

TENNCARE REPORT

Buffalo River Health Care, LLC
d/b/a Perry County Nursing Home
Linden, Tennessee

Resident Days for the Period
January 1, 2009, Through June 30, 2011,
and Resident Accounts for the Period
January 1, 2009, Through October 4, 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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June 7, 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 resident days reported on the Medicaid cost report of Buffalo River Health Care, LLC, d/b/a Perry County Nursing Home, Linden, Tennessee, for the period January 1, 2009, through June 30, 2011, and resident accounts for the period January 1, 2009, through October 4, 2011.

Sincerely,

Arthur A. Hayes, Jr., CPA
Director

AAH/pn
12/031

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
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FINDINGS RECOMMENDING MONETARY REFUNDS

Improper Billing of Resident Leave Days

The facility improperly billed the Medicaid Program for 1,804 hospital and therapeutic leave days while operating below the 85% occupancy requirement 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 \$171,469.77 to the State of Tennessee.

Deficiencies in Accounting for the Resident Trust Fund

Perry County Nursing Home failed to take adequate measures to safeguard resident trust funds, and the facility did not perform proper and timely reconciliations of the resident trust fund. The facility had \$22,982.27 in unsupported withdrawals for 54 residents for the period January 1, 2009, through October 4, 2011. As a result, monies could have been inappropriately depleted or misused during the period tested. The facility should refund 54 residents or their authorized representatives a total of \$22,982.27. The facility also allowed 25 residents to have overdrawn funds from their resident trust fund accounts.

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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.

Perry County Nursing Home, Linden, Tennessee, provides only NF-1 services. The facility is owned and operated by Brent Hinson.

During the examination period, the facility maintained a total of 114 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 41,610 available bed days, the facility reported 29,562 for Medicaid NF-1 residents for the year ended December 31, 2010. Also, the facility reported total operating expenses of \$4,230,020 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 (744-0536)</u>
July 1, 2008, through June 30, 2009	\$118.60
July 1, 2009, through June 30, 2010	\$118.94
July 1, 2010, through June 30, 2011	\$106.69

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.



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Independent Accountant's Report

October 7, 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 7, 2011, that Buffalo River Health Care, LLC, d/b/a Perry County Nursing Home, complied with the following requirements:

- 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 and charges to residents' personal funds from January 1, 2009, through October 4, 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 Perry County Nursing Home'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 Perry County Nursing Home'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
- Deficiencies in Accounting for the Resident Trust Fund

In our opinion, except for the instances of material noncompliance described above, Buffalo River Health Care, LLC, d/b/a Perry County Nursing Home, complied with, in all material respects, the aforementioned requirements for the resident days for the period January 1, 2009, through June 30, 2011, and for resident accounts for the period January 1, 2009, through October 4, 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. Improper Billing of Resident Leave Days

Finding

Perry County Nursing Home improperly billed the Medicaid Program for 1,804 hospital and therapeutic leave days when the facility was operating below the 85% occupancy requirement for the period January 1, 2009, through June 30, 2011.

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 purposes of this calculation.

As a result of the improper billing of resident days, the facility was overpaid \$171,469.77 by the Medicaid Program for 1,804 days for the period January 1, 2009, through June 30, 2011.

Recommendation

Perry County Nursing Home 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 \$171,469.77, representing overpayments by the Medicaid Program, to the State of Tennessee as a result of the improper billing of leave days.

Management's Comment

We concur with your finding and have implemented changes as follows in order to correct the situation: (1) The person responsible for billing during this time period is no longer employed by this facility; and (2) the person currently billing has been properly trained to utilize correct formulas as they relate to hospital and therapeutic leave days per the 85% occupancy requirement.

The facility will follow guidelines in regard to refunding the overpayments to the State of Tennessee. Documentation of these corrections will be provided to the Comptroller's office.

2. Deficiencies in Accounting for the Resident Trust Fund

Finding

Perry County Nursing Home failed to take adequate measures to safeguard resident trust funds as required by federal and state laws. The facility failed to adequately reconcile the resident trust fund to the bank statement or to do so on a timely basis. The facility lacked adequate documentation and proper authorization for withdrawals from the trust funds. There were numerous transactions totaling \$22,982.27 for the period January 1, 2009, through October 4, 2011, involving 54 residents, where purchases were unsupported, either by receipt, invoice, or resident authorization. As a result, resident monies could have been inappropriately depleted or misused during the period tested. Also, the facility allowed 25 residents to overdraw funds from their trust fund accounts.

Paragraph 22,163.420(b)(1) 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

Perry County Nursing Home should immediately establish adequate internal controls, including policies and procedures to ensure compliance with applicable laws and regulations relative to the protection of resident trust funds. Bank reconciliations should be accurately and routinely performed. The \$22,982.27 in unsupported withdrawals should be refunded to the 54

residents or their authorized representatives. Also, residents should not be allowed to overdraw funds from their resident trust fund accounts.

Management's Comment

We concur with your finding that we did not have procedures in place that met state requirements for the resident trust fund; however, in nine plus years of operation, we have never had a patient or family complaint related to resident funds. We have never found evidence of any impropriety. By July 1, all unsupported withdrawals will be refunded to the 54 residents in question. A copy of the checks will be mailed to the Comptroller's office as proof of compliance.

Corrective measures are being taken as follows:

1. No further overdrafts will be allowed on any account.
2. Either a resident signature or two witnesses' signatures are required for withdrawals.
3. The patient trust accounts will be balanced and reflected on our balance sheet quarterly.

SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

Source of Overpayments

Improper billing of resident leave days (see finding 1)	\$171,469.77
Deficiencies in accounting for the resident trust fund (see finding 2)	<u>\$ 22,982.27</u>
Total	<u>\$194,452.04</u>

Disposition of Overpayments

Due to the State of Tennessee	\$171,469.77
Due to residents or their authorized representatives	<u>\$ 22,982.27</u>
Total	<u>\$194,452.04</u>