



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

**SIGNATURE HEALTHCARE OF GREENEVILLE
GREENEVILLE, TENNESSEE**

**Cost Report for the Period
January 1, 2011, Through December 31, 2011;
Resident Days for the Period
January 1, 2011, Through August 31, 2012;
and Resident Accounts for the Period
January 1, 2011, Through November 2, 2012**

Justin P. Wilson, Comptroller



**Division of State Audit
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May 26, 2015

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 Signature HealthCARE of Greeneville, Greeneville, Tennessee, for the period January 1, 2011, through December 31, 2011; resident days for the period January 1, 2011, through August 31, 2012; and resident accounts for the period January 1, 2011, through November 2, 2012.

Sincerely,

Deborah V. Loveless, CPA
Director

DVL/pn
13/032

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
Signature HealthCARE of Greeneville
Greeneville, Tennessee
Cost Report for the Period
January 1, 2011, Through December 31, 2011;
Resident Days for the Period
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and Resident Accounts for the Period
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FINDINGS RECOMMENDING MONETARY REFUNDS

Improper Management of 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 \$3,212.48 due to the Medicaid Program remain on the accounts of five former Medicaid residents.

Residents Inappropriately Charged for Covered Services

Signature HealthCARE of Greeneville inappropriately charged Medicaid residents' trust fund accounts for haircuts and shampoos, which are Medicaid covered services. As a result of the inappropriate charges, the facility should reimburse 34 Medicaid residents or their authorized representatives a total of \$3,209.00

Improper Billing of Resident Leave Days

Signature HealthCARE of Greeneville improperly billed the Medicaid Program for 10 hospital leave days while the facility was operating below 85% occupancy for the period January 1, 2011, through August 31, 2012. As a result of the billing for 10 noncovered leave days, the facility should refund \$1,391.82 to the State of Tennessee.

Nonallowable Expenses Included on the Cost Report

Signature HealthCARE of Greeneville included \$9,707.32 of nonallowable expenses on the "Medicaid Nursing Facility Level 1 Cost Report" for the year ended December 31, 2011. The nonallowable expenses resulted primarily from inadequate documentation. Other expenses disallowed included late fees, marketing-related expenses, and expenses not related to resident care. As a result of these

adjustments, overpayments made to the facility are estimated at \$679.25 computed

from July 1, 2012, through June 30, 2015.

FINDING NOT RECOMMENDING MONETARY REFUND

Deficiency in Accounting for Resident Trust Funds

A former resident of Signature HealthCARE of Greeneville, now deceased, had been allowed to overdraw funds in the resident trust fund account by \$809.00. Prior to the field exit, the facility reimbursed \$809.00 to the resident trust fund account.

**Signature HealthCARE of Greeneville
Greeneville, Tennessee
Cost Report for the Period
January 1, 2011, Through December 31, 2011;
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**Signature HealthCARE of Greeneville
Greeneville, Tennessee
Cost Report for the Period
January 1, 2011, Through December 31, 2011;
Resident Days for the Period
January 1, 2011, Through August 31, 2012;
and Resident Accounts for the Period
January 1, 2011, Through November 2, 2012**

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 Greeneville, Greeneville, 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 154 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 56,210 available bed days, the facility reported 27,097 for Medicaid NF-1 residents and 1,613 for Medicaid NF-2 residents for the year ended December 31, 2011. Also, the facility reported total operating expenses of \$9,476,293 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 (744-0318)</u>	<u>Level II NF (044-5351)</u>
July 1, 2010, through June 30, 2011	\$146.59	\$146.90
July 1, 2011, through December 31, 2011	\$146.56	\$146.88
January 1, 2012, through June 30, 2012	\$143.05	\$143.36
July 1, 2012, through June 30, 2013	\$162.77	\$172.61

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.



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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 Signature HealthCARE of Greeneville complied with the following requirements:

- Income and expenses reported on the "Medicaid Nursing Facility Level 1 Cost Report" for the fiscal year ended December 31, 2011, are reasonable, allowable, and in accordance with state and federal rules, regulations, and reimbursement principles.
- Resident days reported on the Medicaid cost report have been counted in accordance with state regulations. Medicaid resident days billed to the state from January 1, 2011, through August 31, 2012, when residents were hospitalized or on therapeutic leave are in accordance with the bed hold rules.
- Charges to residents and charges to residents' personal funds from January 1, 2011, through November 2, 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 Signature HealthCARE of Greeneville'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 Greeneville's compliance with specified requirements.

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

- Improper management of credit balances
- Residents inappropriately charged for covered services
- Improper billing of resident leave days
- Nonallowable expenses included on the cost report
- Deficiency in accounts for resident trust funds

In our opinion, except for the instances of material noncompliance described above, Signature HealthCARE of Greeneville complied with, in all material respects, the aforementioned requirements for income and expenses reported on the Medicaid cost report for the period January 1, 2011, through December 31, 2011; resident days for the period January 1, 2011, through August 31, 2012; and for resident accounts for the period January 1, 2011, through November 2, 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

FINDINGS AND RECOMMENDATIONS

1. Improper Management of Credit Balances

Finding

Signature HealthCARE of Greeneville failed to ensure that credit balances on 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 6402 of the *Affordable Care Act* contains new obligations for health care providers regarding reporting and returning overpayments from the Bureau of TennCare or one of its contractors. Overpayments that are not returned within 60 days from the date the overpayment was identified can trigger a liability under the False Claims Act. The overpayment will be considered an “obligation,” as this term is defined at 31 US Code §3729(b)(3). The False Claims Act subjects a provider to a fine and treble damages if he knowingly conceals or knowingly and improperly avoids or decreases an obligation to pay money to the federal government.

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 \$3,212.48 remain on the accounts of five former Medicaid residents of Signature HealthCARE of Greeneville. The entire amount is due the State of Tennessee Medicaid Program.

Recommendation

Signature HealthCARE of Greeneville should immediately implement a system to refund credit balances on the accounts of former residents. A refund of \$3,212.48 should be remitted to the Medicaid Program. The facility started the process of contacting the managed care organizations during the auditors’ field work in order to have the overpayments recouped.

Management’s Comment

Management implemented a process in 2015 to review all credit balances on a monthly basis. The goal is to research and resolve all balances in a timely manner. Resolution occurs through claim adjustments and refunds.

2. Residents Inappropriately Charged for Covered Services

Finding

Signature HealthCARE of Greeneville has inappropriately charged Medicaid residents' trust fund accounts for Medicaid covered services. From January 1, 2011, through November 2, 2012, the facility inappropriately charged 34 residents a total of \$3,209.00 for basic haircuts and shampoos.

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 for basic haircuts and shampoos, the resident trust fund accounts of 34 Medicaid residents have been incorrectly charged \$3,209.00 for Medicaid covered services.

Recommendation

Signature HealthCARE of Greeneville should not charge Medicaid residents for covered services. The facility should reimburse 34 residents or their authorized representatives a total of \$3,209.00. In the future, the facility should provide covered services to all Medicaid residents without charge.

Management's Comment

Management does not agree with the auditor's interpretation of the *Rules of the Tennessee Department of Health*, Chapter 1200-8-6-.06(4)(q), "Residents shall have shampoos, haircuts and shaves as needed, or desired." This regulation does not require a provider to offer a haircut free of charge. In order to satisfy the requirements of the state, the facility created a form in October 2012 that is signed on admission that declares haircuts can be provided by a non-trained staff member or paid from resident funds if so desired. Due to the minimal impact of charges associated with this finding, however, management has made a business decision not to appeal this issue. Management's decision in this regard is strictly limited to this audit. It shall not apply to, or be used in, any other audit. It also shall not be relied upon or construed by any person, agency, or entity as (i) a waiver of management's future rights to contest or appeal a similar interpretation of this regulation in another audit, and/or (ii) an admission by management of liability for these charges or any other charges related to this specific issue, or for similar charges in another audit. Management specifically reserves all rights to contest or challenge this issue and any related findings in any and all other future audits, appeals, and/or legal proceedings addressing this issue.

Rebuttal

Auditors reviewed the resident admission packet, and there were no signed barber/beauty agreements noted. Management personnel verbally told our auditors on November 6, 2012, that residents are entitled to one free haircut a month but would be charged for any additional haircuts. The barber/beauty shop agreement was developed as a result of our examination. It was provided to our auditors for review in December 2012.

3. Improper Billing of Resident Leave Days

Finding

Signature HealthCARE of Greeneville improperly billed the Medicaid Program for 10 hospital leave days when the facility was operating below the 85% occupancy requirement for the period January 1, 2011, through August 31, 2012.

Chapter 1200-13-1-.03(9)(a) of the *Rules of the 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 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.

As a result of the improper billing of resident leave days, the facility was overpaid \$1,391.82 by the Medicaid Program for the 10 noncovered leave days for the period January 1, 2011, through August 31, 2012.

Recommendation

Signature HealthCARE of Greeneville should not accumulate or bill the Medicaid Program for NF-1 hospital or therapeutic leave days when the facility is operating below 85% occupancy. The facility should refund \$1,391.82, representing overpayments by the Medicaid Program, to the State of Tennessee, as a result of the improper billing of resident leave days.

Management's Comment

The facility erroneously billed Medicaid ten leave days for two residents. The amounts received in error have been refunded to the Medicaid Program, and a system has been established to prevent further leave-day billing errors.

4. Nonallowable Expenses Included on the Cost Report

Finding

Signature HealthCARE of Greeneville included \$9,707.32 of nonallowable expenses on the "Medicaid Nursing Facility Level 1 Cost Report" for the year ended December 31, 2011. The nonallowable expenses consisted of \$8,748.19 in inadequately documented expenses; \$342.66 of expenses not related to resident care; \$314.51 in late fees; and marketing-related expenses of \$301.96.

Chapter 1200-13-6-.09(1) of the *Rules of Tennessee Department of Finance and Administration* states, "Adequate financial records, statistical data, and source documents must be maintained for proper determination of costs under the program." It also specifies that unnecessary costs, costs not related to resident care, and all fines and penalties are to be deducted from allowable expenses:

- Costs which are not necessary or related to patient care;
- Any fines, penalties, or interest paid on any tax payment or interest charges on overdue payables.

Paragraph 5866 of the *Medicare and Medicaid Guide* states,

Costs not related to patient care are costs which are not appropriate or necessary and proper in developing and maintaining the operation of patient care facilities and activities. Costs which are not necessary include costs which usually are not common or accepted occurrences in the field of the provider's activity.

Such costs are not allowable in computing reimbursable costs and include . . . Cost of travel incurred in connection with non-patient care related purposes.

As a result of the above adjustments, the facility's Medicaid reimbursable rate was affected as follows:

<u>Period</u>	<u>Original Rate</u>	<u>Adjusted Rate</u>	<u>Difference</u>
July 1, 2012, through June 30, 2013	\$162.77	\$162.57	\$ (0.20)
July 1, 2013, through June 30, 2014	\$170.57	\$170.57	\$ 0.00
July 1, 2014, through June 30, 2015	\$168.16	\$168.31	\$ 0.15

The above rate adjustments will be sent to the Bureau of TennCare for reprocessing of all Medicaid claims for the period July 1, 2012, through June 30, 2015, where there is a rate change. Overpayments made to the facility as a result of these adjustments are estimated at \$679.25, computed from July 1, 2012, through June 30, 2015.

Recommendation

Signature HealthCARE of Greeneville should include only allowable expenses on the "Medicaid Nursing Facility Level 1 Cost Report." All reported expenses should be adequately supported, for covered services, related to resident care, and in compliance with other applicable regulations.

The Bureau of TennCare should reprocess all Medicaid claims for the period July 1, 2012, through June 30, 2015. The estimated recoupment for the reprocessed Medicaid claims for this period is \$679.25.

Management's Comment

Our leadership strives to comply with applicable reimbursement regulations. We will review our cost report preparation process to ensure only allowable expenses are reported in future filings.

5. Deficiency in Accounting for Resident Trust Funds

Finding

A former resident of Signature HealthCARE of Greeneville had been allowed to overdraw funds in the resident trust fund account by \$809.00. The resident died on November 8, 2009, and as of November 2, 2012, the facility had not reimbursed the resident trust fund for the overdrawn amount. Because the account was underfunded by \$809.00, the facility was not allocating the proper amount of interest to the remaining residents in the trust fund.

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 accounting principles, of each resident’s personal funds entrusted to the facility on the resident’s behalf.”

Prior to the auditors’ field exit, the facility reimbursed \$809.00 to the resident trust account.

Recommendation

Signature HealthCARE of Greeneville should immediately establish adequate internal controls, including policies and procedures to ensure compliance with applicable laws and regulations relative to the protection of resident funds. The facility should not allow residents to overdraw funds from the resident trust fund and should ensure all residents receive the appropriate amount of interest.

Management’s Comment

Adequate internal controls, policies, and procedures were established prior to the audit. Our facility has served hundreds of residents with no previous issues regarding the trust fund. The auditors found one oversight, which was immediately corrected and the appropriate account reimbursed.

SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

Source of Overpayments

Unrefunded credit balances (see finding 1)	\$ 3,212.48
Residents inappropriately charged for covered services (see finding 2)	\$ 3,209.00
Improper billing of resident leave days (see finding 3)	\$ 1,391.82
Rate reduction (see finding 4)	<u>\$ 679.25</u>
Total	<u>\$ 8,492.55</u>

Disposition of Overpayments

Due to the State of Tennessee	\$ 5,283.55
Due to residents or their authorized representatives	<u>\$ 3,209.00</u>
Total	<u>\$ 8,492.55</u>