

TENNCARE REPORT

**Signature Healthcare of Rogersville
Rogersville, 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 October 25, 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 13, 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 Signature Healthcare of Rogersville, Rogersville, 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 October 25, 2011.

Sincerely,

Deborah V. Loveless, CPA
Director

DVL/pn
12/037

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
Signature Healthcare of Rogersville
Rogersville, Tennessee
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FINDINGS RECOMMENDING MONETARY REFUNDS

Residents Inappropriately Charged for Covered Services

Signature Healthcare of Rogersville charged Medicaid residents' trust fund accounts for haircuts and shampoos, which are Medicaid covered services. As a result of the inappropriate charges, the facility should reimburse 33 Medicaid residents a total of \$5,712.00.

Deficiencies in Accounting for Resident Trust Funds

Signature Healthcare of Rogersville failed to take adequate measures to safeguard the resident trust fund. The facility lacked documentation or proper authorization for withdrawals from six of the resident trust fund accounts. The facility should refund \$308.15 to the residents or their authorized representatives. Also, there were three outstanding checks totaling \$142.21, dating from May 31, 2008, through March 22, 2010. The facility should reissue these checks to the appropriate parties or to the Unclaimed Property Division of the State of Tennessee.

FINDING NOT RECOMMENDING MONETARY REFUND

Insufficient Surety Bond Coverage for the Resident Trust Fund

Signature Healthcare of Rogersville's surety bond coverage was insufficient to ensure all funds held in trust for its residents.

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**Signature Healthcare of Rogersville
Rogersville, 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.

Signature Healthcare of Rogersville, Rogersville, Tennessee, provides both NF-1 and NF-2 services. The facility is owned and operated by Signature Consulting Services LLC. The officers/members of the board of directors are as follows:

Elmer Joseph Steier
Ira Smedra
Jacob Wintner

During the examination period, the facility maintained a total of 150 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 54,750 available bed days, the facility reported 34,228 for Medicaid NF-1 residents and 634 for Medicaid NF-2 residents for the fiscal year ended December 31, 2010. Also, the facility reported total operating expenses of \$7,873,278 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 (744-0320)</u>	<u>Level II NF (044-5359)</u>
July 1, 2008, through June 30, 2009	\$132.24	\$129.25
July 1, 2009, through June 30, 2010	\$133.25	\$133.12
July 1, 2010, through August 31, 2010	\$146.75	\$174.37
September 1, 2010, through June 30, 2011	\$151.58	\$174.37
July 1, 2011, through December 31, 2011	\$151.54	\$174.31

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 or 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 27, 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 27, 2011, that Signature Healthcare of Rogersville 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 October 25, 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 Signature Healthcare of Rogersville's compliance with those requirements and performing other such procedures we considered necessary. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Signature Healthcare of Rogersville'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
- Deficiencies in Accounting for Resident Trust Funds
- Insufficient Surety Bond Coverage of the Resident Trust Fund

In our opinion, except for the instances of material noncompliance described above, Signature Healthcare of Rogersville 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; for resident days for the period January 1, 2009, through June 30, 2011; and for resident accounts for the period January 1, 2009, through October 25, 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 Services

Finding

Signature Healthcare of Rogersville has inappropriately charged Medicaid residents' trust fund accounts for Medicaid covered services. From January 1, 2009, through October 25, 2011, the facility inappropriately charged 33 residents a total of \$5,712.00 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."

As a result of the inappropriate charges for basic haircuts and shampoos, the resident trust fund accounts for Medicaid residents have been incorrectly charged \$5,712.00 for Medicaid covered services.

Recommendation

Signature Healthcare of Rogersville should not charge Medicaid residents for covered services. The facility should reimburse the 33 Medicaid residents or their authorized representatives a total of \$5,712.00. In the future, the facility should provide covered services to all Medicaid residents without charge.

Management's Comment

The facility does not fully agree with the findings of the Medicaid audit performed in 2011. The facility disputes findings that 33 of the residents were inappropriately charged a total of \$5,712.00. Of that amount, \$5,635.00 was charged appropriately to residents who requested beauty and barber styling services that were provided by a licensed beautician that is not an employee of the facility. There was no charge made to any resident for a shampoo. The shampoo was given as a courtesy to the resident when a licensed beautician was performing a resident requested hairstyle.

The facility acknowledges that of the \$5,712.00 charged to 33 residents, \$77.00 of that amount, which covered 11 residents, was charged for haircuts, which are considered a covered charge for Medicaid residents. This amount, \$77.00, will be reimbursed as it was inappropriately charged. Based on the appeal result, the facility will refund the total amount of \$5,712.00 as directed on the audit.

The facility will not charge residents for a routine Medicaid covered shampoo or haircut. At the time of admission, when the facility gives verbal communication of covered services and availability of licensed beauty and barber services that will be billed to the resident, the facility now obtains written acknowledgement that the resident and/or the responsible party is fully aware that the facility provides a Medicaid covered shampoo and haircut at no additional charge. The facility also obtains written acknowledgement that upon their request, the services provided in the facility by a licensed barber and/or beautician who are not employed by the facility are chargeable to the resident.

We intend to request an appeal hearing from the Department of Finance and Administration.

Rebuttal

The \$5,635.00 disputed amount was attributable to services either noted by the facility as a hairstyle and shampoo charge or as a haircut, hairstyle and shampoo charge. Since both services, where charges were accumulated, included shampoos, a portion of those service charges must be allocated to that service and will necessitate refunding of those charges to the residents noted in the finding.

2. Deficiencies in Accounting for Resident Trust Funds

Finding

Signature Healthcare of Rogersville failed to take adequate measures to safeguard resident trust funds as required by federal and state laws. The facility lacked adequate documentation and proper authorization from either the residents or their authorized representatives for withdrawals in six of the resident trust fund accounts, totaling \$308.15. Also, on October 25, 2011, there were three outstanding resident trust fund checks totaling \$142.21, dating from May 31, 2008, through March 22, 2010.

Paragraph 22,163.10(c) of the *Medicare and Medicaid Guide* 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 amount received and disbursed and shall not be commingled with nursing facility funds.”

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.”

Recommendation

Signature Healthcare of Rogersville should immediately implement adequate procedures to ensure compliance with applicable laws and regulations relative to protection of resident trust funds and ensure that there are proper controls and authorizations for withdrawals. The facility should reimburse six Medicaid residents or their authorized representatives an amount totaling \$308.15. The facility should reissue the three outstanding checks, totaling \$142.21, to the appropriate parties or to the Unclaimed Property Division of the State of Tennessee.

Return of first-class mailing sent to the owner’s last known address would satisfy the requirement that an attempt to contact the owner has 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.

Management’s Comment

The facility withdrew funds in good faith according to the wishes of the resident. We had the majority of receipts for the amounts withdrawn, but they had faded over the years and some were missing. The facility agrees to issue refunds in the amount of \$308.15.

The facility makes sure that authorization and receipts are obtained for every withdrawal and that heat sensitive receipts are copied to maintain their integrity. Additionally, proper controls are in place to ensure compliance with applicable laws and regulations relative to the protection of resident trust funds.

As related to the finding of unclaimed resident refunds totaling \$142.21, the checks totaling \$142.21 have been re-issued and re-mailed via first-class return receipt mail to the last known address as of April 26, 2013.

3. Insufficient Surety Bond Coverage of the Resident Trust Fund

Finding

Signature Healthcare of Rogersville failed to maintain an adequate trust fund surety bond to protect resident funds. The amount of the surety bond was not sufficient to cover all funds held in trust. As of June 8, 2011, the resident trust fund balance was \$92,309.68, while the coverage under the bond was limited to \$90,000.

Section 68-11-906(f), *Tennessee Code Annotated*, states, “The nursing home shall maintain a surety bond on all funds held in trust for facility residents and shall make an annual, audited accounting of such funds, available to the residents and for public inspection.”

Failure to maintain an adequate surety bond increases the risk that resident trust funds would not be replaced in the event of misappropriation or theft.

Recommendation

Signature Healthcare of Rogersville should maintain controls to ensure compliance with applicable laws and regulations for the protection of resident trust funds. The facility should increase the surety bond as necessary to provide coverage for all money held in trust at any point in time.

Management’s Comment

The surety bond was increased to an amount sufficient to ensure coverage of all funds held in trust for the residents, and a copy was provided to the auditors. The trust fund amount is monitored closely throughout the month by the business office manager and the administrator, and adjustments are made to the surety bond when needed.

SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

Source of Overpayments

Residents inappropriately charged for covered services (see finding 1)	\$5,712.00
Deficiencies in accounting for resident trust funds (see finding 2)	<u>\$ 450.36</u>
Total	<u>\$6,162.36</u>

Disposition of Overpayments

Due to residents or their authorized representatives	<u>\$6,162.36</u>
Total	<u>\$6,162.36</u>