



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

**CROCKETT COUNTY NURSING HOME, INC., D/B/A
ALAMO NURSING AND REHAB CENTER
ALAMO, TENNESSEE**

**Depreciation Expense for the Period
April 1, 2012, Through March 31, 2013;
Resident Days for the Period
April 1, 2012, Through December 31, 2013;
and Resident Accounts for the Period
April 1, 2012, Through December 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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May 21, 2015

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 the depreciation expense reported on the Medicaid cost report of Crockett County Nursing Home, Inc., d/b/a Alamo Nursing and Rehab Center in Alamo, Tennessee, for the period April 1, 2012, through March 31, 2013; resident days for the period April 1, 2012, through December 31, 2013; and resident accounts for the period April 1, 2012, through December 31, 2013.

Sincerely,

Deborah V. Loveless, CPA
Director

DVL/pn
14/066

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report

Crockett County Nursing Home, Inc., d/b/a Alamo Nursing and Rehab Center
Alamo, Tennessee

Depreciation Expense for the Period
April 1, 2012, Through March 31, 2013;
Resident Days for the Period
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FINDING RECOMMENDING MONETARY REFUND

Need to Properly Manage Unrefunded Credit Balances

Alamo Nursing and Rehab Center failed to ensure that credit balances on the accounts of deceased or discharged residents were properly managed and promptly refunded. Management did not maintain evidence that former residents or their authorized representatives were notified of money due them. Also, facility management failed to

refund the portion of the credit balances due the Medicaid Program. Accounts receivable unrefunded credit balances of \$2,732.45 remain on the accounts of former residents of Alamo Nursing and Rehab Center. Of the total unrefunded credit balances, \$353.48 is due the State of Tennessee Medicaid Program, and \$2,378.97 is due former residents or their authorized representatives.

**Crockett County Nursing Home, Inc.
d/b/a Alamo Nursing and Rehab Center
Alamo, Tennessee
Depreciation Expense for the Period
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**Crockett County Nursing Home, Inc.
d/b/a Alamo Nursing and Rehab Center
Alamo, 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.

Crockett County Nursing Home, Inc., d/b/a Alamo Nursing and Rehab Center in Alamo, Tennessee, provides both NF-1 and NF-2 services. The facility is owned and operated by Harber Laman, LLC. The officers/members of the board of directors are as follows:

Craig B. Laman, President
 Pauline Cobb, Vice President
 Craig Laman, Chief Executive Officer
 Charles Jerman, Chief Financial Officer, Treasurer and Secretary

During the examination period, the facility maintained a total of 121 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 44,165 available bed days, the facility reported 22,788 for Medicaid NF-1 residents and zero for Medicaid NF-2 residents for the year ended March 31, 2013. Also, the facility reported total operating expenses of \$6,648,701 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 (744-0325)</u>	<u>Level II NF (044-5467)</u>
January 1, 2012, through June 30, 2012	\$158.81	\$102.51
July 1, 2012, through June 30, 2013	\$165.07	\$102.53
July 1, 2013, through June 30, 2014	\$170.57	\$105.00

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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505 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-1402
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Independent Accountant's Report

January 29, 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 January 29, 2014, that Crockett County Nursing Home, Inc., d/b/a Alamo Nursing and Rehab Center complied with the following requirements:

- Depreciation expense reported on the "Medicaid Nursing Facility Level 1 Cost Report" for the fiscal year ended March 31, 2013, 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 April 1, 2012, through December 31, 2013, when residents were hospitalized or on therapeutic leave are in accordance with bed hold rules.
- Charges to residents' personal funds from April 1, 2012, through December 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 Crockett County Nursing Home, Inc., d/b/a Alamo Nursing and Rehab 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 Alamo Nursing and Rehab Center's compliance with specified requirements.

Our examination disclosed the following instance of material noncompliance applicable to state and federal regulations:

- Need to properly manage unrefunded credit balances

In our opinion, except for the instances of material noncompliance described above, Crockett County Nursing Home, Inc., d/b/a Alamo Nursing and Rehab Center complied with, in all material respects, the aforementioned requirements for the depreciation expense reported on the cost report for the period April 1, 2012, through March 31, 2013; for resident days for the period April 1, 2012, through December 31, 2013; and for resident accounts for the period April 1, 2012, through December 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

FINDING AND RECOMMENDATION

Need to Properly Manage Unrefunded Credit Balances

Finding

Alamo Nursing and Rehab Center failed to ensure that credit balances on the accounts of deceased or discharged residents were properly managed and promptly refunded. Management did not maintain evidence that former residents or their authorized representatives were notified of money due them. Also, facility management failed to refund the portion of the credit balances due the Medicaid Program.

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, *Tennessee Code Annotated*, requires anyone holding funds or property presumed abandoned to file a report of that property with the State Treasurer. Chapter 1700-2-1-.19 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 \$2,732.45 remain on the accounts of four former Medicaid residents of Alamo Nursing and Rehab Center. Of the total unrefunded credit balances, \$353.48 is due to the State of Tennessee Medicaid Program, and \$2,378.97 is due to former residents or their authorized representatives.

Recommendation

Alamo Nursing and Rehab Center should immediately implement an adequate system to promptly refund credit balances on the accounts of former residents. A refund of \$353.48 should be made to the State of Tennessee Medicaid Program, and \$2,378.97 should be refunded to the former residents or their authorized representatives.

Management's Comment

Management disagrees with the finding. This finding is a result of TennCare's change in policy in regards to patient liability. (Refer to Patti Killingsworth 9/9/2011 memo, "Important Information Regarding Patient Liability and Item D Deductions.") Blue Care and UHC, the facility's MCOs at the time of the audit, failed to timely implement the changes to the calculation of the patient liability. The MCOs notified the facility in the fall of 2013 that they would comply with the changes that TennCare put into effect in 2011. Back adjustments by the MCOs to patients' accounts were not complete until early 2014.

At the time of the audit field work, the MCOs had been properly notified that the patient was no longer in the facility. The facility was waiting on the MCOs to make the final adjustments to the patient liability. After the MCO adjustment, the Medicaid Program owed the facility \$26.11, and the facility owed the former residents \$1,471.90. As the facility received the MCOs' final adjustments to each of the former residents' accounts, the amount owed was returned. Management believes that it has an adequate system in place to promptly refund credit balances on the accounts of former residents and the Medicaid Program.

Auditor's Comment

The memo referenced by management refers to a clarification of the application of patient liability for a nursing facility resident's cost of care. In short, a resident's monthly patient liability was historically prorated for residents based upon the number of days the resident was in the facility in the given month. The clarification pointed out that Medicaid, as payor of last resort, should pay for no part of a resident's monthly care until all of their patient liability had been applied to their cost of care first in the month of service.

While the MCO was in the midst of correcting the application of patient liability as prescribed in a TennCare originating memorandum, credit balances would still have remained on some resident accounts. The corrections resulting from the retroactive application of the patient liability clause would certainly have contributed to the error in the credit balances on the whole, as management indicates in their response. However, even post-correction, some credit balances remained and had to be refunded. The auditor will review each of the claims in question to verify that the differences between the credit balances, as found by auditors, and the revised balances per the TennCare memo (which occurred subsequent to field work) are the result of proper application of patient liability.

SUMMARY OF MONETARY FINDING AND RECOMMENDATION

Source of Overpayments

Unrefunded credit balances (see finding)	<u>\$2,732.45</u>
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Disposition of Overpayments

Due to the State of Tennessee	\$ 353.48
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Due to residents or their authorized representatives	<u>\$2,378.97</u>
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Total	<u>\$2,732.45</u>
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