

TENNCARE REPORT

**Lincoln and Donalson Care Centers
Fayetteville, Tennessee**

**Depreciation Expense and Resident Accounts
for the Period
July 1, 2009, Through June 30, 2010,
and Resident Days for the Period
July 1, 2009, Through June 30, 2011**



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

**Department of Audit
Division of State Audit**



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STATE OF TENNESSEE
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May 3, 2012

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 limited scope examination of the depreciation expense reported on the Medicaid cost report of Lincoln and Donalson Care Centers, Fayetteville, Tennessee, and resident accounts for the period July 1, 2009, through June 30, 2010; and resident days for the period July 1, 2009, through June 30, 2011.

Sincerely,

Arthur A. Hayes, Jr., CPA
Director

AAH/pn
12/016

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
Lincoln and Donalson Care Centers
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FINDING RECOMMENDING MONETARY REFUND

Improper Billing of Resident Leave Days

Lincoln and Donalson Care Centers improperly billed the Medicaid Program for 85 hospital and therapeutic leave days when the facility was operating below the 85% occupancy requirement for the period July 1, 2009, through June 30, 2011. As a result of the improper billing of noncovered leave days, the facility should refund \$9,245.40 to the State of Tennessee.

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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.

Lincoln and Donalson Care Centers, Fayetteville, Tennessee, provides both NF-1 and NF-2 services. The facility is owned and operated by Lincoln County. The officers/members of the board of directors are as follows:

Sharon Eubanks
 Bill Newman
 Donny Ogle
 Anthony Taylor
 Dr. Larry Barnes

During the examination period of July 1, 2009, through May 31, 2011, the facility maintained a total of 270 licensed nursing facility beds. Effective June 1, 2011, the facility decreased the licensed nursing facility beds to 240. 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 98,550 available bed days, the facility reported 63,221 for Medicaid NF-1 residents and 3,830 for Medicaid NF-2 residents for the year ended June 30, 2010. Also, the facility reported total operating expenses of \$12,920,851 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 (744-0054)</u>	<u>Level II NF (044-5173)</u>
July 1, 2009, through June 30, 2010	\$125.27	\$147.84
July 1, 2010, through June 30, 2011	\$126.37	\$148.38

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

August 25, 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:

We have examined management's assertions, included in its representation letter dated August 25, 2011, that Lincoln and Donalson Care Centers complied with the following requirements:

- Depreciation expense reported on the "Medicaid Nursing Facility Level 1 Cost Report" for the fiscal year ended June 30, 2010, was in accordance with federal regulations.
- Resident days reported on the Medicaid cost report have been counted in accordance with state regulations. Medicaid resident days billed to the state from July 1, 2009, through June 30, 2011, when residents were hospitalized or on therapeutic leave are in accordance with the bed hold rules.
- Charges to residents' personal funds from July 1, 2009, through June 30, 2010, 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 Lincoln and Donalson Care Centers' 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 Lincoln and Donalson Care Centers' compliance with specified requirements.

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

- Improper billing of resident leave days

In our opinion, except for the instance of material noncompliance described above, Lincoln and Donalson Care Centers complied with, in all material respects, the aforementioned requirements for the depreciation expense reported on the Medicaid cost report and resident accounts for the period July 1, 2009, through June 30, 2010; and resident days for the period July 1, 2009, through June 30, 2011.

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

FINDING AND RECOMMENDATION

Improper Billing of Resident Leave Days

Finding

Lincoln and Donalson Care Centers improperly billed the Medicaid Program for 85 hospital and therapeutic leave days for the period July 1, 2009, through June 30, 2011, when the facility was operating below 85% occupancy. As a result, the facility should refund \$9,245.40 to the State of Tennessee.

Chapter 1200-13-1-.03(9)(a) of the *Rules of the Tennessee Department of Finance and Administration* states:

A Level 1 nursing facility (NF) shall be reimbursed for a resident's bed in the NF during the resident's temporary absence from the NF as follows:

Reimbursement shall be made for up to a total of ten (10) days per State fiscal year while the resident is hospitalized or absent from the NF on therapeutic leave.

The resident intends to return to the NF.

At least eighty-five percent (85%) of all other beds in the NF are occupied at the time of hospital admission or therapeutic absence. An occupied bed is one that is actually being used by a resident. Beds being held for other residents while they are hospitalized or otherwise absent from the facility are not considered to be occupied beds for purposes of this calculation.

As a result of the improper billing of resident leave days, the facility was overpaid \$9,245.40 by the Medicaid Program for the 85 noncovered leave days for the period July 1, 2009, through June 30, 2011.

Recommendation

Lincoln and Donalson Care Centers should not accumulate or bill the Medicaid Program for hospital or therapeutic leave days when the facility is operating under 85% occupancy. The facility should refund \$9,245.40, representing overpayments by the Medicaid Program, to the State of Tennessee as a result of the improper billing of hospital or therapeutic leave days.

Management's Comment

Management concurs with the finding. The claims mentioned in the audit were billed in error and will be resubmitted correctly. All current and future claims will be submitted using the established guidelines.

SUMMARY OF MONETARY FINDING AND RECOMMENDATION

Source of Overpayments

Improper billing of resident leave days	<u>\$9,245.40</u>
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Disposition of Overpayments

Due to the State of Tennessee	<u>\$9,245.40</u>
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