



TENNCARE EXAMINATION
Rural Medical Services, Inc.
Newport, Tennessee

TennCare Visits and Payments
July 1, 2015, Through June 30, 2020

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF STATE AUDIT

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JASON E. MUMPOWER
Comptroller

January 20, 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 Federally Qualified Health Centers 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 visits and payments of Rural Medical Services, Inc., in Newport, Tennessee, for the period July 1, 2015, through June 30, 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
21/080

State of Tennessee

Examination Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
Rural Medical Services, Inc.
Newport, Tennessee
TennCare Visits and Payments for the Period
July 1, 2015, Through June 30, 2020

MONETARY FINDING

Rural Medical Services, Inc. did not accurately report visits and payments on their submitted quarterly invoices, which resulted in TennCare overpayments of \$532,584

Rural Medical Services, Inc. failed to accurately report paid TennCare visits and payments received on all TennCare services on its quarterly reports that were submitted to the State of Tennessee. The clinic under-reported 2,112 visits and under-reported \$738,363 in payments received from Managed Care Organizations (MCOs), third parties, and patients for the period July 1, 2015, through June 30, 2020. The under-reporting of payments is due to the facility not including payments from all TennCare claims.

As a result, the Division of TennCare made overpayments of \$532,584 to the clinic for the period July 1, 2015, through June 30, 2020.

NONMONETARY FINDING

Rural Medical Services, Inc. failed to provide verifiable supporting documentation for the TennCare visits and payments reported for the period April 1, 2019, through June 30, 2019

Rural Medical Services, Inc. was unable to provide verifiable supporting documentation for the TennCare visits and payments reported by the clinic during the period April 1, 2019, through June 30, 2019. The supporting document provided by the clinic was a spreadsheet summarizing their manual count of visits and payments from remittance advices received from MCOs. This supporting item did not include claim or patient information that could be verified by the auditors.

Rural Medical Services, Inc.
Newport, Tennessee
TennCare Visits and Payments for the Period
July 1, 2015, Through June 30, 2020

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
Purpose and Authority of the Examination	1
General Background	1
Prior Examination Findings	2
Scope of the Examination	2
INDEPENDENT ACCOUNTANT’S REPORT	3
FINDINGS AND RECOMMENDATIONS	5
<ul style="list-style-type: none">• Rural Medical Services, Inc. did not accurately report visits and payments on their submitted quarterly invoices, which resulted in TennCare overpayments of \$532,584• Rural Medical Services, Inc. failed to provide verifiable supporting documentation for the TennCare visits and payments reported for the period April 1, 2019, through June 30, 2019	5 8
Summary of Settlement Calculation	10

Rural Medical Services, Inc.
Newport, Tennessee
TennCare Visits and Payments for the Period
July 1, 2015, Through June 30, 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 Federally Qualified Health Centers (FQHCs) that participate in the Tennessee Medicaid Clinic Prospective Payment System Program.

Under their agreements with the state and as stated on cost reports submitted to the state, participating FQHCs 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 FQHC's assertions that it is in compliance with such requirements.

GENERAL BACKGROUND

Tennessee's Medicaid Prospective Payment System (PPS) for FQHCs is described in attachment 4.19-B of the Tennessee State Plan under Title XIX of the Social Security Act Medical Assistance Program. FQHCs are eligible to apply to the Centers for Medicare and Medicaid Services for reimbursement under Medicare and Medicaid payment methodologies. The defining legislation for FQHCs is Section 1905(1)(2)(B) of the Social Security Act. A clinic's initial PPS rate is established using the allowable costs and visits as reported on the FQHC's cost report. After the initial rate is determined, the PPS rate is increased at the beginning of the state's fiscal year (July 1) based on the current change in the Medicare Economic Index. Clinics contract with the TennCare Managed Care Organizations (MCOs) and file claims with the MCOs for services provided to TennCare enrollees.

FQHC visits are medically necessary, face-to-face medical or mental health visits or qualified preventive visits between the patient and a physician, nurse practitioner, physician assistant, clinical nurse midwife, clinical psychologist, or clinical social worker during which a qualified FQHC service is furnished.

RURAL MEDICAL SERVICES, INC.

Rural Medical Services, Inc., in Newport, Tennessee, provides FQHC services and participates in Tennessee’s Medicaid Prospective Payment System. The board of directors’ members are as follows:

Jill Childress, President	Sam Moscato
Geraldine George, Secretary	Bertalee Quarry
Vickie Butler	Melanie Carr
Jamie Clark	Eunice Rodriguez
Bonnie Ezell	Johnnie Wisecarver
Brenda Edwards	

The following PPS rates were in effect for the period covered by this examination:

<u>Period</u>	<u>Prospective Payment System (PPS) Rate (044-1858)</u>
July 1, 2015, through June 30, 2016	\$106.29
July 1, 2016, through June 30, 2017	\$107.46
July 1, 2017, through September 30, 2017	\$108.75
October 1, 2017, through June 30, 2018	\$163.77
July 1, 2018, through June 30, 2019	\$166.06
July 1, 2019, through June 30, 2020	\$168.55

The facility requested a change in scope; the request was approved, and a new rate was effective October 1, 2017. A change in the scope of services is defined as a change in the type, intensity, duration, or amount of services. The FQHC may request a change in the scope once per state fiscal year for each PPS rate for changes incurred in the previous two state fiscal years.

PRIOR EXAMINATION FINDINGS

This is the first examination of this clinic.

SCOPE OF THE EXAMINATION

Our examination covers certain financial-related requirements of the Medicaid Federally Qualified Health Centers PPS 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.



JASON E. MUMPOWER
Comptroller

Independent Accountant's Report

October 11, 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:

We have examined management's assertions, included in its representation letter dated October 11, 2021, that Rural Medical Services, Inc. complied with the following requirements:

- TennCare patient visits and monies received for all TennCare services for the period July 1, 2015, through June 30, 2020, are reported in accordance with the State Plan Amendment for Federally Qualified Health Centers.

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 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 adverse 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:

- Rural Medical Services, Inc. did not accurately report visits and payments on their submitted quarterly invoices, which resulted in TennCare overpayments of \$532,584.
- Rural Medical Services, Inc. failed to provide verifiable supporting documentation for the TennCare visits and payments reported for the period April 1, 2019, through June 30, 2019.

In our opinion, because of the significance of the matters described above, management's assertions that Rural Medical Services, Inc. complied with the aforementioned requirements for TennCare patient visits and payments for the period July 1, 2015, through June 30, 2020, are not fairly stated in accordance with the criteria, 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

KJS/pn

FINDINGS AND RECOMMENDATIONS

Finding 1 – Rural Medical Services, Inc. did not accurately report visits and payments on their submitted quarterly invoices, which resulted in TennCare overpayments of \$532,584

After the end of each quarter, Rural Medical Services, Inc. must submit an invoice to the Office of the Comptroller of the Treasury that contains the number of visits for TennCare services and amounts received for those services that were paid by Managed Care Organizations, third-party liabilities, and patients. TennCare remits a quarterly settlement payment to the center for the difference between the clinic's Medicaid Prospective Payment System rate and the amounts previously paid by MCOs and others.

Rural Medical Services, Inc. did not accurately report paid TennCare visits and payments received on all TennCare services on its quarterly reports submitted to the Office of the Comptroller of the Treasury. The clinic under-reported 2,112 TennCare visits for the period July 1, 2015, through June 30, 2020, and under-reported \$738,363 in payments received from MCOs, third parties, and patients for the same period. The under reporting of TennCare visits results in an amount due to the clinic of \$205,779. Based on discussions with clinic management, the provider was not aware all payments for TennCare enrollees should be included in the quarterly requests. Regarding the underreporting of payments, amounts received for items such as lab work and X-rays were excluded from the clinic's quarterly reports, increasing the quarterly settlement payment made by TennCare each quarter.

**TennCare Payment Variance
From July 1, 2015, Through June 30, 2020**

Quarter Ended	MCO, TPL, & PAT Payments Reported by Clinic	Amount Paid by MCOs, TPL, & PAT per TennCare Claims Data	MCO, TPL, PAT Payments Variance Over/(Under) Reported by Clinic
9/30/2015	162,475	207,284	(44,809)
12/31/2015	171,870	203,592	(31,722)
3/31/2016	170,817	211,516	(40,699)
6/30/2016	164,423	205,894	(41,471)
9/30/2016	168,110	224,864	(56,754)
12/31/2016	184,145	239,414	(55,269)
3/31/2017	200,789	251,672	(50,883)
6/30/2017	154,064	197,023	(42,959)
9/30/2017	170,868	211,499	(40,631)
12/31/2017	188,488	228,485	(39,997)
3/31/2018	182,282	229,670	(47,388)
6/30/2018	148,497	199,126	(50,629)
9/30/2018	148,957	196,754	(47,797)
12/31/2018	155,553	192,991	(37,438)
3/31/2019	248,023	220,570	27,453
6/30/2019	204,154	189,117	15,037
9/30/2019	173,624	209,515	(35,891)
12/31/2019	188,448	228,933	(40,485)
3/31/2020	181,183	228,918	(47,735)
6/30/2020	135,039	163,335	(28,296)
TOTALS	\$3,501,809	\$4,240,172	\$(738,363)

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.

Auditors relied on the TennCare claims data for the entire examination period to determine the actual number of paid TennCare visits and payments received on all TennCare services. As a result, we determined the Division of TennCare made overpayments of \$532,584 to the clinic for the period July 1, 2015, through June 30, 2020.

Recommendation

Rural Medical Services, Inc. should establish procedures to ensure that it submits accurate quarterly invoices to the State of Tennessee. The invoices should reflect the actual paid TennCare visits and all monies received for TennCare services. Upon the Division of TennCare’s approval, State Audit will reprocess all quarterly settlements and transmit to TennCare for recoupment of the overpayment.

Management’s Comment

In response to the audit findings Rural Medical Services would like to offer the following. Rural Medical Services has always been a good steward of State and Federal dollars and we pride ourselves on our accountability and relationships with organizations at the State and Federal level. Regarding the amount owed to the state from RMS, we can neither agree or disagree with this analysis due to a lack of a detailed accounting of underpayments over payments or disqualified visits. A detailed report was requested by RMS, and we have yet to receive it. We want to improve our process but without the requested detail we will not be able to fully improve our system. We have received summary reports and calculations; however without the detail or transparency needed, existing gaps in our system may continue, unintentionally, but based on the verbal reporting only, not the detailed report requested. Additional comments include a recommendation to have yearly reconciliation as opposed to a 5-year lookback and a review of the state plan amendment which is from the 1990's. Lastly, enhancing the guidance from TennCare including a set of rules and instructions on how to count the visits would be helpful so we can assure we are doing all future reporting the correct way. We appreciate the work the Comptroller's office has done with this project and would only ask for detail to be shared with its stakeholders.

Auditor Response

Auditors relied on the claims data obtained from the Division of TennCare. Providers can request their claims data from the Division of TennCare; however, the provider should already have this information from the remittance advices they received from the MCOs. This documentation should be maintained by the provider as documentation supporting their quarterly report. Auditors provided a list of CPT codes that were counted as eligible visits. Since the clinic did not provide the detail to support the reported visits, auditors could not determine what visits were disqualified.

Finding 2 – Rural Medical Services, Inc. failed to provide verifiable supporting documentation for the TennCare visits and payments reported for the period April 1, 2019, through June 30, 2019

Finding

Rural Medical Services, Inc. failed to provide verifiable supporting documentation for the 3,409 visits and \$204,154 payments reported for the period April 1, 2019, through June 30, 2019. Since the clinic was unable to provide a claims summary report, one quarter was selected from the examination period where auditors recreated the clinic's quarterly invoice report using the clinic's source documents. The purpose was to determine how the clinic was preparing the quarterly invoice and what the clinic was including in the reported visits and payments. The clinic provided spreadsheets showing their manual count of visits and payments from remittance advices received from the MCOs; however, these documents did not include specific claim or patient information which could be verified by auditors. The lack of verifiable information made it difficult to determine specific deficiencies in the provider's original request.

In response to our request, Rural Medical Services, Inc. contracted with an outside accounting firm to produce an electronic report of TennCare visits and payments for this period. This report used a different methodology than was used by the clinic to count the TennCare visits and payments. The report generated by the accounting firm did not agree with the TennCare visits and payments reported by the clinic during this period.

Title 42, *Code of Federal Regulations*, Part 413, Section 24, states that

Providers receiving payment on the basis of reimbursable cost must provide adequate cost data. This must be based on their financial and statistical records, which must be capable of verification by qualified auditors. ...

Adequate cost information must be obtained from the provider's records to support payments made for services rendered to beneficiaries. The requirement of adequacy of data implies that the data be accurate and in sufficient detail to accomplish the purposes for which it is intended. Adequate data capable of being audited is

consistent with good business concepts and effective and efficient management of any organization, whether it is operated for profit or on a nonprofit basis. It is a reasonable expectation on the part of any agency paying for services on a cost-reimbursement basis.

Recommendation

Rural Medical Services, Inc. should maintain adequate documentation to support services provided to TennCare enrollees and payments received from MCOs, third parties, and patients reported on the quarterly invoices submitted to the Comptroller of the Treasury's Office.

Management's Comment

Regarding the lack of submission of data, we indeed did submit the information needed; however, we changed the format in the middle of this process. We went from manual entry to a technology-based solution that all parties agreed was appropriate and accurate. We feel this is nothing more than asking for information a specific way after the fact.

Auditor Response

The clinic did not provide verifiable supporting documentation for the 3,409 visits and \$204,154 payments reported for the period April 1, 2019, through June 30, 2019. After the start of the examination, an outside firm was hired to assist the clinic in moving from a manual process to an electronic process. For the quarter ended June 30, 2019, an electronic report was generated but did not agree with the visits and payments reported by the clinic. Verifiable supporting documentation should be maintained by the clinic.

Rural Medical Services, Inc.
Settlement Calculation
Dates of Service July 1, 2015, Through June 30, 2020

	A	B	C	D	E	F	G	H	I	J	K
Quarter Ended	TennCare Visits as Reported by Clinic	TennCare Visits per TennCare Claims Data	Visits Variance Over/(Under) Reported by Clinic (A-B)	MCO, TPL, & Patient Payments Reported by Clinic	Amount Paid by MCOs, TPL, & Patients per TennCare Claims Data	MCO, TPL, & Patient Payments Variance Over/(Under) Reported by Clinic (D-E)	PPS Rate	Reimbursable Cost (B*G)	Tentative Settlements Paid by TennCare	Total Paid (E+I)	Amount Due From/(to) State (H-J)
9/30/2015	2,584	2,731	(147)	\$ 162,475.00	\$ 207,283.65	\$ (44,808.65)	\$ 106.29	\$ 290,277.99	\$ 112,169.00	\$ 319,452.65	\$ (29,174.66)
12/31/2015	2,741	2,800	(59)	171,870.00	203,591.99	(31,721.99)	106.29	297,612.00	119,461.00	323,052.99	(25,440.99)
3/31/2016	2,793	2,996	(203)	170,817.00	211,516.57	(40,699.57)	106.29	318,444.84	126,041.00	337,557.57	(19,112.73)
6/30/2016	2,739	2,939	(200)	164,423.00	205,894.02	(41,471.02)	106.29	312,386.31	126,695.00	332,589.02	(20,202.71)
9/30/2016	2,670	3,154	(484)	168,110.00	224,864.48	(56,754.48)	107.46	338,928.84	118,796.00	343,660.48	(4,731.64)
12/31/2016	2,902	3,289	(387)	184,145.00	239,414.42	(55,269.42)	107.46	353,435.59	127,691.00	367,105.42	(13,669.48)
3/31/2017	3,236	3,594	(358)	200,789.00	251,671.65	(50,882.65)	107.46	386,211.24	146,937.00	398,608.65	(12,397.41)
6/30/2017	2,400	2,796	(396)	154,064.00	197,023.21	(42,959.21)	107.46	300,458.16	103,829.00	300,852.21	(394.05)
9/30/2017	2,736	2,928	(192)	170,868.00	211,498.94	(40,630.94)	108.75	318,420.00	126,658.00	338,156.94	(19,736.94)
12/31/2017	2,911	3,164	(253)	188,488.00	228,485.45	(39,997.45)	163.77	518,168.28	288,246.00	516,731.45	1,436.83
3/31/2018	2,997	3,306	(309)	182,282.00	229,669.88	(47,387.88)	163.77	541,423.62	308,537.00	538,206.88	3,216.74
6/30/2018	2,584	2,737	(153)	148,497.00	199,125.75	(50,628.75)	163.77	448,238.49	274,685.00	473,810.75	(25,572.26)
9/30/2018	2,546	2,614	(68)	148,957.00	196,753.99	(47,796.99)	166.06	434,080.84	273,839.00	470,592.99	(36,512.15)
12/31/2018	2,784	2,723	61	155,553.00	192,990.84	(37,437.84)	166.06	452,181.38	306,766.00	499,756.84	(47,575.46)
3/31/2019	3,098	3,135	(37)	248,023.00	220,570.12	27,452.88	166.06	520,598.10	266,439.00	487,009.12	33,588.98
6/30/2019	3,409	2,617	792	204,154.00	189,116.61	15,037.39	166.06	434,579.02	361,954.00	551,070.61	(116,491.59)
9/30/2019	2,961	2,899	62	173,624.00	209,515.20	(35,891.20)	168.55	488,626.45	325,464.00	534,979.20	(46,352.75)
12/31/2019	3,205	3,111	94	188,448.00	228,933.01	(40,485.01)	168.55	524,359.05	351,767.00	580,700.01	(56,340.96)
3/31/2020	3,342	3,275	67	181,183.00	228,918.14	(47,735.14)	168.55	552,001.25	382,124.00	611,042.14	(59,040.89)
6/30/2020	2,337	2,279	58	135,039.00	163,334.73	(28,295.73)	168.55	384,125.45	258,871.00	422,205.73	(38,080.28)
	56,975	59,087	(2,112)	\$ 3,501,809.00	\$ 4,240,172.65	\$ (738,363.65)		\$ 8,214,557.25	\$ 4,506,969.00	\$ 8,747,141.65	\$ (532,584.40)

Amount Due to TennCare: Under Reported TennCare Payments \$ (738,363.65)
Amount Due to FQHC: Under Reported TennCare Visits \$ 205,779.25
Total Amount Due to TennCare \$ (532,584.40)