

# TENNCARE REPORT

**Clover Bottom Developmental Center  
Nashville, Tennessee**

**Cost Report for the Period  
July 1, 2010, Through June 30, 2011;  
Resident Days for the Period  
July 1, 2010, Through August 31, 2012;  
and Resident Accounts for the Period  
January 1, 2011, Through June 30, 2012**



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY**

**Department of Audit  
Division of State Audit**



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June 19, 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 examination of the Medicaid cost report of Clover Bottom Developmental Center in Nashville, Tennessee, for the period July 1, 2010, through June 30, 2011; resident days for the period July 1, 2010, through August 31, 2012; and resident accounts for the period January 1, 2011, through June 30, 2012.

Sincerely,

A handwritten signature in black ink that reads "Deborah V. Loveless".

Deborah V. Loveless, CPA  
Director

DVL/pn  
13/022

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report  
**Clover Bottom Developmental Center**  
Nashville, Tennessee  
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## FINDINGS NOT RECOMMENDING MONETARY REFUNDS

### **Deficiencies in Accounting for the Residents' Trust Funds**

Clover Bottom Developmental Center failed to take adequate measures to safeguard residents' trust funds. The facility was unable to properly reconcile the residents' trust fund ledgers with the bank statements. PTABS, the computer program that the facility uses, caused variances in the balances for residents' trust funds when accounts were closed and then reopened or when information was retrieved. The reconciliation does not balance to the bank account without adjustments.

### **Inaccurate Accumulation and Billing of Resident Leave Days**

Clover Bottom Developmental Center improperly billed the Medicaid Program for 197 hospital leave days and 3 therapeutic leave days while operating below 85% occupancy for the period July 1, 2010, through August 31, 2012. Also, the facility

over-reported 36 days on the FYE June 30, 2011, cost report and 40 days on the FYE June 30, 2012, cost report. Since state-owned intermediate care facilities for intellectual disabilities are cost-settled after year-end, the adjustment to days will be reflected in Clover Bottom's cost settlement.

### **Nonallowable Expenses Included on the Cost Report**

Clover Bottom Developmental Center included nonallowable expenses on the "Intermediate Care Statement of Reimbursable Cost" for the year ended June 30, 2011. The nonallowable amount included administrative costs. The central office's administrative costs that were allocated in the cost report did not match the amount in the cost allocation plan. These amounts were preliminary expenditures rather than final expenditures.

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Nashville, Tennessee  
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**INTRODUCTION**

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**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.

An intermediate care facility for intellectual disabilities (ICF/ID) is a facility approved for Medicaid reimbursement and is required to provide routine services, including supplies, that comply with current federal standards and certification. Medicaid pays for covered services through an all-inclusive per diem rate, less any available patient resources.

Clover Bottom Developmental Center in Nashville, Tennessee, provides ICF/ID services. The facility is owned and operated by the State of Tennessee. There is no board of directors.

During the examination period, the facility maintained a total of 131 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 47,815 available bed days, the facility reported 24,607 for Medicaid ICF/ID residents for the year ended June 30, 2011. Also, the facility reported total operating expenses of \$36,272,950 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>ICF/ID (744-7010)</u>
October 1, 2008, through September 30, 2010	\$1,054.15
October 1, 2010, through October 31, 2011	\$1,208.82
November 1, 2011, through the present	\$ 935.93

## **PRIOR EXAMINATION FINDINGS**

There has not been an examination performed within the last 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  
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NASHVILLE, TENNESSEE 37243-1402  
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**Independent Accountant's Report**

**October 11, 2012**

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 11, 2012, that Clover Bottom Developmental Center complied with the following requirements:

- Income and expenses reported on the "Intermediate Care Statement of Reimbursable Cost" for the fiscal year ended June 30, 2011, are reasonable, allowable, and in accordance with state and federal rules, regulations, and reimbursement principles.
- Resident days reported on the cost report have been counted in accordance with state regulations. Medicaid resident days billed to the state from July 1, 2010, through August 31, 2012, when residents were hospitalized or on therapeutic leave, are in accordance with the bed hold rules.
- Charges to residents' personal funds from January 1, 2011, through June 30, 2012, 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 Clover Bottom Developmental 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 Clover Bottom Developmental 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 residents' trust funds
2. Inaccurate accumulation and billing of residents' leave days
3. Nonallowable expenses included on the cost report

In our opinion, except for the instances of material noncompliance described above, Clover Bottom Developmental Center complied with, in all material respects, the aforementioned requirements for income and expenses reported on the cost report for the period July 1, 2010, through June 30, 2011; for resident days for the period July 1, 2010, through August 31, 2012; and for resident accounts for the period January 1, 2011, through June 30, 2012.

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

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## FINDINGS AND RECOMMENDATIONS

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### 1. Deficiencies in Accounting for the Residents' Trust Funds

#### Finding

Clover Bottom Developmental Center failed to take adequate measures to safeguard residents' trust funds as required by federal and state laws. The facility was unable to properly reconcile the residents' trust fund ledgers with the bank statements. PTABS, the computer program that the facility uses, caused variances in the balances for residents' trust funds when accounts were closed and then reopened or when information was retrieved. The reconciliation does not balance to the bank account without adjustments.

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 account principles of each resident's personal funds entrusted to the facility on the resident's behalf."

#### Recommendation

Clover Bottom Developmental Center should establish a monthly system to accurately balance the ledger to the bank statement without adjustments.

#### Management's Comment

Management concurs. The PTABS system is outdated and is no longer supported by the Department of Intellectual and Developmental Disabilities' (DIDD's) information systems unit. To replace PTABS, DIDD researched off-the-shelf software programs and determined that Quicken would meet all the needs of the Trust Fund unit. As of April 30, 2014, all regions use Quicken to record trust fund dollars for all persons supported in a DIDD-owned and operated center or home. The records in Quicken are reconciled each month with bank statements and balance without the need for adjustments.

## 2. Inaccurate Accumulation and Billing of Residents' Leave Days

### Finding

Clover Bottom Developmental Center improperly billed the Medicaid Nursing Facility Program for 109 hospital leave days and 3 therapeutic leave days for the period July 1, 2010, through December 31, 2010, and 88 hospital and therapeutic leave days for the period January 1, 2011, through August 31, 2012, when the facility was operating below the 85% occupancy requirement. The facility inaccurately over-reported 36 days for FYE June 30, 2011, and 40 days for FYE June 30, 2012, on the respective cost reports.

Chapter 1200-13-01-.30(6)(a) of the *Rules of Tennessee Department of Finance and Administration* allows for days not to exceed 15 days per occasion while the recipient is hospitalized and the following conditions are met:

- (1) The resident intends to return to the ICF/MR.
  - (2) The hospital provides a discharge plan for the resident.
  - (3) At least 85% of all other beds in the ICF/MR certified at the recipient's designated level of care when computed separately are occupied at the time of hospital admission.
  - (4) Each period of hospitalization must be physician ordered and so documented in the patient's medical record in the ICF/MR.
- (b) For days not to exceed sixty (60) days per state fiscal year and limited to fourteen (14) days per occasion while the recipient, pursuant to a physician's order, is absent from the facility on a therapeutic home visit or other therapeutic absence.

Since state-owned ICF/IDs are cost-settled after year-end, the adjustment to days will be reflected in Clover Bottom Developmental Center's cost settlement.

### Recommendation

Clover Bottom Developmental Center should establish adequate procedures to ensure compliance with applicable regulations relative to hospital and therapeutic leave days. The facility should not accumulate or bill the Medicaid Nursing Facility Program for hospital or therapeutic leave days when the facility is operating below 85% occupancy. Days should be reported correctly and should not be over-reported on the cost report. These discrepancies will not have an effect on the rate because the facility is cost-settled at year-end.

## **Management's Comment**

Management concurs. As Clover Bottom Developmental Center (CBDC) was being downsized, beds were inadvertently left in active status and thus occupancy fell below the 85% federal requirement. The certified number of beds has been corrected to properly reflect the persons still supported at CBDC.

### **3. Nonallowable Expenses Included on the Cost Report**

#### **Finding**

Clover Bottom Developmental Center included nonallowable expenses on the "Intermediate Care Statement of Reimbursable Cost" for the year ended June 30, 2011. The nonallowable expenses resulted from incorrectly reported central office administrative costs, which did not reconcile with the amount in the cost allocation plan, resulting from incorrect statistical bases from preliminary data.

The report issued by the Comptroller's Risk-Based Performance Audit group on April 9, 2013, noted that the central office's administrative costs were improperly allocated to the facility. (See the 2013 performance audit of the Department of Intellectual and Developmental Disabilities, finding 6 on page 42). On September 14, 2012, Clover Bottom Developmental Center submitted an amended cost report with the corrections recommended by the performance auditors. These improperly allocated costs were included in the original cost report; therefore, they were incorporated into the reimbursement rate originally established, creating overpayments to the facility. Since state-operated ICF/IDs receive retroactive cost settlements, these costs were adjusted on the final settlement, which was completed on May 8, 2013. The impact of the central office's incorrectly reported administrative costs is \$4,602,379.

Without proper internal controls in place to provide reasonable assurance that the department's objective of preparing accurate cost reports is met, Clover Bottom Developmental Center may collect Medicaid funds either in excess of or less than allowable expenditures.

#### **Recommendation**

Clover Bottom Developmental Center must include only expenses that are adequately and accurately supported by both cost and statistical data on the "Intermediate Care Statement of Reimbursable Cost."

### **Management's Comment**

Management concurs. During the audit period, DIDD had decentralized accounting offices in each region and cost reports were prepared at the regional level. Once the chief officer or regional director had signed the reports, there was no further review at the central office level. DIDD now has a central accounting office where all cost reports and administrative cost plans are developed. Once the reports are prepared, staff of the accounting office who were not involved in the preparation of the reports review them for accuracy, readability, and documentation.