year. The

facility should not accumulate or bill the Medicaid Program when residents have been discharged from the facility or when the days should be charged to another program. As a result of the billing for 673 noncovered resident leave days, the facility should refund \$81,389.49 to the State of Tennessee.

Management's Comment

The propriety of the billing for resident leave days depends on the correct interpretation of the 85% occupancy rule. The language of the rule governing Level 1 nursing facility (NF), the subject of this appeal, is very clear and conveys only one meaning. Thus, permit us to cite Civil Code Section 1638, where in part it says, "The language of a contract is to govern its interpretation, if the language is clear and explicit, and does not involve an absurdity."

Furthermore, we submit that a reading of Rule 1200-13-1-.06 shows a distinct classification of care beds into:

- (i) Level I Nursing Facility
- (ii) Level II Nursing Facility
- (iii) ICF/MR.

Please note that the Rule has assigned specific occupancy ratio to each group classification. Thus, subparagraph (b) of paragraph (4) of Rule 1200-13-1-.06, quoted below, is exclusively for Level I nursing facilities (NF); subparagraph (a) of paragraph (3) is exclusively for Level II nursing facilities, and subparagraph (c) of paragraph (31) of Rule 1200-13-1-.06 is exclusively for ICF/MR.

- (b) A level I nursing facility (NF) shall be reimbursed in accordance with this paragraph for the recipient's bed in that facility during the recipient's temporary absence from that facility in accordance with the following:
 - (i) The resident intends to return to the NF.
 - (ii)
 - (iii)
 - (iv) At least 85% of all other beds in the NF are occupied at the time of the hospital admission or therapeutic absence.

We draw your attention to the underlined Level I nursing facility (NF). The beginning subject of the paragraph immediately defines "NF." Therefore, the use of the NF in the body of the paragraph refers to no other but to the Level I nursing facility (NF) and not to all beds in the entire facility.

However, you have given this exclusive paragraph a sweeping and improper interpretation and application to all beds in the nursing facility. This is the heart of our disagreement and basis of our appeal.

When paragraph (iv) does mention that “at least 85% of all other beds in the NF are occupied . . .” our good faith interpretation thereof is that the 85% is confined and restricted to Level I. Again, this is because NF is clearly defined in subparagraph (b) as Level I nursing facility (NF).

In the same breadth, when it comes to ICF/MR, the 85% occupancy is confined and restricted to ICF/MR as per (c) subparagraph (1)(iii), quoted as follows: “At least 85% of all other beds in the ICF/MR certified at the recipient’s designated level of care.” In the case of Level II, there is not such an occupancy ratio requirement.

Outside of this interpretation, it is logical to conclude that the intent of the 85% occupancy is to relate to Level I NF because it is the only classification that allows bed hold. Thus, to apply the rule to all beds in the entire facility regardless of classification is a stretch and misreading the intent of the direct correlation.

In the 2008 audit year, Good Samaritan Health & Rehab Center had 80 Level I beds. When we applied the 85% occupancy to Level I (NF), admittedly there were instances in which we did not meet the 85% ratio and we concede to the disallowance of \$58,600.68. However, where the 85% occupancy in the Level I NF was met, we firmly claim that we are the rightful beneficiary of the bed hold reimbursement in the amount of \$22,788.80.

In summary, applying the 85% ratio only to Level I beds (NF) is in accord with the intent and spirit of the rule and is the right and just interpretation, as well.

We intend to request an appeal hearing from the Department of Finance and Administration.

Rebuttal

The *Rules* clearly state that 85% of all other beds must be occupied at the time of hospital admission or therapeutic absence. The calculation of occupancy is not intended to only include Level 1 beds, but rather all of the other beds within the facility that are permissible to be occupied by a Level 1 recipient. Hence, the entire \$81,389.49 is due to the Medicaid Program and must be refunded by adjusting each claim that makes up the 673 days that were billed improperly.

2. Need to Properly Manage Unrefunded Credit Balances

Finding

Good Samaritan Health and Rehabilitation Center failed to ensure that credit balances on the accounts of deceased or discharged residents were properly managed and promptly refunded.

Management did not maintain evidence that former residents or their authorized representatives were notified of money due them.

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."

Resident trust fund unrefunded credit balances of \$54,256.02 remain on the accounts of 81 former residents of Good Samaritan Health and Rehabilitation Center. The entire amount is due to former residents or their authorized representatives.

Recommendation

Good Samaritan Health and Rehabilitation Center should immediately implement a system to 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 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 State of Tennessee Department of Treasury must include any accrued interest. Proper claims against the funds will be honored by the State of Tennessee Department of Treasury.

Good Samaritan Health and Rehabilitation Center should refund \$54,256.02 to former residents or their authorized representatives.

Management's Comment

As mentioned in the cover letter submitted to the State of Tennessee Department of Treasury, Division of Unclaimed Property, together with a check for \$61,517.88, this amount is the remaining resident trust fund balances belonging to the discharged nursing home residents. Due diligence was exercised by the facility by sending registered mail to the latest addresses of the residents involved, informing them of their available balance. This was followed by phone

calls to the families and/or responsible parties. After these follow-up steps, those residents without response were summarized in a list and a corresponding check was prepared. The \$61,517.88 paid to the State Treasurer includes the \$54,256.02 mentioned in your finding.

3. Deficiencies in Accounting for the Resident Trust Fund

Finding

Good Samaritan Health and Rehabilitation Center failed to take adequate measures to safeguard resident funds as required by federal and state laws. The resident trust fund was not reconciled in a timely manner and was not made available to auditors for several days after the request was made. The facility maintained both manual ledgers and computerized summary ledgers that did not reconcile to one another, nor did they reconcile to the bank statements. Several variances and mathematical errors were noted. After reconciling the account, auditors determined the resident trust fund was underfunded by \$681.98.

The facility lacked adequate documentation and proper authorization for withdrawals from the resident trust fund. There were numerous transactions, totaling \$3,141.95 for the period January 1, 2008, through December 31, 2009, for 18 residents where purchases were inadequately documented, either by receipt, invoice, or resident authorization. As a result, resident monies could have been inappropriately depleted or misused during the period tested.

Paragraph 22,163.10(c)(2) of the *Medicare and Medicaid Guide* states that “the facility must hold, safeguard, manage and account for the personal funds of the resident deposited with the facility.” Paragraph 22,163.10(c)(4) further 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.”

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.

Recommendation

Good Samaritan Health and Rehabilitation Center should immediately establish adequate internal controls, including policies and procedures to ensure compliance with applicable laws and regulations relative to the protection of resident funds. Bank reconciliations should be accurately and routinely performed. Documentation should be in place to ensure the adequate safeguarding and accounting for residents’ funds. The \$681.98 shortage in the resident trust fund account should be replenished, and the \$3,141.95 in inadequately documented withdrawals should be refunded to the 18 residents or their authorized representatives.

Management's Comment

The underfunding of the resident trust fund account by \$681.98 was made up of various monthly bank interest income that became a monthly reconciling of items for several periods before it was finally replenished in November 2009, with check #23241.

Management provided the auditors with a copy of the "Internal Control Protocol for Patient Trust Fund" to ensure compliance with applicable laws and regulations pertaining to the protection of resident funds. Bank reconciliations are now accurately and routinely performed by the office manager and monitored by the administrator. The amounts constituting the \$2,027.56 trust fund payback were all legitimate disbursements from the resident trust fund, but the system in place at that time has been improved. At that time, residents would request the social worker or the administrator draw funds from their accounts to buy items for them. Since the resident could not go to the bank to cash his/her check, the check was being drawn under the name of the social worker or administrator, who cashed the check to buy the requested item. Although the withdrawals of funds were authorized by the resident in writing, the practice of issuing the checks under the name of the assisting personnel has been stopped. A new "Resident Trust Fund Withdrawal" form was placed in use to take care of the previous flaw in the system.

Due to our inability to trace back to 2008 and 2009 the detailed disbursements shown in the auditor's summary of "Resident Trust Fund Payback" for lack of time and proper references, the amount of \$1,114.39 per the "unsupported diaper test" column will be refunded.

Rebuttal

The facility lacked evidence that these purchases were made by the activities director or the administrator. Auditors were unable to determine if these funds were actually spent on residents.

4. Residents Inappropriately Charged for Covered Items

Finding

Good Samaritan Health and Rehabilitation Center has inappropriately charged Medicaid residents' trust fund accounts for diapers, which are Medicaid covered items. The facility charged ten residents the full cost of non-stocked diapers that were specifically requested by the residents. The facility is only allowed to charge residents the difference in cost between the diapers stocked by the facility and the diapers specifically requested by the residents. The cost of the stocked diapers charged to residents totaled \$792.02, for the period January 1, 2008, through November 30, 2009.

No. 93-2 of the *Medicaid Bulletin* states, ". . . diapers, cloth and/or disposable, is a NF responsibility and considered a covered service."

No. 94-1 of the *Medicaid Bulletin* states, “For covered items, the NF may charge no more than the difference between the cost of an item and/or service it provides and one specifically requested by name by the resident.”

As a result of the inappropriate charges, the resident trust fund accounts for ten Medicaid residents have been incorrectly charged \$792.02 for Medicaid covered services.

Recommendation

Good Samaritan Health and Rehabilitation Center should not charge Medicaid residents for covered services. The facility can only charge residents the difference between the cost of the diaper stocked by the facility and the cost of the specific diaper requested by the resident. Good Samaritan Health and Rehabilitation Center should reimburse the ten Medicaid residents or their authorized representatives a total of \$792.02.

Management’s Comment

Strict monitoring of purchases of specific diapers requested is now implemented through inventory control and verified charging. A copy of the cancelled check for \$792.02 covering the inappropriate diaper charges to the patients was provided to auditors. The refunds were duly posted to each of the individual resident accounts.

5. Nonallowable Expenses Included on the Cost Report

Finding

Good Samaritan Health and Rehabilitation Center included \$87,540.57 of nonallowable expenses on the “Medicaid Nursing Facility Level 1 Cost Report” for the year ended December 31, 2008. The nonallowable expenses consisted of inadequately documented expenses of \$34,082.56; \$17,700.00 for a non-resident-related property purchase deposit; \$13,459.42 in unsupported accounts payable; \$8,731.51 for two months of mortgage payments for a condominium, association fees for a condominium, and utilities for a house and condominium, which are non-resident-related properties; \$3,751.95 of marketing-related travel expenses; \$2,295.37 of marketing expenses; \$1,906.50 of expenses related to ancillary medical supplies; \$1,347.44 for travel expenses not related to resident care; \$627.32 in legal fees that should have been expensed during the next fiscal year; \$608.81 in late fees; \$29.50 for resident personal comfort items; and \$16.00 for purchase discounts received when the entire expense was on the cost report. Also, the adjustment included \$2,984.19 of excess depreciation expense from 11 assets with incorrect useful lives, causing excess depreciation expense to be reported.

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. Such costs that are not allowable in computing reimbursable costs include

- purchase discounts, cash discounts, trade discounts, quantity discounts or allowances;
- costs which are not necessary or related to patient care;
- cost of personal comfort items and other non-covered items;
- any fines, penalties, or interest paid on any tax payment or interest charges on overdue payables;
- advertising costs which seek to increase patient population or utilization of the provider’s facilities by the general public; and
- travel expenses which are personal in nature, not proper or related to patient care.

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.

Such costs are not allowable in computing reimbursable costs and include . . . Cost of travel incurred in connection with non-patient care related purposes.

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 life 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 had no effect on the facility’s Medicaid reimbursable rate, since the facility’s per diem costs are greater than the statewide ceiling.

Recommendation

Good Samaritan Health and Rehabilitation 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 patient care, and in compliance with other applicable regulations.

Management's Comment

Paragraph 5866 of the *Medicare and Medicaid Guide* states, "Costs related to patient care are costs which are appropriate or necessary and proper in developing and maintaining the operation of patient care facilities and activities. Necessary costs include costs which usually are common or accepted occurrences in the field of the provider's activity." Such costs are allowable in computing reimbursable costs.

Following the above definition of reimbursable costs, we consider that most of the following disallowed costs **were related to patient care**:

- a. Travel expenses of a nursing consultant sent to Tennessee from California to assist in the training of nurses and monitoring the proper implementation of nursing protocols.
- b. Travel expenses of a maintenance crew from California sent to Tennessee to assist the local maintenance staff in repairing roofs, etc.
- c. Utility bills of housing provided by the facilities for the California consultants and maintenance crew.
- d. Travel expenses incurred by nursing staff sent to the hospital to assess patients prior to admission.

Strict monitoring is now implemented to make sure that only allowable expenses are included in the Medicaid Nursing Facility Level 1 Cost Report. Also, all proper documentation is now insured for all reported expenses, for covered services, related to patient care, and in compliance with other applicable regulations.

Rebuttal

The facility has not established the necessity for perpetually maintaining a house and a condominium to allow for periodic travel of staff from California. Also, travel expenses incurred by nursing staff sent to hospitals to assess patients prior to admission are not deemed a necessary expense. It was noted during our examination that a large number of the patients assessed never became residents of the facility.

6. Charges on Cost Report Not Supported by Financial Records

Finding

The financial records of Good Samaritan Health and Rehabilitation Center did not support the gross charges reported on the “Medicaid Nursing Facility Level 1 Cost Report” for the fiscal year ended December 31, 2008. The facility was unable to provide adequate records to substantiate the gross routine service charges as reported on the cost report. Although the facility’s contracted consultant who prepares the cost report used alternative methods to determine gross charges, the facility’s financial accounting system had not been designed to properly accumulate these charges. The methods used by the cost report preparer in determining gross charges were considered a reasonable alternative by auditors for this period.

Chapter 1200-13-6-10(4) of the *Rules of Tennessee Department of Finance and Administration* states, “Gross charges to the patients’ 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 substantiated by the facility’s financial records in order to be utilized to compute the Medicaid reimbursement rate.

Recommendation

Good Samaritan Health and Rehabilitation Center 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

To ensure that the facility is following a uniform charging practice, the facility has a computerized and uniform billing system interfaced with the general ledger that is capable of generating reliable revenue data so that the general ledger reflects the patient revenues as billed.

7. Resident Trust Fund Balances Exceeding the Medicaid Resource Limit

Finding

Good Samaritan Health and Rehabilitation Center had nine residents with trust fund balances exceeding the Medicaid resource limit.

Chapter 1240-3-3.05 of the *Rules of Department of Human Services* states, “(1) Applicants for medical assistance are permitted to retain resources in an amount not to exceed the SSI limits . . . (3)(b) Countable resources for Standard Spend Down and institutionalized individuals who are aged, blind and disabled are determined by using SSI policy at 20 C.F.R. Part 416.”

Paragraph 15,642 of the *Medicare and Medicaid Guide* states, “Resources that may be retained are . . . cash assets up to \$2,000 for an individual.”

As a result, Medicaid billed for nine residents who do not currently satisfy the financial eligibility requirements.

Recommendation

Good Samaritan Health and Rehabilitation Center should notify each resident or the resident’s authorized representative when any resident’s funds approach the \$2,000 Medicaid resource limit. The facility should not bill the Medicaid Program for services rendered to any resident whose resources exceed the Social Security Income limit. Those residents must be billed as private payors until the resources are spent down sufficiently to satisfy the financial eligibility requirements.

Management’s Comment

The office manager in charge of the resident trust fund, together with the social worker and the administrator, will monitor the monthly balance of the residents’ accounts to make sure that the accounts of the residents do not go beyond the allowable \$2,000 by spending down for the personal use of the residents and/or by paying the share of costs.

SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

Source of Overpayments

Improper billing of resident leave days (see finding 1)	\$ 81,389.49
Unrefunded credit balances (see finding 2)	\$ 54,256.02
Deficiencies in accounting for the resident trust fund (see finding 3)	\$ 3,823.93
Inappropriate charges for covered items (see finding 4)	\$ <u>792.02</u>
Total	<u>\$140,261.46</u>

Disposition of Overpayments

Due to the State of Tennessee	\$ 81,389.49
Due to residents or their authorized representatives	\$ <u>58,871.97</u>
Total	<u>\$140,261.46</u>