



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY**

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**BAPTIST HEALTH CARE CENTER  
LENOIR CITY, TENNESSEE**

**Cost Report for the Period  
November 1, 2012, Through October 31, 2013;  
Resident Days for the Period  
June 30, 2012, Through October 31, 2013;  
and Resident Accounts for the Period  
November 1, 2011, Through July 31, 2014**

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**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 18, 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 Baptist Health Care Center in Lenoir City, Tennessee, for the period November 1, 2012, through October 31, 2013; resident days for the period June 30, 2012, through October 31, 2013; and resident accounts for the period November 1, 2011, through July 31, 2014.

Sincerely,

Deborah V. Loveless, CPA  
Director

DVL/pn  
15/300

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report  
**Baptist Health Care Center**  
Lenoir City, Tennessee  
Cost Report for the Period  
November 1, 2012, Through October 31, 2013;  
Resident Days for the Period  
June 30, 2012, Through October 31, 2013;  
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## FINDINGS RECOMMENDING MONETARY REFUNDS

### **Improper Management of Credit Balances**

Baptist Health Care Center failed to ensure that credit balances on the accounts of deceased and discharged residents were promptly reported and that correct claims were submitted. Accounts receivable un-refunded credit balances of \$4,112.64 due to the Medicaid Program remain on the accounts of five former residents of the facility.

### **Residents Inappropriately Charged for Covered Services**

Baptist Health Care Center charged Medicaid residents' accounts for haircuts and shampoos, which are Medicaid covered services. As a result of the inappropriate charges, the facility should reimburse two Medicaid residents a total of \$81.00.

### **Deficiency in Accounting for Resident Trust Funds**

Baptist Health Care Center failed to take adequate measures to safeguard resident trust funds. The facility improperly charged the resident trust funds for bank paper and check image fees for 14 residents in the amount of \$45.00. The facility failed to maintain one resident's trust fund balance at or below the required \$2,000.00 limitation requirement to maintain Medicaid eligibility.

**Baptist Health Care Center  
Lenoir City, Tennessee  
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**Baptist Health Care Center  
Lenoir City, Tennessee  
Cost Report for the Period  
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**INTRODUCTION**

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**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.

Baptist Health Care Center in Lenoir City, Tennessee, provides only NF-1 services. The facility is owned and operated by Tennessee Baptist Adult Homes, Inc., located in Brentwood, Tennessee. The officers/members of the board of directors are as follows:

Rev. Jeff Amonett	Rev. Steve Babcock
Rev. Terry Baker	Mr. Joe Collins
Dr. Frank Crawford	Mr. Patrick Cummins
Ms. Ann Davenport	Mr. Michael Denney
Dr. Tom Dumser	Mr. Montie Matlock
Rev. Jimmy Burroughs	Mr. Randy Smith
Rev. Kenneth Sparkman	Mr. George Thompson
Mrs. Bobby Turner	Dr. Hoyt Wilson, Chairman

During the examination period, the facility maintained a total of 104 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 37,960 available bed days, the facility reported 21,495 for Medicaid NF-1 residents for the year ended October 31, 2013. Also, the facility reported total operating expenses of \$5,676,692.00 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 (744-0301)</u>
July 1, 2012, through June 30, 2013	\$152.26
July 1, 2013, through June 30, 2014	\$158.79

## **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**

**August 28, 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 August 28, 2014, that Baptist Health Care Center complied with the following requirements:

- Income and expenses reported on the "Medicaid Nursing Facility Level 1 Cost Report" for the fiscal year ended October 31, 2013, 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 June 30, 2012, through October 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 November 1, 2011, through July 31, 2014, 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 Baptist Health Care 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 Baptist Health Care Center's compliance with specified requirements.

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

- Improper management of credit balances
- Residents inappropriately charged for covered services
- Deficiency in accounting for the resident trust fund

In our opinion, except for the instances of material noncompliance described above, Baptist Health Care Center complied with, in all material respects, the aforementioned requirements for income and expenses reported on the Medicaid cost report for the period November 1, 2012, through October 31, 2013; resident days for the period June 30, 2012, through October 31, 2013; and for resident accounts for the period November 1, 2011, through July 31, 2014.

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

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## FINDINGS AND RECOMMENDATIONS

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### 1. Improper Management of Credit Balances

#### Finding

Baptist Health Care Center has not established a system to ensure that credit balances on the accounts of deceased or discharged residents are properly managed and promptly refunded. Management did not provide evidence of attempts to notify the Medicaid Program to recoup credit balances and did not maintain evidence that former residents or their authorized representatives were notified of refunds due to them.

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 at 31 US Code §3729(b)(3). The False Claims Act subjects a provider to a fine and treble damages if he 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*, requires that “every person holding funds or other property, tangible or intangible, presumed abandoned under this part shall report to the treasurer. . . .” Chapter 1700-2-1-.19(1) 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.”

Unrefunded credit balances of \$4,112.64 remain on the accounts receivable ledger of five former Medicaid residents of Baptist Health Care Center and are due to the Medicaid Program.

#### Recommendation

Baptist Health Care Center should implement an adequate system to promptly refund credit balances on the accounts of former residents. Additionally, the facility’s management should maintain evidence of attempts to contact the owner of the credit balance. If the proper owners cannot be located within five years from the date of last account activity, a report of the abandoned property must be filed with the Tennessee Department of Treasury, Division of Unclaimed Property.

## **Management's Comment**

Management concurs with this finding. Requests to the appropriate managed care organization (MCO) were made for recoupment of the overpayments. A policy has been implemented to review accounts receivable balances of each facility resident within 30 days of discharge or date of final payment from the MCO and request that the MCO recoup any overpayments on the account.

## **Auditor Comment**

The facility's corrective action as noted above was verified. Unrefunded credit balances amounting to \$2,945.00 have been recouped by the appropriate MCO. While a request for recoupment has been made, unrefunded credit balances from United Healthcare Community Plan of \$1,167.64 remain on the accounts receivable ledger of two former facility residents.

## **2. Residents Inappropriately Charged for Covered Services**

### **Finding**

Baptist Health Care Center inappropriately charged Medicaid residents for Medicaid-covered services. From November 1, 2011, through July 31, 2014, the facility inappropriately charged two Medicaid residents a total of \$81.00 for haircuts and shampoos, which are basic covered services.

Chapter 1200-8-6-.06(4)(q) of the *Rules of Tennessee Department of Health* states, in regard to basic services, "residents shall have shampoos, haircuts, and shaves as needed, or desired."

As a result of the inappropriate charges, Medicaid residents have been incorrectly charged \$81.00 for Medicaid-covered services.

### **Recommendation**

Baptist Health Care Center should not charge Medicaid residents for covered services. The facility should reimburse the two Medicaid residents or their authorized representatives a total of \$81.00. In the future, the facility should provide covered services to all Medicaid residents without charge.

## Management's Comment

Management concurs with this finding. Two residents were immediately refunded \$81.00 for inappropriate charges for haircuts and shampoos. A policy has been implemented to allow residents a choice to receive haircuts and shampoo services by facility personnel at no charge, or hairstyling services by a licensed beautician for fees as approved under TennCare guidelines.

### 3. Deficiency in Accounting for Resident Trust Funds

#### Finding

Baptist Health Care Center failed to take adequate measures to safeguard resident trust funds as required by federal and state laws. The resident trust fund is not considered accounted for properly due to the following exception. Fourteen residents were charged a bank paper and check image fee each month. An accumulation of the bank paper and check image fee for the period August 1, 2013, through July 31, 2014, was performed. Also, the facility billed Medicaid for one resident who had accumulated funds in excess of the \$2,000.00 limitation for maintaining eligibility under the program.

Paragraph 22,163.10(c)(2) of the *Medicare and Medicaid Guide* states, "The facility must hold, safeguard, manage and account for the personal funds of the resident deposited with the facility."

Paragraph 22,163.10(c)(4) of the *Medicare and Medicaid Guide* 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 71-6-117, *Tennessee Code Annotated*, provides for penalties in cases where the improper use of funds paid by a government agency to an adult or to a caretaker for the adult's use is shown to be willful.

Chapter 1240-3-3.03(2)(a)(iv) of the *Rules of Tennessee Department of Human Services Division of Medical Services* states,

Applicants for medical assistance as Categorically Needy in an SSI-related category are permitted to retain resources in an amount not to exceed SSI limits . . .

(a) Resources excluded from consideration in determination of eligibility for medical assistance are: . . . 1. (iv) Personal effects and household goods of two thousand dollars (\$2,000) or less equity value.

The facility overcharged 14 residents \$45.00 for their resident trust fund accounts and billed Medicaid for one resident whose personal resources exceeded the \$2,000.00 limitation.

### **Recommendation**

Baptist Health Care Center should ensure that adequate measures are in place to safeguard resident trust funds. The facility should ensure resident trust funds are not overcharged, and should reimburse the \$45.00 overcharge to the appropriate residents. The facility should ensure that all Medicaid residents' trust fund accounts do not exceed the allowed \$2,000.00 limitation before billing the Medicaid Program.

### **Management's Comment**

Management concurs with this finding. Monthly banking fee expenses charged to individual resident trust funds were refunded. Future monthly bank fees for the resident trust fund bank account will be paid by the facility. Clothing and personal need items were purchased for the resident with more than \$2,000.00, which lowered the fund balance, therefore maintaining financial eligibility for the resident under the Program. Resident trust fund ledger cards are now monitored to ensure the balance does not exceed the \$2,000.00 limit.

## SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

### Source of Overpayments

Unrefunded credit balances (see Finding 1)	\$4,112.64
Residents inappropriately charged for covered services (see Finding 2)	\$ 81.00
Deficiency in accounting for the resident trust fund (see Finding 3)	<u>\$ 45.00</u>
Total	<u>\$4,238.64</u>

### Disposition of Overpayments

Due to the State of Tennessee	\$4,112.64
Due to residents or their authorized representatives	<u>\$ 126.00</u>
Total	<u>\$4,238.64</u>