



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

**LEWIS COUNTY NURSING AND
REHABILITATION CENTER, INC.
HOHENWALD, TENNESSEE**

**Cost Report for the Period
January 1, 2013, Through December 31, 2013;
Resident Days for the Period
January 1, 2012, Through December 31, 2013; and
Resident Accounts for the Period
January 1, 2013, Through October 21, 2014**

Justin P. Wilson, Comptroller



**Division of State Audit
TennCare Section**

DEBORAH V. LOVELESS, CPA, CGFM, CGMA
Director

GREGG S. HAWKINS, CPA, CFE
Assistant Director

KAREN DEGGES, CPA
Legislative Auditor IV, Reviewer

Joann Shumaker, CFE
In-Charge Auditor

Paula Rosenberg
Blake Harris
Staff Auditors

Amy Brack
Editor

Amanda Adams
Assistant Editor

Comptroller of the Treasury, Division of State Audit
Suite 1500, James K. Polk State Office Building
505 Deaderick Street
Nashville, TN 37243-1402
(615) 401-7897

Reports are available at
www.comptroller.tn.gov/sa/AuditReportCategories.asp.

Mission Statement
The mission of the Comptroller's Office is
to make government work better.

Comptroller Website
www.comptroller.tn.gov



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

SUITE 1500, JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7897
FAX (615) 532-2765

June 14, 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 Medicaid cost report of Lewis County Nursing and Rehabilitation Center, Inc., in Hohenwald, Tennessee, for the period January 1, 2013, through December 31, 2013; resident days for the period January 1, 2012, through December 31, 2013; and resident accounts for the period January 1, 2013, through October 21, 2014.

Sincerely,

Deborah V. Loveless, CPA
Director

DVL/pn
15/302

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
Lewis County Nursing and Rehabilitation Center, Inc.
Hohenwald, Tennessee
Cost Report for the Period
January 1, 2013, Through December 31, 2013;
Resident Days for the Period
January 1, 2012, Through December 31, 2013;
and Resident Accounts for the Period
January 1, 2013, Through October 21, 2014

FINDINGS RECOMMENDING MONETARY REFUNDS

Nonallowable Expenses Included on the Cost Report

Lewis County Nursing and Rehabilitation Center, Inc. included \$7,112.10 of nonallowable expenses on the "Medicaid Nursing Facility Level 1 Cost Report" for the fiscal year ended December 31, 2013. The nonallowable amount contains ancillary costs, expenses not related to resident care, donations, marketing, and unsupported expenses. As a result of these adjustments, overpayments made to the facility by the Medicaid Program are estimated at \$5,359.63, computed from July 1, 2014, through June 30, 2016 (page 5).

Improper Management of Unrefunded Credit Balances

Lewis County Nursing and Rehabilitation Center, Inc. failed to ensure that credit balances on the accounts of deceased or discharged residents were properly managed

and promptly refunded. Accounts receivable unrefunded credit balances of \$126.27 are due to the Medicaid Program, and \$2,914.72 is due to former residents or their authorized representatives. The facility has not maintained accurate records for residents' accounts receivable subsidiary ledgers (page 6).

Improper Billing of Resident Leave Days

Lewis County Nursing and Rehabilitation Center, Inc. improperly billed the Medicaid Program for 6 hospital and therapeutic leave days when the facility was operating below the 85% occupancy requirement, 8 days when the facility exceeded the 10-day leave rule, 2 discharge days, and 1 day when the resident's primary insurance was Medicare. As a result of the billing for noncovered resident days, the facility should refund \$2,307.97 to the State of Tennessee (page 7).

FINDING NOT RECOMMENDING MONETARY REFUND

Inaccurate Accumulation of Resident Days and Gross Charges

Lewis County Nursing and Rehabilitation Center, Inc. inaccurately reported resident days and gross charges on the “Medicaid Nursing Facility Level 1 Cost Report.” Total days accumulated from the revenue reports conflicted with the census days and the days reported on the cost report. The days reported on the cost report were mis-categorized when compared to days reported on census and revenue reports. Total

routine charges were overreported by \$116,680.00. Private Nursing Facility Level 1 (NF-1), Private Nursing Facility Level 2 (NF-2), Medicaid Hospice, and Other NF-1-Hospice charges were mis-categorized within the routine charges. Since the charges were already adjusted during desk review procedures, no additional adjustments will be made to days and gross charges (page 8).

Lewis County Nursing and Rehabilitation Center, Inc.
Hohenwald, Tennessee
Cost Report for the Period
January 1, 2013, Through December 31, 2013;
Resident Days for the Period
January 1, 2012, Through December 31, 2013;
and Resident Accounts for the Period
January 1, 2013, Through October 21, 2014

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	2
INDEPENDENT ACCOUNTANT'S REPORT	3
FINDINGS AND RECOMMENDATIONS	5
1. Nonallowable Expenses Included on the Cost Report	5
2. Improper Management of Unrefunded Credit Balances	6
3. Improper Billing of Resident Leave Days	7
4. Inaccurate Accumulation of Resident Days and Gross Charges	8
Summary of Monetary Findings and Recommendations	10

Lewis County Nursing and Rehabilitation Center, Inc.
Hohenwald, Tennessee
Cost Report for the Period
January 1, 2013, Through December 31, 2013;
Resident Days for the Period
January 1, 2012, Through December 31, 2013;
and Resident Accounts for the Period
January 1, 2013, Through October 21, 2014

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.

Lewis County Nursing and Rehabilitation Center, Inc., in Hohenwald, Tennessee, provides both NF-1 and NF-2 services. The facility is owned and operated by Tennessee Health Management, Inc., located in Parsons, Tennessee. The officers/members of the board of directors are as follows:

Mark Davis, Director
 Anne G. Vise, Director
 James Smith, Chairman and Director

During the examination period, the facility maintained a total of 131 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 47,946 available bed days, the facility reported 31,827 for Medicaid NF-1 residents and none for Medicaid NF-2 residents for the year ended December 31, 2013. Also, the facility reported total operating expenses of \$7,938,489 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 (744-0265)</u>	<u>Level II NF (044-5430)</u>
January 1, 2012, through June 30, 2012	\$140.89	\$120.32
July 1, 2012, through June 30, 2013	\$165.07	\$150.51
July 1, 2013, through June 30, 2014	\$151.12	\$152.21
July 1, 2014, through June 30, 2015	\$160.55	\$156.41
July 1, 2015, through June 30, 2016	\$170.60	\$158.02
July 1, 2016, through June 30, 2017	\$153.25	\$158.76

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.



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

SUITE 1500, JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7897
FAX (615) 532-2765

Independent Accountant's Report

November 26, 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 November 26, 2014, that Lewis County Nursing and Rehabilitation Center, Inc. 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, 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 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 October 21, 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 Lewis County Nursing and Rehabilitation Center, Inc.'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 Lewis County Nursing and Rehabilitation Center, Inc.'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;
- improper billing of resident leave days; and
- inaccurate accumulation of resident days and gross charges.

In our opinion, except for the instances of material noncompliance described above, Lewis County Nursing and Rehabilitation Center, Inc. complied with, in all material respects, the aforementioned requirements for income and expenses reported on the Medicaid cost report for the period January 1, 2013, through December 31, 2013; for resident days for the period January 1, 2012, through December 31, 2013; and for resident accounts for the period January 1, 2013, through October 21, 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

FINDINGS AND RECOMMENDATIONS

1. Nonallowable Expenses Included on the Cost Report

Finding

Lewis County Nursing and Rehabilitation Center, Inc. included \$7,112.10 of nonallowable expenses on the “Medicaid Nursing Facility Level 1 Cost Report” for the fiscal year ended December 31, 2013. The nonallowable amount consists of \$3,038.58 in ancillary expenses; \$2,610.76 in expenses not related to resident care; \$1,172.76 in marketing-related expenses; \$170.00 in donations; and \$120.00 in unsupported expenses.

Chapter 1200-13-6-.09 of the *Rules of the Tennessee Department of Finance and Administration* states that “adequate financial records, statistical data, and source documents must be maintained for proper determination of costs under the program.” It also specifies that unnecessary costs and costs unrelated to patient care be deducted from allowable expenses.

Such costs that are not allowable in computing reimbursable costs include

- advertising costs that seek to increase patient population or utilization of the provider’s facilities by the general public;
- costs that are not necessary or related to patient care; and
- any other costs that are identified and specified as nonallowable by the Medicaid Program manuals, or federal or state rules or regulations.

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

<u>Period</u>	<u>Original Rate</u>	<u>Adjusted Rate</u>	<u>Difference</u>
July 1, 2014, through June 30, 2015	\$160.55	\$160.38	\$(0.17)
July 1, 2015, through June 30, 2016	\$170.60	\$170.59	\$(0.01)
July 1, 2016, through June 30, 2017	\$153.25	\$153.25	\$(0.00)

The above rate adjustment will be sent to the managed care organization for reprocessing of all Medicaid claims for the dates of service from July 1, 2014, through June 30, 2016. Estimated overpayments made to the facility as a result of the above adjustment total \$5,359.63, computed for the period July 1, 2014, through June 30, 2016.

Recommendation

Lewis County Nursing and Rehabilitation Center, Inc. should include only allowable expenses on the Medicaid cost report. All reported expenses should be adequately supported, related to resident care, and in compliance with other applicable regulations. Medicaid claims for the dates of service July 1, 2014, through June 30, 2016, should be reprocessed. The estimated recoupment for the reprocessed claims is \$5,359.63.

Management's Comment

Tennessee Health Management (THM) concurs with this finding. Management has taken action to correct these deficiencies. THM has implemented a three-step approach to audit and verify expense allocation prior to inclusion in the cost report.

2. Improper Management of Unrefunded Credit Balances

Finding

Lewis County Nursing and Rehabilitation Center, Inc. failed to ensure that credit balances on all of the accounts of deceased or discharged residents were properly managed and promptly refunded. Management failed to refund \$126.27 due to the Medicaid Program and \$2,914.72 due to former residents or their authorized representatives. In addition, the facility has not maintained accurate records for residents' accounts receivable subsidiary ledgers.

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 Title 31, *United States Code*, Section 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 "every person holding funds or other 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."

Chapter 1200-13-6-.15 of the *Rules* states:

The cost reports . . . must provide adequate cost and statistical data. This data must be based on and traceable to the provider's financial and statistical records and must be adequate, accurate, and in sufficient detail to support payment made for services rendered to beneficiaries.

Recommendation

Lewis County Nursing and Rehabilitation Center, Inc. should immediately implement an adequate system to promptly refund credit balances on the accounts of former residents. The facility should refund \$126.27 to the Medicaid Program and \$2,914.72 to former residents or their authorized representatives.

The facility should immediately establish adequate internal controls, including policies and procedures, to ensure compliance with applicable laws and regulations.

Management's Comment

Tennessee Health Management (THM) concurs with this finding. It is THM's policy that all credit balances are to be refunded 30 days after discharge or expiration. Management has implemented an electronic health records system that includes a resident trust funds tracker. In addition, Internal Audit is tasked with auditing and verifying, on an ongoing basis, that the policies are being adhered to.

3. Improper Billing of Resident Leave Days

Finding

Lewis County Nursing and Rehabilitation Center, Inc. improperly billed the Medicaid Program for 6 hospital and therapeutic leave days when the facility was operating below the 85% occupancy requirement, 8 days when the facility exceeded the 10-day leave rule, 2 discharge days, and 1 day when the resident's primary insurance was Medicare. As a result of the billing for noncovered resident days, the facility should refund \$2,307.97 to the State of Tennessee.

Chapter 1200-13-01.03(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:

- (a) Reimbursement shall be made for up to a total of ten (10) days per State fiscal year which the resident is hospitalized or absent from the NF on therapeutic

leave. The following conditions must be met in order for a bed hold reimbursement to be made:

1. The resident intends to return to the NF
2. At least 85% of all other beds in the NF are occupied at the time of hospital admission or therapeutic absence.

Chapter 1200-13-6-.09(1)B7 of the *Rules* requires “the day of discharge being counted only when the patient was admitted that same day.”

As a result of the improper billing of resident days, the facility was overpaid a total of \$2,307.97 by the Medicaid Program for noncovered days for the period January 1, 2012, through December 31, 2013.

Recommendation

Lewis County Nursing and Rehabilitation Center, Inc. should not accumulate or bill the Medicaid Program for hospital and therapeutic leave days when the facility is operating below 85% occupancy, when the facility exceeds the 10-day leave rule, on the day of discharge unless the resident was admitted the same day, or when Medicare should be billed as the primary insurance. As a result of the improper billing of leave days, the facility should refund \$2,307.97, representing overpayments by the Medicaid Program, to the State of Tennessee.

Management’s Comment

Tennessee Health Management concurs with this finding. Management has taken action to correct these deficiencies. An electronic health records system was implemented in 2013, and all patient billing was centralized.

4. Inaccurate Accumulation of Resident Days and Gross Charges

Finding

Lewis County Nursing and Rehabilitation Center, Inc. inaccurately reported resident days and gross charges on the “Medicaid Nursing Facility Level 1 Cost Report.” Total days accumulated from the revenue reports conflicted with the census days and the days reported on the cost report. The days reported on the cost report were mis-categorized when compared to days reported on the census and the cost report. Total routine charges were overreported by \$116,680.00. This overreporting was primarily due to TennCare acuity payments being incorrectly included in the routine charges of the cost report. Private NF-1, Private NF-2, Medicaid Hospice, and Other NF-1-Hospice charges were mis-categorized within the routine

charges. Since the charges were already adjusted during desk review procedures, no additional adjustments will be made to days and gross charges.

Chapter 1200-13-6-.10(5) of the *Rules of the Tennessee Department of Finance and Administration* states,

Each facility must maintain daily census records and an adequate patient log. . . . This log, however, must be sufficient to provide the following information on an individual basis and to accumulate monthly and yearly totals for Medicaid NF patients and for all other patients.

- (a) Days of Service,
- (b) Charges for items and services covered by the Medicaid NF-1 Program,
- (c) Charges for items and services not covered by the Medicaid NF-1 Program,
- (d) Patient income applicable to the cost of covered items and services received by Medicaid NF-1 patients,
- (e) Amounts collected and receivable from the Medicaid NF-1 Program, and
- (f) Amounts collected and receivable from all other sources.

Chapter 1200-13-6-.15 of the *Rules* states,

The cost reports . . . must provide adequate cost and statistical data. This data must be based on and traceable to the provider's financial and statistical records and must be adequate, accurate, and in sufficient detail to support payment made for services rendered to beneficiaries.

Recommendation

Lewis County Nursing and Rehabilitation Center, Inc. should maintain an adequate system to report and account for resident days and gross charges. The report should provide adequate and accurate statistical data necessary for proper completion of the Medicaid cost report.

Management's Comment

Tennessee Health Management concurs with this finding. Management has taken action to correct these deficiencies. The implementation of the electronic health records system insures that all days and charges are correctly categorized and verified prior to billing.

SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

Source of Overpayments

Rate reduction (see Finding 1)	\$ 5,359.63
Improper management of unrefunded credit balances (see Finding 2)	\$ 3,040.99
Improper billing of resident leave days (see Finding 3)	<u>\$ 2,307.97</u>
Total	<u>\$10,708.59</u>

Disposition of Overpayments

Due to the State of Tennessee	\$ 7,793.87
Due to residents or their authorized representatives	<u>\$ 2,914.72</u>
Total	<u>\$10,708.59</u>