



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

**BEVERLY PARK PLACE HEALTH AND REHAB
KNOXVILLE, TENNESSEE**

**Cost Reports for the Periods
July 1, 2013, Through June 30, 2014, and
July 1, 2014, Through June 30, 2015;
Resident Days for the Period
January 1, 2014, Through June 30, 2016;
and Resident Accounts for the Period
January 1, 2016, Through December 31, 2016**

Justin P. Wilson, Comptroller



**Division of State Audit
TennCare Section**

DEBORAH V. LOVELESS, CPA, CGFM, CGMA
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JULIE ROGERS, CPA, CISA
Assistant Directors

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Dean Patton
Staff Auditors

Amy Brack
Editor

Amanda Adams
Assistant Editor

Comptroller of the Treasury, Division of State Audit
Cordell Hull Building
425 Fifth Avenue North
Nashville, TN 37243
(615) 401-7897

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JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

September 18, 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 Beverly Park Place Health and Rehab, in Knoxville, Tennessee, for the periods July 1, 2013, through June 30, 2014, and July 1, 2014, through June 30, 2015; resident days for the period January 1, 2014, through June 30, 2016; and resident accounts for the period January 1, 2016, through December 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
17/305

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
Beverly Park Place Health and Rehab
Knoxville, Tennessee
Cost Reports for the Periods
July 1, 2013, Through June 30, 2014, and
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FINDINGS RECOMMENDING MONETARY REFUNDS

Improper Billing of Resident Leave Days

Beverly Park Place Health and Rehab improperly billed the Medicaid Program \$22,032.85 for 134 hospital and therapeutic leave days when the facility was operating below 85% occupancy and 21 unsupported days for the period January 1, 2014, through June 30, 2016. As a result of the billing for noncovered resident days, the facility should refund this amount to the State of Tennessee.

Nonallowable Expenses Included on the Cost Report

Beverly Park Place Health and Rehab included \$15,782.92 of nonallowable expenses on the "Medicaid Nursing Facility Level 1 Cost Report" for the period July 1, 2013, through June 30, 2015. The nonallowable expenses consisted of \$11,484.12 in ambulance transportation expenses; \$2,236.85 in unsupported expenses;

\$611.00 in unsupported interest expense; \$494.00 in sales tax expense; \$420.00 in radiology expenses; \$320.95 in late fees and penalties; and \$216.00 in marketing expenses.

As a result of these adjustments, the Medicaid Program made estimated overpayments to the facility of \$11,020.85 from July 1, 2015, through June 30, 2018.

Improper Management of Credit Balances

Beverly Park Place Health and Rehab failed to ensure that credit balances on the accounts of deceased and discharged residents are promptly reported and that correct claims are submitted. Accounts receivable unrefunded credit balances of \$4,476.08 due to the Medicaid Program remained on the accounts of 12 former residents of the facility, and \$3,227.34 is due to 7 residents or their authorized representatives.

FINDING NOT RECOMMENDING MONETARY REFUND

Deficiencies in Accounting for the Resident Trust Fund

Beverly Park Place Health and Rehab failed to take adequate measures to safeguard the resident trust fund and did not perform

proper and timely reconciliations of the resident trust fund to the bank statement, causing three residents' balances to exceed the Medicaid resource limit of \$2,000.

**Beverly Park Place Health and Rehab
Knoxville, Tennessee
Cost Reports for the Periods
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**Beverly Park Place Health and Rehab
Knoxville, Tennessee
Cost Reports for the Periods
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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.

Beverly Park Place Health and Rehab, in Knoxville, Tennessee, provides both NF-1 and NF-2 services. The facility is owned and operated by Hillcrest HealthCare Communities, Inc., located in Knoxville, Tennessee. The officers/members of the board of directors are as follows:

Mark Walker, Chairman	Mary Embler, Board Member
Barry K. Davis, Vice Chairman	Joy Hall, Board Member
Winnie Wilson, Secretary/Treasurer	William Mason, Board Member
Waynette Davis, Board Member	Dr. Matthew T. Smith, Board Member
Faris N. Eid, Board Member	John Williams, Board Member
Gracie Bishop, Ex-Officio Member	

During the examination period, the facility maintained a total of 271 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 98,915 available bed days for the year ended June 30, 2014, the facility reported 63,418 for Medicaid NF-1 residents and 1,527 for Medicaid NF-2 residents. Also, the facility reported total operating expenses of \$16,384,039 for the period.

Of the 98,915 available bed days for the year ended June 30, 2015, the facility reported 56,473 for Medicaid NF-1 residents and 949 for Medicaid NF-2 residents. Also, the facility reported total operating expenses of \$16,187,560 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 (744-0207)</u>	<u>Level II NF (044-5131)</u>
July 1, 2013, through June 30, 2014	\$154.88	\$154.17
July 1, 2014, through June 30, 2015	\$156.47	\$155.46
July 1, 2015, through June 30, 2016	\$168.62	\$166.46
July 1, 2016, through June 30, 2017	\$171.56	\$169.56

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
505 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7897
FAX (615) 532-2765

Independent Accountant's Report

March 2, 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:

We have examined management's assertions included in its representation letter dated March 2, 2017, that Beverly Park Place Health and Rehab 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, 2014, and for the fiscal year ended June 30, 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 January 1, 2014, through June 30, 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, 2016, through December 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. 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
- nonallowable expenses included on the cost report
- improper management of credit balances
- deficiencies in accounting for the resident trust fund

In our opinion, except for the instances of material noncompliance described above, Beverly Park Place Health and Rehab complied with the aforementioned requirements for income and expenses reported on the Medicaid cost reports covering the period July 1, 2013, through June 30, 2015; for resident days for the period January 1, 2014, through June 30, 2016; and for resident accounts for the period January 1, 2016, through December 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

FINDINGS AND RECOMMENDATIONS

1. Improper Billing of Resident Leave Days

Finding

Beverly Park Place Health and Rehab improperly billed the Medicaid Program for 134 hospital and therapeutic leave days when the facility was operating below 85% occupancy, and 21 unsupported days for the period January 1, 2014, through June 30, 2016.

Chapter 1200-13-01-.03(9) of the *Rules of the Tennessee Department of Finance and Administration* states,

A Level 1 nursing facility (NF) shall be reimbursed for the recipient's bed in the NF during the recipient'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 following conditions must be met in order for a bed hold reimbursement to be made:

The resident intends to return to the NF. . . .

At least eighty-five percent (85%) of all other beds at the nursing facility are occupied at the time of the 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.

As a result of the improper billing of resident days, the Medicaid Program overpaid the facility a total of \$22,032.85 for 155 noncovered days for the period January 1, 2014, through June 30, 2016.

Recommendation

Beverly Park Place Health and Rehab should not accumulate or bill the Medicaid Program for NF-1 hospital or therapeutic leave days when the facility is operating below 85% occupancy. As a result of the billing for 155 noncovered resident leave days, the facility should refund \$22,032.85 to the State of Tennessee.

Management's Comment

Beverly Park Place Health and Rehab concurs with this finding. Medicaid billing was moved to a corporate centralized billing service on November 13, 2017. Overall monthly occupancy percentage has historically been reviewed prior to billing bed hold days. Billing of bed hold days is no longer applicable after July 1, 2018, as bed hold billing is no longer permissible under the Tennessee CMI billing system.

2. Nonallowable Expenses Included on the Cost Report

Finding

Beverly Park Place Health and Rehab included \$15,782.92 of nonallowable expenses on the "Medicaid Nursing Facility Level 1 Cost Report" for the period July 1, 2013, through June 30, 2015.

For the year ended June 30, 2014, the facility included \$9,203.40 in nonallowable expenses. The nonallowable expenses consisted of \$7,107.58 in ambulance transportation expenses; \$1,138.87 in unsupported expenses; \$420.00 in radiology expenses; \$320.95 in late fees and penalties; and \$216.00 in marketing expenses.

For the year ended June 30, 2015, the facility included \$6,579.52 in nonallowable expenses. The nonallowable expenses consisted of \$4,376.54 in ambulance transportation expenses; \$1,097.98 in unsupported expenses; \$611.00 in unsupported interest expenses; and \$494.00 in sales tax expenses.

Ambulance transportation and radiology should be billed directly to the TennCare managed care organizations by the company providing the services, as these are TennCare-covered services.

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." 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:

- any fines, penalties, or interest paid on any tax payments or interest charges on overdue payables;
- advertising costs incurred in seeking to increase patient population or utilization of the provider's facilities by the general public;
- travel expenses which are personal in nature, not proper or related to patient care;
- costs that are not necessary or related to patient care;

- any other costs that the Medicaid Program manuals, or federal or state regulations identify and specify as nonallowable.

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

<u>Period</u>	<u>Original Rate</u>	<u>Adjusted Rate</u>	<u>Difference</u>
July 1, 2015, through June 30, 2016	\$168.62	\$168.43	\$(0.19)
July 1, 2016, through June 30, 2017	\$171.56	\$171.49	\$(0.07)
July 1, 2017, through June 30, 2018	\$168.71	\$168.80	\$ 0.09

The above rate adjustments 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, 2018. Estimated overpayments made to the facility as a result of the expense adjustments are \$11,020.85.

Recommendation

Beverly Park Place Health and Rehab 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. The Bureau of TennCare should reprocess all claims for the period July 1, 2015, through June 30, 2018. The estimated recoupment for the reprocessed Medicaid claims for the period is \$11,020.85.

Management’s Comment

Beverly Park Place Health and Rehab concurs with this finding. Facility cost reporting firms were changed effective July 1, 2017. The new reporting firm will be apprised of the previous nonallowable expense items identified through the Comptroller audit. Facility billing personnel have been trained to obtain prior authorization for TennCare CHOICES allowable charges, such as ambulance transport and radiology. Additionally, contract negotiations with ambulance and radiology providers are ongoing to assure transports are billed appropriately to TennCare MCOs directly for TennCare covered services. Other identified unsupported expenses recorded in the cost reports were deemed unsupported due to lost documentation. The facility accounts payable system has been moved to an electronic record retention system through a central purchasing partner called DSSI Capture. DSSI Capture electronically stores each invoice for future document retrieval in support of audit work and cost reporting validation.

3. Improper Management of Credit Balances

Finding

Beverly Park Place Health and Rehab failed to ensure that credit balances on the accounts of deceased or discharged residents are properly managed and promptly refunded. Management failed to refund \$4,476.08 due to the Medicaid Program and \$3,227.34 due to seven former residents or their authorized representatives.

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 in 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 66-29-123(a), *Tennessee Code Annotated*, requires “A holder of property presumed abandoned, and subject to the custody of the treasurer to report in a record to the treasurer concerning the property.” 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.”

Recommendation

Beverly Park Place Health and Rehab should immediately implement a system to promptly refund credit balances to the Medicaid Program and the former residents or their authorized representatives. The facility should refund \$4,476.08 to the Medicaid Program and \$3,227.34 to the seven residents or their authorized representatives.

Management’s Comment

Beverly Park Place Health and Rehab concurs with the overall finding. Appropriate credit balances have been applied to applicable outstanding unpaid debt balances and/or refunded to residents. Business office personnel were retrained to review the accounts receivable aging at the end of each month to identify true credits or refunds and process or pay as appropriate. Going forward, refunds will be applied to outstanding stay balances timely with appropriate credits refunded as outstanding balances clear or within 30 days of discharge. For those credits due to the MCOs, multiple requests have been filed with the MCOs requesting appropriate, timely credit adjustments. Many of the refunds have been processed to-date. Going forward, as MCOs do not recoup refunds timely, credit balance checks will be issued manually to comply with the 30-day refund protocol.

4. Deficiencies in Accounting for the Resident Trust Fund

Finding

Beverly Park Place Health and Rehab failed to take adequate measures to safeguard the resident trust fund as required by federal and state laws. The facility failed to perform proper and timely reconciliations of the resident trust fund to the bank statement, causing three resident balances to exceed the Medicaid resource limit of \$2,000. As a result, Medicaid was billed for three residents who did not satisfy the financial eligibility requirements.

“Resident Rights,” Title 42, *Code of Federal Regulations*, Part 483, Section 10, states that “the facility must hold, safeguard, manage and account for the personal funds of the resident deposited with the facility.” It further requires the facility to “establish and maintain a system that assures a full and complete and separate accounting, according to generally accepted accounting principles, of each resident personal fund entrusted to the facility on the resident’s behalf.”

In addition, Section 71-6-120, *Tennessee Code Annotated*, provides for damages in cases of improper use of funds paid by a government agency to an adult or to a caretaker for the adult’s use.

Chapter 1240-03-03-.05(1) of the *Rules of the Department of Human Services* states, “Applicants for medical assistance are permitted to retain resources in an amount not to exceed the SSI [Social Security Income] limits.”

Paragraph 15,642 of the *Medicare and Medicaid Guide* states, “Resources that may be retained are . . . cash assets up to \$2,000 for an individual.”

Recommendation

Beverly Park Place Health and Rehab should immediately establish internal controls, including policies and procedures to ensure compliance with applicable laws and regulations relative to the protection of resident funds. Bank reconciliations should be accurately and routinely performed.

Beverly Park Place Health and Rehab should notify each resident or the resident’s authorized representative when any resident’s funds approach the \$2,000 Medicaid resource limit. The facility should not bill the Medicaid Program for services rendered to any resident whose resources exceed the SSI limit. Those residents must be billed as private payors until the resources are spent down sufficiently to satisfy the financial eligibility requirements.

Management's Comment

Beverly Park Place Health and Rehab concurs with this finding. Facility business office personnel were retrained related to review of resident trust fund balances at the end of each month to assure account balances do not exceed the Tennessee Medicaid resource limit. Additionally, Grace Healthcare Regional Financial support personnel will review the resident trust fund balances monthly to assure the individual accounts remain below the Tennessee Medicaid resource limit of \$2,000.

SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

Source of Overpayments

Improper billing of resident leave days (see Finding 1)	\$ 22,032.85
Rate Reduction (see finding 2)	\$ 11,020.85
Unrefunded credit balances (see Finding 3)	<u>\$ 7,703.42</u>
Total	<u>\$ 40,757.12</u>

Disposition of Overpayments

Due to the State of Tennessee	\$ 37,529.78
Due to residents or their authorized representatives	<u>\$ 3,227.34</u>
Total	<u>\$ 40,757.12</u>