



MEDICAID EXAMINATION

Ripley Healthcare and Rehabilitation Center Ripley, Tennessee

Cost Report

January 1, 2017, Through December 31, 2017

Resident Days

January 1, 2017, Through June 30, 2018

Resident Accounts

January 1, 2017, Through August 31, 2018

Justin P. Wilson
Comptroller of the Treasury



DIVISION OF STATE AUDIT

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JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

July 9, 2020

The Honorable Bill Lee, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
Mr. Stephen Smith, Deputy Commissioner
Division 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 report of Ripley Healthcare and Rehabilitation Center in Ripley, Tennessee, for the period January 1, 2017, through December 31, 2017; resident days for the period January 1, 2017, through June 30, 2018; and resident accounts for the period January 1, 2017, through August 31, 2018.

Sincerely,

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

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

DVL/pn
19/025

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
Ripley Healthcare and Rehabilitation Center
Ripley, Tennessee
Cost Report for the Period
January 1, 2017, Through December 31, 2017;
Resident Days for the Period
January 1, 2017, Through June 30, 2018;
and Resident Accounts for the Period
January 1, 2017, Through August 31, 2018

FINDINGS RECOMMENDING MONETARY REFUNDS

Improper Management of Credit Balances

Ripley Healthcare and Rehabilitation Center failed to ensure that credit balances on the accounts of deceased and discharged residents were properly managed and promptly refunded.

Accounts receivable unrefunded credit balances totaling \$30,617.32 remain on the accounts receivable ledgers of 35 former Medicaid residents of the facility. Of this amount, \$29,464.25 is due to 32 former residents or their authorized representatives, and \$1,153.07 is due back to the State of Tennessee Medicaid Program for 3 former Medicaid residents.

The resident trust fund unrefunded credit balances totaling \$4,114.74 are due to 5 former Medicaid residents or their authorized representatives (page 6).

Residents Inappropriately Charged for Covered Services

Ripley Healthcare and Rehabilitation Center inappropriately charged Medicaid residents' trust fund accounts for haircuts and shampoos, which are Medicaid-covered services. As a result of the inappropriate charges, the facility should reimburse \$1,875.00 to 19 Medicaid residents or their authorized representatives for the period January 1, 2017, through August 31, 2018 (page 7).

FINDING NOT RECOMMENDING MONETARY REFUND

Inaccurately Reported Expenses on the Supplemental Cost Report

Ripley Healthcare and Rehabilitation Center reported a total of \$35,102.00 in excess salaries and benefits on Schedule C of the supplemental cost report for the year ended December 31, 2017. This amount included \$21,320.00 in salary reported as social services salaries; \$12,741.00 in minimum data set coordinator salary; and \$1,041.00 in employee benefits reported as social services directly assigned benefits. This resulted in the overstatement of social services salaries, minimum data set

coordinator salary, and social services directly assigned employee benefits.

The facility inaccurately reported \$20,294.00 in state and local income taxes as real estate taxes on Schedule C of the supplemental cost report for the year ended December 31, 2017. This resulted in the overstatement of real estate taxes.

The adjustment to inaccurately reported expenses had no effect on the facility's Medicaid reimbursement rate, as this is a non-rebase year (page 8).

**Ripley Healthcare and Rehabilitation Center
Ripley, Tennessee
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**Ripley Healthcare and Rehabilitation Center
Ripley, 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.

Ripley Healthcare and Rehabilitation Center in Ripley, Tennessee, provides both NF-1 and NF-2 services. The facility is 100% owned by Yitchok Issac Perlstein, and is operated by Ripley Operator, LLC, located in Louisville, Kentucky. Northpoint Regional, LLC, is the management company, located in Louisville, Kentucky. Prestige Administrative Services, LLC, in Murfreesboro, Delaware, a consultant for Northpoint Regional, LLC, provides administrative services, contracted labor, and accounting services. The governing body for Ripley Healthcare and Rehabilitation Center is the management company, Northpoint Regional, LLC. The officers/members of the board of directors for Northpoint Regional, LLC, are as follows:

Robert L. Norcross II, Chief Executive Officer
 Stacey Rogers, Chief Financial Officer
 Joyce Freville, Chief Compliance Officer
 William Gray, Jr., Chief Human Resources Officer
 Jonathan Ohlsen, Chief Legal Officer

During the examination period, the facility maintained a total of 144 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 52,560 available bed days for the year ended December 31, 2017, the facility reported 12,428 for Medicaid NF-1 residents and 76 for Medicaid NF-2 residents. Also, the facility reported total operating expenses of \$4,823,640 for the period.

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 (744-0607)</u>	<u>Level II NF (044-5492)</u>
July 1, 2016, through June 30, 2017	\$188.61	\$212.25
July 1, 2017, through June 30, 2018	\$196.55	\$224.83
July 1, 2018, through June 30, 2019	\$216.91	\$216.91

PRIOR EXAMINATION FINDINGS

This 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.



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

Independent Accountant's Report

September 27, 2018

The Honorable Bill Haslam, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
Dr. Wendy Long, Deputy Commissioner
Division 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 September 27, 2018, that Ripley Healthcare and Rehabilitation Center complied with the following requirements during the cost reporting period January 1, 2017, through December 31, 2017:

- Income and expenses reported on the Medicaid cost report for the fiscal year ended December 31, 2017, 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 January 1, 2017, through June 30, 2018, 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, 2017, through August 31, 2018, 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 on management's assertions about the facility's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertions are fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertions. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the entity's compliance with specified requirements.

Our examination disclosed the following instances of material noncompliance applicable to state and federal regulations:

- Improper management of credit balances;
- Residents inappropriately charged for covered services; and
- Inaccurately reported expenses on the supplemental cost report.

In our opinion, except for the instances of material noncompliance described above, management's assertions that Ripley Healthcare and Rehabilitation Center complied with the aforementioned requirements for income and expenses reported on the Medicaid cost report for the period January 1, 2017, through December 31, 2017; resident days for the period January 1, 2017, through June 30, 2018; and for resident accounts for the period January 1, 2017, through August 31, 2018, are fairly stated in all material respects.

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
Division of State Audit

DVL/pn

FINDINGS AND RECOMMENDATIONS

1. Improper Management of Credit Balances

Finding

Ripley Healthcare and Rehabilitation Center has not established a system to ensure that credit balances on the accounts of deceased or discharged residents are properly managed and promptly refunded. Management failed to refund credit balances due to the State of Tennessee Medicaid Program and former residents or their authorized representatives.

Section 6402 of the Affordable Care Act contains new obligations for health care providers regarding reporting and returning overpayments from the Division of TennCare or one of its contractors. Overpayments that are not returned within 60 days from the date the overpayment was identified can trigger a liability under the False Claims Act. The overpayment will be considered an “obligation” as this term is defined in Title 31, *United States Code*, Section 3729(b)(3). The False Claims Act subjects a provider to a fine and treble damages if he knowingly conceals or knowingly and improperly avoids or decreases an obligation to pay money to the federal government.

Section 66-29-123(a), *Tennessee Code Annotated*, requires that “A holder of property presumed abandoned and subject to the custody of the treasurer should report in a record to the treasury concerning the property.” Chapter 1700-02-01-.19(1) of the *Rules of the 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 totaling \$30,617.32 remain on the accounts receivable ledgers of 35 former Medicaid residents of the facility. Of this amount, \$29,464.25 is due to 32 former residents or their authorized representatives, and \$1,153.07 is due back to the State of Tennessee Medicaid Program for 3 former residents.

The resident trust fund unrefunded credit balances totaling \$4,114.74 are due to 5 former Medicaid residents or their authorized representatives.

Recommendation

Ripley Healthcare and Rehabilitation Center should implement an adequate system to promptly refund credit balances on the accounts of former residents. Additionally, the facility’s management should maintain evidence of attempts to contact the owner of the credit balance. 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.

A refund totaling \$33,578.99 should be made to the former residents or their authorized representatives. Also, a refund of \$1,153.07 should be made to the State of Tennessee Medicaid Program.

Management's Comment

All refund checks have been issued to residents, their authorized representatives, the State of Tennessee Medicaid Program, or the Division of Unclaimed Property.

We have reviewed and strengthened our process to maintain evidence of attempts to contact the owner of credit balances.

We have reviewed and strengthened our process so that after five years from last account activity, a report of abandoned property will be filed with the Tennessee Department of Treasury, Division of Unclaimed Property.

2. Residents Inappropriately Charged for Covered Services

Finding

Ripley Healthcare and Rehabilitation Center inappropriately charged Medicaid residents' trust fund accounts for haircuts and shampoos, which are Medicaid-covered services. From January 1, 2017, through August 31, 2018, the facility charged 19 residents a total of \$1,875.00 for basic covered services.

In regard to basic services, Chapter 1200-08-06-.06(4)(q) of the *Rules of the Tennessee Department of Health* states, "Residents shall have shampoos, haircuts, and shaves as needed, or desired."

Recommendation

Ripley Healthcare and Rehabilitation Center should not charge Medicaid residents for covered services. In the future, the facility should provide covered services to all Medicaid residents without charge. The facility should reimburse the 19 Medicaid residents or their authorized representatives a total of \$1,875.00.

Management's Comment

All refunds (\$1,875.00) have been issued for covered services.

Policies have been updated to reflect language on covered services to be in compliance with Chapter 1200-08-06.06(4)(q) of the *Rules of the Tennessee Department of Health*, which states, “Residents shall have shampoos, haircuts, and shaves as needed or desired.”

3. Inaccurately Reported Expenses on the Supplemental Cost Report

Finding

Ripley Healthcare and Rehabilitation Center reported excess salaries and benefits totaling \$35,102.00 on Schedule C of the supplemental cost report for the year ended December 31, 2017. This amount included \$21,320.00 in salary reported as social services salaries; \$12,741.00 in minimum data set coordinator salary; and \$1,041.00 in employee benefits reported as social services directly assigned benefits. This resulted in the overstatement of social services salaries, minimum data set coordinator salary, and social services directly assigned employee benefits.

Ripley Healthcare and Rehabilitation Center inaccurately reported \$20,294.00 in state and local income taxes as real estate taxes on Schedule C of the supplemental cost report for the year ended December 31, 2017. This resulted in the overstatement of real estate taxes.

Chapter 1200-13-09-.05(2)(d) of the *Rules of the Tennessee Department of Finance and Administration* states, “Cost reports must be prepared according to Medicaid supplemental cost reporting instructions, CMS Publication 15-2, cost reporting instructions, and definitions of allowable and non-allowable costs contained in CMS Publication 15-1.”

Medicaid supplemental cost reporting instructions state that “salary, contract labor, and directly assigned employee benefits expenses for providing social services to nursing facility residents can be included in this cost center. Time spent by social service staff performing non-social service-related duties must not be included in the cost center.”

Medicaid supplemental cost reporting instructions state that this cost center will include the individuals performing the duties of the minimum data set (MDS) coordinator (salary/contract labor/directly assigned employee benefits) for the nursing facility. This cost center would also include the time spent by direct patient care service staff (i.e., RN, LPN, etc.) performing MDS coordinator duties. MDS coordinator duties entail ensuring the accurate completion and submission of resident assessment instruments (such as the MDS assessment) in accordance with Medicare and Medicaid guidelines. They may also provide training to nursing staff as to the appropriate completion of assessment information.

Medicaid supplemental cost reporting instructions state that “property tax expense related to nursing facility/skilled nursing facility patient care functions must be reported in this cost center.”

The adjustment to inaccurately reported expenses had no effect on the facility’s Medicaid reimbursement rate, as this is a non-rebase year.

Recommendation

Ripley Healthcare and Rehabilitation Center should not include any employee salary and directly assigned employee benefits on Schedule C of the Medicaid supplemental cost report other than those that are required, and it should follow the supplemental cost report instructions when completing the report. The facility should only include real estate taxes on Schedule C of the Medicaid supplemental cost report as required by the supplemental cost report instructions.

Management's Comment

We have shared the audit findings with our cost report preparer and have made the appropriate corrections for both excess salaries and benefits, state and local income taxes, and real estate taxes.

SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

Source of Overpayments

Unrefunded credit balances (see Finding 1)	\$ 34,732.06
Residents inappropriately charged for covered services (see Finding 2)	<u>\$ 1,875.00</u>
Total	<u>\$ 36,607.06</u>

Disposition of Overpayments

Due to residents or their authorized representatives	\$ 35,453.99
Due to the State of Tennessee	<u>\$ 1,153.07</u>
Total	<u>\$ 36,607.06</u>