



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY**

**LINCOLN & DONALSON CARE CENTERS  
FAYETTEVILLE, TENNESSEE**

**Cost Report for the Period  
July 1, 2012, Through June 30, 2013;  
Resident Days for the Period  
July 1, 2011, Through September 30, 2014;  
and Resident Accounts for the Period  
July 1, 2010, Through October 20, 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

**REGINA DOBBINS, CPA, CFE**  
Audit Manager

**Adam Gamble, CFE**  
In-Charge Auditor

**Katie Yarborough**  
**Patricia Brown, CPA**  
**Heather Sells**  
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](http://www.comptroller.tn.gov/sa/AuditReportCategories.asp).

**Mission Statement**  
The mission of the Comptroller's Office is to improve the quality of life  
for all Tennesseans by making government work better.

**Comptroller Website**  
[www.comptroller.tn.gov](http://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

March 23, 2016

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 Lincoln & Donalson Care Centers in Fayetteville, Tennessee, for the period July 1, 2012, through June 30, 2013; resident days for the period July 1, 2011, through September 30, 2014; and resident accounts for the period July 1, 2010, through October 20, 2014.

Sincerely,

Deborah V. Loveless, CPA  
Director

DVL/pn  
15/305

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report  
**Lincoln & Donalson Care Centers**  
Fayetteville, Tennessee  
Cost Report for the Period  
July 1, 2012, Through June 30, 2013;  
Resident Days for the Period  
July 1, 2011, Through September 30, 2014;  
and Resident Accounts for the Period  
July 1, 2010, Through October 20, 2014

## FINDING RECOMMENDING MONETARY REFUND

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

Lincoln & Donalson Care Centers has charged Medicaid residents' trust fund accounts for diapers, which are Medicaid-

covered services. As a result of the inappropriate charges, the facility should reimburse nine Medicaid residents or their authorized representatives a total of \$2,865.86 (page 6).

**Lincoln & Donalson Care Centers  
Fayetteville, Tennessee  
Cost Report for the Period  
July 1, 2012, Through June 30, 2013;  
Resident Days for the Period  
July 1, 2011, Through September 30, 2014;  
and Resident Accounts for the Period  
July 1, 2010, Through October 20, 2014**

---

**TABLE OF CONTENTS**

---

	<u>Page</u>
<b>INTRODUCTION</b>	1
Purpose and Authority of the Examination	1
Background	1
Prior Examination Findings	2
Scope of the Examination	3
<b>INDEPENDENT ACCOUNTANT'S REPORT</b>	4
<b>FINDING AND RECOMMENDATION</b>	6
• Residents Inappropriately Charged for Covered Services	6
Summary of Monetary Finding and Recommendation	7

**Lincoln & Donalson Care Centers  
Fayetteville, Tennessee  
Cost Report for the Period  
July 1, 2012, Through June 30, 2013;  
Resident Days for the Period  
July 1, 2011, Through September 30, 2014;  
and Resident Accounts for the Period  
July 1, 2010, Through October 20, 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.

Lincoln & Donalson Care Centers in Fayetteville, Tennessee, provides both NF-1 and NF-2 services. The facility is owned by Lincoln County and operated by Quorum Health Resources, LLC. The officers/members of the board of directors are as follows:

Anthony Taylor, Chairman  
 Ben Brown, Vice Chair  
 Donny Ogle, Secretary  
 Sharon Eubanks  
 John Thorpe  
 Dr. Linda Jackson  
 Dr. Doug Layman

During the examination period, the facility maintained a total of 240 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 87,600 available bed days, the facility reported 50,308 for Medicaid NF-1 residents and 1,808 for Medicaid NF-2 residents for the year ended June 30, 2013. Also, the facility reported total operating expenses of \$12,338,616 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 (744-0054)</u>	<u>Level II NF (044-5173)</u>
July 1, 2011, through December 31, 2011	\$126.33	\$148.36
January 1, 2012, through June 30, 2012	\$123.32	\$144.80
July 1, 2012, through June 30, 2013	\$138.53	\$178.41
July 1, 2013, through June 30, 2014	\$152.65	\$170.56
July 1, 2014, through June 30, 2015	\$159.55	\$168.47

**PRIOR EXAMINATION FINDINGS**

The prior report of Lincoln & Donalson Care Centers’ depreciation expense and resident accounts for the period July 1, 2009, through June 30, 2010, and resident days for the period July 1, 2009, through June 30, 2011, contained the following finding:

- Improper Billing of Resident Leave Days.

This finding has been satisfactorily remedied.

## **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**

**October 30, 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 October 30, 2014, that Lincoln & Donalson Care Centers complied with the following requirements:

- Income and expenses reported on the "Medicaid Nursing Facility Level 1 Cost Report" for the fiscal year ended June 30, 2013, 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 July 1, 2011, through September 30, 2014, 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 July 1, 2010, through October 20, 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 Lincoln & Donalson Care Centers' 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 Lincoln & Donalson Care Centers' compliance with specified requirements.

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

- residents inappropriately charged for covered services.

In our opinion, except for the instance of material noncompliance described above, Lincoln & Donalson Care Centers complied with, in all material respects, the aforementioned requirements for income and expenses reported on the Medicaid cost report for the period July 1, 2012, through June 30, 2013; resident days for the period July 1, 2011, through September 30, 2014; and resident accounts for the period July 1, 2010, through October 20, 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

---

## FINDING AND RECOMMENDATION

---

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

#### **Finding**

Lincoln & Donalson Care Centers has inappropriately charged residents' trust fund accounts for Medicaid-covered services. From July 1, 2010, through October 20, 2014, the facility charged nine residents \$3,383.19 for diapers. Of the \$3,383.19, the facility was only allowed to charge the residents \$517.33, which is the difference between the diapers stocked by the facility and the diapers specifically requested by the residents. Hence, the facility overcharged the residents \$2,865.86.

No. 93-2 of the *Medicaid Bulletin* states, "diapers, cloth and/or disposable, is an NF [nursing facility] responsibility and considered a covered service."

No. 94-1 of the *Medicaid Bulletin* states, "For covered items, the NF may charge no more than the difference between the cost of an item and/or service it provides and one specifically requested by name by the resident."

As a result of the inappropriate charges, the resident trust fund accounts for Medicaid residents have been incorrectly charged \$2,865.86 for Medicaid-covered services.

#### **Recommendation**

Lincoln & Donalson Care Centers should not charge Medicaid residents for covered services. The facility should reimburse Medicaid residents or their authorized representatives a total of \$2,865.86.

#### **Management's Comment**

We concur with the finding. The error in billing was unintentional by the employees of Lincoln & Donalson Care Centers, but rather was the result of a misunderstanding in regard to the correct procedure for billing for covered services. All patients or patients' responsible parties were refunded the specified amounts on your report on February 12, 2016.

## **SUMMARY OF MONETARY FINDING AND RECOMMENDATION**

### **Source of Overpayments**

Residents inappropriately charged for covered services (see finding)	<u>\$2,865.86</u>
Total	<u>\$2,865.86</u>

### **Disposition of Overpayments**

Due to residents or their authorized representatives	<u>\$2,865.86</u>
Total	<u>\$2,865.86</u>