TENNCARE REPORT

Greene Valley Developmental Center
Greeneville, Tennessee

Cost Report for the Period
July 1, 2010, Through June 30, 2011;
Resident Days for the Period
July 1, 2010, Through September 30, 2012;
and Resident Accounts for the Period
November 1, 2010, Through October 31, 2012

STATE OF TENNESSEE

COMPTROLLER OF THE TREASURY

Department of Audit

Division of State Audit

TENNESSEE
COMPTROLLER
OF THE TREASURY

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

Scott Waller, CPA
Katie Yarborough
Auditors

Amy Brack
Editor

Amanda Adams
Assistant Editor

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, 505 Deaderick Street, 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
505 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7897
FAX (615) 532-2765

June 5, 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 Greene Valley Developmental Center, Greeneville, Tennessee, for the period July 1, 2010, through June 30, 2011; resident days for the period July 1, 2010, through September 30, 2012; and resident accounts for the period November 1, 2010, through October 31, 2012.

Sincerely,

Deborah V. Loveless

Deborah V. Loveless, CPA
Director

DVL/pn
13/031

State of Tennessee

Audit Highlights

Comptroller of the Treasury | Division of State Audit

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FINDING RECOMMENDING MONETARY REFUND

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 and promptly refunded. Resident trust fund unrefunded credit balances of $21,941.25 remain on the accounts of 32 former residents of the facility. The total unrefunded credit balances are due to former residents or their authorized representatives.

FINDING NOT RECOMMENDING MONETARY REFUND

Nonallowable Expenses Included on the Cost Report
Greene Valley 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 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.

Greene Valley Developmental Center
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Greene Valley Developmental Center
Greeneville, Tennessee
Cost Report for the Period
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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.

An Intermediate Care Facility for Intellectual Disabilities (ICF/ID, formerly Intermediate Care Facility for the Mentally Retarded [ICF/MR]) 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.

Greene Valley Developmental Center, Greeneville, Tennessee, is certified to provide ICF/ID services. The facility is owned and operated by the State of Tennessee. The officers/members of the board of trustees are as follows:

M. David Linville, Jr., M.D., Chairperson
Representative David Hawk
Ms. Robin Latham
Ms. Madeline Nichols
Janice K. Wheeler, Ph.D.

During the examination period, the facility maintained a total of 205 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 89,354 available bed days, the facility reported 60,788 for High Personal Care Medicaid ICF/ID residents and 21,089 for Medical Treatment Medicaid ICF/ID residents for the year ended June 30, 2011. Also, the facility reported total operating expenses of $73,728,643 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:

Period	High Personal Care (744-7014)	Medical Treatment (744-7018)
October 1, 2008, through September 30, 2010	$811.61	$1,019.82
October 1, 2010, through December 31, 2011	$793.66	$897.14
January 1, 2012, through the present	$759.33	$859.01

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

Independent Accountant's Report

November 29, 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 November 29, 2012, that Greene Valley 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 September 30, 2012, when residents were hospitalized or on therapeutic leave, are in accordance with the bed hold rules.

- Charges to residents' personal funds from November 1, 2010, through October 31, 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 Greene Valley 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 Greene Valley Developmental Center'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. Nonallowable expenses included on the cost report

In our opinion, except for the instances of material noncompliance described above, Greene Valley 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; resident days for the period July 1, 2010, through September 30, 2012; and for resident accounts for the period November 1, 2010, through October 31, 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

Deborah V. Loveless, CPA
Director

DVL/pn

FINDINGS AND RECOMMENDATIONS

1. Need to Properly Manage Unrefunded Credit Balances

Finding

Greene Valley Developmental Center failed to ensure that credit balances on the accounts of deceased or discharged residents were properly managed. Management did not maintain evidence that former residents or their authorized representatives were notified of money due them.

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."

Resident trust fund accounts had unrefunded credit balances of $21,941.25 remaining on the accounts of 32 former residents of the facility. The total amount is due to former residents or their authorized representatives.

Recommendation

Greene Valley Developmental Center 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.

Greene Valley Developmental Center should refund $21,941.25 to former residents or their authorized representatives.

Management's Comment

Management concurs. Department of Intellectual and Developmental Disabilities (DIDD) trust fund staff have researched each credit balance and have notified individuals listed as contacts for the persons we support who have left Greene Valley Developmental Center either by transfer to a community waiver provider or by death. Once former residents or their contacts have been located, they are given instructions on how to claim any outstanding funds or personal property items still in the custody of Greene Valley Developmental Center.

After six months from the date of the initial contact letter, if no individual contacted has come forward to claim the property, the property and monies are disposed of according to the provisions of TCA Chapter 33.

2. Nonallowable Expenses Included on the Cost Report

Finding

Greene Valley 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 administrative costs were improperly allocated to the facility. (See the report on the Department of Intellectual and Developmental Disabilities, finding 6 on page 42). On September 14, 2012, Greene Valley 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 and 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, completed on May 8, 2013. The impact of the incorrectly reported central office administrative costs is $2,368,316.

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

Recommendation

Greene Valley 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.

SUMMARY OF MONETARY FINDING AND RECOMMENDATION

Source of Overpayments

Unrefunded credit balances (see finding 1)	$21,941.25
Total	$21,941.25

Disposition of Overpayments

Due to residents or their authorized representatives	$21,941.25
Total	$21,941.25