



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

**CONSULATE HEALTHCARE OF CHATTANOOGA
CHATTANOOGA, TENNESSEE**

**Cost Reports for the Period
January 1, 2014, Through December 31, 2015;
Resident Days for the Period
January 1, 2014, Through June 30, 2016;
and Resident Accounts for the Period
January 1, 2014, Through February 17, 2017**

Justin P. Wilson, Comptroller



**Division of State Audit
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JUSTIN P. WILSON
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May 22, 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 Consulate Healthcare of Chattanooga, in Chattanooga, Tennessee, for the period January 1, 2014, through December 31, 2015; resident days for the period January 1, 2014, through June 30, 2016; and resident accounts for the period January 1, 2014, through February 17, 2017.

Sincerely,

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

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

DVL/pn
17/311

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
Consulate Healthcare of Chattanooga
Chattanooga, Tennessee
Cost Reports for the Period
January 1, 2014, Through December 31, 2015;
Resident Days for the Period
January 1, 2014, Through June 30, 2016;
and Resident Accounts for the Period
January 1, 2014, Through February 17, 2017

FINDINGS RECOMMENDING MONETARY REFUNDS

Inaccurate Accumulation of Gross Charges and Misclassification of Resident Days

Consulate Healthcare of Chattanooga inaccurately reported gross charges for the fiscal years ended December 31, 2014, and December 31, 2015, on the “Medicaid Nursing Facility Level 1 Cost Report.” For the fiscal year ended December 31, 2014, the facility overstated Medicaid NF-1 gross charges by \$137,027.66 and understated Medicaid NF-2 charges by \$9,674.00. For the fiscal year ended December 31, 2015, the facility overreported 1,482 Medicaid NF-1 days and underreported Other NF-1 (Hospice) days by 1,482. Medicaid NF-1 gross charges were overstated by \$517,325.00, while Medicaid NF-2 gross charges were understated by \$3,275.00 and Other NF-1 (Hospice) gross charges were understated by \$296,777.00. As a result of the adjustments to resident days and gross

charges, along with the adjustments noted in Finding 3, overpayments made to the facility by the Medicaid Program are estimated at \$85,248.31, computed from July 1, 2015, through June 30, 2017 (page 5).

Residents Inappropriately Charged for Covered Services

Consulate Healthcare of Chattanooga charged Medicaid residents’ accounts for haircuts and shampoos, which are Medicaid-covered services. As a result of the inappropriate charges, the facility should reimburse 65 Medicaid residents or their authorized representatives a total of \$8,923.00. Also, the facility failed to take adequate measures to safeguard the Medicaid residents’ accounts. The facility lacked supporting documentation for the barber and beauty shop charges to 25 Medicaid residents’ accounts. The facility should refund the 25 Medicaid residents or

their authorized representatives a total of \$1,340.00 for these unsupported charges. The Medicaid residents or their authorized representatives should be refunded a total of \$10,263.00 for the inappropriate and unsupported charges (page 6).

Nonallowable Expenses Included on the Cost Reports

The facility included \$6,383.09 of nonallowable marketing expenses for the

fiscal year ended December 31, 2014, and \$9,301.35 of nonallowable expenses for the fiscal year ended December 31, 2015, on the “Medicaid Nursing Facility Level 1 Cost Report.” The nonallowable amount for the fiscal year ended December 31, 2015, consists of marketing expenses, prior-year expenses, costs unrelated to Level 1 care, and late fees (page 7).

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Chattanooga, Tennessee
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TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
Purpose and Authority of the Examination	1
Background	1
Prior Examination Findings	2
Scope of the Examination	2
INDEPENDENT ACCOUNTANT'S REPORT	3
FINDINGS AND RECOMMENDATIONS	5
1. Inaccurate Accumulation of Gross Charges and Misclassification of Resident Days	5
2. Residents Inappropriately Charged for Covered Services	6
3. Nonallowable Expenses Included on the Cost Reports	7
Summary of Monetary Findings and Recommendations	9

**Consulate Healthcare of Chattanooga
Chattanooga, 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.

Consulate Healthcare of Chattanooga, in Chattanooga, Tennessee, provides both NF-1 and NF-2 services. The facility is owned and operated by Julie Mittleider, and the physical property is owned by Douglas Mittleider.

During the examination period, the facility maintained a total of 127 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 46,355 available bed days, the facility reported 28,266 for Medicaid NF-1 residents and 524 for Medicaid NF-2 residents for the year ended December 31, 2014. For the year ended December 31, 2015, the facility reported 28,429 for Medicaid NF-1 residents and 175 for Medicaid NF-2 residents. The facility reported total operating expenses of \$9,143,536.00 for the year ended December 31, 2014, and \$9,323,390.00 for the year ended December 31, 2015.

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 (744-0547)</u>	<u>Level II NF (044-5205)</u>
July 1, 2013, through June 30, 2014	\$135.17	\$135.73
July 1, 2014, through June 30, 2015	\$139.41	\$181.60
July 1, 2015, through June 30, 2016	\$137.87	\$177.73
July 1, 2016, through June 30, 2017	\$176.03	\$155.88

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

February 23, 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 February 23, 2017, that Consulate Healthcare of Chattanooga complied with the following requirements:

- Income and expenses reported on the "Medicaid Nursing Facility Level 1 Cost Report" for the period January 1, 2014, through 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 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, 2014, through February 17, 2017, 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 Consulate Healthcare of Chattanooga'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:

- inaccurate accumulation of gross charges and misclassification of resident days,
- residents inappropriately charged for covered services, and
- nonallowable expenses included on the cost reports.

In our opinion, except for the instances of material noncompliance described above, Consulate Healthcare of Chattanooga 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 January 1, 2014, through June 30, 2016; and resident accounts for the period January 1, 2014, through February 17, 2017.

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

FINDINGS AND RECOMMENDATIONS

1. Inaccurate Accumulation of Gross Charges and Misclassification of Resident Days

Finding

Consulate Healthcare of Chattanooga inaccurately reported gross charges on the “Medicaid Nursing Facility Level 1 Cost Report” for both the fiscal year ended December 31, 2014, and for the fiscal year ended December 31, 2015. Additionally, the facility misclassified resident days on the cost report for the fiscal year ended December 31, 2015.

For the fiscal year ended December 31, 2014, Consulate Healthcare of Chattanooga overstated Medicaid NF-1 gross charges by \$137,027.66 and understated Medicaid NF-2 gross charges by \$9,674.00.

For the fiscal year ended December 31, 2015, the facility misclassified 1,482 Other NF-1 days as Medicaid NF-1 days, thus overstating Medicaid NF-1 days and understating Other NF-1 days. Additionally, the facility overstated Medicaid NF-1 gross charges by \$517,325.00, understated Medicaid NF-2 gross charges by \$3,275.00, and understated Other NF-1 gross charges by \$296,777.00.

Chapter 1200-13-6-.10(5) of the *Rules of the Tennessee Department of Finance and Administration* 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.”

Chapter 1200-13-6-.15 of the *Rules* 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(1)28 of the *Rules* states, “Routine charges must be based on the facility’s established daily charge rate before contractual allowances.”

As a result of the above adjustments and the adjustments to nonallowable expenses reported on the cost report, noted in Finding 3, the facility’s Medicaid reimbursable rate was affected as follows:

<u>Period</u>	<u>Original Rate</u>	<u>Adjusted Rate</u>	<u>Difference</u>
July 1, 2015, through June 30, 2016	\$137.87	\$136.30	\$ (1.57)
July 1, 2016, through June 30, 2017	\$176.03	\$174.31	\$ (1.72)
July 1, 2017, through June 30, 2018	\$171.13	\$171.13	\$ (0.00)

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, 2017. Estimated overpayments made to the facility as a result of the rate adjustments are \$85,248.31.

Recommendation

Consulate Healthcare of Chattanooga should maintain an adequate system to report and account for resident days and gross charges. The report should provide adequate and accurate statistical data for proper completion of the Medicaid cost report.”

The Bureau of TennCare should reprocess all claims for the period July 1, 2015, through June 30, 2017. The estimated recoupment for the reprocessed Medicaid claims for the period is \$85,248.31.

Management’s Comment

The audit findings are accepted as written, and the facility staff have made the necessary corrections to protocols to implement the suggested corrective actions.

2. Residents Inappropriately Charged for Covered Services

Finding

Consulate Healthcare of Chattanooga has inappropriately charged Medicaid residents’ trust fund accounts for Medicaid-covered services. From January 1, 2014, through February 17, 2017, the facility inappropriately charged 65 residents a total of \$8,923.00 for basic haircuts and shampoos.

Chapter 1200-8-6-.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.”

Consulate Healthcare of Chattanooga failed to take adequate measures to safeguard resident accounts as required by federal and state laws. The facility lacked supporting documentation for barber and beauty shop charges to 25 Medicaid residents’ trust fund accounts for a total of \$1,340.00.

“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's personal funds entrusted to the facility on the resident's behalf."

Chapter 1200-13-6-.10(4) of the *Rules of the Tennessee Department of Finance and Administration* states, "Personal funds held by the provider for Medicaid patients used in purchasing clothing and personal incidentals must be properly accounted for with detailed record of amounts received and disbursed and shall not be commingled with nursing facility funds."

Recommendation

Consulate Healthcare of Chattanooga should not charge Medicaid residents for covered services. Supporting documentation must be retained to ensure adequate safeguarding and accounting for residents' trust funds. The facility should reimburse the Medicaid residents or their authorized representatives a total of \$10,263.00, representing amounts charged to Medicaid residents for covered services and unsupported charges. In the future, Consulate Healthcare of Chattanooga should provide covered services to all Medicaid residents without charge.

Management's Comment

The audit findings are accepted as written, and the facility staff have made the necessary corrections to protocols to implement the suggested corrective actions.

3. Nonallowable Expenses Included on the Cost Reports

Finding

Consulate Healthcare of Chattanooga included \$6,383.09 of nonallowable marketing expenses on the Medicaid cost report for the fiscal year ended December 31, 2014, and \$9,301.35 of nonallowable expenses on the cost report for the fiscal year ended December 31, 2015. The nonallowable amount for the fiscal year ended December 31, 2015, consists of \$7,678.68 of marketing expenses; \$1,208.35 of prior-year expenses; \$364.73 of costs unrelated to Level 1 care; and \$49.59 in late fees.

Chapter 1200-13-6-.09(1)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

- advertising costs which seek to increase patient population or utilization of the provider's facilities by the general public;
- costs which are not necessary or related to patient care;

- any fines, penalties, or interest paid on any tax payments or interest charges on overdue payables; and
- any other costs that are identified and specified as nonallowable by the Medicaid Program manuals, or federal or state rules or regulations.

Recommendation

Consulate Healthcare of Chattanooga 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 audit findings are accepted as written, and the facility staff have made the necessary corrections to protocols to implement the suggested corrective actions.

SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

Source of Overpayments

Rate reduction (see Findings 1 and 3)	\$85,248.31
Residents inappropriately charged for covered services (see Finding 2)	<u>\$10,263.00</u>
Total	<u>\$95,511.31</u>

Disposition of Overpayments

Due to the State of Tennessee	\$85,248.31
Due to residents or their authorized representatives	<u>\$10,263.00</u>
Total	<u>\$95,511.31</u>