



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

**UNION CITY NURSING AND REHABILITATION CENTER
UNION CITY, TENNESSEE**

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

Justin P. Wilson, Comptroller



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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT

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June 23, 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 examination of the Medicaid cost report of Union City Nursing and Rehabilitation Center in Union City, Tennessee, for the period January 1, 2012, through December 31, 2012; resident days for the period January 1, 2012, through December 31, 2013; and resident accounts for the period January 1, 2013, through December 31, 2013.

Sincerely,

Deborah V. Loveless, CPA
Director

DVL/pn
14/070

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
Union City Nursing and Rehabilitation Center
Union City, Tennessee
Cost Report for the Period
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FINDING RECOMMENDING MONETARY REFUND

Nonallowable Expenses Included on the Cost Report

Union City Nursing and Rehabilitation Center included \$27,551.05 in nonallowable expenses on the Medicaid cost report for the year ended December 31, 2012. The nonallowable expenses included expenses unrelated to resident care, unsupported

expenses, nonallowable advertising expenses, late fees, and marketing-related expenses. As a result of these adjustments, overpayments made to the facility by the Medicaid Program are estimated at \$31,620.65, computed from July 1, 2013, through June 30, 2015 (page 6).

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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	3
INDEPENDENT ACCOUNTANT'S REPORT	4
FINDING AND RECOMMENDATION	6
• Nonallowable Expenses Included on the Cost Report	6
Summary of Monetary Finding and Recommendation	8

**Union City Nursing and Rehabilitation Center
Union City, 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.

Union City Nursing and Rehabilitation Center in Union City, Tennessee, provides both NF-1 and NF-2 services. The facility is owned by American Health Companies, Inc., and operated by Tennessee Health Management. The officers are as follows:

March 26, 2012, through March 27, 2013

Dennis Berry, President
 Anne G. Vise, Treasurer
 Rebecca Demaree, Secretary

February 1, 2011, through March 25, 2012

James M. Smith, President
 Anne G. Vise, Treasurer
 Jeffery D. Parrish, Secretary

The members of the board of directors are as follows:

Mark Davis
 Anne G. Vise
 Dennis Berry

During the examination period, the facility maintained a total of 115 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 33,826 available bed days, the facility reported 23,144 for Medicaid NF-1 residents and 0 for Medicaid NF-2 residents for the year ended December 31, 2012. Also, the facility reported total operating expenses of \$7,132,176 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 (744-0359)</u>	<u>Level II NF (044-5381)</u>
January 1, 2012, through June 30, 2012	\$157.63	\$118.53
July 1, 2012, through June 30, 2013	\$154.23	\$118.55
July 1, 2013, through June 30, 2014	\$163.33	\$121.43
July 1, 2014, through June 30, 2015	\$173.38	\$125.63

PRIOR EXAMINATION FINDINGS

The prior report of Union City Manor, for the period January 1, 2007, through June 30, 2008, contained the following finding:

- improper billing of resident hospital leave days.

Union City Nursing and Rehabilitation Center did not resolve this prior finding and did not refund the amount due to the State of Tennessee.

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

February 6, 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 February 6, 2014, that Union City Nursing and Rehabilitation Center complied with the following requirements:

- 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 Medicaid cost report have been counted in accordance with state regulations. Medicaid resident days billed to the state from January 1, 2012, through December 31, 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, 2013, 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 Union City Nursing and Rehabilitation Center's compliance with those requirements and performing other such procedures as we considered necessary. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Union City Nursing 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.

In our opinion, except for the instances of material noncompliance described above, Union City Nursing and Rehabilitation Center complied with, in all material respects, the aforementioned requirements for 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 December 31, 2013; and for resident accounts for the period January 1, 2013, 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

Nonallowable Expenses Included on the Cost Report

Finding

Union City Nursing and Rehabilitation Center included \$27,551.05 of nonallowable expenses on the “Medicaid Nursing Facility Level 1 Cost Report” for the fiscal year ended December 31, 2012. The nonallowable expenses include \$18,000.00 in unreasonable compensation to two contracted medical directors; \$5,770.95 in nonallowable advertising expense; \$1,421.00 in marketing-related expense; \$1,284.86 in resident items; \$1,039.85 in marketing-related travel expenses; \$26.39 in unsupported expenses; and \$8.00 in late fees.

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.” Such costs that are not allowable in computing reimbursable costs include but are not limited to

- advertising costs incurred in seeking to increase patient population or utilization of the provider’s facilities by the general public;
- any fines, penalties, or interest paid on any tax payments or interest charges on overdue payables;
- costs which are not necessary or related to patient care; and
- any other costs which are identified and specified as nonallowable by the Medicaid Program manuals, or federal or state rules or regulations.

Paragraph 5866 of the *Medicare and Medicaid Guide* 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 usually are not common or accepted occurrences in the field of the provider’s activity.

Such costs are nonallowable in computing reimbursable costs and include cost of travel incurred in connection with non-patient care related purposes.

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	\$163.33	\$161.96	\$ (1.37)
July 1, 2014, through June 30, 2015	\$173.38	\$173.38	\$ 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 July 1, 2013, through June 30, 2015. Estimated overpayments made to the facility as a result of the expense adjustments are \$31,620.65.

Recommendation

Union City Nursing 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.

Management's Comment

Management did not respond to this finding.

SUMMARY OF MONETARY FINDING AND RECOMMENDATION

Source of Overpayments

Rate reduction (see finding)	<u>\$31,620.65</u>
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Disposition of Overpayments

Due to the State of Tennessee	<u>\$31,620.65</u>
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