TENNCare Examination

Complete Healthcare Medical Center
DBA LaFollette Family Clinic
LaFollette, Tennessee

TennCare Visits and Payments
January 1, 2017, Through December 31, 2021

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Comptroller of the Treasury

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Mission Statement
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January 18, 2023

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 Rural Health Clinics 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 TennCare visits and payments of Complete Healthcare Medical Center, DBA LaFollette Family Clinic, in LaFollette, Tennessee, for the period January 1, 2017, through December 31, 2021.

Sincerely,

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

KJS/pn
22/069
EXAMINATION HIGHLIGHTS

Examination Scope
TennCare Visits and Payments for the Period
January 1, 2017, Through December 31, 2021

FINDING RECOMMENDING MONETARY REFUND

LaFollette Family Clinic did not accurately report TennCare PPS visits and payments on its submitted quarterly settlement requests, which resulted in TennCare underpayments of $19,396

LaFollette Family Clinic underreported 2,464 TennCare Prospective Payment System (PPS) visits and underreported $288,242 in TennCare payments received for the period January 1, 2017, through December 31, 2021. The clinic failed to report all payments for ancillary services and failed to include visits eligible to be counted for this program on its quarterly settlement requests.

As a result, the Division of TennCare made underpayments of $19,396 to the clinic for the period January 1, 2017, through December 31, 2021.
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<td>5</td>
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<td>8</td>
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</table>
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 Rural Health Clinics (RHCs) 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 RHCs 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 RHC’s assertions that it is in compliance with such requirements.

General Background

Tennessee’s Medicaid Prospective Payment System (PPS) for RHCs is described in attachment 4.19-B of the Tennessee State Plan under Title XIX of the Social Security Act Medical Assistance Program. RHCs are eligible to apply to the Centers for Medicare and Medicaid Services for reimbursement under Medicare and Medicaid payment methodologies. The defining legislation for RHCs 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 RHC’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.

After the end of each quarter, clinics submit a settlement request to the Office of the Comptroller of the Treasury with the number of PPS visits and payments for TennCare services. A clinic’s PPS rate is multiplied by the clinic’s self-reported visits to calculate the Medicaid PPS reimbursable costs. TennCare remits a quarterly settlement payment to the clinic for the difference between the clinic’s Medicaid PPS reimbursable costs and the payments reported by the clinic.

PPS visits (visits) are medically necessary, face-to-face medical, mental health, or qualified preventive visits between the patient and a qualifying provider during which a qualified RHC service is furnished, consistent with the federal regulations found at Title 42, Code of Federal Regulations (CFR), Part 405, Section 2463, and 42 CFR 440.20(b)-(c). Behavioral health must be in the RHC’s scope of services approved by the state to be included in the settlement calculation.

PPS payments (payments) are all payments received by the RHC on the behalf of TennCare enrollees; this includes amounts received on all services that were paid for the TennCare enrollee, even if it does not constitute a visit itself (such as labs, injections, or X-rays). RHC payments include Managed Care Organization (MCO) payments, as well as all third-party liability, all patient liability, and any capitation payments received from MCOs. The Division of TennCare has issued guidance requiring payments for certain services to be excluded on settlement requests.
reporting any visits and payments on the settlement requests, all claims must be submitted to and deemed “paid” by the TennCare MCO.

**Complete Healthcare Medical Center, DBA LaFollette Family Clinic**

Complete Healthcare Medical Center, DBA LaFollette Family Clinic in LaFollette, Tennessee, provides RHC services and participates in Tennessee’s Medicaid Prospective Payment System. Dr. Murugesen Dhandapani is the sole owner of LaFollette Family Clinic as of the date of this report.

During the period January 1, 2017, through December 31, 2019, the clinic was operating on an interim rate. The Office of the Comptroller of the Treasury computed a PPS rate of $108.38 based on the cost report for the fiscal year ending December 31, 2017, that went into effect on January 1, 2020.

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

<table>
<thead>
<tr>
<th>Period</th>
<th>Prospective Payment System (PPS) Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1, 2017, through June 30, 2017</td>
<td>$133.66</td>
</tr>
<tr>
<td>July 1, 2017, through June 30, 2018</td>
<td>$135.26</td>
</tr>
<tr>
<td>July 1, 2018, through June 30, 2019</td>
<td>$137.15</td>
</tr>
<tr>
<td>July 1, 2019, through December 31, 2019</td>
<td>$139.21</td>
</tr>
<tr>
<td>January 1, 2020, through June 30, 2020</td>
<td>$108.38</td>
</tr>
<tr>
<td>July 1, 2020, through June 30, 2021</td>
<td>$110.44</td>
</tr>
<tr>
<td>July 1, 2021, through December 31, 2021</td>
<td>$111.99</td>
</tr>
</tbody>
</table>

**EXAMINATION SCOPE**

Our examination covers certain financial-related requirements of the Medicaid Rural Health Clinics 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.
We have examined management’s assertions, included in its representation letter dated November 1, 2022, that LaFollette Family Clinic complied with the following requirements:

- TennCare patient visits and monies received on all TennCare services for the period January 1, 2017, through December 31, 2021, are reported in accordance with the State Plan Amendment for Rural Health Clinics.

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 examination does not provide a legal determination on the entity’s compliance with specified requirements.
We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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

- LaFollette Family Clinic did not accurately report TennCare PPS visits and payments on its submitted quarterly settlement requests, which resulted in TennCare underpayments of $19,396.

In our opinion, except for the instance of material noncompliance described above, management’s assertions that LaFollette Family Clinic complied with the aforementioned requirements for TennCare PPS visits and payments for the period January 1, 2017, through December 31, 2021, 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 — LaFollette Family Clinic did not accurately report TennCare PPS visits and payments on its submitted quarterly settlement requests, which resulted in TennCare underpayments of $19,396

LaFollette Family Clinic did not accurately report TennCare PPS visits and payments received on TennCare services on its quarterly settlement requests submitted to the Office of the Comptroller of the Treasury. The clinic underreported 2,464 TennCare PPS visits and underreported $288,242 in TennCare PPS payments for the period January 1, 2017, through December 31, 2021, by failing to include payments for ancillary services, such as laboratory services, and failing to include visits that are eligible to be counted for this program on its quarterly settlement requests. While underreporting visits results in a decreased TennCare quarterly settlement to the clinic, underreporting payments inflates the TennCare quarterly settlement amount.

According to Title 42, Code of Federal Regulations (CFR), Part 413, Section 24(a), 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.

In addition, 42 CFR 413.24(c) states, “Adequate cost information must be obtained from the provider's records to support payments made for services furnished 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.”

TennCare claims data was used to determine the number of PPS visits and payments for TennCare services. As a result, auditors determined the Division of TennCare made underpayments of $19,396 to the clinic for the period January 1, 2017, through December 31, 2021.
TennCare Visit Variance
From January 1, 2017, Through December 31, 2021

Visits Reported by Clinic
TennCare Visits per TennCare Claims Data

TennCare Payments Variance
From January 1, 2017, Through December 31, 2021

Payments Reported by Clinic
Payments from MCOs, TPL, and Patients per TennCare Claims Data
Recommendation

LaFollette Family Clinic should establish procedures to ensure that it submits accurate quarterly settlement requests to the State of Tennessee. The settlement requests should reflect the actual number of PPS visits and payments for TennCare services for each quarter reported. 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

Management did not respond to this finding.
<table>
<thead>
<tr>
<th>Quarter Ended</th>
<th>Visits Reported by Clinic</th>
<th>Payments Reported by Clinic</th>
<th>TennCare Visits per TennCare Claims Data</th>
<th>PPS Rate</th>
<th>Reimbursable Cost ((C*D))</th>
<th>Payments from MCOs, TPL&amp; PAT per TennCare Claims Data</th>
<th>Tentative Settlements Paid by TennCare</th>
<th>Total Paid ((F+G))</th>
<th>Amount due from/(to) State ((E-H))</th>
</tr>
</thead>
<tbody>
<tr>
<td>3/31/2017</td>
<td>617</td>
<td>30,091.00</td>
<td>719</td>
<td>133.66</td>
<td>96,101.54</td>
<td>47,797.20</td>
<td>52,376</td>
<td>100,173.20</td>
<td>(4,071.66)</td>
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<tr>
<td>6/30/2017</td>
<td>504</td>
<td>24,330.00</td>
<td>675</td>
<td>133.66</td>
<td>90,220.50</td>
<td>41,815.56</td>
<td>43,034</td>
<td>84,849.56</td>
<td>5,370.94</td>
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<tr>
<td>9/30/2017</td>
<td>372</td>
<td>26,611.00</td>
<td>571</td>
<td>135.26</td>
<td>77,233.46</td>
<td>31,541.44</td>
<td>23,706</td>
<td>55,247.44</td>
<td>21,986.02</td>
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<td>12/31/2017</td>
<td>463</td>
<td>20,683.00</td>
<td>623</td>
<td>135.26</td>
<td>84,266.98</td>
<td>38,753.11</td>
<td>41,943</td>
<td>80,696.11</td>
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<td>554</td>
<td>25,607.00</td>
<td>602</td>
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<td>81,426.52</td>
<td>35,195.89</td>
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<td>84,523.89</td>
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<td>6/30/2018</td>
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<td>78,045.02</td>
<td>36,594.50</td>
<td>35,737</td>
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<tr>
<td>9/30/2018</td>
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<td>577</td>
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<td>73,688.66</td>
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<td>83,497.63</td>
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<td>3/31/2019</td>
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<td>81,329.95</td>
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<td>87,417.72</td>
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<td>9/30/2019</td>
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<td>49,391</td>
<td>103,593.82</td>
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<td>12/31/2019</td>
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<td>3/31/2020</td>
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<td>785</td>
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<td>85,078.30</td>
<td>48,241.62</td>
<td>44,644</td>
<td>92,885.62</td>
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<td>6/30/2020</td>
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<td>21,310.00</td>
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<td>62,752.02</td>
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<td>25,835</td>
<td>62,712.96</td>
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<td>9/30/2020</td>
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<td>37,576.00</td>
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<td>79,295.92</td>
<td>47,366.32</td>
<td>33,213</td>
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<td>12/31/2020</td>
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<td>33,358</td>
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<td>832</td>
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<td>46,041.91</td>
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<td>114,181.77</td>
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<td>12/31/2021</td>
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<td>24,814.00</td>
<td>1,103</td>
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<td>123,524.97</td>
<td>66,490.64</td>
<td>30,397</td>
<td>96,887.64</td>
<td>26,637.33</td>
</tr>
</tbody>
</table>

| Total         | $11,337                  | $574,852.00                  | 13,801                                   |

Amount due to TennCare: Under Reported TennCare Payments $ (288,241.69)  
Amount due to RHC: Under Reported TennCare Visits $ 307,637.44  
Total Amount Due from/(to) TennCare $ 19,395.75