TENNESSEE COMPTROLLER OF THE TREASURY

# TennCare Examination

# Rural Health Services Consortium, Inc.
# Rogersville, Tennessee

## TennCare Visits and Payments

*October 1, 2018, Through September 30, 2020*


**Jason E. Mumpower**
*Comptroller of the Treasury*

DIVISION OF STATE AUDIT

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TENNESSEE COMPTROLLER OF THE TREASURY

JASON E. MUMPOWER
*Comptroller*

February 15, 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 Health Services Consortium, Inc., in Rogersville, Tennessee, for the period October 1, 2018, through September 30, 2020.

Sincerely,

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

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Division of State Audit

# Rural Health Services Consortium, Inc.

Rogersville, Tennessee
TennCare Examination

*Our mission is to make government work better.*

## EXAMINATION HIGHLIGHTS

**Examination Scope**
TennCare Visits and Payments for the Period
October 1, 2018, Through September 30, 2020

### FINDING RECOMMENDING MONETARY REFUND

**Rural Health Services Consortium, Inc. did not accurately report TennCare visits and payments on its submitted quarterly invoices**

Rural Health Services Consortium, Inc. underreported 1,643 TennCare visits and underreported $153,194 in payments received from Managed Care Organizations (MCOs), third parties, and patients for the period October 1, 2018, through September 30, 2020, by failing to include visits and payments for patients with TennCare as their secondary insurance. During this period, the clinic also included claims on its quarterly requests that are ineligible to be claimed as visits for this program, including CoverKids claims, denied claims, and visits for Medicare/Medicaid dual-eligible patients. As a result of the above, the Division of TennCare underpaid the clinic an estimated $24,022 for the period October 1, 2018, through September 30, 2020.

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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 Federally Qualified Health Centers 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 Federally Qualified Health Centers 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 Federally Qualified Health Center's assertions that it is in compliance with such requirements.

## General Background

Tennessee's Medicaid Prospective Payment System (PPS) for Federally Qualified Health Centers is described in attachment 4.19-B of the Tennessee State Plan under Title XIX of the Social Security Act Medical Assistance Program. Federally Qualified Health Centers (FQHCs) are eligible to apply to the Centers for Medicare and Medicaid Services for reimbursement under FQHC 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 Federally Qualified Health Center'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.

Federally Qualified Health Center 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 Federally Qualified Health Center service is furnished.

### *Rural Health Services Consortium, Inc.*

Rural Health Services Consortium, Inc., in Rogersville, Tennessee, provides Federally Qualified Health Center services and participates in Tennessee's Medicaid Prospective Payment System. The board of directors' members are as follows:

**Executive Committee**

Bob Cutshaw, Chairperson
Paul Frye, Vice-Chairperson
Terry Cunningham, Secretary
Cloyce Eller, Treasurer
Minnie Miller, Member-at-Large
Linda W. Buck, President/CEO, Ex-Officio (Non-voting)

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

| Period | Prospective Payment System (PPS) Rate (044-1814) |
|---|---|
| October 1, 2018, through June 30, 2019 | $114.77 |
| July 1, 2019, through June 30, 2020 | $116.49 |
| July 1, 2020, through September 30, 2020 | $118.70 |

## EXAMINATION SCOPE

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.

## PRIOR EXAMINATION FINDINGS

There has not been an examination performed within the last five years.

Jason E. Mumpower
*Comptroller*

**Independent Accountant's Report**

**December 28, 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 December 28, 2021, that Rural Health Services Consortium, Inc. complied with the following requirements:

- TennCare patient visits and monies received for all TennCare services for the period October 1, 2018, through September 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 modified opinion. Our



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examination does not provide a legal determination on the entity's compliance with specified requirements.

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

- Rural Health Services Consortium, Inc. did not accurately report TennCare visits and payments on its submitted quarterly invoices.

In our opinion, except for the instance of material noncompliance described above, management's assertions that Rural Health Services Consortium, Inc. complied with the aforementioned requirements for TennCare patient visits and payments for the period October 1, 2018, through September 30, 2020, are 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

## FINDING AND RECOMMENDATION

### Finding - Rural Health Services Consortium, Inc. did not accurately report TennCare visits and payments on its submitted quarterly invoices

After the end of each quarter, Rural Health Services Consortium, 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 (MCOs), third-party liabilities, and patients. TennCare remits a quarterly settlement payment to the clinic for the difference between the clinic's Medicaid Prospective Payment System reimbursable costs and the amounts previously paid by MCOs and others.

Prior to the examination, auditors conducted a preliminary desk review of the clinic's self-reported visits and payments. Auditors determined and disclosed to the clinic that it was including claims that did not meet the Centers for Medicare and Medicaid Services' definition of a visit. The clinic proactively revised its self-reported visits and payments to remove the ineligible claims. Additionally, the clinic ensured the revised reports included payments for all locations. Auditors did not reprocess the settlements at the time due to the pending examination; therefore, the settlement calculation noted in this report is based on the clinic's original self-reported visits and payments.

Based on the original submitted request, Rural Health Services Consortium, 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. Auditors used claims data obtained from the Division of TennCare to determine total paid TennCare visits and payments. Based on the amounts initially reported by the clinic, the clinic underreported 1,643 TennCare visits and $153,194 in payments received from MCOs, third parties, and patients for the period October 1, 2018, through September 30, 2020, by failing to include visits and payments for patients with TennCare as their secondary insurance, and including claims that are ineligible to be claimed as visits for this program, including:

- CoverKids claims,
- denied claims, and
- visits for Medicare/Medicaid dual-eligible enrollees.

CoverKids is Tennessee's Children's Health Insurance Program (CHIP), authorized by Title XXI of the Social Security Act. Similar to Medicaid, CHIP is jointly financed and administered by the federal and state governments. CoverKids is available to children who are under age 19 and are not eligible for TennCare Medicaid. FQHCs should submit a separate quarterly invoice to the Office of the Comptroller of the Treasury that contains the number of visits for CoverKids services and amounts received for those services that were paid by Managed Care

Organizations, third-party liabilities, and patients. The state will make quarterly payments to the clinic for the difference between the clinic's Medicaid Prospective Payment System reimbursable costs and the amounts previously paid by the MCOs and others. While the process for submitting invoices and receiving quarterly settlements is similar to TennCare quarterly reimbursement, CoverKids visits and payments must be separately reported and paid due to the distinctly allotted federal funds.

TennCare offers cost-sharing programs for Qualified Medicare Beneficiaries (QMBs) and Specified Low Income Medicare Beneficiaries (SLMBs). These programs provide cost-sharing assistance for low-income Medicare beneficiaries. Under these programs, the state is required to pay Medicare premiums, deductibles, and coinsurance for these recipients, but does not provide full Medicaid benefits. Chapter 1200-13-17-.01(2) of the *Rules of the Tennessee Department of Finance and Administration* defines a Dual Eligible as "a person who is a Medicare beneficiary and who is entitled to some form of assistance from TennCare Medicaid." Medicare is the primary payor for dual-eligible enrollees. Visits for Medicare and dual-eligible enrollees are reimbursed on the Medicare payment system; therefore, they are not eligible for the TennCare quarterly payment. Chapter 1200-13-13-.09(6) of the *Rules of the Tennessee Department of Finance and Administration* states, "TennCare shall be the payor of last resort, except where contrary to federal or state law."

Net variances by quarter for visits are in the table below.

| Quarter Ended | TennCare Visits Initially Reported by Clinic | Paid TennCare Visits per TennCare Claims Data | Under-reported Visits |
|---|---|---|---|
| 12/31/2018 | 4,470 | 4,872 | (402) |
| 3/31/2019 | 5,290 | 5,660 | (370) |
| 6/30/2019 | 4,975 | 5,281 | (306) |
| 9/30/2019 | 5,552 | 5,607 | (55) |
| 12/31/2019 | 5,473 | 5,545 | (72) |
| 3/31/2020 | 5,381 | 5,437 | (56) |
| 6/30/2020 | 4,145 | 4,266 | (121) |
| 9/30/2020 | 4,976 | 5,237 | (261) |
| **Total** | **40,262** | **41,905** | **(1,643)** |

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 clinic was underpaid $24,022 by the Division of TennCare for the period October 1, 2018, through September 30, 2020.

## Recommendation

Rural Health Services Consortium, 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 for each quarter reported. The clinic should ensure that all CoverKids visits and monies received for those services are reported on a separate report. Upon the Division of TennCare's approval, State Audit will reprocess all quarterly settlements and transmit them to TennCare for payment or recoupment.

## Management's Comment

While the auditors' above finding was ultimately favorable to RHSC [Rural Health Services Consortium], our organization wishes to address the conclusions underpinning this finding and express its concern with the TennCare quarterly reporting and audit process as a whole.

Federally Qualified Health Care Centers (FQHC) like RHSC would request clearer guidance regarding how to properly calculate and report visits and payments. RHSC was unaware of inaccurately reporting visits and payments to the State and, as such, RHSC takes issue with any implication in the audit report that these inaccuracies were intentional or negligent. RHSC continuously submitted quarterly reports in a timely manner and, because it received absolutely no indication of concerns or other guidance from TennCare, the reality is RHSC believed its reports were accurate and continued to submit these reports consistent with its understanding of the reporting requirements. The primary reporting error centered on the Clinic's reporting and inclusion of payments received for category II F codes on its quarterly PPS settlement reports. RHSC first alerted the auditors to this issue, which eventually prompted TennCare to issue a memorandum to all Tennessee FQHC/RHC providers in December 2021, explaining that F code revenue payments should not be included in PPS settlement reports. The mention of intentional inaccuracies of underreporting noted in the audit report did not favor RHSC, but to the contrary, it favored TennCare.

With respect to those claims that did not meet the Centers for Medicare and Medicaid Services' (CMS) definition of a visit, the Clinic proactively addressed this issue with the auditors, as well, and revised their reports to remove these ineligible claims, which included group therapy visits. Having not received any prior guidance to the contrary, RHSC was also unaware that group therapy visits were ineligible or that it should have included patients with secondary TennCare insurance in their visit count. Nevertheless, RHSC has since updated its system to correctly calculate these visits and payments going forward. Similarly, once RHSC was advised – for the first time – that CoverKids insurance visits needed to be reported separately, the Clinic updated their system to capture and report CoverKids visits in the future.

With guidance to the Clinic with respect to reporting visits and payments, RHSC could have identified and resolved the underreporting issues earlier and mitigated the potential of a substantial underpayment. Based on the information it *now* has, the Clinic concurs with the auditors' findings that visits were underreported, thus causing the State to owe RHSC the difference of $24,022.

RHSC has implemented a "reconciliation process" that will detect material variances on our quarterly reports, which will enable RHSC to avoid underreporting errors in the future.

In summary, RHSC urges TennCare to adopt a more proactive approach to ensuring quarterly reports and payments are accurate by providing meaningful guidance. Comparable to the December 2021 memorandum referenced above and access to a readable TennCare claims database would be beneficial to providers/clinics for reporting accuracy.

**Rural Health Services Consortium**
**Settlement Calculation**
**Dates of Service 10/1/2018 to 9/30/2020**

| | A | B | C | D | E | F | G | H | I | J |
|---|---|---|---|---|---|---|---|---|---|---|
| **Quarter Ended** | **TennCare Visits as Reported by Clinic** | **Payments Reported by Clinic** | **TennCare Visits per Claims Data** | **PPS Rate** | **Reimbursable Cost (C*D)** | **Amount Paid by MCOs & TPL per Claims Data** | **Capitation Payments** | **Tentative Settlements Paid by TennCare** | **Total Paid (F+G+H)** | **Amount Due from/(to) State (E-I)** |
| 12/31/2018 | 4,470 | $ 341,102.00 | 4,872 | $ 114.77 | $ 559,159.44 | $ 358,616.86 | $ 1,664.00 | $ 171,908.00 | $ 532,188.86 | $ 26,970.58 |
| 3/31/2019 | 5,290 | 393,187.00 | 5,660 | 114.77 | 649,598.20 | 407,148.94 | 1,490.00 | 213,933.00 | 622,571.94 | 27,026.26 |
| 6/30/2019 | 4,975 | 352,548.00 | 5,281 | 114.77 | 606,100.37 | 376,618.26 | 1,610.00 | 218,420.00 | 596,648.26 | 9,452.11 |
| 9/30/2019 | 5,552 | 386,464.00 | 5,607 | 116.49 | 653,159.43 | 405,396.32 | 1,577.00 | 260,283.00 | 667,256.32 | (14,096.89) |
| 12/31/2019 | 5,473 | 380,259.00 | 5,545 | 116.49 | 645,937.05 | 404,160.43 | 1,455.00 | 257,285.00 | 662,900.43 | (16,963.38) |
| 3/31/2020 | 5,381 | 366,903.00 | 5,437 | 116.49 | 633,356.13 | 389,002.91 | 1,724.00 | 259,924.00 | 650,650.91 | (17,294.78) |
| 6/30/2020 | 4,145 | 283,639.00 | 4,266 | 116.49 | 496,946.34 | 297,410.75 | 1,727.00 | 199,207.00 | 498,344.75 | (1,398.41) |
| 9/30/2020 | 4,976 | 368,304.00 | 5,237 | 118.70 | 621,631.90 | 387,245.87 | 1,702.00 | 222,358.00 | 611,305.87 | 10,326.03 |
| | 40,262 | $ 2,872,406.00 | 41,905 | | $ 4,865,888.86 | $ 3,025,600.34 | $ 12,949.00 | $ 1,803,318.00 | $ 4,841,867.34 | $ 24,021.52 |

| | | |
|---|---|---|
| Visits Variance | | (1,643) |
| Payments Variance | $ | (153,194.34) |