

TENNCARE REPORT

Life Care Center of Tullahoma
Tullahoma, Tennessee

Depreciation Expense and Resident Accounts
for the Period
January 1, 2010, Through December 31, 2010,
and Resident Days for the Period
January 1, 2009, Through June 30, 2011



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

Department of Audit
Division of State Audit



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May 31, 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 and resident accounts reported on the Medicaid cost report of Life Care Center of Tullahoma, Tullahoma, Tennessee, for the period January 1, 2010, through December 31, 2010; and resident days for the period January 1, 2009, through June 30, 2011.

Sincerely,

Arthur A. Hayes, Jr., CPA
Director

AAH/pn
12/017

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report

Life Care Center of Tullahoma

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Depreciation Expense and Resident Accounts
for the Period

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FINDING RECOMMENDING MONETARY REFUND

Improper Billing of Resident Leave Days

Life Care Center of Tullahoma improperly accumulated and billed the Medicaid Program for 11 hospital and therapeutic leave days when the facility was operating below 85% occupancy for the period January 1, 2009, through June 30, 2011. As a result of the improper billing of noncovered leave days, the facility should refund \$1,425.17 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.

Life Care Center of Tullahoma, Tullahoma, Tennessee, provides both NF-1 and NF-2 services. The facility is owned and operated by Life Care Centers of America. The officers/members of the board of directors are as follows:

Forrest L. Preston
 John F. McMullan
 Beecher Hunter
 J. Stephen Ziegler
 JoAnna J. Crooks
 Dr. Kenneth L. Scott
 Richard L. Swanker

During the examination period of January 1, 2009, through June 30, 2011, the facility maintained a total of 169 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 61,685 available bed days, the facility reported 22,445 for Medicaid NF-1 residents and 3,438 for Medicaid NF-2 residents for the year ended December 31, 2010. Also, the facility reported total operating expenses of \$8,979,487 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>	Level I NF <u>(744-0133)</u>	Level II NF <u>(044-5238)</u>
July 1, 2008, through June 30, 2009	\$140.53	\$168.62
July 1, 2009, through June 30, 2010	\$144.27	\$167.40
July 1, 2010, through June 30, 2011	\$162.75	\$173.42

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 26, 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 26, 2011, that Life Care Center of Tullahoma complied with the following requirements:

- Depreciation expense reported on the "Medicaid Nursing Facility Level 1 Cost Report" for the fiscal year ended December 31, 2010, was in accordance with federal regulations.
- 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, 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 January 1, 2010, through December 31, 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 Life Care Center of Tullahoma'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 Life Care Center of Tullahoma's 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, Life Care Center of Tullahoma complied with, in all material respects, the aforementioned requirements for the depreciation expense reported on the cost report and resident accounts for the period January 1, 2010, through December 31, 2010; and resident days for the period January 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,

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

Improper Billing of Resident Leave Days

Finding

Life Care Center of Tullahoma improperly billed the Medicaid Program for 11 hospital and therapeutic leave days for the period January 1, 2009, through June 30, 2011, when the facility was operating below 85% occupancy. As a result, the facility should refund \$1,425.17 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 85% of all other beds in the NF are occupied at the time of the 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, Life Care Center of Tullahoma was overpaid \$1,425.17 by the Medicaid Program for the 11 noncovered leave days for the period January 1, 2009, through June 30, 2011.

Recommendation

Life Care Center of Tullahoma 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 \$1,425.17, 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 regarding improper billing of resident leave days. The amounts due will be refunded to the State of Tennessee. The billing of leave days was due to an oversight that management does not anticipate occurring again. The facility's business office staff has been reminded of the importance of complying with the state's limitation on billing resident leave days.

SUMMARY OF MONETARY FINDING AND RECOMMENDATION

Source of Overpayments

Improper billing of leave days (see finding) \$1,425.17

Disposition of Overpayments

Due to the State of Tennessee \$1,425.17