



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY**

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**SUMMIT VIEW OF LAKE CITY, LLC  
D/B/A SUMMIT VIEW OF ROCKY TOP  
ROCKY TOP, TENNESSEE**

**Cost Report and Resident Days for the Period  
July 1, 2011, Through June 30, 2012,  
and Resident Accounts for the Period  
September 13, 2011, Through October 2, 2013**

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**Justin P. Wilson, Comptroller**



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JUSTIN P. WILSON  
*Comptroller*

JASON E. MUMPOWER  
*Chief of Staff*

May 25, 2018

The Honorable Bill Haslam, Governor  
and  
Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243  
and  
Dr. Wendy Long, 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 and agencies providing home- and community-based waiver services 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 Summit View of Lake City, LLC, d/b/a Summit View of Rocky Top, in Rocky Top, Tennessee, for the period July 1, 2011, through June 30, 2012; resident days for the period July 1, 2011, through June 30, 2012; and resident accounts for the period September 13, 2011, through October 2, 2013.

Sincerely,

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

Deborah V. Loveless, CPA, Director  
Division of State Audit

DVL/pn  
14/019

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report  
**Summit View of Lake City, LLC**  
d/b/a Summit View of Rocky Top  
Rocky Top, Tennessee  
Cost Report and Resident Days for the Period  
July 1, 2011, Through June 30, 2012,  
and Resident Accounts for the Period  
September 13, 2011, Through October 2, 2013

## FINDINGS RECOMMENDING MONETARY REFUNDS

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

Summit View of Rocky Top included \$48,978.94 of nonallowable expenses on the “Medicaid Nursing Facility Level 1 Cost Report” for the year ended June 30, 2012. The nonallowable expenses consist of \$44,165.99 in ancillary cost; \$1,767.64 in unsupported expenses; \$1,625.00 in prior-year expenses; \$1,044.01 in late fees; \$192.00 in resident transportation; \$176.30 in marketing expenses; and \$8.00 in expenses not related to resident care. As a result of these adjustments, the Medicaid Program overpaid the facility an estimated \$15,579.00, computed from July 1, 2013, through June 30, 2016 (page 6).

### **Inaccurate Accumulation of Resident Days and Gross Charges**

The facility inaccurately reported resident days and gross charges on the Medicaid cost report. The facility underreported 238

Medicaid NF-1 days, and overreported 347 Medicaid NF-2 days, for a total of 109 days. Also, gross charges for Medicaid NF-1 were understated by \$39,300.00, while Medicaid NF-2 gross charges were overstated by \$61,935.00, resulting in a net overstatement of charges of \$22,635.00. These adjustments are incorporated into the rate change noted in the nonallowable expense finding (page 7).

### **Residents Inappropriately Charged for Covered Services**

The facility charged Medicaid residents for haircuts, which are Medicaid-covered services. As a result of the inappropriate charges, the facility should reimburse 55 Medicaid residents a total of \$1,784.00 for haircuts (page 8).

**Improper Billing of Resident Leave Days**

The facility improperly billed the Medicaid Program for nine resident hospital and therapeutic leave days while operating below 85% occupancy for the period July 1, 2011, through June 30, 2012. As a result, the facility should refund \$1,392.65 to the Medicaid Program (page 9).

**Improper Management of Credit Balances**

The facility failed to properly manage and promptly refund credit balances on the accounts of deceased or discharged residents. Management failed to refund \$29.60 to one resident with an accounts receivable credit balance and \$125.61 to five residents with resident trust fund credit balances. Management should refund those residents or their authorized representatives immediately. An additional \$236.61 is being carried forward each month. Management is unable to determine to

whom this amount is due. Therefore, management should allocate this amount to all current residents in the resident trust fund (see page 10).

**Deficiencies in Accounting for the Resident Trust Fund**

The facility failed to take adequate measures to safeguard the Medicaid residents' trust funds and did not perform proper reconciliations of those funds. The facility did not deposit residents' money or replenish bank service charges timely to the resident trust fund. There was \$291.51 in inadequately documented withdrawals for five residents, and the facility should refund this amount to the residents or their authorized representatives. The facility also inappropriately allowed nine residents to overdraw a total of \$733.11 from their trust fund accounts (see page 11).

**Summit View of Lake City, LLC  
d/b/a Summit View of Rocky Top  
Rocky Top, Tennessee  
Cost Report and Resident Days for the Period  
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**Summit View of Lake City, LLC  
d/b/a Summit View of Rocky Top  
Rocky Top, Tennessee  
Cost Report and Resident Days for the Period  
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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.

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.

Subsequent to our fieldwork, the facility assumed the name of Summit View of Rocky Top as a result of the town of Lake City changing its name to Rocky Top.

Summit View of Rocky Top, in Rocky Top, Tennessee, provides both NF-1 and NF-2 services. The facility is operated by Summit View Health Management, Inc., located in Knoxville, Tennessee.

The owners of Summit View of Rocky Top, LLC, and members of the board of directors are as follows:

Ronald E. Lawrence  
Carolyn Lawrence  
Doris Henning

During the examination period, the facility maintained a total of 134 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 49,044 available bed days, the facility reported 27,557 for Medicaid NF-1 residents and 1,865 for Medicaid NF-2 residents for the year ended June 30, 2012. Also, the facility reported total operating expenses of \$7,913,348 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 (744-0360)</u>	<u>Level II NF (044-5259)</u>
July 1, 2011, through December 31, 2011	\$155.57	\$177.64
January 1, 2012, through June 30, 2012	\$151.83	\$173.35
July 1, 2012, through June 30, 2013	\$125.74	\$178.41
July 1, 2013, through June 30, 2014	\$159.24	\$184.96

## **PRIOR EXAMINATION FINDINGS**

No findings were taken during the prior limited-scope examination.

## **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

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**Independent Accountant's Report**

**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:

We have examined management's assertions, included in its representation letter dated June 5, 2014, that Summit View of Lake City, LLC, d/b/a Summit View of Rocky Top, complied with the following requirements:

- Income and expenses reported on the "Medicaid Nursing Facility Level 1 Cost Report" for the fiscal year ended June 30, 2012, 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 July 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 September 13, 2011, through October 2, 2013, 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 the facility's compliance with those requirements and performing other such procedures that we considered necessary under the circumstances. We believe that our examination provides a reasonable basis for our opinion.

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,
- residents inappropriately charged for covered services,
- improper billing of resident leave days,
- improper management of credit balances, and
- deficiencies in accounting for the resident trust fund.

In our opinion, except for the instance of material noncompliance described above, Summit View of Rocky Top complied with, in all material respects, the aforementioned requirements for income and expenses reported on the Medicaid cost report for the period July 1, 2011, through June 30, 2012; for resident days for the period July 1, 2011, through June 30, 2012; and for resident accounts for the period September 13, 2011, through October 2, 2013.

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. Nonallowable Expenses Included on the Cost Report

#### Finding

Summit View of Rocky Top included \$48,978.94 of nonallowable expenses on the “Medicaid Nursing Facility Level 1 Cost Report” for the year ended June 30, 2012. The nonallowable amount consists of \$44,165.99 of expenses related to ancillary services; \$1,767.64 in unsupported expenses; \$1,625.00 of prior-year expenses; \$1,044.01 in late fees; \$192.00 in resident medical transportation expenses; \$176.30 in marketing expenses; and \$8.00 that was not related to resident care.

Ancillary services are not allowable under the NF-1 program but are deemed allowable under the NF-2 program. Medical transportation for residents should be billed directly to the TennCare managed care organizations by the company providing the transportation, as this is a TennCare-covered service.

Chapter 1200-13-6-.09 of the *Rules of the Tennessee Department of Finance and Administration* states that “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 but are not limited to

- 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; and
- advertising costs which seek to increase patient population or utilization of the provider’s facilities by the general public.

As a result of the above adjustments to allowable expenses and the adjustment to resident days and gross charges 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, 2013, through June 30, 2014	\$159.24	\$158.50	\$(0.74)
July 1, 2014, through June 30, 2015	\$157.05	\$157.03	\$(0.02)
July 1, 2015, through June 30, 2016	\$168.42	\$168.41	\$(0.01)
July 1, 2016, through June 30, 2017	\$174.24	\$174.24	\$ 0.00
July 1, 2017, through June 30, 2018	\$178.73	\$178.73	\$ 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, 2013, through June 30, 2016. Estimated overpayments made to the facility as a result of the expense adjustments total \$15,579.00.

### **Recommendation**

Summit View of Rocky Top should include only allowable expenses on the Medicaid cost report. All reported expenses should be adequately supported, related to resident care, and in compliance with other applicable regulations.

The Bureau of TennCare should reprocess all claims for the period July 1, 2013, through June 30, 2016. The estimated recoupment for the reprocessed Medicaid claims for the period is \$15,579.00.

### **Management's Comment**

We have reviewed our procedures to prevent nonallowable expenses from being included in the cost report. A small number of the nonallowable expenses were allowable; however, those expenses were from a prior period but were included in the current period cost report rather than the period in which the expense was incurred.

## **2. Inaccurate Accumulation of Resident Days and Gross Charges**

### **Finding**

Summit View of Rocky Top inaccurately reported resident days and gross charges on the "Medicaid Nursing Facility Level 1 Cost Report" for the year ended June 30, 2012. The facility underreported 238 Medicaid NF-1 days. The facility overreported 347 Medicaid NF-2 days, resulting in a net total of 109 days. Gross charges for Medicaid NF-1 were understated by \$39,300.00. Also, Medicaid NF-2 charges were overstated by \$61,935.00, resulting in an overstatement of total charges of \$22,635.00.

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 provide the following information on an individual basis and to accumulate monthly and yearly totals for Medicaid NF 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 into the rate change in Finding 1.

### **Recommendation**

Summit View of Rocky Top should maintain an adequate system to report and account for resident days and gross charges. The report should provide adequate and accurate statistical data necessary for proper completion of the Medicaid cost report.

### **Management's Comment**

We have reviewed our procedures to ensure days are accumulated correctly. Part of the issue was related to approval of PAE [pre-admission evaluation] and financial verification to determine whether days/charges should have been NF-1 or NF-2.

## **3. Residents Inappropriately Charged for Covered Services**

### **Finding**

Summit View of Rocky Top has inappropriately charged Medicaid residents for Medicaid-covered services. From September 13, 2011, through October 2, 2013, the facility inappropriately charged 55 residents a total of \$1,784.00 for basic haircuts.

Chapter 1200-8-6-.06(4)(q) of the *Rules of the Tennessee Department of Health* states, in regard to basic services, "Residents shall have shampoos, haircuts, and shaves as needed, or desired."

### **Recommendation**

Summit View of Rocky Top should not charge Medicaid residents for covered services. The facility should reimburse the 55 residents or their authorized representatives a total of \$1,784.00 for basic haircuts. In the future, the facility should provide covered services to all Medicaid residents without charge.

## Management's Comment

We have reviewed and adjusted our procedures to provide covered services to Medicaid residents. We have refunded each resident for the haircut charges.

## Auditor's Comment

At the time of this report's release, the facility provided bank statements showing evidence that all but \$7.00 has cleared the bank, effectively refunding Medicaid residents or their authorized representatives.

### 4. Improper Billing of Resident Leave Days

#### Finding

Summit View of Rocky Top improperly billed the Medicaid Program for nine resident hospital and therapeutic leave days while operating below 85% occupancy.

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 days, the facility was overpaid a total of \$1,392.65 by the Medicaid Program for nine noncovered days for the period July 1, 2011, through June 30, 2012.

## **Recommendation**

Summit View of Rocky Top should not accumulate or bill the Medicaid Program for hospital and therapeutic leave days when the facility is operating below 85% occupancy. The facility should refund \$1,392.65 to the Medicaid Program as a result of the improper billing of leave days.

## **Management's Comment**

We have reviewed and adjusted our procedures to prevent accumulation and billing of leave days when the operating occupancy is below 85%. We requested that the MCO [managed care organization] reprocess the claims for refund.

### **5. Improper Management of Credit Balances**

#### **Finding**

Summit View of Rocky Top failed to properly manage and promptly refund credit balances on all of the accounts of deceased or discharged residents. Management failed to refund credit balances due to the residents and their authorized representatives.

Section 66-29-123(a), *Tennessee Code Annotated*, requires a holder of property presumed abandoned and subject to the custody of the treasurer to report in a record to the treasurer concerning the property. Chapter 1700-2-1-.19(1) of the *Rules of the 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."

An accounts receivable unrefunded credit balance of \$29.60 remains on the account of one former Medicaid resident. The entire amount is due to the former resident or his authorized representative.

Resident trust fund unrefunded credit balances of \$125.61 remain on the accounts of five former residents of Summit View of Rocky Top. An additional \$236.61 is being carried forward each month, and facility personnel did not provide evidence to determine to whom these amounts are owed in order to refund the money to the proper residents or their authorized representatives. The total amount of \$362.22 is due to former residents or their authorized representatives.

## **Recommendation**

Summit View of Rocky Top should immediately implement a system to refund credit balances on the accounts of former residents. In addition, the facility should maintain evidence that former residents or their authorized representatives have been notified of money due to 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 to the former resident.

The facility should also maintain evidence of attempts to contact the owner of the credit balance. Return of first-class mail 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 activity, the facility must file a report of the abandoned property 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. The department will honor proper claims against the funds.

Summit View of Rocky Top should refund \$155.21 to the six former Medicaid residents or their authorized representatives. In addition, management should allocate the \$236.61 to all current residents in the resident trust fund.

## **Management's Comment**

We have reviewed and adjusted our procedures. We have refunded the two credit balances and allocated the remaining amount to all current residents in the resident trust fund.

## **Auditor's Comment**

At the time of this report's release, the facility provided bank statements and an interest distribution report showing evidence that all but \$50.00 has cleared the bank, effectively refunding Medicaid residents or their authorized representatives.

## **6. Deficiencies in Accounting for the Resident Trust Fund**

### **Finding**

Summit View of Rocky Top failed to take adequate measures to safeguard the Medicaid residents' trust funds as required by federal and state laws. The facility failed to adequately reconcile the resident trust fund to the bank statement. There were amounts included to

reconcile the account that auditors could not verify. The facility neither deposited residents' money nor replenished bank service charges timely to the resident trust fund. On the most recent bank reconciliation provided to auditors, the facility had outstanding deposits for the past three months. Therefore, residents were not receiving the appropriate amount of interest due them.

The facility had \$291.51 in inadequately documented withdrawals, either by receipt, invoice, or resident authorization, for five residents. As a result, residents' funds could have been inappropriately depleted or misused during the period tested. Also, the facility allowed nine residents to overdraw funds totaling \$733.11 from the trust fund accounts. Because the account was underfunded by \$733.11, the facility was not allocating the proper amount of interest to the remaining residents in the trust fund.

“Resident Rights,” Title 42, *Code of Federal Regulations*, Part 483, Section 10, states that the facility must “hold, safeguard, manage, and account for the personal funds of the resident deposited with the facility.” It 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.”

In addition, Section 71-6-120, *Tennessee Code Annotated*, provides for damages in cases of improper use of funds paid by a government agency to an adult or to a caretaker for the adult’s use.

### **Recommendation**

Summit View of Rocky Top 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. Bank reconciliations should be accurately performed, and all deposits and bank service charges should be deposited timely. In order to ensure the adequate safeguarding and accounting for residents' funds, the facility should establish proper documentation. The facility should refund \$291.51 in inadequately documented withdrawals to the five residents or their authorized representatives. The facility should not allow residents to overdraw funds from their resident trust funds and should ensure all residents receive the appropriate amount of interest.

### **Management’s Comment**

We have reviewed and amended our procedures to provide proper documentation and prevent residents from overdrawing funds. We have amended our reconciliation procedures by using the same form auditors used during the audit.

### **Auditor's Comment**

At the time of this report's release, the facility provided bank statements showing evidence that all but \$72.32 has cleared the bank, effectively refunding Medicaid residents or their authorized representatives.

## **SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS**

### **Source of Overpayments**

Rate reduction (see Findings 1 and 2)	\$ 15,579.00
Residents inappropriately charged for covered services (see Finding 3)	\$ 1,784.00
Improper billing of resident leave days (see Finding 4)	\$ 1,392.65
Improper management of credit balances (see Finding 5)	\$ 391.82
Deficiencies in accounting for the resident trust fund (see Finding 6)	<u>\$ 291.51</u>
Total	<u>\$ 19,438.98</u>

### **Disposition of Overpayments**

Due to the State of Tennessee	\$ 16,971.65
Due to residents or their authorized representatives	<u>\$ 2,467.33</u>
Total	<u>\$ 19,438.98</u>