



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

**LIFE CARE CENTER OF CENTERVILLE
CENTERVILLE, TENNESSEE**

**Cost Report for the Period
January 1, 2012, Through December 31, 2012, and
Resident Days and Resident Accounts for the Period
January 1, 2010, Through September 30, 2013**

Justin P. Wilson, Comptroller



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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
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August 15, 2017

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 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 Life Care Center of Centerville, in Centerville, Tennessee, for the period January 1, 2012, through December 31, 2012, and resident days and resident accounts for the period January 1, 2010, through September 30, 2013.

Sincerely,

Deborah V. Loveless, CPA
Director

DVL/pn
14/031

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report

Life Care Center of Centerville

Centerville, Tennessee

Cost Report for the Period

January 1, 2012, Through December 31, 2012,
and Resident Days and Resident Accounts for the Period
January 1, 2010, Through September 30, 2013

FINDINGS RECOMMENDING MONETARY REFUNDS

Improper Billing of Resident Leave Days

Life Care Center of Centerville improperly billed the Medicaid Program for 135 hospital and/or therapeutic leave days when the facility was operating below 85% occupancy for the period January 1, 2010, through September 30, 2013, for a total of \$16,931.49 due to the Medicaid Program (page 5).

Nonallowable Expenses Included on the Cost Report

The facility included \$13,085.30 of nonallowable expenses on the "Medicaid Nursing Facility Level 1 Cost Report" for the fiscal year ended December 31, 2012. The nonallowable expenses include \$10,677.00 in under-allocated indirect cost to marketing expense, a nonallowable cost; \$1,906.13 in marketing-related telephone

expenses; \$458.00 in other marketing expenses; and \$44.17 in pharmacy expenses. As a result of these adjustments, the Medicaid Program overpaid the facility an estimated \$1,005.88, computed from July 1, 2013, through June 30, 2017 (page 6).

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. Accounts receivable unrefunded credit balances of \$916.58 remain on the accounts of four former Medicaid residents of the facility. Of the total unrefunded credit balances, \$804.58 is due to the Medicaid Program, and \$112.00 is due to a former resident or authorized representative (page 7).

FINDING NOT RECOMMENDING MONETARY REFUND

Deficiencies in Accounting for the Resident Trust Fund

The facility failed to follow federal and state laws. The facility lacked irrevocable burial contracts or agreements with a funeral home

for 10 residents. Also, one resident's account of \$8,353.03 exceeded the maximum allowed amount of \$6,000.00 (page 8).

**Life Care Center of Centerville
Centerville, Tennessee
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**Life Care Center of Centerville
Centerville, Tennessee
Cost Report for the Period
January 1, 2012, Through December 31, 2012,
and Resident Days and Resident Accounts for the Period
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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.

Life Care Center of Centerville, in Centerville, Tennessee, provides both NF-1 and NF-2 services. The facility is owned and operated by Life Care Centers of America, Inc., located in Cleveland, Tennessee. The officers/members of the board of directors are as follows:

Forrest Preston
Beecher Hunter
Joann Crooks

John McMullan
J. Stephen Ziegler
Kenneth L. Scott, Jr., D.O.

During the examination period, the facility maintained a total of 132 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 48,312 available bed days, the facility reported 20,763 for Medicaid NF-1 residents and 31 for Medicaid NF-2 residents for the year ended December 31, 2012. Also, the facility reported total operating expenses of \$6,820,091 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 (744-0350)</u>	<u>Level II NF (044-5252)</u>
January 1, 2012, through June 30, 2012	\$135.43	\$129.59
July 1, 2012, through June 30, 2013	\$137.43	\$137.45
July 1, 2013, through June 30, 2014	\$164.52	\$162.17

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

November 8, 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 8, 2013, that Life Care Center of Centerville complied with the following requirements:

- Income and expenses reported on the "Medicaid Nursing Facility Level I 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, 2010, through September 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, 2010, 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 Life Care Center of Centerville'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 disclosed the following instances of material noncompliance applicable to state and federal regulations:

- improper billing of resident leave days,
- nonallowable expenses included on the cost report,
- improper management of credit balances, and
- deficiencies in accounting for the resident trust fund.

In our opinion, except for the instances of material noncompliance described above, Life Care Center of Centerville 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, 2010, through September 30, 2013; and for resident accounts for the period January 1, 2010, 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 Billing of Resident Leave Days

Finding

Life Care Center of Centerville improperly billed the Medicaid Program for 135 noncovered leave days for the period January 1, 2010, through September 30, 2013, when the facility was 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 leave days, the facility was overpaid \$16,931.49 by the Medicaid Program for the 135 noncovered leave days for the period January 1, 2010, through September 30, 2013.

Recommendation

Life Care Center of Centerville should not accumulate or bill the Medicaid Program for hospital or therapeutic leave days when the facility is operating below 85% occupancy. The facility should refund \$16,931.49 to the Medicaid Program as a result of the improper billing of hospital and/or therapeutic leave days.

Management's Comment

Two leave of absence days have been refunded to Amerigroup in the amount of \$274.86.

Auditor's Comment

At the time of the release of this report, it was verified that \$274.86 had been refunded to the management care organization. An amount of \$16,656.63 is still due to the State of Tennessee Medicaid program.

2. Nonallowable Expenses Included on the Cost Report

Finding

Life Care Center of Centerville included \$13,085.30 of nonallowable expenses on the "Medicaid Nursing Facility Level 1 Cost Report" for the year ended December 31, 2012. Indirect costs allocated to non-allowable marketing expenses were understated by \$10,677.00. The nonallowable expenses consisted of \$1,906.13 of marketing-related telephone expenses; \$458.00 in other marketing expenses; and \$44.17 in pharmacy expenses.

Chapter 1200-13-6-.09 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 but are not limited to

- Advertising costs which seek to increase patient population or utilization of the provider's facilities by the general public.

Chapter 1200-13-6-.09 of the *Rules* also states that all facilities should "include the cost of covered supplies only. Do not include drugs or pharmacy items that are not covered by the NF-1 program. Drugs and pharmacy should be included in item F.9."

As a result of the above adjustments, the facility's Medicaid reimbursable rate was affected as follows:

<u>Period</u>	<u>Original Rate</u>	<u>Adjusted Rate</u>	<u>Difference</u>
July 1, 2013, through June 30, 2014	\$164.52	\$164.41	\$ (0.11)
July 1, 2014, through June 30, 2015	\$173.38	\$173.38	\$ 0.00
July 1, 2015, through June 30, 2016	\$174.34	\$174.42	\$ 0.08
July 1, 2016, through June 30, 2017	\$188.61	\$188.61	\$ 0.00

The above rate adjustments will be sent to the Bureau of TennCare for reprocessing of all Medicaid claims for each corresponding period. Overpayments made to the facility as a result of these adjustments are estimated at \$1,005.88, computed from July 1, 2013, through June 30, 2017.

Recommendation

Life Care Center of Centerville should include only allowable expenses on the Medicaid cost report. All reported expenses should be adequately supported, used for covered services, and in compliance with other applicable regulations.

The Bureau of TennCare should reprocess all Medicaid claims for the period July 1, 2013, through June 30, 2017. The estimated recoupment for the reprocessed Medicaid claims for this period is \$1,005.88.

Management's Comment

Management concurs with this finding.

3. Improper Management of Credit Balances

Finding

Life Care Center of Centerville 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 part 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."

Accounts receivable unrefunded credit balances of \$916.58 remain on the accounts of four former Medicaid residents of the facility. Of the total unrefunded credit balances, \$804.58 is due to the State of Tennessee Medicaid Program, and \$112.00 is due to a former resident or the authorized representative.

Recommendation

Life Care Center of Centerville should immediately implement a system to promptly refund credit balances on the accounts of former residents. The facility should refund \$804.58 to the Medicaid Program and \$112.00 to the former resident or authorized representative.

Management's Comment

An amount of \$226.81 was refunded to Amerigroup, and an amount of \$112.00 was refunded to the former resident.

Auditor's Comment

At the release of the report, it was verified that all but \$577.77 due to the State of Tennessee Medicaid Program had been refunded.

4. Deficiencies in Accounting for the Resident Trust Fund

Finding

Life Care Center of Centerville failed to take adequate measures to safeguard resident trust funds as required by federal and state laws. The facility lacked an irrevocable burial contract or agreement established by a funeral home or funeral home director for 10 residents with burial accounts. As a result, funds intended directly for burial expenses could be used inappropriately for other purposes.

Also, the auditor noted one resident's account had a balance of \$8,353.03, which exceeded the allowed \$6,000.00 maximum legal limit for the burial costs and cost of transporting the body.

Title 20, *Code of Federal Regulations*, Part 416, Section 1231, states that, regarding the irrevocable trust or other irrevocable agreement,

Funds in an irrevocable trust or other irrevocable arrangement which are available for burial are funds which are held in an irrevocable burial contract, an irrevocable burial trust, or an amount in irrevocable trust which is specifically identified as available for burial expenses.

Chapter 1240-03-03.03(2)(a)(vi)(ix)(III) of the *Rules of the Tennessee Department of Human Services* states, "The maximum irrevocable burial fund, agreement or contract established by the individual is six thousand dollars (\$6,000) plus cost of transporting the body."

Recommendation

Life Care Center of Centerville should immediately implement a system to establish adequate internal controls, including policies and procedures to ensure compliance with applicable laws and regulations relative to the protection of the resident trust funds. The facility should maintain established irrevocable burial contracts or agreements with funeral homes for residents. The irrevocable burial account exceeding the maximum amount should be reduced and should not exceed the maximum amount of \$6,000.00 plus the cost of transporting the body.

Management's Comment

Management did not respond to this finding.

SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

Source of Overpayments

Improper billing of resident leave days (see Finding 1)	\$16,931.49
Rate reduction (see Finding 2)	\$ 1,005.88
Unrefunded credit balances (see Finding 3)	<u>\$ 916.58</u>
Total	<u>\$18,853.95</u>

Disposition of Overpayments

Due to the State of Tennessee	\$18,741.95
Due to residents or their authorized representatives	<u>\$ 112.00</u>
Total	<u>\$18,853.95</u>