

**Margie and Thomas Winfrey Center
Trenton, Tennessee**

**Cost Report and
Patient Accounts for the Period
July 1, 1996, Through June 30, 1997**

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February 9, 2000

The Honorable Don Sundquist, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
The Honorable Fredia Wadley, M.D., 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 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 the examination of the Medicaid cost report of the Margie and Thomas Winfrey Center, Trenton, Tennessee, for the period July 1, 1996, through June 30, 1997, and patient accounts for the period July 1, 1996, through June 30, 1997.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/pn
98/031

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
Margie and Thomas Winfrey Center
Trenton, Tennessee
For the Year Ended June 30, 1997

FINDING RECOMMENDING MONETARY REFUNDS

Nonallowable Expenses Included on the Cost Report

Nonallowable or unsupported expenses totaling \$3,489.86 were included on the "Intermediate Care Statement of Reimbursable Cost." Most of the disallowed cost was for unsupported home office expense allocations. These expenses caused the facility's Medicaid reimbursable rate to be overstated. The facility should refund \$4,576.08 to the State of Tennessee.

"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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**Margie and Thomas Winfrey Center
Trenton, Tennessee
Cost Report and Patient Accounts
For the Period
July 1, 1996, Through June 30, 1997**

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.

An Intermediate Care Facility for the Mentally Retarded (ICF/MR) provides service to recipients who, through a preadmission screening process, have been diagnosed as mentally retarded. The ICF/MR provides treatment that helps patients to live as independently as possible.

RHA/Trenton MR, Inc., doing business as the Margie and Thomas Winfrey Center, Trenton, Tennessee, provides only ICF/MR services. The facility is owned by Resource Housing of America, Inc., and is managed by Developmental Disability Management Services, Inc. Reimbursement to this facility is based on total allowable costs without the application of a ceiling rate. The officers/members of the Board of Directors are as follows:

Robert B. Coats, Jr., Chairman

William P. Walker

Bryant G. Coats, Vice President
Charles W. Northcutt III, Secretary
Howard Oakes

Chet H. Bradeen
James D. Loftin, Jr.

During the examination period, the facility maintained a total of 84 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 30,660 available bed days, 30,357 were for Medicaid ICF/MR patients for the year ended June 30, 1997. Also, the facility reported total operating expenses of \$3,858,684 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 (744-7036)</u>
July 1 through September 30, 1996	\$118.59
October 1, 1996, through June 30, 1997	\$121.42

PRIOR EXAMINATION FINDINGS

The prior report of Margie and Thomas Winfrey Center, for the period July 1, 1989, through June 30, 1990, contained the following findings:

1. Nonallowable expenses included on the cost report
2. Deficiencies in the patient trust fund

Finding 2 has been satisfactorily remedied. Finding 1 is repeated in this examination report.

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, clinical, or medical provisions.

Independent Accountant's Report

May 6, 1999

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 Building
Nashville, Tennessee 37247

Ladies and Gentlemen:

We have examined management's assertions, included in its representation letter dated November 27, 1997, that Margie and Thomas Winfrey Center complied with the following requirements during the cost report period July 1, 1996, through June 30, 1997, and to the facility's patient accounts for the period July 1, 1996, through June 30, 1997.

- 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 18-day therapeutic leave day rule.
- Charges to patients and charges to patients' personal funds are in accordance with state and federal regulations.

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May 6, 1999

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 Margie and Thomas Winfrey Center'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 Margie and Thomas Winfrey Center's compliance with specified requirements.

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

- The facility included \$24,361 of non-covered expenses on its Medicaid cost report.

In our opinion, except for the material noncompliance described above, management's assertions that Margie and Thomas Winfrey Center complied with the aforementioned requirements for the cost reporting period July 1, 1996, to June 30, 1997, and for patient accounts for the period July 1, 1996, to June 30, 1997, are fairly stated in all material respects.

This report is intended solely for the use 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

RESULTS OF THE REVIEW

FINDING AND RECOMMENDATION

Nonallowable expenses included on the cost report

Finding

The Margie and Thomas Winfrey Center included \$3,489.86 of nonallowable expenses on the "Nursing Facility Level I Cost Report" for the year ended June 30, 1997. The adjustment consists of \$3,236.71 of items that should not have been classified as expenses, \$5.15 of expenses related to the prior period, and \$248.00 of unsupported direct facility expenses.

Chapter 1200-13-6-.08 of the *Rules of Tennessee Department of Health and Environment* notes that "Accrual accounting must be used for this report (the Nursing Facility Level I Cost Report)." Chapter 1200-13-6-.09 of the *Rules* states, "Adequate financial records, statistical data, and source documents must be maintained for proper determination of costs under the program."

As a result of the above adjustments, the facility's Medicaid reimbursable rate was decreased as follows:

<u>Period</u>	<u>Original Rate</u>	<u>Adjusted Rate</u>	<u>Difference</u>
December 1, 1997, through August 31, 1998	\$122.27	\$122.10	(\$0.17)
September 1 through September 30, 1998	\$122.81	\$122.10	(\$0.71)
October 1, 1998, through July 31, 1999	\$125.88	\$125.89	\$ 0.01
August 1, 1999, to Present	\$128.11	\$128.18	\$ 0.07

Overpayments made to the facility as a result of the above adjustment total \$4,576.08, computed from December 1, 1997, through January 31, 2000.

Recommendation

The Margie and Thomas Winfrey Center should include only allowable expenses on the "Nursing Facility Level I Cost Report." Accrual accounting should be used to determine and accumulate reported expenses. All reported expenses should be adequately supported.

A refund of \$4,576.08 should be made to the State of Tennessee, representing overpayments by the Medicaid Program as a result of the rate reduction computed from December 1, 1997, through January 31, 2000.

Management's Comment

Management concurs in part. Of the \$3,236.71 considered items that should not have been classified as expenses, \$3,032.62 was indeed paid twice on one invoice. However, this amount was deducted from a subsequent invoice from the same vendor, thus netting no overpayment for this cost reporting period.

Rebuttal

Auditors could not determine from the information provided whether the duplicated payment was deducted from a subsequent invoice. In order to be allowable, expenses must be properly supported.

SUMMARY OF MONETARY FINDING AND RECOMMENDATION

Source of Overpayments

Rate Reduction (See finding)	<u>\$ 4,576.08</u>
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Disposition of Overpayments

Due to the State of Tennessee	<u>\$ 4,576.08</u>
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