MEDICAID EXAMINATION

Gallatin Center for Rehabilitation and Healing
Gallatin, Tennessee

Cost Reports and Resident Days
January 1, 2020, Through December 31, 2020

Resident Accounts
October 1, 2020, Through October 12, 2021

Jason E. Mumpower
Comptroller of the Treasury

DIVISION OF STATE AUDIT
June 16, 2022

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 Medicare and Medicaid Supplemental Cost Reports of Gallatin Center for Rehabilitation and Healing in Gallatin, Tennessee, for the period January 1, 2020, through December 31, 2020; resident days for the period January 1, 2020, through December 31, 2020; and resident accounts for the period October 1, 2020, through October 12, 2021.

Sincerely,

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

KJS/pn
22/019
EXAMINATION HIGHLIGHTS

Examination Scope
Cost Reports and Resident Days for the Period
January 1, 2020, Through December 31, 2020;
and Resident Accounts for the Period
October 1, 2020, Through October 12, 2021

FINDINGS RECOMMENDING MONETARY REFUNDS

Gallatin Center for Rehabilitation and Healing failed to properly manage resident trust funds by commingling resident and facility funds, not properly crediting residents’ trust fund accounts, and not ensuring that outstanding checks had been properly delivered to recipients; these issues resulted in $77,052.52 due to residents or their authorized representatives and $1,397.65 needing to be transferred from the operating account to the resident trust fund account.

Gallatin Center for Rehabilitation and Healing has not properly managed the resident trust fund (RTF) account. Specifically, the facility did not perform due diligence to ensure that outstanding checks totaling $75,494.52 had been properly delivered to recipients and reissued when necessary. The facility withheld from the residents’ accounts Social Security benefits that exceeded the residents’ liability amount, resulting in an overpayment due back to residents of $1,558.00. Additionally, the facility maintained residents’ funds totaling $1,397.65 in the facility’s operating account instead of in the RTF account.

Gallatin Center for Rehabilitation and Healing failed to promptly refund accounts receivable credit balances of 26 former Medicaid residents totaling $35,138.42.

Gallatin Center for Rehabilitation and Healing has not established a system 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 $35,138.42. Of the $35,138.42 that remains on accounts, $33,458.42 is due back to former Medicaid residents or their authorized representatives, and $1,680.00 is due back to the Medicaid Program.
FINDING NOT RECOMMENDING MONETARY REFUND

Gallatin Center for Rehabilitation and Healing included $161,343.43 of nonallowable expenses and $1,504.96 in expenses that should have been reported in ancillary cost centers on the Medicare cost report.

Gallatin Center for Rehabilitation and Healing included $161,343.43 of nonallowable expenses and $1,504.96 in expenses that should have been reported in ancillary cost centers on the Medicare cost report for the year ended December 31, 2020. The nonallowable expenses consist of $70,003.02 in unsupported expenses; $45,242.61 in prior periods’ expenses; $34,489.99 in expenses not paid within one year after the end of the cost reporting period in which the liability occurred; $3,310.73 in duplicate expenses; $3,191.52 in non-resident care related expenses; $2,000.00 in donations; $1,985.67 in marketing; $675.72 in physician visits expense; $370.39 in alcohol expense; $55.75 in late fees; and $18.03 in resident expense. The expenses that should have been reported in ancillary cost centers consist of $700.00 in speech therapy expense, $564.96 in X-ray expense, and $240.00 in massage therapy expense.

The $161,343.43 total of nonallowable expenses will not have an effect on the Medicaid reimbursement rates since it was a non-rebase year.
INTRODUCTION

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1. Gallatin Center for Rehabilitation and Healing failed to properly manage resident trust funds by commingling resident and facility funds, not properly crediting residents’ trust fund accounts, and not ensuring that outstanding checks had been properly delivered to recipients; these issues resulted in $77,052.52 due to residents or their authorized representatives and $1,397.65 needing to be transferred from the operating account to the resident trust fund account 5

2. Gallatin Center for Rehabilitation and Healing failed to promptly refund accounts receivable credit balances of 26 former Medicaid residents totaling $35,138.42 9

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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.

Gallatin Center for Rehabilitation and Healing

Gallatin Center for Rehabilitation and Healing in Gallatin, Tennessee, provides both NF-1 and NF-2 services. The facility is owned by Gallatin Ventures TN, LLC., a Limited Liability Company. The following are the owners of Gallatin Center for Rehabilitation and Healing and Gallatin TN Ventures, LLC:

MD Mark Friedman 2017 Trust  
Neil Einhorn Family 2017 Trust  
Eliezer Schwartz  
Yossie Zucker  
Steven Sax  
Akiva Rudner  
Shaindi Shur
During the examination period, the facility maintained a total of 207 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 75,762 available bed days for the year ended December 31, 2020, the facility reported 30,090 for Medicaid residents. Also, the facility reported total operating expenses of $17,884,186 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:

<table>
<thead>
<tr>
<th>Period</th>
<th>NF Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1, 2020, through June 30, 2020</td>
<td>$228.09</td>
</tr>
<tr>
<td>July 1, 2020, through December 31, 2020</td>
<td>$218.80</td>
</tr>
<tr>
<td>January 1, 2021, through June 30, 2021</td>
<td>$225.79</td>
</tr>
<tr>
<td>July 1, 2021, through December 31, 2021</td>
<td>$225.74</td>
</tr>
</tbody>
</table>

EXAMINATION SCOPE

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.

PRIOR EXAMINATION FINDINGS

There has not been an examination performed within the last five years.
Independent Accountant’s Report

March 29, 2022

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 March 29, 2022, that Gallatin Center for Rehabilitation and Healing complied with the following requirements:

- Income and expenses reported on the Medicare and Medicaid Supplemental Cost Reports for the fiscal year ended December 31, 2020, are reasonable, allowable, and in accordance with state and federal rules, regulations, and reimbursement principles.

- Resident days reported on the Medicare and Medicaid Supplemental Cost Reports have been counted in accordance with state regulations. Medicaid resident days billed to the state from January 1, 2020, through December 31, 2020, 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 October 1, 2020, through October 12, 2021, 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:

- Gallatin Center for Rehabilitation and Healing failed to properly manage resident trust funds by commingling resident and facility funds, not properly crediting residents’ trust fund accounts, and not ensuring that outstanding checks had been properly delivered to recipients; these issues resulted in $77,052.52 due to residents or their authorized representatives and $1,397.65 needing to be transferred from the operating account to the resident trust fund account
- Gallatin Center for Rehabilitation and Healing failed to promptly refund accounts receivable credit balances of 26 former Medicaid residents totaling $35,138.42
- Gallatin Center for Rehabilitation and Healing included $161,343.43 of nonallowable expenses and $1,504.96 in expenses that should have been reported in ancillary cost centers on the Medicare cost report

In our opinion, except for the instances of material noncompliance described above, management’s assertions that Gallatin Center for Rehabilitation and Healing complied with the aforementioned requirements for income and expenses reported on the Medicare and Medicaid Supplemental Cost Reports for the period January 1, 2020, through December 31, 2020; resident days for the period January 1, 2020, through December 31, 2020; and resident accounts for the period October 1, 2020, through October 12, 2021, 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
Finding 1 – Gallatin Center for Rehabilitation and Healing failed to properly manage resident trust funds by commingling resident and facility funds, not properly crediting residents’ trust fund accounts, and not ensuring that outstanding checks had been properly delivered to recipients; these issues resulted in $77,052.52 due to residents or their authorized representatives and $1,397.65 needing to be transferred from the operating account to the resident trust fund account.

Gallatin Center for Rehabilitation and Healing failed to take adequate measures to safeguard resident trust funds as required by federal and state laws. The resident trust fund (RTF) is not considered accounted for properly due to the following exceptions:

- The facility did not attempt to determine the whereabouts of, or notify, former residents or their authorized representatives when outstanding checks written from the RTF account had not cleared the bank. As of October 12, 2021, the facility had 151 checks totaling $75,494.52 that were outstanding for longer than 90 days. Of the total outstanding amount, $67,979.76 was for operating account checks and $7,514.76 was for RTF account checks. The facility did not provide documentation showing it had followed up with recipients to determine why checks had not been properly delivered to recipients and reissued when necessary.

**Outstanding Checks as of October 12, 2021**

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Number of Outstanding Checks</th>
<th>Sum of Operating Account Outstanding Checks</th>
<th>Sum of Resident Trust Fund Outstanding Checks</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>5</td>
<td>$136.55</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>17</td>
<td>7,404.05</td>
<td>1,087.31</td>
</tr>
<tr>
<td>2018</td>
<td>25</td>
<td>15,918.92</td>
<td>820.99</td>
</tr>
<tr>
<td>2019</td>
<td>34</td>
<td>18,167.25</td>
<td>1,702.14</td>
</tr>
<tr>
<td>2020</td>
<td>17</td>
<td>11,067.87</td>
<td>2,071.21</td>
</tr>
<tr>
<td>2021</td>
<td>53</td>
<td>15,285.12</td>
<td>1,833.11</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>151</strong></td>
<td><strong>$67,979.76</strong></td>
<td><strong>$7,514.76</strong></td>
</tr>
</tbody>
</table>

- For four of six individual resident trust fund account balances tested (67%), the residents’ Social Security benefits withheld by the facility exceeded the residents’ liability amount, resulting in overpayments totaling $1,558.00. (Resident liability is the amount that residents receiving Medicaid are required to contribute to the cost of their care as determined by TennCare.) These overpaid amounts were maintained in the facility’s operating account and were not credited to the residents’ individual RTF.
The facility commingled RTF account and operating account funds. As of October 12, 2021, the facility maintained residents’ funds totaling $1,397.65 in its operating account instead of the RTF account. The facility identified these funds through monthly bank reconciliations but failed to promptly return the funds to the RTF account as soon as they were identified. Additionally, the residents did not accrue interest on funds maintained in the operating account.
Amounts Not Transferred From Operating to RTF Account  
As of October 12, 2021

<table>
<thead>
<tr>
<th>RTF Bank Account Reconciliation Date</th>
<th>Transfer Amount Due From Operating to RTF Account</th>
<th>Transfer Amount Due From RTF to Operating Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/31/2021</td>
<td>$ 5,077.49</td>
<td></td>
</tr>
<tr>
<td>8/31/2021</td>
<td>193.73</td>
<td></td>
</tr>
<tr>
<td>9/30/2021</td>
<td>10,978.15</td>
<td></td>
</tr>
<tr>
<td>10/12/2021</td>
<td></td>
<td>$(14,851.72)</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>$16,249.37</strong></td>
<td><strong>$(14,851.72)</strong></td>
</tr>
<tr>
<td><strong>Grand Total:</strong></td>
<td><strong>$  1,397.65</strong></td>
<td></td>
</tr>
</tbody>
</table>

Title 42, *Code of Federal Regulations* (CFR), Part 483, Section 10, documents Centers for Medicare and Medicaid Services’ rules pertaining to resident rights.

Requirements in 42 CFR 483.10(f)(10)(ii)(B) state, “The facility must deposit the residents’ personal funds in excess of $50 in an interest bearing account (or accounts) that is separate from any of the facility’s operating accounts, and that credits all interest earned on resident’s funds to that account.”

Additionally, 42 CFR 483.10 (f)(10)(iii) states, “(A) The facility must establish and maintain a system that assures a full and complete and separate accounting, according to generally accepted accounting principles, of each resident’s personal funds entrusted to the facility on the resident’s behalf. (B) The system must preclude any commingling of resident funds with facility funds or with the funds of any person other than another resident.”

Chapter 1200-08-06-.04(7) of the *Rules of the Tennessee Department of Health* states, “If the facility holds resident funds, such funds shall be kept in an account separate from the facility’s funds. Resident funds shall not be used by the facility.”

The *TennCare Guide to Patient Liability for Nursing Facility Services*, “Overview,” page 3, states, “Pursuant to federal law and regulation, patient liability is a monthly amount that persons receiving Medicaid-reimbursed Long-Term Services and Support (LTSS) or hospice services in a Nursing Facility (NF) are required to contribute to the cost of their care if their incomes are at certain levels.”

The guide also states on page 3, “A person’s patient liability obligation is determined by TennCare Member Services in accordance with federal post-eligibility provisions which take into account the person’s income that is available to help pay for such care after a reasonable allowance for personal needs and other living expenses, allocation of income to a community spouse or dependents, and incurred medical expenses not subject to payment by a third party, as applicable.”

Section 66-29-123(a), *Tennessee Code Annotated*, states, “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. “Due diligence” is defined herein as the degree of care which a reasonably prudent man would exercise in the normal course of business operations.

(a) Evidence that the location of the owner cannot be ascertained may be the return of a first-class or superior mailing sent to the owner’s last known address.

(b) First-class or superior mailings to owners in the ordinary course of the holder’s business which are not returned as “undeliverable” shall constitute contact with the owner and shall constitute an indication of interest in the property in accordance with the Act. Examples of such mailings include, but are not limited to, computerized statements of account and statements of interest earnings required by the Internal Revenue Service.

Similarly, 42 CFR 483.10(g)(14)(iv) states, “The facility must record and periodically update the address (mailing and email) and phone number of the resident representative(s).”

Maintaining resident funds in multiple accounts increases the risk of fraud, theft, or abuse. Not maintaining all funds in the RTF account increases the risk that sufficient funds will not be available to meet outstanding check obligations. By not attempting to determine the whereabouts or to notify former residents or their families when credit-balance refund checks were not cashed, the facility failed to act in the best interest of residents and failed to perform its due diligence in accordance with the *Rules of the Tennessee Department of Treasury*.

**Recommendation**

Management should perform due diligence to ensure that former residents or their legal representatives receive refund checks in a timely manner. Management should notify former residents or their representatives about the uncleared checks, and reissue checks totaling $75,494.52 to the verified address of former residents or their authorized representatives or file a report with the Tennessee Department of Treasury for resident funds presumed to be abandoned. Lastly, management should periodically update contact information for residents’ legal representatives or interested family members.

Management should retroactively review the payment records for all residents with a trust fund account and determine the total amount of resident liability overpayments. Management should also ensure that residents’ monthly allowances are not deposited into the operating account. As a result, management should refund $1,558.00 to residents or their authorized representatives.

Gallatin Center for Rehabilitation and Healing management should ensure that adequate measures are in place to safeguard resident trust funds. Management should not commingle RTF and operating funds and should ensure that all applicable funds are accounted for on residents’
individual account ledgers. Management should transfer $1,397.65 to the resident trust fund bank account from their operating bank account.

Management’s Comment

There were late transfers of resident trust fund deposits, which were caused by a miscommunication between our resident trust and account payable personnel. We are committed to strengthening our processes related to resident trust deposits. All of the late transfers to date have been corrected and deposited into the resident trust account. We will retrain our business office and accounts payable personnel to ensure all future resident trust reconciliations and deposits are made timely.

We will reissue outdated outstanding checks to recipients. For those individuals who cannot be located, we will begin the process of reporting these checks to the Tennessee Department of the Treasury as abandoned funds. As part of our processes going forward, outstanding checks will be reviewed on a timelier basis to ensure necessary follow-ups occur.

Finding 2 – Gallatin Center for Rehabilitation and Healing failed to promptly refund accounts receivable credit balances of 26 former Medicaid residents totaling $35,138.42

Gallatin Center for Rehabilitation and Healing has not established a system to properly manage and promptly refund accounts receivable credit balances on the accounts of deceased or discharged residents. Management failed to refund accounts receivable credit balances, totaling $35,138.42, that remain on the accounts of 26 former Medicaid residents. Of this amount, $33,458.42 is due back to the residents or their authorized representatives and $1,680.00 is due back to Medicaid Program. The residents accounts that had credit balances were discharged between August 19, 2018, and June 18, 2021.

<table>
<thead>
<tr>
<th>Discharge Period</th>
<th>Residents</th>
<th>Amount Due to Medicaid</th>
<th>Amount Due to Residents</th>
</tr>
</thead>
<tbody>
<tr>
<td>FYE 12/31/18</td>
<td>1</td>
<td></td>
<td>$ 2,063.90</td>
</tr>
<tr>
<td>FYE 12/31/19</td>
<td>4</td>
<td></td>
<td>4,026.95</td>
</tr>
<tr>
<td>FYE 12/31/20</td>
<td>8</td>
<td></td>
<td>22,822.51</td>
</tr>
<tr>
<td>FTP 1/1/21-6/18/21</td>
<td>13</td>
<td>1,680.00</td>
<td>4,545.06</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>26</strong></td>
<td><strong>$ 1,680.00</strong></td>
<td><strong>$ 33,458.42</strong></td>
</tr>
</tbody>
</table>

Title 42, *United States Code*, Section 1320a-7k(d), contains 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 triple the amount of damages,
known as “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, “A holder of property presumed abandoned and subject to the custody of the treasurer shall report in a record to the treasurer concerning the property.” Chapter 1700-02-1-.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**

Gallatin Center for Rehabilitation and Healing should implement an adequate system to promptly refund accounts receivable credit balances on the accounts of former residents or their authorized representatives. The facility should refund the accounts receivable credit balances, totaling $33,458.42, due back to the residents or their authorized representatives, and $1,680.00 due back to the Medicaid Program. 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 three 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.

**Management’s Comment**

We will increase our reviews of residents’ credit balances aging and ensure these reviews are done timely. We will retrain our accounts receivable and business office to ensure we file the credits as abandoned property in instances where residents or their authorized representatives cannot be located after attempt to contact.

**Finding 3 – Gallatin Center for Rehabilitation and Healing included $161,343.43 of nonallowable expenses and $1,504.96 in expenses that should have been reported in ancillary cost centers on the Medicare Cost Report**

Gallatin Center for Rehabilitation and Healing included $161,343.43 of nonallowable expenses and $1,504.96 in expenses that should have been reported in ancillary cost centers on the Medicare cost report for the year ended December 31, 2020. The nonallowable expenses consist of $70,003.02 in unsupported expenses; $45,242.61 in prior periods’ expenses; $34,489.99 in expenses not paid within one year after the end of the cost reporting period in which the liability occurred; $3,310.73 in duplicate expenses; $3,191.52 in non-resident care related expenses; $2,000.00 in donations; $1,985.67 in marketing; $675.72 in physician visits expenses; $370.39 in alcohol expense; $55.75 in late fees; and $18.03 in resident expense. The expenses that should have been reported in ancillary cost centers consist of $700.00 in speech therapy expense, $564.96 in X-ray expense, and $240.00 in massage therapy expense.
Costs allocated to reimbursable ancillary cost centers will be included in the same cost component as the original expense.

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.” Chapter 1200-13-06.09 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.

Part 1, Chapter 21-2102.3, of The Provider Reimbursement Manual states,

Costs not related to patient care are costs which are not appropriate or necessary and proper in developing and maintaining the operation of patient care facilities and activities. Costs which are not necessary include costs which usually are not common or accepted occurrences in the field of the provider’s activity.

Such costs are not allowable in computing reimbursable costs and include, for example,

- the cost of gifts and donations.

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

(c) Recognition of accrued costs - (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 $161,343.43 of nonallowable expenses will be removed from total expenses and $1,504.96 will be reclassed to ancillary cost centers. The adjustment to the Medicaid rate will not have an effect on the Medicaid reimbursement rates since it was a non-rebase year.
Recommendation

Gallatin Center for Rehabilitation and Healing 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 will review our accounts payable policies to ensure invoices and related supporting documentation are maintained. Further, we will review accounts payable ledgers to ensure invoices are paid on a timely basis. We will retrain our accounts payable and business office staff to ensure late fees, marketing and other nonallowable expenses are appropriately coded when an invoice is received from a vendor.
SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

Source of Overpayments

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding operating account checks (see Finding 1)</td>
<td>$ 67,979.76</td>
</tr>
<tr>
<td>Unrefunded accounts receivable credit balances (see Finding 2)</td>
<td>35,138.42</td>
</tr>
<tr>
<td>Outstanding resident trust fund checks (see Finding 1)</td>
<td>7,514.76</td>
</tr>
<tr>
<td>Overpayments due to residents (see Finding 1)</td>
<td>1,558.00</td>
</tr>
<tr>
<td>Resident trust funds held in the operating account (see Finding 1)</td>
<td>1,397.65</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 113,588.59</strong></td>
</tr>
</tbody>
</table>

Disposition of Overpayments

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due to residents or their authorized representatives</td>
<td>$ 110,510.94</td>
</tr>
<tr>
<td>Due to resident trust fund bank account</td>
<td>1,397.65</td>
</tr>
<tr>
<td>Due to the Medicaid Program</td>
<td>1,680.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 113,588.59</strong></td>
</tr>
</tbody>
</table>