



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY**



**COUNTRYSIDE HEALTHCARE & REHABILITATION  
LAWRENCEBURG, TENNESSEE**

**Cost Report for the Period  
January 1, 2014, Through December 31, 2014;  
Resident Days for the Period  
January 1, 2014, Through June 30, 2015;  
and Resident Accounts for the Period  
October 1, 2014, Through September 30, 2015**

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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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May 26, 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 examination of the Medicaid cost report of Countryside Healthcare & Rehabilitation, in Lawrenceburg, Tennessee, for the period January 1, 2014, through December 31, 2014; resident days for the period January 1, 2014, through June 30, 2015; and resident accounts for the period October 1, 2014, through September 30, 2015.

Sincerely,

Deborah V. Loveless, CPA  
Director

DVL/pn  
16/308

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report

## **Countryside Healthcare & Rehabilitation**

Lawrenceburg, Tennessee

Cost Report for the Period

January 1, 2014, Through December 31, 2014;

Resident Days for the Period

January 1, 2014, Through June 30, 2015;

and Resident Accounts for the Period

October 1, 2014, Through September 30, 2015

### **FINDINGS RECOMMENDING MONETARY REFUND**

#### **Nonallowable Expenses Included on the Cost Report**

Countryside Healthcare & Rehabilitation included \$31,672.49 of nonallowable expenses on the Medicaid Nursing Facility Level 1 Cost Report for the fiscal year ended December 31, 2014. The nonallowable expenses included marketing, unsupported legal expenses, replacement of resident personal items, prior-year expenses, items unrelated to Level 1 care, and a late fee. As a result of these expense adjustments, estimated overpayments made to the facility by the Medicaid Program are \$24,325.19 for Level 1 and \$1,689.52 for Level 2, for a total of \$26,014.71, computed

from July 1, 2015, through June 30, 2016 (page 5).

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

Countryside Healthcare & Rehabilitation 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 unrefunded credit balances of \$5,494.08, due to the Medicaid Program and former residents, remain on the account of the facility (page 6).

**Countryside Healthcare & Rehabilitation  
Lawrenceburg, Tennessee  
Cost Report for the Period  
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**Countryside Healthcare & Rehabilitation  
Lawrenceburg, 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.

Countryside Healthcare & Rehabilitation, in Lawrenceburg, Tennessee, operates and provides both NF-1 and NF-2 services. The facility is owned and operated by Epic Group, LP, located in Myrtle Beach, South Carolina.

The officers are as follows:

W. Stewart Swain, Manager/Member  
L. P. Herzog, Manager/Member

During the examination period, the facility maintained a total of 162 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 59,130 available bed days, the facility reported 25,009 for Medicaid NF-1 residents and 1,162 for Medicaid NF-2 residents for the year ended December 31, 2014. Also, the facility reported total operating expenses of \$7,033,876 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 (744-0482)</u>	<u>Level II NF (044-5280)</u>
July 1, 2013, through June 30, 2014	\$153.34	\$158.36
July 1, 2014, through June 30, 2015	\$152.41	\$155.96
July 1, 2015, through June 30, 2016	\$172.63	\$175.58

## **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**

**November 5, 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:

We have examined management's assertions, included in its representation letter dated November 5, 2015, that Countryside Healthcare & Rehabilitation 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, 2014, 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, 2014, through June 30, 2015, 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 October 1, 2014, through September 30, 2015, 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 Countryside Healthcare & Rehabilitation's compliance with those requirements and performing other such procedures that we considered necessary under the circumstances. We believe that our examination provides a reasonable basis for our opinion.

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

- nonallowable expenses included on the cost report, and
- improper management of credit balances.

In our opinion, except for the instance of material noncompliance described above, Countryside Healthcare & Rehabilitation complied with, in all material respects, the aforementioned requirements for income and expenses reported on the Medicaid cost report for the period January 1, 2014, through December 31, 2014; for resident days for the period January 1, 2014, through June 30, 2015; and for resident accounts for the period October 1, 2014, through September 30, 2015.

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. Nonallowable Expenses Included on the Cost Report

#### Finding

Countryside Healthcare & Rehabilitation included \$31,672.49 of nonallowable expenses on the Medicaid cost report for the fiscal year ended December 31, 2014. The nonallowable expenses included \$15,781.75 in nonallowable marketing expense; \$15,603.22 in unsupported legal expense; \$108.25 for replacement of resident personal items; \$100.00 of prior-year expense; \$73.15 for items unrelated to Level 1 care; and \$6.12 for a late fee.

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, the following:

- any fines, penalties, or interest paid on any tax payments or interest charges on overdue payables; and
- costs which are not necessary or related to patient care.

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>
<u>Level 1</u>			
July 1, 2015, through June 30, 2016	\$172.63	\$171.66	\$ (0.97)
July 1, 2016, through June 30, 2017	\$178.13	\$178.13	\$ 0.00
<u>Level 2</u>			
July 1, 2015, through June 30, 2016	\$175.58	\$174.13	\$(1.45)
July 1, 2016, through June 30, 2017	\$198.47	\$198.47	\$ 0.00

The rate adjustments above will be sent to the Bureau of TennCare for reprocessing of all Medicaid claims for the dates of service from July 1, 2015, through June 30, 2016. Estimated overpayments made to the facility as a result of the expense adjustments are \$24,325.19 for Level 1 and \$1,689.52 for Level 2, resulting in a total of \$26,014.71.

## **Recommendation**

Countryside Healthcare & Rehabilitation 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**

The nonallowable expenses included:

- \$15,603.22 in supported legal expense. This item was the result of over-accruing legal expense for the December 31, 2014 cost report year. State Audit will need to adjust this expense back into the December 31, 2015 cost report and reissue the December 31, 2015 rate accordingly.
- \$15,781.75 in nonallowable marketing expense. The auditors disallowed all travel expense mileage because the facility did not keep mileage logs. We do not agree with this adjustment because it also disallows the mileage of employees who had no marketing function.

## **Rebuttal**

According to the Staff Accountant at Epic Healthcare Management, both employees performed marketing functions. The amounts disallowed were travel expenses for just those performing marketing functions, based on the general ledger and travel claims examined during field work.

Auditors will follow up on 2015 legal expenses to determine allowability of those costs subsequent to the release of this report.

## **2. Improper Management of Credit Balances**

### **Finding**

Countryside Healthcare & Rehabilitation 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 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 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 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 \$5,494.08 remain on the accounts receivable ledger of 19 former Medicaid residents of Countryside Healthcare & Rehabilitation, \$1,248.38 of which is due to the Medicaid Program and \$4,245.70 of which is due to residents or their authorized representatives.

### **Recommendation**

Countryside Healthcare & Rehabilitation 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. In case 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**

We have updated our procedures in order to properly maintain timely refunds of credit balances on the accounts of former residents. The updated procedures are detailed in the refund policy enclosed with this letter.

At the time of this letter, the credit balances have been returned to the appropriate party.

### **Auditor’s Comment**

At the time of the release of this report, it was verified that all but \$1,945.98 due to residents or their authorized representatives had been refunded to the correct parties.

## SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

### Source of Overpayments

Rate reduction (see finding 1)	\$ 26,014.71
Unrefunded credit balances (see finding 2)	<u>\$ 5,494.08</u>
Total	<u>\$ 31,508.79</u>

### Disposition of Overpayments

Due to the State of Tennessee	\$27,263.09
Due to residents or their authorized representatives	<u>\$ 4,245.70</u>
Total	<u>\$31,508.79</u>