

TENNCARE REPORT

Greystone Healthcare Center
Blountville, 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 24, 2011



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

Department of Audit
Division of State Audit



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June 3, 2014

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 Greystone Healthcare Center in Blountville, 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 24, 2011.

Sincerely,

Deborah V. Loveless, CPA
Director

DVL/pn
12/040

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
Greystone Healthcare Center
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FINDINGS RECOMMENDING MONETARY REFUNDS

Deficiencies in Accounting for the Resident Trust Fund

Greystone Healthcare Center failed to take adequate measures to safeguard resident trust funds. The facility did not reconcile the resident trust fund to the bank statement, and auditors determined that the account was underfunded by \$395.20. The facility had \$6,113.42 in unsupported withdrawals for four residents. Two residents were overcharged for their resident liability amounts totaling \$1,181.00. The facility should replenish the \$395.20 trust fund shortage and refund the appropriate residents or their authorized representatives a total of \$7,294.42.

Residents Inappropriately Charged for Covered Services and Items

Greystone Healthcare Center charged Medicaid residents' trust fund accounts for

haircuts and shampoos, which are Medicaid-covered services. As a result of the inappropriate barber and beauty charges, the facility should reimburse 108 Medicaid residents or their authorized representatives a total of \$4,144.00. Also, the facility charged Medicaid residents' trust fund accounts for adult diapers, which are Medicaid-covered items. As a result of the inappropriate diaper charges, the facility should reimburse three Medicaid residents or their authorized representatives a total of \$683.17.

Need to Properly Manage Unrefunded Credit Balances

Greystone Healthcare Center has not established a system to ensure that credit balances on the accounts of deceased or discharged residents are properly managed and promptly refunded. Management

refunded \$3,611.70 due to former residents or their authorized representatives after auditor fieldwork was completed.

Improper Billing of Resident Leave Days
Greystone Healthcare Center improperly billed the Medicaid Program for 25 hospital

and/or therapeutic leave days when the facility was 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 \$3,532.39 to the State of Tennessee.

FINDINGS NOT RECOMMENDING MONETARY REFUNDS

Insufficient Surety Bond Coverage for the Resident Trust Fund

Greystone Healthcare Center's surety bond coverage was insufficient to insure all funds held in trust for its residents.

Incorrect Useful Lives of Depreciable Assets

Greystone Healthcare Center reported excess depreciation expense on its "Medicaid Nursing Facility Level 1 Cost

Report" for the fiscal year ended December 31, 2010. Of the 10 tested assets that were purchased during the fiscal year ended December 31, 2010, two 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.

**Greystone Healthcare Center
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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.

Greystone Healthcare Center in Blountville, Tennessee, provides both NF-1 and NF-2 services. The facility is operated by Northpoint Regional LLC and owned by Blounts Operator LLC. The facility does not have a board of directors.

During the examination period, the facility maintained a total of 170 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 62,050 available bed days, the facility reported 39,131 for Medicaid NF-1 residents and 4,271 for Medicaid NF-2 residents for the year ended December 31, 2010. Also, the facility reported total operating expenses of \$10,048,716 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 (744-0479)</u>	<u>Level II NF (044-5242)</u>
July 1, 2008, through June 30, 2009	\$147.60	\$157.79
July 1, 2009, through June 30, 2010	\$148.24	\$159.54
July 1, 2010, through June 30, 2011	\$152.20	\$177.66
July 1, 2011, through December 31, 2011	\$152.16	\$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 (page 3). Our examination does not cover quality of care or clinical or medical provisions.



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
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Independent Accountant's Report

November 8, 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 November 8, 2011, that Greystone Healthcare Center 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 have been counted in accordance with state regulations. Medicaid resident days billed 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 October 24, 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 Greystone Healthcare Center'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 Greystone Healthcare Center's compliance with specified requirements.

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

1. Deficiencies in accounting for the resident trust fund
2. Residents inappropriately charged for covered services and items
3. Need to properly manage unrefunded credit balances
4. Improper billing of resident leave days
5. Insufficient surety bond coverage for the resident trust fund
6. Incorrect useful lives of depreciable assets

In our opinion, except for the instances of material noncompliance described above, Greystone Healthcare Center 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; 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 24, 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,



Deborah V. Loveless, CPA
Director

DVL/pn

FINDINGS AND RECOMMENDATIONS

1. Deficiencies in Accounting for the Resident Trust Fund

Finding

Greystone Healthcare Center failed to take adequate measures to safeguard resident trust funds as required by federal and state laws. The facility failed to reconcile the resident trust fund to the bank statement. During the auditor's reconciliation, outstanding service charges were noted that had not been reimbursed by the facility, resulting in the resident trust fund being underfunded by \$395.20.

The facility lacked adequate documentation and proper authorization for withdrawals from the trust fund. There were 23 transactions involving 4 residents where purchases were unsupported, either by receipt, invoice, or resident authorization, totaling \$6,113.42 for the period January 1, 2009, through October 24, 2011. As a result, resident monies could have been inappropriately depleted or misused during the period tested. Also, the facility overcharged two residents for their resident liability amounts totaling \$1,181.00.

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."

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

Greystone Healthcare Center should replenish the \$395.20 resident trust fund shortage, refund the four residents or their authorized representatives a total of \$6,113.42 for the unsupported withdrawals, and refund the two residents or their authorized representatives a total of \$1,181.00 for the overcharged resident liability amounts.

Management's Comment

Greystone Healthcare replenished the \$395.20 to the resident trust fund. Greystone refunded a total of \$6,113.42 to four residents/authorized representatives for unsupported withdrawals and refunded two residents/authorized representatives a total of \$1,181.00 for overcharge on patient liability.

Auditor's Comment

As of May 22, 2014, management has not shown evidence that the \$395.20 has been replenished to the resident trust fund, that \$6,113.42 has been refunded to four residents, or that \$1,181.00 has been refunded to the two residents who were overcharged on their resident liability.

2. Residents Inappropriately Charged for Covered Services and Items

Finding

Greystone Healthcare Center inappropriately charged Medicaid residents' trust fund accounts for haircuts and shampoos, which are Medicaid-covered services. From January 1, 2009, through September 30, 2011, the facility inappropriately charged 108 residents a total of \$4,144.00 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."

Also, the facility inappropriately charged Medicaid residents' trust fund accounts for adult diapers, which are Medicaid-covered items. The facility charged three Medicaid residents the full cost of unstocked diapers that were specifically requested by the residents. The facility is only allowed to charge residents the difference in cost 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 \$683.17 for the period July 1, 2009, through September 30, 2011.

No. 93-2 of the *Medicaid Bulletin* states that "diapers, cloth and/or disposable, is a nursing facility (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 Medicaid residents have been incorrectly charged \$4,827.17 for Medicaid-covered services and items.

Recommendation

Greystone Healthcare Center should not charge Medicaid residents for covered services. In the future, the facility should provide covered services to all Medicaid residents without charge. Also, the facility 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. Greystone Healthcare Center should reimburse the Medicaid residents or their authorized representatives a total of \$4,827.17.

Management's Comment

Greystone has reimbursed Medicaid residents/authorized representatives \$4,144.00 for haircuts. Each Medicaid resident is now provided these services once monthly without charge. The facility also reimbursed residents the difference in the cost of stocked briefs and unstocked pull-ups, totaling \$683.17. Greystone now stocks the pull-ups for residents that require them.

Auditor's Comment

Medicaid resident haircuts cannot be limited to one per month without charge. They must be provided free of charge as needed or desired.

3. Need to Properly Manage Unrefunded Credit Balances

Finding

Greystone Healthcare Center has not established a system to ensure that credit balances on the accounts of deceased or discharged residents are properly managed and promptly refunded. Management failed to refund \$3,611.70 due to former residents or their authorized representatives.

Section 66-26-133, *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."

Resident trust fund unrefunded credit balances of \$3,611.70 remained on the accounts of four former residents of Greystone Healthcare Center at the time of the auditors' field exit. The facility wrote checks to the former residents and/or their authorized representatives and sent copies of the cancelled checks to the auditors after the auditors' field exit.

Recommendation

Greystone Healthcare Center should immediately implement a system to promptly refund credit balances on the accounts of former residents.

Management's Comment

The facility now closes all patient trust accounts within five days of discharge and a refund check, if appropriate, is mailed to the resident or authorized representative.

4. Improper Billing of Resident Leave Days

Finding

Greystone Healthcare Center improperly billed the Medicaid Program for 25 noncovered 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 \$3,532.39 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 \$3,532.39 by the Medicaid Program for the 25 noncovered leave days for the period January 1, 2009, through June 30, 2011.

Recommendation

Greystone Healthcare Center 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 \$3,532.39, representing overpayments by the Medicaid Program to the State of Tennessee as a result of the improper billing of hospital and/or therapeutic leave days.

Management's Comment

The facility has completed adjustment/void requests on all residents for whom the facility was paid incorrectly for leave days. A total of 25 days was billed and paid incorrectly. A refund check has been requested for our corporate office for \$3,532.39. The facility will only bill for hold days when the census is 85% of occupancy. Any resident on hold will be discharged when the census drops below 85% occupancy.

5. Insufficient Surety Bond Coverage for the Resident Trust Fund

Finding

Greystone Healthcare Center 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 the trust. As of April 2, 2010, the resident trust fund balance was \$124,675.30, while the coverage under the bond was limited to \$75,000.00.

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

Failure to maintain an adequate surety bond increases the risk that residents' trust funds would not be replaced in the event of misappropriation or theft. After the auditors' field exit, the facility increased the surety bond coverage limit to \$200,000.00.

Recommendation

Greystone Healthcare Center 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 \$200,000.00, which will ensure coverage for all money held in trust at any point in time. The amount needed for coverage is audited every month.

6. Incorrect Useful Lives of Depreciable Assets

Finding

Greystone Healthcare Center reported excess depreciation expense on its "Medicaid Nursing Facility Level 1 Cost Report" for the year ended December 31, 2010. Of the 10 assets purchased during the fiscal year ended December 31, 2010, 2 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

Greystone Healthcare Center 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 two assets found in this examination, that have incorrectly assigned useful lives. Management should properly report depreciation expense on subsequent cost reports.

Management's Comment

I have forwarded to our corporate office your recommendation on properly reporting depreciation expense on the cost report.

SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

Source of Overpayments

Resident trust fund shortage and unsupported withdrawals (see finding 1)	\$ 7,689.62
Residents inappropriately charged for covered services (see finding 2)	\$ 4,827.17
Unrefunded credit balances (see finding 3)	\$ 3,611.70
Improper billing of resident leave days (see finding 4)	<u>\$ 3,532.39</u>
Total	<u>\$19,660.88</u>

Disposition of Overpayments

Due to the State of Tennessee	\$ 3,532.39
Due to residents or their authorized representatives	<u>\$16,128.49</u>
Total	<u>\$19,660.88</u>