

TENNCARE REPORT

**Signature Healthcare of Columbia
Columbia, 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 November 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

Donna Crutcher, CPA, CGFM, CFE
Julie Rogers, CPA, CISA
Audit Managers

Adam Gamble, CFE
In-Charge Auditor

Alla Cox, CFE
Paula Rosenberg
Auditors

Amy Brack
Editor

Amanda Adams
Assistant Editor

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

TennCare/Medicaid examination reports are available online at
www.comptroller.tn.gov/sa/AuditReportCategories.asp.
For more information about the Comptroller of the Treasury, please visit our website at
www.comptroller.tn.gov.



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

June 5, 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 Columbia, Columbia, 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 November 30, 2011.

Sincerely,

Deborah V. Loveless, CPA
Director

DVL/pn
12/049

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report

Signature Healthcare of Columbia

Columbia, 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 November 30, 2011

FINDINGS RECOMMENDING MONETARY REFUNDS

Need to Properly Manage Unrefunded Credit Balances

The facility failed to ensure that credit balances on the accounts of deceased or discharged residents were properly managed and promptly refunded. Accounts receivable unrefunded credit balances of \$8,085.99 due to the Medicaid Program remain on the accounts of nine former Medicaid residents.

Residents Inappropriately Charged for Covered Items

Signature Healthcare of Columbia inappropriately charged Medicaid residents' trust fund accounts for adult diapers, a Medicaid-covered item. As a result of the inappropriate charges, the facility should reimburse \$678.90 to ten Medicaid residents or their authorized representatives.

FINDING NOT RECOMMENDING MONETARY REFUND

Incorrect Useful Lives of Depreciable Assets

Signature Healthcare of Columbia reported excess depreciation expense on the "Medicaid Nursing Facility Level 1 Cost Report" for the fiscal year ended December 31, 2010. Of the ten assets tested that were purchased during the fiscal year ended December 31, 2010, all ten had incorrect useful lives, resulting in improper acceleration of depreciation expense. Since the

reimbursement rate was frozen effective July 1, 2011, an adjustment to depreciation expense would have no effect on the facility's Medicaid reimbursement rate.

**Signature Healthcare of Columbia
Columbia, 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 November 30, 2011**

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
FINDINGS AND RECOMMENDATIONS	5
1. Need to Properly Manage Unrefunded Credit Balances	5
2. Residents Inappropriately Charged for Covered Items	5
3. Incorrect Useful Lives of Depreciable Assets	6
Summary of Monetary Findings and Recommendations	8

**Signature Healthcare of Columbia
Columbia, 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 November 30, 2011**

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

Elmer Joseph Steier
John Harrison
Sandra Adams

During the examination period, the facility maintained a total of 181 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 66,065 available bed days, the facility reported 32,514 for Medicaid NF-1 residents and 2,358 for Medicaid NF-2 residents for the year ended December 31, 2010. Also, the facility reported total operating expenses of \$9,263,046 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 (744-0457)</u>	<u>Level II NF (044-5465)</u>
July 1, 2008, through June 30, 2009	\$145.96	\$162.75
July 1, 2009, through June 30, 2010	\$148.61	\$165.01
July 1, 2010, through June 30, 2011	\$162.75	\$159.71
July 1, 2011, through December 31, 2011	\$162.73	\$159.69

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

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 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 December 8, 2011, that Signature Healthcare of Columbia 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 November 30, 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 Columbia'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 Columbia's compliance with specified requirements.

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

- Need to Properly Manage Unrefunded Credit Balances
- Residents Inappropriately Charged for Covered Items
- Incorrect Useful Lives of Depreciable Assets

In our opinion, except for the instances of material noncompliance described above, Signature Healthcare of Columbia 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 November 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,

A handwritten signature in black ink that reads "Arthur A. Hayes, Jr." The signature is written in a cursive, flowing style.

Arthur A. Hayes, Jr., CPA
Director

AAH/pn

FINDINGS AND RECOMMENDATIONS

1. Need to Properly Manage Unrefunded Credit Balances

Finding

Signature Healthcare of Columbia failed to ensure that credit balances on all of the accounts of deceased or discharged residents were properly managed and promptly refunded. Management failed to refund accounts receivable 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 \$8,085.99 remain on the accounts of nine former residents of Signature Healthcare of Columbia. The entire amount is due the Medicaid Program.

Recommendation

Signature Healthcare of Columbia should immediately implement an adequate system to promptly refund credit balances on the accounts of former residents. A refund of \$8,085.99 should be remitted to the Medicaid Program.

Management's Comment

Management did not respond to this finding.

2. Residents Inappropriately Charged for Covered Items

Finding

Signature Healthcare of Columbia has inappropriately charged residents' trust fund accounts for diapers, which are Medicaid-covered items. The facility charged ten Medicaid residents the full cost of non-stocked 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 diapers charged totaled \$678.90 for the period January 1, 2009, through November 30, 2011.

No. 93-2 of the *Medicaid Bulletin* states, “. . . 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 ten Medicaid residents have been incorrectly charged \$678.90 for Medicaid-covered items.

Recommendation

Signature Healthcare of Columbia should not charge Medicaid residents for covered items. The facility can only charge a resident the difference between the cost of the diaper stocked by the facility and the cost of the specific diaper requested by the resident. Signature Healthcare of Columbia should reimburse the ten Medicaid residents or their authorized representatives a total of \$678.90.

Management’s Comment

Management did not respond to this finding.

3. Incorrect Useful Lives of Depreciable Assets

Finding

Signature Healthcare of Columbia reported excess depreciation expense on the “Medicaid Nursing Facility Level 1 Cost Report” for the fiscal year ended December 31, 2010. Of the ten assets tested that were purchased during the fiscal year ended December 31, 2010, all ten had incorrect useful lives, resulting in improper acceleration of 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 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

Signature Healthcare of Columbia 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 ten tested in this examination, and 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)	\$8,085.99
Inappropriate charges for covered items (see finding 2)	<u>\$ 678.90</u>
Total	<u>\$8,764.89</u>

Disposition of Overpayments

Due to the Medicaid Program	\$8,085.99
Due to residents or their authorized representatives	<u>\$ 678.90</u>
Total	<u>\$8,764.89</u>