



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

**GLEN OAKS, LLC
SHELBYVILLE, TENNESSEE**

**Cost Report for the Period
January 1, 2011, Through December 31, 2011;
Resident Days for the Period
January 1, 2011, Through June 30, 2012;
and Resident Accounts for the Period
November 1, 2011, Through October 31, 2012**

Justin P. Wilson, Comptroller



**Division of State Audit
TennCare Section**

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

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June 4, 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 Glen Oaks, LLC, Shelbyville, Tennessee, for the period January 1, 2011, through December 31, 2011; resident days for the period January 1, 2011, through June 30, 2012; and resident accounts for the period November 1, 2011, through October 31, 2012.

Sincerely,

Deborah V. Loveless, CPA
Director

DVL/pn
13/033

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report

Glen Oaks, LLC

Shelbyville, 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

Nonallowable Expenses Included on the Cost Report

Glen Oaks, LLC included \$3,644.06 of nonallowable expenses on the "Medicaid Nursing Facility Level 1 Cost Report" for the year ended December 31, 2011. The nonallowable amount includes legal fees not related to resident care; security system fees due to failure to cancel a contract; marketing-related travel expenses; expense to replace residents' lost items; expense paid to a wrong vendor; expense due to an accounting error; late fees; inadequately documented expenses; and excess depreciation expense. As a result of these adjustments and the adjustments to resident days and gross charges reported below, overpayments made to the facility by the Medicaid Program are estimated at \$6,345.89, computed from July 1, 2012, through June 30, 2015.

Inaccurate Accumulation of Resident Days

The facility inaccurately reported resident days and gross charges on the "Medicaid Nursing Facility Level 1 Cost Report." The facility underreported 14 Private NF-2 days and \$2,576.00 in Private NF-2 gross charges. The adjustments to resident days and the gross charges are incorporated in the rate change in the nonallowable expense finding.

Improper Management of 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. Accounts receivable unrefunded credit balances of \$10,554.40 remain on the accounts of 16 former residents of the

facility. Of the total unrefunded credit balances, \$3,883.99 is due to the State of Tennessee Medicaid Program, and

\$6,670.41 is due to former residents or their authorized representatives.

**Glen Oaks, LLC
Shelbyville, Tennessee
Cost Report for the Period
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**Glen Oaks, LLC
Shelbyville, Tennessee
Cost Report for the Period
January 1, 2011, Through December 31, 2011;
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January 1, 2011, Through June 30, 2012;
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November 1, 2011, Through October 31, 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.

Glen Oaks, LLC, Shelbyville, Tennessee, provides both NF-1 and NF-2 services. The facility is owned and operated by Middle Tennessee Management Associates, LLC, located in Brentwood, Tennessee. The officers/members of the board of directors are as follows:

William D. Orand, Chief Executive Officer
 L. Scott Burleyson, President
 David L. Cheek, Secretary

During the examination period, the facility maintained a total of 130 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 47,450 available bed days, the facility reported 20,093 for Medicaid NF-1 residents and 176 for Medicaid NF-2 residents for the year ended December 31, 2011. Also, the facility reported total operating expenses of \$6,491,438 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 (744-0283)</u>	<u>Level II NF (044-5234)</u>
July 1, 2010, through June 30, 2011	\$160.25	\$177.66
July 1, 2011, through December 31, 2011	\$160.21	\$177.64
January 1, 2012, through June 30, 2102	\$156.36	\$173.35
July 1, 2012, through June 30, 2013	\$160.60	\$178.41

PRIOR EXAMINATION FINDINGS

This 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
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DIVISION OF STATE AUDIT

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505 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-1402
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Independent Accountant's Report

November 27, 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 27, 2012, that Glen Oaks, LLC 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 June 30, 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 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 Glen Oaks, LLC'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 Glen Oaks, LLC's compliance with specified requirements.

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

- Nonallowable expenses included on the cost report
- Inaccurate accumulation of resident days and gross charges
- Improper management of credit balances

In our opinion, except for the instances of material noncompliance described above, Glen Oaks, LLC complied with, in all material respects, the aforementioned requirements for the "Medicaid Nursing Facility Level 1 Cost Report" for the period January 1, 2011, through December 31, 2011; resident days for the period January 1, 2011, through June 30, 2012; and for resident accounts for the period November 1, 2011, 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, CPA
Director

DVL/pn

FINDINGS AND RECOMMENDATIONS

1. Nonallowable Expenses Included on the Cost Report

Finding

Glen Oaks, LLC included \$3,644.06 of nonallowable expenses on the “Medicaid Nursing Facility Level 1 Cost Report” for the year ended December 31, 2011. The nonallowable amount consists of \$1,912.57 of security system fees due to failure to cancel a contract; \$680.00 to replace residents’ lost items; \$126.48 of inadequately documented expenses; \$79.58 in late fees; \$73.32 of expense paid to a wrong vendor; \$50.00 of expense due to an accounting error; and \$16.42 of marketing-related travel expenses. Also, the adjustment includes \$705.69 of excess depreciation expense caused by the assignment of incorrect useful lives to six assets.

Chapter 1200-13-6.09(4) of the *Rules of the 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.” Such costs that are not allowable in computing reimbursable costs include

- Costs which are not necessary or related to patient care
- Any fines, penalties, or interest paid on any tax payments or interest charges on overdue payables
- Advertising costs incurred which seek to increase patient population

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.

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.”

As a result of the adjustments to allowable expenses above and the adjustment to resident days noted in Finding 2, the facility’s Medicaid reimbursable rate was reduced as follows:

<u>Period</u>	<u>Original Rate</u>	<u>Adjusted Rate</u>	<u>Difference</u>
July 1, 2012, through June 30, 2013	\$160.60	\$160.31	\$ (0.29)
July 1, 2013, through June 30, 2014	\$146.92	\$146.90	\$ (0.02)
July 1, 2014, through June 30, 2015	\$161.48	\$161.48	\$ 0.00

The above rate adjustments will be sent to the Bureau of TennCare for reprocessing of all Medicaid claims for the dates of service from July 1, 2012, through June 30, 2014. Estimated overpayments made to the facility as a result of the expense adjustments and days adjustments are \$6,345.89.

Recommendation

Glen Oaks, LLC 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. Assets should be depreciated in accordance with required useful life guidelines.

The Bureau of TennCare should reprocess all claims for the period July 1, 2012, through June 30, 2014. The estimated recoupment for the reprocessed Medicaid claims for the period is \$6,345.89.

Management’s Comment

Management has reviewed the expenses marked as disallowable. For the remaining \$3,644.06 of expenses cited, we concur with the findings. Going forward, expense reviews will attempt to more accurately identify expenses that are not allowable for cost reporting purposes versus those that are properly accounted for according to GAAP (Generally Accepted Accounting Principles).

2. Inaccurate Accumulation of Resident Days and Gross Charges

Finding

Glen Oaks, LLC inaccurately reported resident days on the “Medicaid Nursing Facility Level 1 Cost Report” for the year ended December 31, 2011. The facility underreported 14 Private NF-2 days and \$2,576.00 in Private NF-2 gross charges.

Chapter 1200-13-6-.10(5) of the *Rules of the Tennessee Department of Finance and Administration* states, “Each facility must maintain daily census records and an adequate patient log. . . . This log, however, must be sufficient . . . to accumulate monthly and yearly totals for Medicaid NF-1 patients and for all other patients.”

Chapter 1200-13-6-.15 of the *Rules* states, “The cost reports . . . must provide adequate cost and statistical data. This data must be based on and traceable to the provider’s financial and statistical records and must be adequate, accurate, and in sufficient detail to support payment made for services rendered to beneficiaries.”

The adjustment to days reported and the associated charges are incorporated in the rate change in Finding 1.

Recommendation

Glen Oaks, LLC should maintain an adequate system to report and account for resident days and gross charges. The report should provide adequate and accurate statistical data for proper completion of the “Medicaid Nursing Facility Level 1 Cost Report.”

Management’s Comment

Management has reviewed the documentation and agrees that there was an adjustment made in 2012 to the 2011 days to add 14 to the Private NF-2 care days for a total of \$2,576.00.

3. Improper Management of Credit Balances

Finding

Glen Oaks, LLC 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 to 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 \$10,554.40 remain on the accounts of 16 former residents of Glen Oaks, LLC. Of the total unrefunded credit balances, \$3,883.99 is due to the State of Tennessee Medicaid Program and \$6,670.41 is due to former residents or their authorized representatives.

Recommendation

Glen Oaks, LLC 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, Social Security number, dates of last account activity, the last owner contact, and the amount due the former resident.

The facility should 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 date of 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.

Glen Oaks, LLC should refund \$3,883.99 to the State of Tennessee Medicaid Program and \$6,670.41 to former residents or their authorized representatives.

Management’s Comment

For those balances listed as “Balance Private Portion,” management is working to refund those amounts to the respective individuals, and for those balances listed under “Balance Medicaid Portion,” management is working to resubmit claims to the managed care organizations. It is Glen Oaks’ goal to address credit balances in a timely manner, and to maintain records of credit balance resolutions.

SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

Source of Overpayments

Rate reduction (see findings 1 and 2)	\$ 6,345.89
Unrefunded credit balances (see finding 3)	<u>\$10,554.40</u>
Total	<u>\$16,900.29</u>

Disposition of Overpayments

Due to the State of Tennessee	\$10,229.88
Due to residents or their authorized representatives	<u>\$ 6,670.41</u>
Total	<u>\$16,900.29</u>