



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

**NHC HEALTHCARE, LEWISBURG
LEWISBURG, TENNESSEE**

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

Justin P. Wilson, Comptroller



**Division of State Audit
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JUSTIN P. WILSON
Comptroller

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April 10, 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 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 NHC Healthcare, Lewisburg, in Lewisburg, Tennessee, for the period January 1, 2014, through December 31, 2015; resident days for the period July 1, 2014, through December 31, 2015; and resident accounts for the period November 1, 2015, through October 31, 2016.

Sincerely,

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

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

DVL/pn
17/269

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
NHC Healthcare, Lewisburg
Lewisburg, Tennessee
Cost Reports for the Period
January 1, 2014, Through December 31, 2015;
Resident Days for the Period
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and Resident Accounts for the Period
November 1, 2015, Through October 31, 2016

FINDING NOT RECOMMENDING MONETARY REFUND

Inaccurate Accumulation of Gross Charges

NHC Healthcare, Lewisburg inaccurately reported gross charges on the Medicaid cost reports for the years ended December 31, 2014, and December 31, 2015. Gross charges were underreported by \$4,494.00 for the fiscal year ended December 31, 2014, and by \$17,089.00 for the fiscal year ended December 31, 2015. The facility also charged Medicaid NF-1 residents in NF-2

beds by the bed, and Medicaid NF-2 residents in NF-1 beds by the level of care. As a result, Medicaid NF-2 gross charges were underreported by \$1,502.00 for the fiscal year ended December 31, 2014, and overreported by \$1,447.00 for the fiscal year ended December 31, 2015. However, the above variances in the reported gross charges did not affect the facility's Medicaid reimbursable rate; therefore, no adjustments were made (page 6).

**NHC Healthcare, Lewisburg
Lewisburg, Tennessee
Cost Reports for the Period
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**NHC Healthcare, Lewisburg
Lewisburg, Tennessee
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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.

NHC Healthcare, Lewisburg, in Lewisburg, Tennessee, provides both NF-1 and NF-2 services. The facility is owned and operated by NHC/OP, L.P., located in Murfreesboro, Tennessee. NHC/OP, L.P. is owned and operated by National HealthCare Corporation (NHC), located in Murfreesboro, Tennessee. The officers/members of the board of directors are as follows:

Robert G. Adams, Chairman and CEO	Lawrence C. Tucker, Director
W. Andrew Adams, Director	Dr. James Paul Abernathy, Director
Richard F. LaRoche, Jr., Director	Emil Hassan, Director
Ernest G. Burgess, Director	

During the examination period, the facility maintained a total of 100 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 36,500 available bed days, the facility reported 15,002 for Medicaid NF-1 residents and 2,107 for Medicaid NF-2 residents for the year ended December 31, 2014. Also, the facility reported total operating expenses of \$8,583,294 for the period. Of the 36,500 available bed days, the facility reported 14,316 for Medicaid NF-1 residents and 1,726 for Medicaid NF-2 residents for the year ended December 31, 2015. Also, the facility reported total operating expenses of \$8,920,568 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 (744-0136)</u>	<u>Level II NF (044-5094)</u>
July 1, 2013, through June 30, 2014	\$170.91	\$184.96
July 1, 2014, through June 30, 2015	\$165.25	\$191.13
July 1, 2015, through June 30, 2016	\$175.67	\$214.80
July 1, 2016, through June 30, 2017	\$188.61	\$202.55

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

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 NHC Healthcare, Lewisburg 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, and on the Medicaid Nursing Facility Level 1 Cost Report for the fiscal year ended December 31, 2015, 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 July 1, 2014, through December 31, 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 November 1, 2015, through October 31, 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, and accordingly, included examining, on a test basis, evidence about NHC Healthcare, Lewisburg'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 disclosed the following instance of material noncompliance applicable to state and federal regulations:

- inaccurate accumulation of gross charges.

In our opinion, except for the instance of material noncompliance described above, NHC Healthcare, Lewisburg complied with, in all material respects, the aforementioned requirements for income and expenses reported on the Medicaid cost reports for the period January 1, 2014, through December 31, 2015; resident days for the period July 1, 2014, through December 31, 2015; and resident accounts for the period November 1, 2015, through October 31, 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

FINDING AND RECOMMENDATION

Inaccurate Accumulation of Gross Charges

Finding

NHC Healthcare, Lewisburg inaccurately reported gross charges on the Medicaid cost reports for the years ended December 31, 2014, and December 31, 2015.

The facility reported room and board charges at less than the required gross charge amount and misstated the other covered services charge amount; therefore, total gross charges were underreported by \$4,494.00 for the fiscal year ended December 31, 2014, and by \$17,089.00 for the fiscal year ended December 31, 2015.

Chapter 1200-13-6-.15 of the *Rules of the Tennessee Department of Finance and Administration* 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.”

Chapter 1200-13-6-.09 of the *Rules* states, “Routine charges must be based on the facility’s established daily charge rate before contractual allowances.”

The facility also charged Medicaid NF-1 residents in NF-2 beds by the bed, and Medicaid NF-2 residents in NF-1 beds by the level of care. As a result, Medicaid NF-2 gross charges were underreported by \$1,502.00 for the fiscal year ended December 31, 2014, and overreported by \$1,447.00 for the fiscal year ended December 31, 2015.

Chapter 1200-13-6-.05 of the *Rules of the Tennessee Department of Finance and Administration* states, “The charge schedule of a provider must be applied uniformly to each recipient as services are furnished to the recipient.”

Since the above variances in the reported gross charges did not affect the facility’s Medicaid reimbursable rate, no adjustments were made.

Recommendation

NHC Healthcare, Lewisburg should maintain an adequate system to report and account for gross charges. The report should provide adequate and accurate statistical data necessary for proper completion of the Medicaid cost report.

Management's Comment

Management concurs with this finding.