

**Comcare, Inc.**  
**Greeneville, Tennessee**

**Cost Report and Patient Accounts**  
**for the Period**  
**July 1, 1995, Through June 30, 1996**

**Arthur A. Hayes, Jr., CPA**  
Director

**Ronald M. Paolini, CPA**  
Assistant Director

**Gregg S. Hawkins, CPA**  
Audit Manager

**Steve Phillips, CPA**  
In-Charge Auditor

**Bob McCloud**  
**Sammie Maxwell, CPA**  
Staff Auditors

**Leslie Bethea**  
Editor

November 7, 1997

The Honorable Don Sundquist, Governor  
and

Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243

and

The Honorable Nancy Menke, Commissioner  
Department of Health  
344 Cordell Hull  
Nashville, Tennessee 37247

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 Health, 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 of Comcare, Inc., Greeneville, Tennessee, for the period July 1, 1995, through June 30, 1996, and patient accounts for the period July 1, 1995, through June 30, 1996. Our review revealed certain discrepancies which are set forth in the Finding and Recommendation section of the report. The Department Health should take whatever action deemed necessary regarding the \$22,905.60 due to the State of Tennessee.

Very truly yours,

W. R. Snodgrass  
Comptroller of the Treasury

WRS/pn  
94/\_\_\_

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

Medicaid Report  
**Comcare, Inc.**  
Greeneville, Tennessee  
For the Year Ended June 30, 1996

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## 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.

## FINDING RECOMMENDING MONETARY REFUNDS

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

The facility incorrectly computed amortization of capitalized interest. The facility reported non-allowable amortization expense totaling \$18,675 and nonallowable administrative cost allocation totaling \$1,289. The disallowance of these costs resulted in a rate reduction for the facility. Overpayments of \$22,905.60 should be refunded to the State of Tennessee (page 6).

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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  
(615) 741-3697

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**Comcare, Inc.**  
**Greeneville, Tennessee**  
**Cost Report and Patient Accounts for the Period**  
**July 1, 1995, Through June 30, 1996**

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**Comcare, Inc.**  
**Greeneville, Tennessee**  
**Cost Report and Patient Accounts for the Period**  
**July 1, 1995, Through June 30, 1996**

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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 Comcare, Inc., 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 Health; 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 Health 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 for the period July 1, 1995, through June 30, 1996, and patient accounts for the period July 1, 1995, through June 30, 1996.

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.

## **BACKGROUND INFORMATION**

The Medicaid Intermediate Care Facility/Mental Retardation Program provides nursing services to recipients who do not require the degree of care available in a Level 2 nursing facility or a hospital. To receive services under the Medicaid Intermediate Care Facility/Mental Retardation (ICF/MR) 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 ICF/MR care is not in itself sufficient to establish eligibility. Additionally, a physician must certify that recipients need ICF/MR services before they can be admitted to a facility. Once a recipient is admitted, a physician must certify periodically that continued ICF/MR care is required. The number of days of coverage available to recipients in an ICF/MR is not limited.

Nursing facilities participating in the ICF/MR Program are required to provide routine nursing services, including supplies, as outlined in the *Intermediate Care Facility Manual*. Medicaid pays covered services based on an all-inclusive per diem rate, less any available patient resources. Nursing facilities may charge for personal luxury items.

Comcare, Inc., Greeneville, Tennessee, is certified to provide ICF/MR services. The facility is a non-profit corporation that operates six ICF/MR group homes and other community-based services for the challenged.

The officers/members of the Board of Directors are as follows:

|                                   |                     |                      |
|-----------------------------------|---------------------|----------------------|
| Lynn Hankins, President           | Harry Lewis, Jr.    | Leonard Bradley, Jr. |
| David Prince, Secretary/Treasurer | Bill Richards       | Jerry Anderson       |
| Carol Estep                       | John McInturff, Jr. | Tom Mason            |
| Pat Stone                         | J. Fred Myers       |                      |

During the period reviewed, the facility maintained a total of 24 licensed ICF/MR 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 8,784 available bed days, 8,781 were for Medicaid ICF/MR patients for the year ended June 30, 1996. Also, the facility reported total operating expenses of \$1,976,335 for the period.

The Division of Quality Assurance inspected 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 Comcare's group homes during the period covered by this report:

| <u>Facility</u>         | <u>Period</u>                                     |   |
|-------------------------|---|---|
|                         | <u>July 1, 1995, through<br/>January 31, 1996</u> | <u>February 1 through<br/>June 30, 1996</u> |
| Whirlwind (744-7097)    | \$240.95  | \$201.70                                    |
| Tusculum (744-7098)     | \$234.60  | \$201.19                                    |
| Shadybrook (744-7099)   | \$236.62  | \$225.46                                    |
| King Springs (744-7100) | \$235.42  | \$226.33                                    |
| Sparmill (744-7101)     | \$235.99  | \$236.84                                    |
| O'Brien (744-7102)      | \$233.93  | \$235.68                                    |

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

December 20, 1996

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 of Comcare, Inc., for the period July 1, 1995, through June 30, 1996, and to the facility's patient accounts for the period July 1, 1995, through June 30, 1996. These procedures are intended to assist the Department of Health in evaluating and monitoring nursing facilities' compliance with Medicaid Program requirements. This report is intended for use by the Department of Health and Comcare, Inc., 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 36-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.

The Honorable W. R. Snodgrass  
December 20, 1996  
Page Two

- We tested patient accounts for accuracy and allowability of patient charges and balances.

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 Finding and Recommendation 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 Comcare, Inc., 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 Comcare, Inc., 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 Comcare, Inc., taken as a whole.

Sincerely,

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

AAH/pn

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## RESULTS OF THE REVIEW

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### FINDING AND RECOMMENDATION

#### Nonallowable expenses included on the cost report

##### Finding

Comcare, Inc., included \$19,964 of nonallowable expenses on the “Intermediate Care Statement of Reimbursable Cost (ICF/MR - 15 Beds or Less)” for the year ended June 30, 1996. These expenses included \$18,675 of excess amortization expense, resulting from the use of an incorrect amortization period on capitalized interest, and \$1,289 of excess allocated administrative expenses, resulting from the amortization adjustment to the allocation basis.

Paragraphs 4955 and 4955.10 of the *Medicare and Medicaid Guide* state:

Interest costs incurred during the period of construction must be capitalized as a part of the cost of the facility. . . . The rule requiring that interest expense incurred by a provider during the course of construction be capitalized and amortized over the useful life of the asset being constructed . . . was not in excess of the Secretary’s authority.

As a result of the Division of State Audit’s adjustments, the facility’s Medicaid reimbursable rates for the six ICF/MR group homes were decreased as follows:

| <u>Site</u>  | <u>Periods</u>                                    |                          |                   |  |                          |                   |
|--------------|---|--------------------------|-------------------|--|--------------------------|-------------------|
|              | <u>September 1 through<br/>September 30, 1996</u> |                          |                   | <u>October 1, 1996<br/>through Present</u> |                          |                   |
|              | <u>Original<br/>Rate</u>                          | <u>Adjusted<br/>Rate</u> | <u>Difference</u> | <u>Original<br/>Rate</u>                   | <u>Adjusted<br/>Rate</u> | <u>Difference</u> |
| Whirlwind    | \$230.01  | \$227.38                 | (\$2.63)          | \$228.66                                   | \$226.12                 | (\$2.54)          |
| Tusculum     | \$221.83  | \$219.46                 | (\$2.37)          | \$220.59                                   | \$218.30                 | (\$2.29)          |
| Shadybrook   | \$232.90  | \$230.40                 | (\$2.50)          | \$231.61                                   | \$229.19                 | (\$2.42)          |
| King Springs | \$233.81  | \$231.38                 | (\$2.43)          | \$232.50                                   | \$230.15                 | (\$2.35)          |
| Sparmill     | \$229.43  | \$226.98                 | (\$2.45)          | \$228.08                                   | \$225.71                 | (\$2.37)          |
| O’Brien      | \$240.84  | \$238.27                 | (\$2.57)          | \$239.51                                   | \$237.02                 | (\$2.49)          |

Overpayments made to the facility as a result of the above adjustments total \$22,905.60 computed from September 1, 1996, through September 30, 1997.

### **Recommendation**

Comcare, Inc., should include only allowable expenses on the “Intermediate Care Statement of Reimbursable Cost (ICF/MR - 15 Beds or Less).” Capitalized construction interest should be amortized over the life of the constructed asset.

A refund of \$22,905.60, representing overpayments by the Medicaid Program as a result of the rate reduction computed from September 1, 1996, through September 30, 1997, should be made to the State of Tennessee.

### **Management’s Comment**

Management concurs. Amortization of capitalized interest was mistakenly interpreted for report purposes as allowable over a 5-year period rather than the life of the asset. This interpretation came from a meeting for clarification of allowable expenses for ICFMR cost reports. The apparent confusion was with amortization of start-up expenses.

*Note: The provider enclosed a check for \$22,905.60 for the overpayment as determined in this review.*

**SUMMARY OF MONETARY FINDING AND RECOMMENDATION**

**Source of Overpayments**

|                          |                    |
|--------------------------|--------------------|
| Rate Reduction (finding) | <u>\$22,905.60</u> |
|--------------------------|--------------------|

**Disposition of Overpayments**

|                               |                    |
|-------------------------------|--------------------|
| Due to the State of Tennessee | <u>\$22,905.60</u> |
|-------------------------------|--------------------|