



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

**HUNTINGDON HEALTHCARE AND REHABILITATION CENTER
HUNTINGDON, TENNESSEE**

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

Justin P. Wilson, Comptroller



**Division of State Audit
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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT

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June 14, 2016

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 Huntingdon Healthcare and Rehabilitation Center in Huntingdon, Tennessee, for the period January 1, 2012, through December 31, 2012; resident days for the period January 1, 2012, through June 30, 2013; and resident accounts for the period January 1, 2011, through October 31, 2013.

Sincerely,

Deborah V. Loveless, CPA
Director

DVL/pn
14/030

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
Huntingdon Healthcare and Rehabilitation Center
Huntingdon, Tennessee
Cost Report for the Period
January 1, 2012, Through December 31, 2012;
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FINDINGS RECOMMENDING MONETARY REFUNDS

Nonallowable Expenses Included on the Cost Report

Huntingdon Healthcare and Rehabilitation Center included \$7,363.02 in nonallowable expenses on the “Medicaid Nursing Facility Level 1 Cost Report” for the year ended December 31, 2012. The nonallowable expenses included unsupported expenses, nonallowable payroll, nonallowable mileage, nonallowable meals, late fees, prior-year expenses, and nonallowable patient care. As a result of these adjustments, overpayments made to the Medicaid Program are estimated at \$7,661.74, computed from July 1, 2013, through June 30, 2016 (page 5).

Improper Management of Credit Balances

Huntingdon Healthcare and Rehabilitation Center has not established a system to ensure that credit balances on the accounts of deceased or discharged residents are

properly managed. Unrefunded credit balances of \$5,008.78 remain on the accounts of five former residents of the facility and are due to the former residents or their authorized representatives (page 6).

Residents Were Inappropriately Charged for Covered Barber and Beauty Services, and Withdrawals From the Resident Trust Fund Lacked Documentation or Authorization

Huntingdon Healthcare and Rehabilitation Center inappropriately billed Medicaid residents’ trust fund accounts for basic barber and beauty services, which are covered by Medicaid. The facility charged 42 residents a total of \$1,401.00 for these covered services during the period January 1, 2011, through October 31, 2013. The facility also lacked supporting documentation for multiple withdrawals made on two residents’ accounts, for a total of \$81.34 (page 8).

**Huntingdon Healthcare and Rehabilitation Center
Huntingdon, Tennessee
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**Huntingdon Healthcare and Rehabilitation Center
Huntingdon, Tennessee
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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.

Huntingdon Healthcare and Rehabilitation in Huntingdon, Tennessee, provides both NF-1 and NF-2 services. The facility is owned and operated by Hunting Operator, LLC, located in Huntingdon, Tennessee. The officers/members of the board of directors are as follows:

Allen Craig Tschundi
Issac Perlstein

During the examination period, the facility maintained a total of 120 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 43,920 available bed days, the facility reported 23,281 for Medicaid NF-1 residents and 477 for Medicaid NF-2 residents for the year ended December 31, 2012. Also, the facility reported total operating expenses of \$6,459,001 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 (744-0483)</u>	<u>Level II NF (044-5210)</u>
July 1, 2011, through December 31, 2011	\$145.41	\$177.64
January 1, 2012, through June 30, 2012	\$141.93	\$173.35
July 1, 2012, through June 30, 2013	\$131.11	\$156.32
July 1, 2013, through June 30, 2014	\$142.32	\$184.96
July 1, 2014, through June 30, 2015	\$153.34	\$180.60
July 1, 2015, through June 30, 2016	\$171.63	\$168.83

PRIOR EXAMINATION FINDINGS

There have been no examinations performed on Huntingdon Healthcare and Rehabilitation Center in the five years prior to the fiscal year ended December 31, 2012.

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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505 DEADERICK STREET
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Independent Accountant's Report

November 13, 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 November 13, 2013, that Huntingdon Healthcare and Rehabilitation Center complied with the following:

- Income and expenses reported on the "Medicaid Nursing Facility Level 1 Cost Report" for the fiscal year ended December 31, 2012, are reasonable, allowable, and in accordance with state and federal rules, regulations, and reimbursement principles.
- Resident days reported on the cost report have been counted in accordance with state regulations. Medicaid resident days billed to the state from January 1, 2012, through June 30, 2013, 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 Huntingdon Healthcare and Rehabilitation Center'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 Huntingdon Healthcare and Rehabilitation Center'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,
- improper management of unrefunded credit balances, and
- residents inappropriately charged for covered barber and beauty services and the lack of supporting documentation for withdrawals.

In our opinion, except for the instances of material noncompliance described above, Huntingdon Healthcare and Rehabilitation Center complied with, in all material respects, the aforementioned requirements for the income and expenses reported on the Medicaid cost report for the period January 1, 2012, through December 31, 2012; for resident days for the period January 1, 2012, through June 30, 2013; 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. Nonallowable Expenses Included on the Cost Report

Finding

Huntingdon Healthcare and Rehabilitation Center included \$7,363.02 in nonallowable expenses on the Medicaid cost report. The nonallowable amount consisted of \$3,894.57 of expenses that were unsupported; \$2,820.79 of expenses paid for intercompany mileage, meals, and salaries; \$443.66 in late fees; \$198.00 in expenses associated with the prior year; and \$6.00 in expenses that were unrelated to patient care.

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.” It also states that unnecessary costs and costs unrelated to patient care should be deducted from allowable expenses. According to the *Rules*, such costs that are not allowable in computing reimbursable costs include

- costs which are not necessary or related to patient care; and
- any fines, penalties, or interest paid on any tax payments or interest charges on overdue payables.

Part I, Paragraph 2102.3, of the *Provider Reimbursement Manual* 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 are usually not common or accepted occurrences in the field of the provider’s activity.

Such costs are not allowable in computing reimbursable costs and include, for example:

- costs of travel incurred in connection with non-patient care related purposes.

As a result of the adjustments to allowable expenses above, the facility’s Medicaid reimbursable rate was adjusted as follows:

<u>Period</u>	<u>Original Rate</u>	<u>Adjusted Rate</u>	<u>Difference</u>
July 1, 2013, through June 30, 2014	\$142.32	\$141.99	\$ (0.33)
July 1, 2014, through June 30, 2015	\$153.34	\$153.34	\$ 0.00
July 1, 2015, through June 30, 2016	\$171.63	\$171.63	\$ 0.00

The rate adjustments above 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 and days adjustments are \$7,661.74.

Recommendation

Huntingdon Healthcare and Rehabilitation Center should include only allowable expenses on the Medicaid cost report. All reported expenses should be adequately supported for covered services, related to resident care, and in compliance with other applicable regulations. Intercompany mileage, meals, and salaries should be reclassified to intercompany receivables.

The Bureau of TennCare should reprocess all Medicaid claims for the period July 1, 2013, through June 30, 2014. The estimated recoupment for the reprocessed Medicaid claims for the period is \$7,661.74.

Management's Comment

Based upon a review of the cost report years under audit, we found that employee mileage, employee meals, and other miscellaneous expenses were not being recorded under the *Rules of the Tennessee Department of Finance and Administration*. The total amount to be non-allowable was \$7,363.02 over an almost three-year time period. Management has taken a position to correct this on a go-forward basis by ensuring that we have good internal processes to properly record these expenses. For example, employee reimbursed mileage is now calculated from the facility when an employee travels for work. We also require detailed receipts when employee meals are purchased.

2. Improper Management of Credit Balances

Finding

Huntingdon Healthcare and Rehabilitation Center failed to ensure that credit balances on the accounts of deceased or discharged residents were properly reported and that corrected claims were 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 in Title 31, *United States Code*, Section 3729(b)(3). The False Claims Act subjects a provider to a fine and treble damages if the provider knowingly conceals or knowingly and improperly avoids or decreases an obligation to pay money to the federal government.

Section 66-29-113(a), *Tennessee Code Annotated*, states that “every person holding funds or property, tangible or intangible, presumed abandoned under this party shall report to the treasurer.” 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.”

Unrefunded credit balances of \$5,008.78 remain on the accounts of five former residents of Huntingdon Healthcare and Rehabilitation Center. Of the total unrefunded credit balances, \$4,176.76 is due to the Medicaid Program, and \$832.02 is due to former residents or their authorized representatives.

Recommendation

Huntingdon Healthcare and Rehabilitation Center should immediately implement a system to promptly refund credit balances on the accounts of former residents. The facility should refund \$4,176.76 to the Medicaid Program, and \$832.02 to former residents or their authorized representatives.

Management’s Comment

Huntingdon Healthcare’s policy is to refund any outstanding credit balance within 30 days of the patient’s discharge from a facility. Occasionally, third-party payments and reconciliation thereof can result in credit balances that are created outside that time frame. But again, our goal is to refund the credit balance within 30 days of the discovery of a verifiable credit balance. Where a patient cannot be located or has expired, we follow the State of Tennessee’s guidelines for submission of funds back to the state.

We acknowledge that the credit balances in question were refunded and/or correct claims submitted or reconciled after 30 days and have instituted a process to review aging balances on a monthly basis to ensure compliance with our policy and procedure. All monies reflected in the detail findings have been refunded to the specific residents in question and/or to the Medicaid or hospice program where appropriate, and no credit balances remain for those items.

Auditor's Comment

Since management did not provide any supporting documentation to show that credit balances were refunded to the Medicaid Program or to former residents, we reserve the right to visit the facility and examine supporting evidence for the refunded amounts.

3. **Residents Were Inappropriately Charged for Covered Barber and Beauty Services, and Withdrawals From the Resident Trust Fund Lacked Documentation or Authorization**

Finding

Huntingdon Healthcare and Rehabilitation Center inappropriately charged Medicaid residents' trust fund accounts for Medicaid-covered services. From January 1, 2011, through October 31, 2013, the facility charged 42 Medicaid residents a total of \$1,401.00 for covered barber and beauty services.

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."

Huntingdon Healthcare and Rehabilitation Center also lacked supporting documentation for multiple withdrawals made on two Medicaid residents' accounts, for a total of \$81.34.

Chapter 1200-13-6-10(4) of the *Rules of the Tennessee Department of Finance and Administration* states, "Personal funds held by the provider for Medicaid patients used in purchasing clothing and personal incidentals must be properly accounted for with detailed records of amount received and disbursed and shall not be co-mingled with nursing facility funds."

Recommendation

Huntingdon Healthcare and Rehabilitation Center should immediately establish internal controls, including policies and procedures to ensure compliance with applicable laws and regulations related to protection of resident trust funds to ensure that there are proper controls and authorizations for withdrawals. The facility should also not charge Medicaid residents for covered services and should reimburse the Medicaid residents or their authorized representatives a total of \$1,482.34.

Management's Comment

Based on the review, the facility was found to have charged patients for certain barber and beauty services in error. The facility changed the policy with regard to this in order to be in compliance with the regulation cited in the finding, and no longer charges for those included services. Monies deducted for those services will be refunded to the patients in question. It should be noted that the several "haircut" charges were related to situations where a resident received more than one haircut in a given month. While we dispute the finding on those several situations, we are in the process of providing refunds to the patients in question.

As was communicated to the audit team, the first patient listed withdrew the funds and purchases were made. Any change remaining after the purchase was returned directly to the patient, as is allowed. Now that we have the audit result, we will still refund those monies back to this patient, but want to note that we dispute the finding. On the second patient, we acknowledge that no receipt was present and will refund that amount to the patient.

Our policy is to receipt any withdrawal and to obtain receipts for any purchase made on behalf of a patient. The business office manager reviews a sample of receipts as part of the resident trust fund reconciliation process.

Auditor's Comment

Since management did not provide any supporting documentation to support evidence that refunds were made to the Medicaid residents or their authorized representatives, we reserve the right to visit the facility and verify that all refunds were made.

SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

Source of Overpayments

Rate reduction (see finding 1)	\$ 7,661.74
Unrefunded credit balances (see finding 2)	\$ 5,008.78
Inappropriate charges to resident trust fund (see finding 3)	<u>\$ 1,482.34</u>
Total	<u>\$14,152.86</u>

Disposition of Overpayments

Due to the State of Tennessee	\$11,838.50
Due to residents or their authorized representatives	<u>\$ 2,314.36</u>
Total	<u>\$14,152.86</u>