

TENNCARE REPORT

**Claiborne and Hughes Health Center, Inc.
Franklin, 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 December 7, 2011**



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

**Department of Audit
Division of State Audit**



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April 29, 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 Claiborne and Hughes Health Center, Inc., Franklin, 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 December 7, 2011.

Sincerely,

Deborah V. Loveless, CPA
Director

DVL/pn
12/047

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
Claiborne and Hughes Health Center, Inc.

Franklin, Tennessee

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FINDINGS RECOMMENDING MONETARY REFUNDS

Improper Billing of Resident Days

Claiborne and Hughes Health Center, Inc. improperly billed the Medicaid Program for 216 days for the period January 1, 2009, through June 30, 2011. Of the 216 improperly billed days, 155 were for NF-1 hospital and therapeutic leave days when the facility was operating below 85% occupancy; 45 were for Medicare-eligible days that were billed to the Medicaid Program; 12 were for hospital leave days where the facility billed the NF-2 program as if the resident was still in the facility; and 4 were for Medicaid NF-2 days that were

unsupported by the facility's census records. As a result of the billing for 216 noncovered leave days, the facility should refund \$28,700.19 to the State of Tennessee.

Residents Inappropriately Charged for Covered Services

Claiborne and Hughes Health Center, Inc. charged Medicaid residents' accounts for shampoos, haircuts, and shaves, which are Medicaid covered services. As a result of the inappropriate charges, the facility should reimburse 105 Medicaid residents a total of \$8,520.00.

Claiborne and Hughes Health Center, Inc.
Franklin, 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.

Claiborne and Hughes Health Center, Inc., Franklin, Tennessee, provides both NF-1 and NF-2 services. The facility is owned by Joseph Solomon, LLC, and operated by Joseph Solomon HRS Management, LLC. The officers/members of the board of directors are as follows:

Millicent Morley, Chairman
 Dave Bilger, Secretary
 Gerald Morley
 Kay Wilkes

During the examination period, the facility maintained a total of 157 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 57,305 available bed days, the facility reported 31,176 for Medicaid NF-1 residents and 3,515 for Medicaid NF-2 residents for the year ended December 31, 2010. Also, the facility reported total operating expenses of \$8,635,516 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 (744-0367)</u>	<u>Level II NF (044-5157)</u>
July 1, 2008, through June 30, 2009	\$146.11	\$168.62
July 1, 2009, through June 30, 2010	\$145.87	\$169.70
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 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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505 DEADERICK STREET
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Independent Accountant's Report

December 9, 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 December 9, 2011, that Claiborne and Hughes Health Center, 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, 2009, through December 7, 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 Claiborne and Hughes Health Center, 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 Claiborne and Hughes Health Center, Inc.'s compliance with specified requirements.

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

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

In our opinion, except for the instances of material noncompliance described above, Claiborne and Hughes Health Center, Inc. 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 December 7, 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. Improper Billing of Resident Days

Finding

Claiborne and Hughes Health Center, Inc. improperly billed the Medicaid Program for 216 days for the period January 1, 2009, through June 30, 2011. Of the 216 improperly billed days, 155 were for NF-1 hospital and therapeutic leave days when the facility was operating below 85% occupancy; 45 were for Medicare-eligible days that were billed to the Medicaid Program; 12 were for hospital leave days when the facility billed the NF-2 program as if the resident was still in the facility; and 4 were Medicaid NF-2 days that were unsupported by the facility's census records.

Chapter 1200-13-1-.03(9)(a) of the *Rules of the Tennessee Department of Finance and Administration* states:

A Level I 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.

Chapter 1200-13-1-.03(9)(b) of the *Rules* states, "NFs shall not be reimbursed for holding a bed for a person receiving Level 2 NF or Enhanced Respiratory Care reimbursement during his temporary absence from the NF."

As a result of the improper billing of resident days, the facility was overpaid \$28,700.19 by the Medicaid Program for the 216 noncovered days for the period January 1, 2009, through June 30, 2011.

Recommendation

Claiborne and Hughes Health Center, Inc. should not accumulate or bill the Medicaid Level 1 NF Program for hospital or therapeutic leave days when the facility is operating below 85% occupancy. The facility should not accumulate or bill the Medicaid Program for hospital or therapeutic NF-2 leave days or for Medicare-eligible days that are not supported by the facility's census records. The facility should refund \$28,700.19, representing overpayments by the Medicaid Program, to the State of Tennessee as a result of the improper billing of days.

Management's Comment

The computer system is now correctly set up to exclude people in the hospital in regard to the 85% occupancy rate. All bed hold adjustments have been sent to the Payer for correction.

2. Residents Inappropriately Charged for Covered Services

Finding

Claiborne and Hughes Health Center, Inc. has inappropriately charged Medicaid residents for Medicaid covered services. From January 1, 2009, through December 7, 2011, the facility inappropriately charged 105 residents a total of \$8,520.00 for basic covered services of shampoos, haircuts, and shaves.

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, Medicaid residents have been incorrectly charged \$8,520.00 for Medicaid covered services.

Recommendation

Claiborne and Hughes Health Center, Inc. should not charge Medicaid residents for covered services. The facility should reimburse the 105 Medicaid residents or their responsible parties a total of \$8,520.00. In the future, the facility should provide covered services to all Medicaid residents without charge.

Management's Comment

We have processed credits for beauty shop services performed by the licensed beautician on Medicaid residents that were charged for shampoos, cuts, and shaves.

Auditor's Comment

As of April 25, 2014, no evidence has been provided to the auditors that the Medicaid residents have been reimbursed.

SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

Source of Overpayments

Improper billing of resident leave days (see finding 1)	\$28,700.19
Residents inappropriately charged for covered services (see finding 2)	<u>\$ 8,520.00</u>
Total	<u>\$37,220.19</u>

Disposition of Overpayments

Due to the State of Tennessee	\$28,700.19
Due to residents or their authorized representatives	<u>\$ 8,520.00</u>
Total	<u>\$37,220.19</u>