



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY**

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**LIFE CARE CENTER OF COLUMBIA  
COLUMBIA, TENNESSEE**

**TennCare Audit Report**

**Cost Reports for the Periods  
January 1, 2014, Through December 31, 2014, and  
January 1, 2015, Through December 31, 2015;  
Resident Days for the Period  
July 1, 2014, Through October 31, 2016;  
and Resident Accounts for the Period  
January 1, 2014, Through November 30, 2016**

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**Justin P. Wilson, Comptroller**



**Division of State Audit**

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JUSTIN P. WILSON  
*Comptroller*

JASON E. MUMPOWER  
*Chief of Staff*

November 14, 2018

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 and agencies providing home and community-based waiver services 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 reports of Life Care Center of Columbia, in Columbia, Tennessee, for the periods January 1, 2014, through December 31, 2014, and January 1, 2015, through December 31, 2015; resident days for the period July 1, 2014, through October 31, 2016; and resident accounts for the period January 1, 2014, through November 30, 2016.

Sincerely,

A handwritten signature in black ink that reads "Deborah V. Loveless".

Deborah V. Loveless, CPA, Director  
Division of State Audit

DVL/pn  
17/268

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report  
**Life Care Center of Columbia**  
Columbia, Tennessee  
Cost Reports for the Periods  
January 1, 2014, Through December 31, 2014, and  
January 1, 2015, Through December 31, 2015;  
Resident Days for the Period  
July 1, 2014, Through October 31, 2016;  
and Resident Accounts for the Period  
January 1, 2014, Through November 30, 2016

## FINDINGS RECOMMENDING MONETARY REFUNDS

### **Improper Billing of Resident Leave Days**

Life Care Center of Columbia improperly billed the Medicaid Program for 31 noncovered days for the period July 1, 2014, through October 31, 2016. Of the improperly billed days, 27 were for hospital or therapeutic leave days when the facility was operating below 85 percent occupancy, 1 was for a hospital leave day that exceeded the ten-day leave rule, and 3 were billed after a resident was discharged from the facility. The facility should refund \$4,811.05 to the Medicaid Program (page 6).

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

Life Care Center of Columbia charged Medicaid residents' trust fund accounts for shampoos and haircuts, which are Medicaid-covered services. As a result of the inappropriate charges from January 1, 2014, through November 30, 2016, the facility should reimburse 105 Medicaid residents or their authorized representatives a total of \$3,478.10 (page 7).

**Life Care Center of Columbia  
Columbia, Tennessee  
Cost Reports for the Periods  
January 1, 2014, Through December 31, 2014, and  
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**Life Care Center of Columbia  
Columbia, Tennessee  
Cost Reports for the Periods  
January 1, 2014, Through December 31, 2014, and  
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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.

Life Care Center of Columbia, in Columbia, Tennessee, provides both NF-1 and NF-2 services. The facility is owned and operated by Life Care Centers of America, located in Cleveland, Tennessee. The officers/members of the board of directors are as follows:

Forrest L. Preston  
 John F. McMullan  
 Beecher Hunter  
 J. Stephen Ziegler  
 JoAnna J. Crooks  
 Dr. Kenneth L. Scott

During the examination period, the facility maintained a total of 123 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 44,895 available bed days, the facility reported 17,948 for Medicaid NF-1 residents and 103 for Medicaid NF-2 residents for the year ended December 31, 2014. Also, the facility reported total operating expenses of \$10,293,675 for the same period. Of the 44,895 available bed days, the facility reported 19,019 for Medicaid NF-1 residents and 69 for Medicaid NF-2 residents for the year ended December 31, 2015. Also, the facility reported total operating expenses of \$10,731,421 for the same 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 (744-0241)</u>	<u>Level II NF (044-5236)</u>
July 1, 2013, through June 30, 2014	\$167.66	\$165.46
July 1, 2014, through June 30, 2015	\$173.38	\$178.53
July 1, 2015, through June 30, 2016	\$173.98	\$195.10
July 1, 2016, through June 30, 2017	\$184.33	\$175.25

**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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DIVISION OF STATE AUDIT  
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**Independent Accountant's Report**

**December 22, 2016**

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:

We have examined management's assertions, included in its representation letter dated December 22, 2016, that Life Care Center of Columbia complied with the following requirements:

- Income and expenses reported on the "Medicaid Nursing Facility Level 1 Cost Report" for the fiscal years ended December 31, 2014, and December 31, 2015, 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, 2014, through October 31, 2016, 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, 2014, through November 30, 2016, 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertions are fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertions. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the entity's compliance with specified requirements.

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

- Improper billing of resident leave days
- Residents inappropriately charged for covered services

In our opinion, except for the instances of material noncompliance described above, Life Care Center of Columbia complied with, in all material respects, the aforementioned requirements for income and expenses reported on the Medicaid cost report for the periods January 1, 2014, through December 31, 2014, and January 1, 2015, through December 31, 2015; for resident days for the period July 1, 2014, through October 31, 2016; and for resident accounts for the period January 1, 2014, through November 30, 2016.

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  
Division of State Audit

DVL/pn

## FINDINGS AND RECOMMENDATIONS

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### 1. Improper Billing of Resident Leave Days

#### Finding

Life Care Center of Columbia improperly billed the Medicaid Program for 31 noncovered days for the period July 1, 2014, through October 31, 2016. Of the 31 improperly billed days, 27 were for hospital and therapeutic leave days when the facility was operating below 85 percent occupancy, 1 was for a hospital leave day that exceeded the ten-day leave rule, and 3 were billed after a resident was discharged from the facility.

The rule in effect for the period under examination, Chapter 1200-13-1-.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:

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

The resident intends to return to the NF.

At least eighty-five percent (85%) of all other beds in the NF are occupied at the time of hospital admission or therapeutic absence. An occupied bed is one that is actually being used by a resident. Beds being held for other residents while they are hospitalized or otherwise absent from the facility are not considered to be occupied beds for purposes of this calculation.

Chapter 1200-13-6-.10(5) of the *Rules* states, "Each facility must maintain daily census records and an adequate patient log. . . . This log, however, must be sufficient . . . to accumulate monthly and yearly totals for Medicaid NF-1 Patients and for all other patients."

As a result of the improper billing of resident days, the facility was overpaid a total of \$4,811.05 by the Medicaid Program for 31 noncovered days for the period of July 1, 2014, through October 31, 2016.

## **Recommendation**

Life Care Center of Columbia should not accumulate or bill the Medicaid Program for NF-1 hospital or therapeutic leave days when the facility is operating below 85 percent occupancy, when residents' leave days exceed 10 per state fiscal year, or after residents have been discharged from the facility. As a result of the billing for 31 noncovered resident days, the facility should refund \$4,811.05 to the Medicaid Program.

## **Management's Comment**

Columbia concurs with the finding regarding improper billing of resident leave days. The amounts due will be refunded to the State of Tennessee (the State). The billing of leave days was due to an oversight that Columbia does not anticipate occurring again. The facility's business office staff has been reminded of the importance of complying with the State's guidelines on billing resident leave days.

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

### **Finding**

Life Care Center of Columbia inappropriately charged Medicaid residents' trust fund accounts for shampoos and haircuts, which are Medicaid-covered services. From January 1, 2014, through November 30, 2016, the facility inappropriately charged 105 residents for basic haircuts and shampoos, totaling \$3,478.10.

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

### **Recommendation**

Life Care Center of Columbia should not charge Medicaid residents for covered services. The facility should reimburse 105 Medicaid residents or their authorized representatives a total of \$3,478.10.

### **Management's Comment**

Columbia concurs with the finding regarding residents being inappropriately charged for covered services. The amounts due have been refunded to the appropriate resident or family member. The inappropriate charges were an oversight in the business office that Columbia does

not anticipate occurring again. The facility's business office staff has been reminded/trained on what charges are inappropriate to bill to Medicaid residents.

**Auditor's Comment**

At the time of this report's release, the facility provided evidence showing all but \$188.00 has cleared the bank, effectively refunding Medicaid residents or their authorized representatives.

## **SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS**

### **Source of Overpayments**

Improper billing of resident days (see Finding 1)	\$ 4,811.05
Inappropriate charges for covered services (see Finding 2)	<u>\$ 3,478.10</u>
Total	<u>\$ 8,289.15</u>

### **Disposition of Overpayments**

Due to the Medicaid Program	\$ 4,811.05
Due to residents or their authorized representatives	<u>\$ 3,478.10</u>
Total	<u>\$ 8,289.15</u>