

**TREVECCA HEALTH CARE CENTER  
NASHVILLE, TENNESSEE**

**COST REPORT AND PATIENT ACCOUNTS  
FOR THE PERIOD  
JANUARY 1 THROUGH DECEMBER 31, 1992**

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August 19, 1996

The Honorable Don Sundquist, Governor  
and

Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243

and

The Honorable John Ferguson, Commissioner  
Department of Finance and Administration  
State Capitol  
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 reviews 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 our review of the Medicaid cost report and patient accounts of Trevecca Health Care Center, Nashville, Tennessee, for the period January 1 through December 31, 1992. Our review revealed certain discrepancies, which are set forth in the Findings and Recommendations section of the report. The Department of Finance and Administration should take whatever action deemed necessary regarding the \$62,459.90 due to the State of Tennessee and the \$20.97 due to patients or their authorized representatives.

Very truly yours,

W. R. Snodgrass  
Comptroller of the Treasury

WRS/mm  
94/021

State of Tennessee

# Review Highlights

Comptroller of the Treasury

Division of State Audit

Medicaid Report  
**Trevecca Health Care Center**  
Nashville, Tennessee  
For the Year Ended December 31, 1992

## REVIEW OBJECTIVES

The objectives of the review were to determine the reasonableness and allowability of costs shown on the Medicaid cost report; to determine whether charges to patients complied with applicable rules; and to recommend appropriate actions to correct any deficiencies.

## FINDINGS RECOMMENDING MONETARY REFUNDS

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

The facility reported \$108,763.14 of nonallowable expenses on its Medicaid cost report. Also, Medicaid and total charges were understated. Disallowance of the expenses and the adjustment for charges reduced the Medicaid rate of reimbursement appropriate for the facility. Therefore, based on the corrected rate, a refund of \$58,804.95 for overpayments by the Medicaid program is due the State of Tennessee (page 6).

### **Need to Properly Manage Unrefunded Credit Balances\***

Accounts receivable unrefunded credit balances of \$3,675.42 remain on the accounts of seven former residents of Trevecca Health Care Center. Of this amount, \$20.97 is due former residents or their authorized representatives who were not notified of the balances due them, and \$3,654.45 is due the State of Tennessee for Medicaid overpayments on behalf of the residents (page 8).

\* A similar finding was reported in the prior review of this facility (for the year ended December 31, 1988).

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"Audit Highlights" is a summary of the report. To obtain the complete Medicaid report which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit  
1500 James K. Polk Building, Nashville, TN 37243-0264  
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TREVECCA HEALTH CARE CENTER  
NASHVILLE, TENNESSEE  
COST REPORT AND PATIENT ACCOUNTS  
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JANUARY 1 THROUGH DECEMBER 31, 1992

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INTRODUCTION

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**OBJECTIVES OF THE REVIEW**

This is a report on the review of the transactions, books, accounts, and trust funds of Trevecca Health Care Center pertaining to the Medicaid Nursing Facility Program, part of the Tennessee Medical Assistance Program under Title XIX of the Social Security Act. The purpose of the review was to attest to the nursing facility's assurances that it had complied with the financial and program requirements of the Tennessee Medicaid Program set forth in the *Rules and Regulations of the State of Tennessee*, the *Medicare and Medicaid Guide*, and *Tennessee Code Annotated*. Our review was conducted in accordance with attestation standards issued by the American Institute of Certified Public Accountants.

The objectives of the review were

1. to determine the reasonableness and allowability of costs shown on the Medicaid Nursing Facility cost report submitted to the Office of the Comptroller of the Treasury;
2. to determine whether charges to patients complied with the Nursing Facility Manuals and the agreement between the facility and the Department of Finance and Administration; and
3. to recommend appropriate actions to correct any deficiencies.

**POST-REVIEW AUTHORITY**

The review was conducted pursuant to the cooperative agreement between the Tennessee Department of Finance and Administration and the Comptroller of the Treasury in which the Comptroller agrees to review or have reviewed the reimbursable cost information submitted by nursing facilities participating in the Medical Assistance Program. The scope and extent of this review are the responsibility of the Comptroller of the Treasury.

Section 71-5-130, *Tennessee Code Annotated*, requires that cost data submitted by a facility be subject to audit by the Comptroller of the Treasury or any agency or organization designated by the Comptroller.

## **SCOPE OF THE REVIEW**

To perform the attestation engagement, we tested the facility's financial and statistical records pertaining to the nursing facility's cost report and patient accounts for the period January 1 through December 31, 1992.

The reasonableness and allowability of reported costs were determined by tracing reported expenses to the facility's ledgers and worksheets and by verifying sample expenditures through testing invoices and canceled checks. Reported inpatient days were traced to the facility's census reports and patient logs. Sample months were tested by recomputing inpatient days from the census reports and by verifying dates of admission, discharge, and death recorded in medical files.

Whether charges to patients have been in compliance with applicable regulations was determined by recomputing charges for a sample of patients and comparing these charges to actual charges on the facility's accounts receivable ledger. Payments were tested by using information from the facility's accounts receivable ledger, from the Tennessee Department of Human Services' determination of patient income, and from a list of Medicaid payments made by the state's Medicaid fiscal agent. The facility holds and accounts for patients' personal funds in a trust fund. This patient trust fund was tested to determine whether patients were overcharged for covered items or services or charged for nonallowable items. The patient trust fund bank account was reconciled with the trust fund ledger to determine whether the patients' personal funds were safeguarded adequately and accounted for accurately. We have also reviewed the adequacy of the facility's independent public accountant's working papers.

## **BACKGROUND INFORMATION**

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.

Trevecca Health Care Center, Nashville, Tennessee, provides both NF-1 and NF-2 services. The facility is owned by two general partners: Robert L. Whitcomb, Jr., and J. D. Jernigan, Sr.

During the period reviewed, the facility maintained a total of 240 licensed nursing facility beds. The Division of Quality Assurance of the Department of Finance and Administration licenses the facility for these beds. Eligible recipients receive services through an agreement with the Department of Finance and Administration. Of the 87,840 available bed days, 41,644 were for Medicaid NF-1 patients, and 21,613 were for Medicaid NF-2 patients for the year ended December 31, 1992. Also, the facility reported total operating expenses of \$5,842,601 for the period.

The Division of Quality Assurance inspects the quality of the facility's physical plant, professional staff, and patient services. The nursing facility met the required standards.

The following Medicaid reimbursable rates were in effect for the period covered by this report:

<u>Period</u>	<u>Level I NF (744-0259)</u>	<u>Level II NF (044-5112)</u>
January 1 through June 30, 1992	\$54.88	\$97.78
July 1 through December 31, 1992	\$65.95	\$111.50

The prior report of Trevecca Health Care Center, for the period January 1 through December 31, 1988, contained the following findings:

1. Need to properly manage unrefunded credit balances
2. Deficiencies in the patient trust fund
3. Nonallowable expenses included on the cost report

Finding two has been satisfactorily remedied. Findings one and three are repeated in this report.

## **Report on Agreed-Upon Procedures**

August 27, 1993

The Honorable W. R. Snodgrass  
Comptroller of the Treasury  
State Capitol  
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have applied the procedures listed below to the Medicaid cost report and patient accounts of Trevecca Health Care Center for the period January 1 through December 31, 1992. These procedures are intended to assist the Department of Finance and Administration in evaluating and monitoring nursing facilities' compliance with Medicaid Program requirements. This report is intended for use by the Department of Finance and Administration and Trevecca Health Care Center and should not be used by those who did not participate in determining the procedures. This restriction is not intended to limit the distribution of this report, which by statute is a matter of public record.

- We compared salaries from the nursing facility's records to its quarterly wage reports and verified the accuracy of compensation to owners and relatives of owners (in accordance with state regulations) reported on the cost report. We reviewed a sample of other expenses for reasonableness and allowability in accordance with state and federal program requirements.
- We tested the accumulation of patient days, verified the propriety of billed hospital days in accordance with the 15-day hospital stay and 85 percent occupancy rule, and checked compliance with the 18-day therapeutic leave day rule.
- We inspected the patient trust fund for accuracy and appropriateness of charges to Medicaid patients in accordance with state and federal regulations.
- We tested patient accounts for accuracy and allowability of patient charges and balances.

The Honorable W. R. Snodgrass  
August 27, 1993  
Page Two

These agreed-upon procedures are substantially less in scope than an examination, the objective of which is the expression of an opinion on the cost report. Accordingly, we do not express such an opinion.

Based on the application of the procedures referred to above, except as noted in the Findings and Recommendations section of this report, nothing came to our attention that caused us to believe the expenses, patient days, patient accounts, or patient trust funds reported on the cost report of Trevecca Health Care Center should be adjusted or in any way are not in conformity with the applicable state and federal regulations.

Had we performed additional procedures, or had we performed an examination of the cost report of Trevecca Health Care Center, other matters might have come to our attention that would have been reported to you. This report relates only to the procedures specified above and does not extend to any financial statements of Trevecca Health Care Center, taken as a whole.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director  
Division of State Audit

AAH/mm

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## RESULTS OF THE REVIEW

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### FINDINGS AND RECOMMENDATIONS

#### NONALLOWABLE EXPENSES ON THE COST REPORT

1. FINDING:

Trevecca Health Care Center included \$108,763.14 of nonallowable expenses on the “Intermediate Care Statement of Reimbursable Cost” for the year ended December 31, 1992. The adjustment to allowable expenses consists of \$75,105.46 of expenses unrelated to patient care, \$1,722.24 of unsupported expenses, and \$31,935.44 of nonallowable home office expenses. Previously disallowed costs of \$10,714.00 were determined allowable upon review and have been netted against nonallowable expenses.

Also, because of incorrect accumulation of charges, Medicaid Nursing Facility 1 charges were understated by \$1,857.00, Medicaid Nursing Facility 2 charges were understated by \$4,268.00, Medicare charges were overstated by \$4,746.00, private charges were understated by \$63,337.00, and total charges were understated by \$52,466.00.

Chapter 1200-13-6-.09 of the *Rules of Tennessee Department of Finance and Administration* states that “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 related to patient care are to be deducted from allowable expenses. The rule further states, “Home Office costs or related organization costs that are not otherwise allowable costs when incurred directly by the provider cannot be allowable costs when allocated to providers.”

Chapter 1200-13-6-.10 of the rules states, “Gross charges to the patients’ accounts must match the charges to the patient log. . . . Each facility must maintain daily census records and an adequate patient log. . . . This log, however, must be sufficient to provide the following information on individual basis and accumulate monthly and yearly totals for Medicaid Intermediate Care patients and for all other patients.”

This rule also states,

Each facility must have an established schedule of charges which must be applied uniformly to each patient as services are furnished to the patient and which is reasonably and consistently related to the cost of providing the services. If the charge system meets the requirements, it will be used to allocate costs between Medicaid-ICF and other patients . . . , the Comptroller may determine

whether or not the charge system is allowable for use in apportioning costs under the program. If the Comptroller determines that the charge structure does not have the above qualification, the office may apportion cost on some other reasonable basis.

As a result of the above adjustments to allowable expenses and charges, the facility's Medicaid reimbursable rate was decreased as follows:

<u>Period</u>	<u>Original Rate</u>	<u>Adjusted Rate</u>	<u>Difference</u>
July 1, 1993, through June 30, 1994	\$58.26	\$56.69	(\$1.57)
July 1, 1994, through June 30, 1995	\$62.53	\$62.68	\$0.15
July 1, 1995, through June 30, 1996	\$77.69	\$77.69	\$0.00

Based on these rate adjustments, overpayments made to the facility from July 1, 1993, through June 30, 1995, total \$58,804.95.

RECOMMENDATION:

Trevecca Health Care Center should include only allowable expenses and correctly account for charges on the "Intermediate Care Statement of Reimbursable Cost." All reported expenses should be adequately supported and related to patient care. In addition, adequate charge logs must be maintained to accumulate monthly and yearly totals. A refund of \$58,804.95, representing overpayments by the Medicaid Program, should be made to the State of Tennessee.

MANAGEMENT'S COMMENT:

Management does not concur. A part of the adjustment is concerned with the sale of supplies to the facility by Quality Medical Supply, a related-party vendor. Quality Medical Supply bills the patient for substantially all of the supplies included in revenues. The facility staff does not have the capacity to exercise control over this relationship.

Also, travel costs have been directly assigned, some to a reimbursable cost area. Unless travel expenses are examined in their entirety, pooled allocation of these costs appears to be the proper mechanism.

Finally, since the facility is audited annually by an outside independent accounting firm, the revenues and the patient census statistics should be accepted as valid and reasonable.

**REBUTTAL:**

**Facilities are allowed to claim only those costs incurred by a vendor when there is a related-party relationship. Exceptions to the related-organization principle have not been met.**

**Travel costs were tested in full. These costs are appropriately assigned directly to the facility which benefited from those costs.**

**Independent audits by outside accounting firms do not negate the need for review and, if necessary, the adjustment of patient days and patient charges.**

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**NEED TO PROPERLY MANAGE UNREFUNDED CREDIT BALANCES**

2. **FINDING:**

Trevecca Health Care Center has not established a system to ensure that credit balances on the accounts of deceased or discharged residents are properly managed. Management did not maintain evidence that former residents or their authorized representatives were notified of money due them. Management also failed to refund the portion of the credit balances due the Medicaid Program. Furthermore, management did not report and remit abandoned property to the State Treasurer.

Section 66-29-112 of *Tennessee Code Annotated* states:

All property . . . that is held or owing in the ordinary course of the holder's business and has remained unclaimed by the owner for more than five (5) years after it became payable or distributable is presumed abandoned. . . . Property . . . shall also be presumed abandoned if the owner thereof is known to the holder to have died and left no one to take the property by will and no one to take the property by intestate succession.

Section 66-29-113 requires anyone holding funds or property presumed abandoned to file a report of that property with the State Treasurer.

Chapter 1700-2-1-.19 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."

Accounts receivable unrefunded credit balances of \$3,675.42 remain on the accounts of seven former residents of Trevecca Health Care Center. Of this amount, \$3,654.45 is due the Medicaid Program for overpayments made to the facility on behalf of the residents and \$20.97 is due former residents or their authorized representatives who were not notified of money due them.

RECOMMENDATION:

Trevecca Health Care Center should maintain evidence that former residents or their authorized representatives have been notified of money due them. The facility should maintain a record of balances with the former resident's name and social security number, the dates of last account activity and last owner contact, and the amount due the former resident.

A first-class mailing sent to the owner's last known address would satisfy the requirement that an attempt to contact the owner had been made, provided the mailing was not returned "undeliverable." If the proper owner 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. Such a report is to be made before May 1 of each year and is to include all property deemed abandoned as of the previous December 31. Remittance of the abandoned property is due with the filing of the report. Funds transferred to the Tennessee Department of Treasury must include any accrued interest. Proper claims against the funds will be honored by the Tennessee Department of Treasury.

A refund of \$3,675.42 should be made to the State of Tennessee for the amount due the Medicaid Program.

MANAGEMENT'S COMMENT:

Management did not respond to this finding.

## SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

### Source of Overpayments

Nonallowable expenses (finding 1)	\$ 58,804.95
Unrefunded credit balances (finding 2)	<u>3,675.42</u>
Total	<u>\$ 62,480.87</u>

### Disposition of Overpayments

Due to the State of Tennessee	\$ 62,459.90
Due to patients or their authorized representatives	<u>20.97</u>
Total	<u>\$ 62,480.87</u>