

TENNCARE REPORT

Decatur County Manor, Inc.
Parsons, 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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June 21, 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 Decatur County Manor, Inc., Parsons, Tennessee, 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.

Sincerely,

Arthur A. Hayes, Jr., CPA
Director

AAH/pn
12/035

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report

Decatur County Manor, Inc.

Parsons, Tennessee

Depreciation Expense and Resident Accounts
for the Period

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and Resident Days for the Period

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FINDING RECOMMENDING MONETARY REFUND

Improper Billing of Resident Leave Days

Decatur County Manor, Inc. improperly billed the Medicaid Program for 66 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. As a result of the improper billing of noncovered leave days, the facility should refund \$8,542.67 to the State of Tennessee.

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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	2
INDEPENDENT ACCOUNTANT'S REPORT	3
FINDING AND RECOMMENDATION	5
• Improper Billing of Resident Leave Days	5
Summary of Monetary Finding and Recommendation	7

Decatur County Manor, Inc.
Parsons, 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.

Decatur County Manor, Inc., Parsons, Tennessee, provides both NF-1 and NF-2 services. The facility is owned and operated by Tennessee Health Management, Inc., located in Parsons, Tennessee. The officers/members of the board of directors are as follows:

Mark Davis
James M. Smith
Jeffery D. Parrish
Anne G. Vise

During the examination period of January 1, 2009, through March 31, 2011, the facility maintained a total of 141 licensed nursing facility beds. Effective April 1, 2011, the facility decreased the licensed nursing facility beds to 125. 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 51,465 available bed days, the facility reported 26,664 for Medicaid NF-1 residents for the fiscal year ended December 31, 2010. Also, the facility reported total operating expenses of \$7,687,812 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 (744-0260)</u>	<u>Level II NF (044-5451)</u>
July 1, 2008, through June 30, 2009	\$152.75	\$124.93
July 1, 2009, through June 30, 2010	\$154.04	\$124.93
July 1, 2010, through June 30, 2011	\$162.75	\$124.93

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 6, 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 6, 2011, that Decatur County Manor, Inc., 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 Decatur County Manor, Inc.'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 Decatur County Manor, Inc.'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, Decatur County Manor, Inc., 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 January 1, 2010, through December 31, 2010; and for 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,



Arthur A. Hayes, Jr., CPA
Director

AAH/pn

FINDING AND RECOMMENDATION

Improper Billing of Resident Leave Days

Finding

Decatur County Manor, Inc., improperly billed the Medicaid Program for 66 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 \$8,542.67 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 \$8,542.67 by the Medicaid Program for the 66 noncovered leave days for the period January 1, 2009, through June 30, 2011.

Recommendation

Decatur County Manor, Inc., 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 \$8,542.67, 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

It is THM's position that the plain language interpretation of the rule necessitates that beds being held under bed hold payments are in fact "occupied" and therefore included within the 85% calculation. As a legal matter, occupancy includes the concept of possession and both the use of and the intent to use the rights acquired in a thing. Under the construction of bed hold in Tennessee, so long as a bed is being "held" for an individual, it is that individual's right to return to that bed. The bed or beds also are not available for the use of any other individuals who would be prospective or returning residents of the facility. Medicare reimbursement principles also supported the interpretation of occupied as "otherwise unavailable for use."

THM and this facility request the audit finding with respect to the disallowed bed hold days be reversed. We request that costs and bed hold days be deemed as allowable costs. THM and the facility also reserve any rights they may have under Tennessee laws to contest this finding through administrative and/or judicial processes.

Rebuttal

The auditor understands and agrees that a bed reserved for a resident who must be admitted to an acute care hospital facility under the rule cited above must be available for that resident upon his/her return, provided that the absence from the nursing facility does not exceed the 10-day limit. However, the calculation of occupancy in any facility has always been determined by the number of residents actually present in the facility as evidenced by the provider's census records. It is clearly stated in the *Rules* that a bed being held for a resident absent from the facility is not considered occupied for purposes of this calculation.

SUMMARY OF MONETARY FINDING AND RECOMMENDATION

Source of Overpayments

Improper billing of resident leave days	<u>\$8,542.67</u>
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Disposition of Overpayments

Due to the State of Tennessee	<u>\$8,542.67</u>
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