

TENNCARE REPORT

**Imperial Gardens Health and Rehabilitation
Madison, 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**



Deborah V. Loveless, CPA, CGFM
Director

Gregg S. Hawkins, CPA, CFE
Assistant Director

Clare Tucker, CPA, CFE, CGFM
Audit Manager

Melissa Wilson, CFE
In-Charge Auditor

Sammie Maxwell, CPA
Maya Angelova
Auditors

Amy Brack
Editor

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, Nashville, TN 37243-1402
(615) 401-7897

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT

SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7897
FAX (615) 532-2765

February 7, 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 and resident accounts of Imperial Gardens Health and Rehabilitation, Madison, Tennessee, for the period January 1, 2010, through December 31, 2010; and resident days for the period January 1, 2009, through June 30, 2011.

Sincerely,

Deborah V. Loveless, CPA
Director

DVL/pn
12/048

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
Imperial Gardens Health and Rehabilitation
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FINDINGS RECOMMENDING MONETARY REFUNDS

Need to Properly Manage Unrefunded Credit Balances

The facility has not established a system to ensure that credit balances on the accounts of deceased or discharged residents are properly managed. Accounts receivable unrefunded credit balances of \$20,592.39 remain on the accounts of 24 former Medicaid residents of the facility. Of the total unrefunded credit balances, \$16,847.92 is due to the State of Tennessee Medicaid Program and \$3,744.47 is due to former residents or their authorized representatives.

Improper Billing of Resident Leave Days

Imperial Gardens Health and Rehabilitation improperly billed the Medicaid Program for 12 hospital or therapeutic leave days while it was operating below 85% occupancy and for one day after the resident was discharged for the period January 1, 2009, through June 30, 2011. As a result of the billing for noncovered days, the facility should refund \$1,671.64 to the State of Tennessee.

FINDING NOT RECOMMENDING MONETARY REFUND

Incorrect Useful Lives of Depreciable Assets

Imperial Gardens Health and Rehabilitation reported excess depreciation expense on its "Medicaid Nursing Facility Level 1 Cost Report" for the fiscal year ended December 31, 2010. Of the nine assets tested that were purchased during the fiscal year ended December 31, 2010, five of the assets had incorrect useful lives, resulting in the assets being depreciated too rapidly. Imperial Gardens Health and Rehabilitation is required to use the useful life guidelines as

published by the American Hospital Association. 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.

**Imperial Gardens Health and Rehabilitation
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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.

Imperial Gardens Health and Rehabilitation, Madison, Tennessee, provides both NF-1 and NF-2 services. The facility is owned and operated by Vanguard Healthcare. The officers/members of the board of directors are as follows:

Kirk F. Hebert, Governor & Secretary
 William D. Orand, Governor & President
 Jere M. Ervin, Governor

During the examination period, the facility maintained a total of 165 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 60,225 available bed days, the facility reported 23,106 for Medicaid NF-1 residents and 6,837 for Medicaid NF-2 residents for the year ended December 31, 2010. Also, the facility reported total operating expenses of \$11,575,270 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 (744-0514)</u>	<u>Level II NF (044-5047)</u>
July 1, 2008, through June 30, 2009	\$152.75	\$168.62
July 1, 2009, through June 30, 2010	\$154.04	\$169.70
July 1, 2010, through June 30, 2011	\$162.75	\$177.66

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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DIVISION OF STATE AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7897
FAX (615) 532-2765

Independent Accountant's Report

December 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 December 7, 2011, that Imperial Gardens Health and Rehabilitation complied with the following requirements:

- Depreciation expenses reported on the "Medicaid Nursing Facility Level 1 Cost Report" for the fiscal year ended December 31, 2010, are 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 Imperial Gardens Health and Rehabilitation'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 Imperial Gardens Health and Rehabilitation's compliance with specified requirements.

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

1. Need to properly manage unrefunded credit balances
2. Improper billing of resident leave days
3. Incorrect useful lives of depreciable assets

In our opinion, except for the instances of material noncompliance described above, Imperial Gardens Health and Rehabilitation complied with, in all material respects, the aforementioned requirements for the depreciation expense 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 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. Need to Properly Manage Unrefunded Credit Balances

Finding

Imperial Gardens Health and Rehabilitation failed to ensure that credit balances on the accounts of deceased or discharged residents were properly managed and promptly refunded. Management did not maintain evidence that former residents or their authorized representatives were notified of money due them. Also, facility management failed to refund the portion of the credit balances due the Medicaid Program.

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."

Accounts receivable unrefunded credit balances of \$20,592.39 remain on the accounts of 24 former Medicaid residents of the facility. Of the total unrefunded credit balances, \$16,847.92 is due to the State of Tennessee Medicaid Program, and \$3,744.47 is due to former residents or their authorized representatives.

Recommendation

Imperial Gardens Health and Rehabilitation should immediately implement a system to promptly refund credit balances on the accounts of former residents. In addition, the facility should maintain evidence that former residents or their authorized representatives are notified of money due them. The facility should maintain a record of credit balances with the resident's name and social security number, the dates of last account activity and last owner contact, and the amount due the former resident. The facility should also maintain evidence of attempts to contact the owner of the credit balance.

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

Imperial Gardens Health and Rehabilitation should refund \$16,847.92 to the State of Tennessee Medicaid Program and \$3,744.47 to former residents or their authorized representatives.

Management's Comment

Management did not respond to this finding.

2. Improper Billing of Resident Leave Days

Finding

Imperial Gardens Health and Rehabilitation improperly billed the Medicaid Program for 13 noncovered days from January 1, 2009, through June 30, 2011. Of the 13 improperly billed days, 12 days were for NF-1 hospital and therapeutic leave days when the facility was operating below 85% occupancy, and one day was billed after the resident was discharged. Chapter 1200-13-01-.03(9)(a) of the *Rules of 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 following conditions must be met in order for a bed hold reimbursement to be made:

The resident intends to return to the NF.

At least 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 \$1,671.84 by the Medicaid Program for the 13 noncovered leave days for the period January 1, 2009, through June 30, 2011.

Recommendation

Imperial Gardens Health and Rehabilitation 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 \$1,671.64, representing overpayments by the Medicaid Program, to the State of Tennessee as a result of the improper billing of leave days.

Management's Comment

Management did not respond to this finding.

3. Incorrect Useful Lives of Depreciable Assets

Finding

Imperial Gardens Health and Rehabilitation reported excess depreciation expense on its "Medicaid Nursing Facility Level 1 Cost Report" for the fiscal year ended December 31, 2010. Of the nine assets tested that were purchased during the fiscal year ended December 31, 2010, five of the assets had incorrect useful lives, resulting in 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

Imperial Gardens Health and Rehabilitation 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 five assets found in this examination, with incorrectly assigned useful lives. Management should properly report depreciation expense on subsequent cost reports.

Management's Comment

Management did not respond to this finding.

SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

Source of Overpayments

Unrefunded credit balances (see finding 1)	\$20,592.39
Improper billing of resident leave days (see finding 2)	<u>\$ 1,671.64</u>
Total	<u>\$22,264.03</u>

Disposition of Overpayments

Due to the State of Tennessee	\$18,519.56
Due to residents or their authorized representatives	<u>\$ 3,744.47</u>
Total	<u>\$22,264.03</u>