

TENNCARE REPORT

Life Care Center of Cleveland
Cleveland, 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 22, 2011



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

Department of Audit
Division of State Audit



Arthur A. Hayes, Jr., CPA, JD, CFE
Director

Gregg S. Hawkins, CPA, CFE
Assistant Director

Julie Rogers, CPA, CISA
Audit Manager

Joann Shumaker, CFE
In-Charge Auditor

Sammie Maxwell, CPA, CGFM
Maya Angelova
Auditors

Amy Brack
Editor

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, Nashville, TN 37243-1402
(615) 401-7897

TennCare/Medicaid examination reports are available online at
www.comptroller.tn.gov/sa/AuditReportCategories.asp.
For more information about the Comptroller of the Treasury, please visit our website at
www.comptroller.tn.gov.



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

SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7897
FAX (615) 532-2765

June 5, 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 Life Care Center of Cleveland, Cleveland, 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 22, 2011.

Sincerely,

Arthur A. Hayes, Jr., CPA
Director

AAH/pn
12/022

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report

Life Care Center of Cleveland

Cleveland, 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 22, 2011

FINDINGS RECOMMENDING MONETARY REFUNDS

Residents Inappropriately Charged for Covered Services

Life Care Center of Cleveland charged Medicaid residents' accounts for haircuts and shampoos, which are Medicaid covered services. As a result of the inappropriate charges, the facility should reimburse 76 Medicaid residents or their authorized representatives a total of \$2,405.00. Also, the facility failed to take adequate measures to safeguard the Medicaid residents' accounts. The facility lacked supporting documentation for the barber and beauty shop charges to 12 Medicaid residents' accounts. The facility should refund the 12 Medicaid residents or their authorized representatives a total of \$190.00, for these unsupported charges, for a total of \$2,595.00.

Improper Billing of Resident Hospital Days

Life Care Center of Cleveland improperly billed the Medicaid Program for nine hospital leave days when the facility was operating below the 85% occupancy requirement for the period January 1, 2009, through June 30, 2011. Also, the facility improperly billed the Medicaid Program for one Medicare day. As a result of the improper billing of noncovered hospital leave days and one Medicare day, the facility should refund \$1,235.17 to the State of Tennessee.

**Life Care Center of Cleveland
Cleveland, 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 22, 2011**

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	3
INDEPENDENT ACCOUNTANT'S REPORT	4
FINDINGS AND RECOMMENDATIONS	6
1. Residents Inappropriately Charged for Covered Services	6
2. Improper Billing of Resident Hospital Leave Days	7
Summary of Monetary Findings and Recommendations	9

**Life Care Center of Cleveland
Cleveland, 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 22, 2011**

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

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

During the examination period, the facility maintained a total of 163 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 59,495 available bed days, the facility reported 24,281 for Medicaid NF-1 residents and 721 for Medicaid NF-2 residents for the year ended December 31, 2010. Also, the facility reported total operating expenses of \$10,790,253 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 (744-0433)</u>	<u>Level II NF (044-5244)</u>
July 1, 2008, through June 30, 2009	\$147.49	\$145.15
July 1, 2009, through June 30, 2010	\$149.39	\$146.53
July 1, 2010, through June 30, 2011	\$162.75	\$177.66
July 1, 2011, through December 31, 2011	\$162.73	\$177.64

PRIOR EXAMINATION FINDINGS

The prior report of Life Care Center of Cleveland, for the period January 1, 2004, through December 31, 2005, contained the following findings:

- Nonallowable Expenses Included on the Cost Report
- Need to Properly Manage Unrefunded Credit Balances

One of these findings has been satisfactorily remedied. The finding regarding nonallowable expenses included on the cost report was not tested due to the limited-scope nature of this examination.

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

SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7897
FAX (615) 532-2765

Independent Accountant's Report

September 22, 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 September 22, 2011, that Life Care Center of Cleveland 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, 2009, through September 22, 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 Life Care Center of Cleveland'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 Cleveland's compliance with specified requirements.

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

- Residents inappropriately charged for covered services
- Improper billing of resident hospital days

In our opinion, except for the instances of material noncompliance described above, Life Care Center of Cleveland complied with, in all material respects, the aforementioned requirements for the depreciation expense reported on the 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 for resident accounts for the period January 1, 2009, through September 22, 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

FINDINGS AND RECOMMENDATIONS

1. Residents Inappropriately Charged for Covered Services

Finding

Life Care Center of Cleveland has inappropriately charged Medicaid residents' trust fund accounts for Medicaid covered services. From January 1, 2009, through September 22, 2011, the facility inappropriately charged 76 residents a total of \$2,405.00 for basic haircuts and shampoos.

Chapter 1200-8-6-.06(4)(q) of the *Rules of Tennessee Department of Health* states, in regard to basic services, "Residents shall have shampoos, haircuts, and shaves as needed, or desired."

Life Care Center of Cleveland failed to take adequate measures to safeguard resident accounts as required by federal and state laws. The facility lacked supporting documentation for barber and beauty shop charges to 12 Medicaid residents' trust fund accounts for a total of \$190.00.

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."

Chapter 1200-13-6-.10(4) of the *Rules of Tennessee Department of Finance and Administration* states, "Personal funds held by the provider for Medicaid patients used in purchasing clothing and personal incidentals must be properly accounted for with detailed records of amounts received and disbursed and shall not be commingled with nursing facility funds."

Recommendation

Life Care Center of Cleveland should not charge Medicaid residents for covered services. Supporting documentation must be retained to ensure adequate safeguarding and accounting for residents' trust funds. The facility should reimburse the Medicaid residents or their authorized representatives a total of \$2,595.00, representing amounts charged to Medicaid residents for covered services and unsupported charges. In the future, Life Care Center of Cleveland should provide covered services to all Medicaid residents without charge.

Management's Comment

Management concurs with the finding regarding charging residents for covered services (barber and beauty). All amounts identified in the finding will be refunded to the Medicaid residents or their authorized representatives. A majority of the finding pertaining to charging for covered services was due to a misunderstanding regarding when a Medicaid beneficiary may be charged for barber and beauty services. Education has been provided to the facility's business office staff regarding the facility's obligation to provide basic haircuts and shampoos as a Medicaid covered service. A small portion of the finding was due to the facility not having supporting documentation for barber and beauty shop charges. The facility's business office staff has been reminded of the importance of generating and retaining supporting documentation for all barber and beauty shop charges.

2. Improper Billing of Resident Hospital Leave Days

Finding

Life Care Center of Cleveland improperly billed the Medicaid Program for nine hospital leave days when the facility was operating below the 85% occupancy requirement for the period January 1, 2009, through June 30, 2011. Also, the facility billed the Medicaid Program for one Medicare day. As a result, the facility should refund \$1,235.17 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 eight-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 purposed of this calculation.

As a result of the improper billing of nine hospital leave days and one Medicare day, the facility was overpaid a total of \$1,235.17 by the Medicaid Program for the period January 1, 2009, through June 30, 2011.

Recommendation

Life Care Center of Cleveland should not accumulate or bill the Medicaid Program for hospital leave days when the facility is operating below 85% occupancy. Also, the facility should not accumulate or bill the Medicaid Program for Medicare days. The facility should refund \$1,235.17, representing overpayments by the Medicaid Program, to the State of Tennessee as a result of improper billing of hospital leave days and for billing the Medicaid Program for one Medicare day.

Management's Comment

Management concurs with the finding regarding improper billing of resident hospital leave days. The amounts due will be refunded to the State of Tennessee. The billing of hospital 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 hospital leave days.

SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

Source of Overpayments

Residents inappropriately charged for covered services (see finding 1)	\$2,595.00
Improper billing of resident hospital days (see finding 2)	<u>\$1,235.17</u>
Total	<u>\$3,830.17</u>

Disposition of Overpayments

Due to residents or their authorized representatives	\$2,595.00
Due to the State of Tennessee	<u>\$1,235.17</u>
Total	<u>\$3,830.17</u>