



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

**SUMMIT VIEW OF FARRAGUT, LLC
FARRAGUT, TENNESSEE**

**Cost Report and Resident Days for the Period
July 1, 2011, Through June 30, 2012,
and Resident Accounts for the Period
January 1, 2011, Through October 31, 2013**

Justin P. Wilson, Comptroller



**Division of State Audit
TennCare Section**

DEBORAH V. LOVELESS, CPA, CGFM, CGMA

Director

GREGG S. HAWKINS, CPA, CFE

Assistant Director

JULIE ROGERS, CPA, CISA

Audit Manager

Jacqueline Laws, CFE

In-Charge Auditor

Regina Dobbins, CPA, CFE

Kathy McClinton

Staff Auditors

Amy Brack

Editor

Amanda Adams

Assistant Editor

Comptroller of the Treasury, Division of State Audit

Cordell Hull Building
425 Fifth Avenue North
Nashville, TN 37243
(615) 401-7897

Reports are available at

www.comptroller.tn.gov/sa/AuditReportCategories.asp.

Mission Statement

The mission of the Comptroller's Office is to
make government work better.

Comptroller Website

www.comptroller.tn.gov



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

May 24, 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 Farragut, LLC, in Farragut, 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 January 1, 2011, through October 31, 2013.

Sincerely,

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

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

DVL/pn
14/022

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
Summit View of Farragut, LLC
Farragut, Tennessee
Cost Report and Resident Days for the Period
July 1, 2011, Through June 30, 2012,
and Resident Accounts for the Period
January 1, 2011, Through October 31, 2013

FINDINGS RECOMMENDING MONETARY REFUNDS

Residents Inappropriately Charged for Covered Services

Summit View of Farragut, LLC charged Medicaid residents' trust fund accounts for haircuts, which were Medicaid-covered services. As a result of the inappropriate charges, the facility should reimburse 76 Medicaid residents a total of \$5,106.00 (page 5).

Nonallowable Expenses Included on the Cost Report

The facility included \$48,595.54 of nonallowable expenses on the "Medicaid Nursing Facility Level 1 Cost Report" for

the year ended June 30, 2012. The nonallowable expenses consist of \$31,710.81 of resident medical transportation expenses; \$8,242.09 of expenses related to ancillary services; \$5,767.93 of unsupported expenses; \$2,490.00 of prior-year expenses; a \$261.00 accounting error; and \$123.71 in late fees. As a result of these adjustments, overpayments made to the facility by the Medicaid Program are estimated at \$3,321.43, computed from July 1, 2013, through June 30, 2016 (page 6).

FINDING NOT RECOMMENDING MONETARY REFUND

Deficiency in Accounting for the Resident Trust Fund

The facility did not perform timely reconciliations of the resident trust fund. Deposits of residents' income to the trust

fund checking account were not made timely (page 7).

**Summit View of Farragut, LLC
Farragut, Tennessee
Cost Report and Resident Days for the Period
July 1, 2011, Through June 30, 2012,
and Resident Accounts for the Period
January 1, 2011, Through October 31, 2013**

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
Purpose and Authority of the Examination	1
Background	1
Prior Examination Findings	2
Scope of the Examination	2
INDEPENDENT ACCOUNTANT'S REPORT	3
FINDINGS AND RECOMMENDATIONS	5
1. Residents Inappropriately Charged for Covered Services	5
2. Nonallowable Expenses Included on the Cost Report	6
3. Deficiency in Accounting for the Resident Trust Fund	7
Summary of Monetary Findings and Recommendations	9

**Summit View of Farragut, LLC
Farragut, Tennessee
Cost Report and Resident Days for the Period
July 1, 2011, Through June 30, 2012,
and Resident Accounts for the Period
January 1, 2011, Through October 31, 2013**

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.

Summit View of Farragut, LLC, in Farragut, 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 Farragut, 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 113 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 41,358 available bed days, the facility reported 22,326 for Medicaid NF-1 residents and 919 for Medicaid NF-2 residents for the year ended June 30, 2012. Also, the facility reported total operating expenses of \$7,672,750 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 (744-0449)</u>	<u>Level II NF (044-5258)</u>
July 1, 2010, through June 30, 2011	\$148.47	\$178.53
July 1, 2011, through December 31, 2011	\$148.42	\$178.51
January 1, 2012, through June 30, 2012	\$144.87	\$174.22
July 1, 2012, through June 30, 2013	\$138.76	\$178.41
July 1, 2013, through June 30, 2014	\$159.69	\$184.96

PRIOR EXAMINATION FINDINGS

There has not been an examination of Summit View of Farragut, LLC in 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
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

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 Farragut, LLC 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 January 1, 2011, through October 31, 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:

- residents inappropriately charged for covered services,
- nonallowable expenses included on the cost report, and
- deficiency in accounting for the resident trust fund.

In our opinion, except for the instance of material noncompliance described above, Summit View of Farragut, LLC 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 January 1, 2011, through October 31, 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. Residents Inappropriately Charged for Covered Services

Finding

Summit View of Farragut, LLC inappropriately charged Medicaid residents' trust fund accounts for haircuts, which are Medicaid-covered services. From January 1, 2011, through October 31, 2013, the facility inappropriately charged 76 Medicaid residents a total of \$5,106.00 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 Farragut, LLC should not charge Medicaid residents for covered services. The facility should reimburse the 76 residents or their authorized representatives a total of \$5,106.00. 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 \$96.00 has cleared the bank, effectively refunding Medicaid residents or their authorized representatives.

2. Nonallowable Expenses Included on the Cost Report

Finding

Summit View of Farragut, LLC included \$48,595.54 of nonallowable expenses on the “Medicaid Nursing Facility Level 1 Cost Report” for the fiscal year ended June 30, 2012. The nonallowable amounts consist of \$31,710.81 of resident medical transportation expenses; \$8,242.09 of expenses related to ancillary services; \$5,767.93 of unsupported expenses; \$2,490.00 of prior-year expenses; a \$261.00 accounting error; and \$123.71 in late fees.

Medicaid 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. Ancillary services are not allowable under the NF-1 program but are deemed allowable under the NF-2 program.

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.” It also specifies that unnecessary costs be deducted from allowable expenses. Such costs that are not allowable in computing reimbursable costs include but are not limited to

- any fines, penalties, or interest paid on any tax payments or interest charges on overdue payables.

As a result of the above adjustments, 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	\$159.69	\$158.41	\$(1.28)
July 1, 2014, through June 30, 2015	\$153.07	\$152.98	\$(0.09)
July 1, 2015, through June 30, 2016	\$167.36	\$168.50	\$ 1.14
July 1, 2016, through June 30, 2017	\$168.08	\$168.08	\$ 0.00
July 1, 2017, through June 30, 2018	\$179.63	\$179.63	\$ 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 \$3,321.43.

Recommendation

Summit View of Farragut, LLC should include only allowable expenses on the Medicaid cost report. All reported expenses should be adequately supported, for covered services, 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 \$3,321.43.

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.

3. Deficiency in Accounting for the Resident Trust Fund

Finding

Summit View of Farragut, LLC 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. The facility did not deposit residents' income or replenish the trust fund for the bank services charges timely.

"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 Farragut, LLC 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 perform bank reconciliations

accurately and routinely. Residents' income should be deposited into trust fund accounts immediately upon receipt. The facility should replenish all bank service charges to the trust fund in a timely manner.

Management's Comment

We have reviewed and amended our procedures. We have amended our reconciliation procedures by using the same form auditors used during the audit.

SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

Source of Overpayments

Residents inappropriately charged for covered services (see Finding 1)	\$ 5,106.00
Rate reduction (see Finding 2)	<u>\$ 3,321.43</u>
Total	<u>\$ 8,427.43</u>

Disposition of Overpayments

Due to the State of Tennessee	\$ 3,321.43
Due to residents or their authorized representatives	<u>\$ 5,106.00</u>
Total	<u>\$ 8,427.43</u>