

TENNCARE REPORT

**MatureCare of Standifer Place, LLC
d/b/a The Health Center at Standifer Place
Chattanooga, Tennessee**

**Depreciation Expense for the Period
January 1, 2010, Through December 31, 2010,
Resident Days for the Period
January 1, 2009, Through June 30, 2011,
and Resident Accounts for the Period
January 1, 2009, Through September 15, 2011**



**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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February 7, 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 limited scope examination of the depreciation expense reported on the Medicaid cost report of MatureCare of Standifer Place, LLC, d/b/a The Health Center at Standifer Place, Chattanooga, Tennessee, for the period January 1, 2010, through December 31, 2010; resident days for the period January 1, 2009, through June 30, 2011; and resident accounts for the period January 1, 2009, through September 15, 2011.

Sincerely,

Deborah V. Loveless, CPA
Director

DVL/pn
12/021

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
MatureCare of Standifer Place, LLC
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FINDINGS RECOMMENDING MONETARY REFUNDS

Residents Inappropriately Charged for Covered Items

The Health Center at Standifer Place charged Medicaid residents' trust fund accounts for adult diapers, a Medicaid covered item. As a result of the inappropriate charges, the facility should reimburse 115 Medicaid residents or their authorized representatives a total of \$15,941.52.

Improper Billing of Resident Leave Days

The facility improperly billed the Medicaid Program for 41 hospital and therapeutic leave days while operating below 85% occupancy for the period January 1, 2009, through June 30, 2011. As a result of the billing of noncovered leave days, the facility should refund \$5,551.76 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. Accounts receivable unrefunded credit balances of \$5,255.61 remain on the accounts of nine former residents of the facility. Of the total unrefunded credit balances, \$1,773.08 is due to the State of Tennessee Medicaid Program, and \$3,482.53 is due to former residents or their authorized representatives.

FINDINGS NOT RECOMMENDING MONETARY REFUNDS

Failure to Deposit Residents' Funds in Insured Interest-Bearing Account

The Health Center at Standifer Place failed to deposit funds in excess of \$100 received from, or on behalf of, a resident in an interest-bearing account, insured by an agency of the federal government. Rather, the facility had deposited residents' funds in a money market mutual fund that was not FDIC-insured and not interest-bearing.

Incorrect Useful Lives of Depreciable Assets

The facility reported excess depreciation expense on its "Medicaid Nursing Facility Level 1 Cost Report" for the fiscal year ended December 31, 2010. Of the 82 assets tested that were purchased during the fiscal year ended December 31, 2010, six of the assets had incorrect useful lives, resulting in the reporting of excessive depreciation expense. Since the Medicaid reimbursement rate was frozen effective July 1, 2011, an adjustment to depreciation expense would have no effect on the facility's Medicaid reimbursement rate.

**MatureCare of Standifer Place, LLC
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Chattanooga, 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.

The Health Center at Standifer Place, Chattanooga, Tennessee, provides both NF-1 and NF-2 services. The facility's parent organization is Salt Foundation. The facility is operated by the governing board, whose officers/members are as follows:

John B. Morton, Chairman
 Sandra Y. Trail, Secretary
 Allen Richardson
 Mazell Tamborninni

During the examination period, the facility maintained a total of 474 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 173,010 available bed days, the facility reported 77,344 for Medicaid NF-1 residents and 24,711 for Medicaid NF-2 residents for the year ended December 31, 2010. Also, the facility reported total operating expenses of \$28,822,557 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 (744-0081)</u>	<u>Level II NF (044-5111)</u>
July 1, 2008, through June 30, 2009	\$152.77	\$168.64
July 1, 2009, through June 30, 2010	\$154.04	\$169.70
July 1, 2010, through June 30, 2011	\$147.55	\$177.66
July 1, 2011, through December 31, 2011	\$147.53	\$177.64

PRIOR EXAMINATION FINDINGS

The 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.



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

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Independent Accountant's Report

October 13, 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 October 13, 2011, that MatureCare of Standifer Place, LLC, d/b/a The Health Center at Standifer Place, 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 bed hold rules.
- Charges to residents' personal funds from January 1, 2009, through September 15, 2011, 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 the compliance of MatureCare of Standifer Place, LLC, d/b/a The Health Center of Standifer Place, 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 the compliance of MatureCare of Standifer Place, LLC, d/b/a The Health Center of Standifer Place, with specified requirements.

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

- Residents inappropriately charged for covered items
- Improper billing of resident leave days
- Need to properly manage unrefunded credit balances
- Failure to deposit residents' funds in insured interest-bearing account
- Incorrect useful lives of depreciable assets

In our opinion, except for the instances of material noncompliance described above, MatureCare of Standifer Place, LLC, d/b/a The Health Center at Standifer Place, complied with, in all material respects, the aforementioned requirements for the depreciation expense reported on the Medicaid cost report for the period January 1, 2010, through December 31, 2010; resident days for the period January 1, 2009, through June 30, 2011; and resident accounts for the period January 1, 2009, through September 15, 2011.

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. Residents Inappropriately Charged for Covered Items

Finding

The Health Center at Standifer Place has inappropriately charged Medicaid residents' trust fund accounts for Medicaid covered items. The facility charged 115 Medicaid 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 between the diapers stocked by the facility and the diapers specifically requested by the residents. The cost of the stocked items charged to Medicaid residents totaled \$15,941.52, for the period January 1, 2009, through September 15, 2011.

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 115 Medicaid residents have been improperly charged \$15,941.52 for Medicaid covered items.

Recommendation

The Health Center at Standifer Place should not charge Medicaid residents for covered items. 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. The facility should establish adequate procedures to ensure compliance with applicable laws and regulations relative to protection of resident trust funds. The Health Center at Standifer Place should reimburse the 115 Medicaid residents or their authorized representatives a total of \$15,941.52.

Management's Comment

Management concurs. The provider has implemented a process whereby residents are charged only the difference for the cost of the brief. The provider is refunding the Medicaid residents per the spreadsheet provided in the audit findings.

2. Improper Billing of Resident Leave Days

Finding

The Health Center at Standifer Place improperly billed the Medicaid Program for 41 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 \$5,551.76 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 \$5,551.76 by the Medicaid Program for the 41 noncovered leave days for the period January 1, 2009, through June 30, 2011.

Recommendation

The Health Center at Standifer Place 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 \$5,551.76, representing overpayments by the Medicaid Program, to the State of Tennessee as a result of the improper billing of hospital and therapeutic leave days.

Management's Comment

Management concurs. The provider has changed the billing practice to reflect the state's interpretation of the 85% occupancy at the time of hospital admission or therapeutic absence.

3. Need to Properly Manage Unrefunded Credit Balances

Finding

The Health Center at Standifer Place failed to ensure that credit balances on the accounts of deceased or discharged residents are properly managed and promptly refunded. Management did not maintain evidence that former residents or their authorized representatives were notified of money due them. Also, facility management failed to refund the portion of the 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 \$5,255.61 remain on the accounts of nine former residents of the facility. Of the total unrefunded credit balances, \$1,773.08 is due to the State of Tennessee Medicaid Program, and \$3,482.53 is due to former residents or their authorized representatives.

Recommendation

The Health Center at Standifer Place should immediately 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 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.

The Health Center at Standifer Place should refund \$1,773.08 to the State of Tennessee Medicaid Program and \$3,482.53 to former residents or their authorized representatives.

Management's Comment

Management concurs. All credit balances in question have been refunded with the exception of one account to be refunded to the State of Tennessee.

Auditor's Comment

As of August 17, 2012, management provided canceled checks showing all but one resident had received their appropriate refund. One check for \$482.50 owed to a resident or their authorized representative has yet to clear the bank. Of the \$1,733.08 owed to the State of Tennessee, \$810.00 is still outstanding.

4. Failure to Deposit Residents' Funds in Insured Interest-Bearing Account

Finding

The Health Center at Standifer Place failed to deposit funds of residents in an interest-bearing account, insured by an agency of the federal government. Rather, the facility had deposited residents' funds in a money market mutual fund that was not FDIC-insured and not interest-bearing, thus leaving monies at risk to market fluctuations.

Section 68-11-906 of *Tennessee Code Annotated* states, "Each nursing home shall deposit any funds in excess of one hundred dollars (\$100) received from, or on behalf of, a resident in an interest-bearing account, insured by an agency of the federal government."

Recommendation

The Health Center at Standifer Place should ensure resident trust funds in excess of \$100 per resident are deposited into an interest-bearing account, insured by an agency of the federal government. Interest earned on that account should be allocated to the residents' trust fund accounts.

Management's Comment

Management concurs. Residents' trust funds are being deposited into an interest-bearing account which is FDIC insured.

5. Incorrect Useful Lives of Depreciable Assets

Finding

The Health Center at Standifer Place reported excess depreciation expense on its “Medicaid Nursing Facility Level 1 Cost Report” for the fiscal year ended December 31, 2010. Of the 82 assets tested that were purchased during the fiscal year ended December 31, 2010, six of the assets had incorrect useful lives, resulting in the reporting of excessive depreciation expense.

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. . . . For assets acquired on or after January 1, 1981, only the AHA (American Hospital Association) guidelines may be used.”

Since the Medicaid reimbursement rate was frozen effective July 1, 2011, an adjustment to depreciation expense would have no effect on the facility’s Medicaid reimbursement rate; therefore, no adjustment to expenses will be made.

Recommendation

The Health Center at Standifer Place is required to use the useful life guidelines as published by the American Hospital Association. Management should immediately change the useful lives of any assets, including the six assets found in this examination to have incorrectly assigned useful lives. Management should properly report depreciation expense on subsequent cost reports.

Management’s Comment

Management concurs. The provider made the requested revisions to the cost report as filed FYE 12/31/2011.

SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

Source of Overpayments

Residents inappropriately charged for covered items (see finding 1)	\$15,941.52
Improper billing of resident leave days (see finding 2)	\$ 5,551.76
Unrefunded credit balances (see finding 3)	<u>\$ 5,255.61</u>
Total	<u>\$26,748.89</u>

Disposition of Overpayments

Due to the State of Tennessee	\$ 7,324.84
Due to residents or their authorized representatives	<u>\$19,424.05</u>
Total	<u>\$26,748.89</u>