

**Mur-Ci Homes, Inc.
Nashville, Tennessee**

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

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May 7, 1999

The Honorable Don Sundquist, Governor

and

Members of the General Assembly

State Capitol

Nashville, Tennessee 37243

and

The Honorable Fredia Wadley, MD, Commissioner

Department of Health

344 Cordell Hull Building

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 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 our review of the Medicaid cost report of Mur-Ci Homes, Inc., Nashville, Tennessee, for the period July 1, 1995, through June 30, 1996, and patient accounts for the period July 1, 1995, through June 30, 1996.

Sincerely,

John G. Morgan

Comptroller of the Treasury

JGM/pn

98/022

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
Mur-Ci Homes, Inc.
Nashville, Tennessee
For the Year Ended June 30, 1996

FINDING RECOMMENDING MONETARY REFUNDS

Nonallowable Expenses Included on the Cost Report

The facility included \$5,699 of nonallowable expense on the "Intermediate Care Statement of Reimbursable Costs." Of this amount, \$4,259 was expenses related to patient care; \$505 was unsupported expenses; and \$935 was excess depreciation expense.

"Audit Highlights" is a summary of the report. To obtain the complete 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

Mur-Ci Homes, Inc.
Nashville, Tennessee
Cost Report for the Period
July 1, 1995, Through June 30, 1996
and
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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 ACCOUNTANTS' REPORT	3
FINDING AND RECOMMENDATION	5
• Nonallowable expenses included on the cost report	5
Summary of Monetary Finding and Recommendation	6

Mur-Ci Homes, Inc.
Nashville, Tennessee
Cost Report for the Period
July 1, 1995, Through June 30,1996
and
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INTRODUCTION

PURPOSE AND AUTHORITY OF THE EXAMINATION

The terms of contract between the Tennessee Department of Health and the Tennessee Comptroller's office authorizes the Comptroller 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 intermediate care facility for the mentally retarded (ICF/MR) provides for services to recipients who, through a preadmission screening process, have been diagnosed as mentally retarded. The ICF/MR must be under the direct supervision of licensed nursing personnel and under the general direction of a physician.

Mur-Ci Homes, Inc., Nashville, Tennessee, provides ICF/MR services. The facility is a nonprofit corporation that operates one ICF/MR group home. The officers and members of the board of directors are as follows:

Jeff Them (President)
Dick Brown (Vice President)
Tom Oczkowicz (Treasurer)
Charles Williams (Secretary)
Dr. Phillip Davidson

Trish Farmer
Eric Grasman
Lester Hayes
Charles Leach
Lloyd McDonald

Dan Slayden
Terri Turk
Robert Wingfield
Robert Wright

During the examination period, the facility maintained 40 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 14,640 available bed days, 14,592 were for Medicaid ICF/MR patients for the year ended June 30, 1996. Also, the facility reported total operating expenses of \$4,405,562 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 the period covered by this examination:

<u>Period</u>	<u>ICF/MR (744-7083)</u>
July 1 through September 30, 1995	\$285.45
October 1, 1995, through June 30, 1996	\$310.23

PRIOR EXAMINATION FINDINGS

This is the facility's first examination.

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 Accountants' report. Our examination does not cover quality of care, clinical, or medical provisions.

Independent Accountants' Report

March 17, 1999

The Honorable Don Sundquist, Governor
and

Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

and

The Honorable Fredia Wadley, MD, Commissioner
Department of Health
344 Cordell Hull Building
Nashville, Tennessee 37247

Ladies and Gentlemen:

We have examined management's assertions, included in its representation letter dated August 20, 1998, that Mur-Ci Homes, Inc., complied with the following requirements during the cost report 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.

- Income and expenses reported on the Medicaid cost report are reasonable, allowable, and in accordance with state and federal rules, regulations, and reimbursement principles.
- Patient days reported on the Medicaid cost report have been counted in accordance with state regulations. Medicaid patient days billed to the state for periods when residents were hospitalized or on therapeutic leave are in accordance with the 15-day hospital stay rule, the 85 percent occupancy rule, and 60-day therapeutic leave day rule.
- Charges to patients and charges to patients' personal funds are in accordance with state and federal regulations.

March 17, 1999
Page Two

As discussed in management's representation letter, management is responsible for ensuring compliance with those requirements. Our responsibility is to express an opinion on management's assertions about the facility's compliance based on our examination.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included examining on a test basis, evidence about Mur-Ci Homes, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary under the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Mur-Ci Homes, Inc.'s compliance with specified requirements.

Our examination disclosed the following material noncompliance applicable to state and federal regulations.

- The facility included \$5,699 of noncovered expenses on its Medicaid cost report.

In our opinion, except for the material noncompliance described above, management's assertions that Mur-Ci Homes, Inc., complied with the aforementioned requirements for the cost reporting period July 1, 1995, to June 30, 1996, and for patient accounts for the period July 1, 1995, to June 30, 1996, are fairly stated in all material respects.

This report is intended solely for the used of the Tennessee General Assembly and the Tennessee Department of Health. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

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

AAH/pn

FINDING AND RECOMMENDATION

Nonallowable expenses included on the cost report

Finding

Mur-Ci Homes, Inc., included \$5,699.05 of nonallowable expenses on the “Intermediate Care Statement of Reimbursable Costs” for the year ended June 30, 1996. The adjustment to allowable expenses consists of \$4,259.05 of expenses unrelated to patient care, \$505.00 of unsupported expenses, and \$935.00 in excess depreciation expense.

Chapter 1200-13-6-.09 of the *Rules of Tennessee Department of Health* states:

Adequate financial records, statistical data, and source documents must be maintained for proper determination of costs under the program...The following are also expenses not considered a part of providing routine service, and should be deducted....F. Costs which are not necessary or related to patient care.

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

<u>Period</u>	<u>Original Rate</u>	<u>Adjusted Rate</u>	<u>Difference</u>
February 1 through September 30, 1997	\$296.52	\$296.10	(\$0.42)
October 1, 1997, through September 30, 1998	\$301.67	\$301.55	(\$0.12)

Based on this rate reduction, overpayments made to the facility from February 1, 1997, through September 30, 1998, total \$5,802.47.

Recommendation

Mur-Ci Homes, Inc., should include only allowable expenses on the “Intermediate Care Statement of Reimbursable Costs.” All reported expenses should be adequately supported and related to patient care.

A refund of \$5,802.47, representing overpayments by the TennCare Program as a result of the rate reduction, should be made to the State of Tennessee.

Management's Comment

Management concurs. We have upgraded the software used and feel we will be better able to track expenses and provide better support for expenses taken.

SUMMARY OF MONETARY FINDING AND RECOMMENDATION

Source of Overpayments

Nonallowable costs included on the cost report	<u>\$ 5,802.47</u>
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Disposition of Overpayments

Due to the State of Tennessee	<u>\$ 5,802.47</u>
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