



MEDICAID EXAMINATION

Westmoreland Health and Rehabilitation Center Knoxville, Tennessee

Cost Report

July 1, 2018, Through June 30, 2019

Resident Days

July 1, 2018, Through June 30, 2019

Resident Accounts

July 1, 2019, Through August 10, 2020

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF STATE AUDIT

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JASON E. MUMPOWER
Comptroller

February 23, 2021

The Honorable Bill Lee, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
Mr. Steven 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 Westmoreland Health and Rehabilitation Center in Knoxville, Tennessee, for the period July 1, 2018, through June 30, 2019; resident days for the period July 1, 2018, through June 30, 2019; and resident accounts for the period July 1, 2019, through August 10, 2020.

Sincerely,

A handwritten signature in black ink that reads "Katherine J. Stickel".

Katherine J. Stickel, CPA, CGFM, Director
Division of State Audit

KJS/pn
21/003

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
Westmoreland Health and Rehabilitation Center
Knoxville, Tennessee
Cost Report for the Period
July 1, 2018, Through June 30, 2019;
Resident Days for the Period
July 1, 2018, Through June 30, 2019;
and Resident Accounts for the Period
July 1, 2019, Through August 10, 2020

FINDINGS RECOMMENDING MONETARY REFUNDS

Nonallowable Expenses Included on the Cost Report

Westmoreland Health and Rehabilitation Center included \$119,685.40 of nonallowable expenses on the Medicaid cost report for the year ended June 30, 2019. The nonallowable expenses consist of \$51,657.90 in unpaid expenses; \$26,527.87 in late fees and penalties; \$16,858.16 in expenses not paid within one year of the cost report year-end; \$13,030.08 in prior-period expenses; \$6,267.90 in interest paid on penalties; \$2,529.95 in unsupported expenses; \$2,274.84 in marketing; and \$538.70 of expenses for other facilities.

The \$119,685.40 of nonallowable expenses will be removed from allowable expense amount used to calculate Westmoreland Health and Rehabilitation Center's Medicaid reimbursement rate effective July 1, 2021. The monetary impact

will not be determined until that rate is calculated by the TennCare contractor (page 5).

Improper Management of Credit Balances

Westmoreland Health and Rehabilitation Center has not established a system to properly manage and promptly refund credit balances on the accounts of deceased or discharged residents. Management did not provide evidence of attempts to notify the Medicaid Program to recoup credit balances and did not maintain evidence that former residents or their authorized representatives were notified of refunds due them. Unrefunded credit balances of \$67,432.60 remain on the accounts receivable ledger of 37 former Medicaid residents of the facility. Of this total balance, \$56,537.48 is due to the Medicaid Program, and a total of \$10,895.12 is due to 7 residents or their authorized representatives (page 6).

Residents Inappropriately Charged for Covered Services

Westmoreland Health and Rehabilitation Center has inappropriately charged Medicaid residents for Medicaid-covered services. The facility

inappropriately charged 6 Medicaid residents a total of \$232 for haircuts and shaves, which are basic covered services, from July 1, 2019, through August 10, 2020 (page 7).

**Westmoreland Health and Rehabilitation Center
Knoxville, Tennessee
Cost Report for the Period
July 1, 2018, Through June 30, 2019;
Resident Days for the Period
July 1, 2018, Through June 30, 2019;
and Resident Accounts for the Period
July 1, 2019, Through August 10, 2020**

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**Westmoreland Health and Rehabilitation Center
Knoxville, Tennessee
Cost Report for the Period
July 1, 2018, Through June 30, 2019;
Resident Days for the Period
July 1, 2018, Through June 30, 2019;
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July 1, 2019, Through August 10, 2020**

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.

Westmoreland Health and Rehabilitation Center in Knoxville, Tennessee, provides both NF-1 and NF-2 services. The facility is owned by The Trousdale Foundation, Inc., a nonprofit corporation in Cleveland, Tennessee. The Board of Directors for The Trousdale Foundation, Inc. consists of the following members:

Christin J. Rose, President, Director
 Jeanne J. Varnell, Director
 David Sherlin, Director
 Jay Elliot, Director
 Kenneth C. Hart, Jr, Treasurer, Director
 Jack P. Byrd, Director

During the examination period, the facility maintained a total of 222 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 81,030 available bed days for the year ended June 30, 2019, the facility reported 29,683 for Medicaid residents. Also, the facility reported total operating expenses of \$11,695,143 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>	Level I NF <u>744-0622</u>	Level II SNF <u>044-5015</u>
July 1, 2018, through December 31, 2018	\$203.56	\$203.56
January 1, 2019, through June 30, 2019	\$203.53	\$203.53
July 1, 2019, through June 30, 2020	\$207.41	\$207.41

PRIOR EXAMINATION FINDINGS

The 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
Deputy Comptroller

Independent Accountant's Report

November 18, 2020

The Honorable Bill Lee, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
Mr. Steven Smith, 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 November 18, 2020, that Westmoreland Health and Rehabilitation Center complied with the following requirements:

- Income and expenses reported on the Medicaid cost report for the fiscal year ended June 30, 2019, 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 July 1, 2018, through June 30, 2019, 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 July 1, 2019, through August 10, 2020, 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 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 assertions, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our modified 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:

- nonallowable expenses included on the cost report;
- improper management of credit balances; and
- residents inappropriately charged for covered services.

In our opinion, except for the instances of material noncompliance described above, management's assertions that Westmoreland Health and Rehabilitation Center complied with the aforementioned requirements for income and expenses reported on the Medicaid cost report for the period July 1, 2018, through June 30, 2019; resident days for the period July 1, 2018, through June 30, 2019; and resident accounts for the period July 1, 2019, through August 10, 2020, 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,



Katherine J. Stickel, CPA, CGFM, Director
Division of State Audit

FINDINGS AND RECOMMENDATIONS

1. Nonallowable Expenses Included on the Cost Report

Finding

Westmoreland Health and Rehabilitation Center included \$119,685.40 of nonallowable expenses on the Medicaid cost report for the year ended June 30, 2019. The nonallowable expenses consist of \$51,657.90 in unpaid expenses; \$26,527.87 in late fees and penalties; \$16,858.16 in expenses not paid within one year of the cost report year-end; \$13,030.08 in prior-period expenses; \$6,267.90 in interest paid on penalties; \$2,529.95 in unsupported expenses; \$2,274.84 in marketing; and \$538.70 of expenses for other facilities.

Chapter 1200-13-06-.09(4) of the *Rules of the Tennessee Department of Finance and Administration* states, “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 unrelated to patient care be deducted from allowable expenses. Such costs that are not allowable in computing reimbursable costs include, but are not limited to,

- fines, penalties, or interest paid on any tax payments or interest charges on overdue payables;
- advertising costs incurred; and
- costs that are not necessary or related to patient care.

Title 42, *Code of Federal Regulations*, Part 413, Section 100, “Special Treatment of Certain Accrued Costs,” states,

(c) *Recognition of accrued cost-(1) General.* Although Medicare recognizes, in the year of accrual, the accrual of costs for which a provider has not actually expended funds during the current cost reporting period, for purposes of payment Medicare does not recognize the accrual of costs unless the related liabilities are liquidated timely.

(i) *A short-term liability.* (A) Except as provided in paragraph (c)(2)(1)(B) of this section, a short-term liability, including the current portion of a long-term liability (for example, mortgage interest payments due to be paid in the current year), must be liquidated within 1 year after the end of the cost reporting period in which the liability is incurred.

The \$119,685.40 of nonallowable expenses will be removed from the total allowable expense amount for Westmoreland Health and Rehabilitation Center. The adjusted allowable expense amount will be transmitted to the TennCare contractor responsible for calculating the facility’s Medicaid reimbursement rate effective July 1, 2021. This will monetarily impact

the nursing facility, as this disallowance of expenses will result in a lower Medicaid reimbursement rate, but that rate will be determined by the TennCare contractor at a later date.

Recommendation

Westmoreland Health and Rehabilitation Center should include only allowable expenses on the Medicaid cost report. All reported expenses should be adequately supported, for covered services, related to resident care, and in compliance with other applicable regulations.

Management's Comment

We agree with the findings on the nonallowable expenses included on the cost report. We have reviewed and continue to strengthen our processes to accurately adjust nonallowable expenses when completing the cost report information.

2. Improper Management of Credit Balances

Finding

Westmoreland Health and Rehabilitation Center failed to properly manage and promptly refund credit balances on the accounts of deceased or discharged residents. Management failed to refund accounts receivable credit balances, totaling \$67,432.60, that remain on the accounts of 37 former residents, some dating back to 2015. Of this amount, \$56,537.48 is due to the Medicaid Program, and \$10,895.12 is due to 7 former Medicaid 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 or she 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 a property presumed abandoned and subject to the custody of the treasurer shall report in a record to the treasurer 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."

Recommendation

Westmoreland Health and Rehabilitation Center should implement an adequate system to promptly refund credit balances to the Medicaid Program and to the former residents or authorized representatives. The facility should refund \$56,537.48 to the Medicaid Program, and a total of \$10,895.12 to 7 former Medicaid residents or their authorized representatives.

Management's Comment

All refund checks are processed to issue back to residents, their authorized representatives, the State of Tennessee Medicaid Program, or the Division of Unclaimed Property. The facility is working with Amerigroup, Blue Cross, and United Healthcare to recoup overpayments from future remittance. Some of the funds have already been recouped, and the balance is subject to change.

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

We have reviewed and continue to strengthen our processes so that outstanding items be reported to the Tennessee Department of Treasury, Division of Unclaimed Property and/or the State of Tennessee Medicaid Program or Choices Program.

Auditor's Comment

Based on subsequent postings that facility personnel made to the accounts receivable ledger after fieldwork was concluded and additional documentation provided during the exit process, auditors revised the unrefunded credit balance amount that should be refunded. Thus, the facility should refund \$55,476.93 to the Medicaid Program and \$1,364.72 to the residents or their authorized representatives.

3. Residents Inappropriately Charged for Covered Services

Finding

Westmoreland Health and Rehabilitation Center has inappropriately charged Medicaid residents for Medicaid-covered services. The facility inappropriately charged six Medicaid residents a total of \$232 for haircuts, which is a basic covered service, from July 1, 2019, through August 10, 2020.

Regarding 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

Westmoreland Health 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 establish adequate procedures to ensure compliance with applicable laws and regulations relative to the protection of resident trust funds. The facility should reimburse the six Medicaid residents or their authorized representatives a total of \$232.

Management's Comment

The facility had a signed agreement to charge for services, but it was not worded per guidelines. The refund checks in the amount of \$232.00 have been sent to the residents with backup provided to the audit team.

We have reviewed and continue to strengthen our process for resident charges.

SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

Source of Overpayments

Improper management of credit balances (see Finding 2)	\$ 67,432.60
Residents inappropriately charged for covered services (see Finding 3)	<u>\$ 232.00</u>
Total	<u>\$ 67,664.60</u>

Disposition of Overpayments

Due to the State of Tennessee	\$ 56,537.48
Due to residents or their authorized representatives	<u>\$ 11,127.12</u>
Total	<u>\$ 67,664.60</u>