

TENNCARE REPORT

West Hills Health and Rehab
Knoxville, Tennessee

Depreciation Expense and Resident Days
for the Period

July 1, 2011, Through June 30, 2012;
and

Resident Accounts for the Period
January 1, 2011, Through September 30, 2013



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

Department of Audit

Division of State Audit



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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
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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 limited scope examination of depreciation expense reported on the Medicaid cost report of West Hills Health and Rehab, Knoxville, Tennessee, and resident days for the period July 1, 2011, through June 30, 2012; and resident accounts for the period January 1, 2011, through September 30, 2013.

Sincerely,

A handwritten signature in cursive script that reads "Deborah V. Loveless".

Deborah V. Loveless, CPA
Director

DVL/pn
14/021

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
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for the Period
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FINDINGS RECOMMENDING MONETARY REFUNDS

Improper Management of Credit Balances

West Hills Health and Rehab failed to ensure that credit balances on the accounts of deceased and discharged residents are promptly reported and that corrected claims are submitted. Accounts receivable unrefunded credit balances of \$17,951.11 due to the Medicaid Program remain on the accounts of seven former residents of the facility.

Residents Inappropriately Charged for Covered Services

West Hills Health and Rehab has 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 56 Medicaid residents a total of \$3,229.00.

**West Hills Health and Rehab
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Depreciation Expense and Resident Days
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and
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**West Hills Health and Rehab
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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.

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.

West Hills Health and Rehab, Knoxville, Tennessee, provides both NF-1 and NF-2 services. The facility is owned by Hillcrest Healthcare Communities, Inc., and operated by Grace Healthcare, LLC. The officers/members of the board of directors are as follows:

| | |
|-------------------|----------------------|
| Mark Walker | Trey Coleman |
| Barry Davis | Curtis Curley |
| Bill Mason | Faris N. Eid |
| Mary Embler | Paul Vance Scoonover |
| Gracie Bishop | Matt T. Smith |
| Rosa Emory Thomas | |

During the examination period, the facility maintained a total of 194 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 71,004 available bed days, the facility reported 19,079 for Medicaid NF-1 residents and 0 for Medicaid NF-2 residents for the year ended June 30, 2012. Also, the facility reported total operating expenses of \$8,500,857 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 (744-0603)</u> | <u>Level II NF (044-5501)</u> |
|---|----------------------------------|-----------------------------------|
| July 1, 2011, through December 31, 2012 | \$162.73 | \$166.69 |
| January 1, 2012, through June 30, 2012 | \$158.81 | \$162.67 |
| July 1, 2012, through June 30, 2013 | \$165.07 | \$162.69 |
| July 1, 2013, through June 30, 2014 | \$170.57 | \$166.71 |

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

October 18, 2013

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 18, 2013, that West Hills Health and Rehab complied with the following requirements:

- Depreciation expense reported on the "Medicaid Nursing Facility Level 1 Cost Report" for the fiscal year ended June 30, 2012, was in accordance with federal regulations.
- 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, 2011, through June 30, 2012, when residents were hospitalized or on therapeutic leave are in accordance with bed hold rules.
- Charges to residents' personal funds from January 1, 2011, through September 30, 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 West Hills Health and Rehab'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 West Hills Health and Rehab'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

In our opinion, except for the instances of material noncompliance described above, West Hills Health and Rehab complied with, in all material respects, the aforementioned requirements for the depreciation expense reported on the cost report and resident days for the period July 1, 2011, through June 30, 2012; and for resident accounts for the period January 1, 2011, through September 30, 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

FINDINGS AND RECOMMENDATIONS

1. Improper Management of Credit Balances

Finding

West Hills Health and Rehab failed to ensure that credit balances on the accounts of deceased or discharged residents are promptly reported and that corrected claims are submitted.

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(a) of *Tennessee Code Annotated* requires “every person holding funds or other property, tangible or intangible, presumed abandoned under this party shall report to the treasurer. . . .” Chapter 1700-2-1-.19(1) 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 \$17,951.11 remain on the accounts of seven former Medicaid residents of West Hills Health and Rehab. The entire amount is due the Medicaid Program.

Recommendation

West Hills Health and Rehab should immediately implement an adequate system to promptly report and submit corrected claims on the accounts of former residents. A total of \$17,951.11 is due the Medicaid Program.

Management’s Comment

West Hills Health and Rehab disputes that they failed to ensure that credit balances were promptly reported based on the fact that under the direction of the Medicaid managed care organization (MCO), UnitedHealthcare, per their explanation of benefits it clearly states, “Please do not remit outstanding overpayment until requested to do so.”

West Hills Health and Rehab was under the impression that this was acceptable. Section 6402 of the Affordable Care Act contradicts what West Hills Health and Rehab was instructed by the Medicaid MCOs and what is stated on the explanation of benefits in bold letters. Our obligation for reporting is not clearly defined as to what is considered acceptable documentation, as our documented conversations regarding overpayments were deemed unacceptable. West Hills Health and Rehab does not dispute the credit balance of \$17,951.11; however, as of today the individuals noted in the finding have been refunded or the MCO has been notified that overpayment was made requesting that overpayment be recouped.

In addition, a policy has been implemented that any claims overpaid will be re-filed within 30 days of receiving payment from the Medicaid MCO.

Rebuttal

The MCO's instruction does not preclude the facility from its obligation to notify the MCO of the overpayment. The proper way of reporting the overpayment is to file a corrected claim with the MCO.

2. Residents Inappropriately Charged for Covered Services

Finding

West Hills Health and Rehab has inappropriately charged Medicaid residents' trust fund accounts for Medicaid covered services. From January 1, 2011, through September 30, 2013, the facility inappropriately charged 56 Medicaid residents 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 for Medicaid residents have been incorrectly charged \$3,229.00 for Medicaid covered services.

Recommendation

West Hills Health and Rehab should not charge Medicaid residents for covered services. The facility should reimburse the 56 Medicaid residents or their authorized representatives a total of \$3,229.00. In the future, the facility should provide covered services to all Medicaid residents without charge.

Management's Comment

West Hills Health and Rehab has processed refunds totaling \$3,229.00 to the appropriate residents or their authorized representatives.

In addition, a policy has been implemented giving the residents two (2) alternatives; they can choose the free alternative for haircuts, shampoos and shaving or the alternative for professional barber/beautician services at their expense.

Auditor's Comment

West Hills Health and Rehab provided copies of the checks showing that the appropriate residents were refunded. However, as of June 16, 2014, the checks have not cleared the bank.

SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

Source of Overpayments

| | |
|---|--------------------|
| Unrefunded credit balances (see finding 1) | \$17,951.11 |
| Residents inappropriately charged for covered services (see finding 2) | <u>\$ 3,229.00</u> |
| Total | <u>\$21,180.11</u> |

Disposition of Overpayments

| | |
|--|--------------------|
| Due to the State of Tennessee | \$17,951.11 |
| Due to residents or their authorized representatives | <u>\$ 3,229.00</u> |
| Total | <u>\$21,180.11</u> |