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Mission Statement
The mission of the Comptroller’s Office is to make government work better.

Comptroller Website
comptroller.tn.gov
January 26, 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 (RHCs) 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 Hall Medical Clinic in Waynesboro, Tennessee, for the period January 1, 2017, through December 31, 2021.

Sincerely,

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

KJS/pn
22/071
EXAMINATION HIGHLIGHTS

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

FINDING RECOMMENDING MONETARY REFUND

Hall Medical Clinic did not accurately report payments and visits for TennCare services on its submitted quarterly settlement requests, which resulted in a TennCare overpayment of $307,935

Hall Medical Clinic underreported $621,775 in payments and 2,340 TennCare visits for the period January 1, 2017, through December 31, 2021, by failing to report payments for ancillary services and eligible visits along with associated payments on its quarterly settlement requests.

As a result of the above, the Division of TennCare made an overpayment of $307,935 to the clinic for the period January 1, 2017, through December 31, 2021.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
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<tbody>
<tr>
<td>INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td>Purpose and Authority of the Examination</td>
<td>1</td>
</tr>
<tr>
<td>General Background</td>
<td>1</td>
</tr>
<tr>
<td>EXAMINATION SCOPE</td>
<td>2</td>
</tr>
<tr>
<td>PRIOR EXAMINATION FINDINGS</td>
<td>2</td>
</tr>
<tr>
<td>INDEPENDENT ACCOUNTANT’S REPORT</td>
<td>3</td>
</tr>
<tr>
<td>FINDING AND RECOMMENDATION</td>
<td>5</td>
</tr>
<tr>
<td>- Hall Medical Clinic did not accurately report payments and visits for TennCare services on its submitted quarterly settlement requests, which resulted in a TennCare overpayment of $307,935</td>
<td>5</td>
</tr>
<tr>
<td>Settlement Calculation</td>
<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.
Before reporting any payments and visits on the settlement requests, all claims must be submitted to and deemed “paid” by the TennCare MCO.

**Hall Medical Clinic**

Hall Medical Clinic in Waynesboro, Tennessee, provides RHC services and participates in Tennessee’s Medicaid Prospective Payment System. The clinic owner during most of the examination period was Joe I. Hall, MD. Dr. Hall passed away on November 12, 2020. The clinic was transferred to Valerie Hall-Glass, FNP, daughter of Dr. Joe I. Hall, in October 2021.

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 (044-8973)</th>
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<td>January 1, 2017, through June 30, 2017</td>
<td>$131.87</td>
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<td>July 1, 2017, through June 30, 2018</td>
<td>$133.45</td>
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<td>July 1, 2018, through June 30, 2019</td>
<td>$135.32</td>
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<td>July 1, 2019, through December 31, 2019</td>
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<td>January 1, 2020, through June 30, 2020</td>
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<td>$129.45</td>
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<tr>
<td>July 1, 2021, through December 31, 2021</td>
<td>$131.26</td>
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</table>

**EXAMINATION SCOPE**

Our examination covers certain financial-related requirements of the Medicaid Rural Health Clinics Prospective Payment System 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**

This is the first examination of this clinic.
Independent Accountant’s Report

November 1, 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 November 1, 2022, that Hall Medical Clinic complied with the following requirements:

- TennCare patient visits and monies received for 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 adverse opinion. 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 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:

- Hall Medical Clinic did not accurately report payments and visits for TennCare services on its submitted quarterly settlement requests, which resulted in a TennCare overpayment of $307,935.

In our opinion, because of the significance of the matters described above, management’s assertions that Hall Medical Clinic complied with the aforementioned requirements for TennCare patient payments and visits for the period January 1, 2017, through December 31, 2021, 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,

[Signature]

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

KJS/pn
Finding – Hall Medical Clinic did not accurately report payments and visits for TennCare services on its submitted quarterly settlement requests, which resulted in a TennCare overpayment of $307,935

Hall Medical Clinic did not accurately report payments received on TennCare services on its quarterly settlement requests submitted to the Office of the Comptroller of the Treasury. The clinic underreported $621,775 in payments received from Managed Care Organizations, third parties, and patients for the period January 1, 2017, through December 31, 2021.

TennCare Payment Variance

Also, Hall Medical Clinic did not accurately report paid TennCare visits on its quarterly settlement requests submitted to the Office of the Comptroller of the Treasury. The clinic underreported 2,340 TennCare visits for the period January 1, 2017, through December 31, 2021.
Due to the variances, auditors selected a quarter from each calendar year for further testing. The purpose was to determine how the clinic was preparing the quarterly settlement requests and what the clinic was including in the self-reported payments and visits.

The clinic used Payment Application Reports to prepare quarterly settlement requests. The clinic printed the reports, then marked and hand-counted payments and visits. The reports only included payments corresponding to the office procedure code itself. Hence, the clinic omitted ancillary service payments for services such as laboratory and radiology from its quarterly settlement requests, resulting in the facility overbilling the state. Using the clinic’s reports, the auditors prepared a detailed report to include the cumulative self-reported payments and visits for each of the selected quarters.

While reviewing the TennCare claims data for the selected quarters, the auditors determined that the clinic omitted some eligible visits from the requests, such as nursing home, assisted living, home care, and office visits. Auditors included these eligible visits in the settlement calculation, effectively offsetting a portion of the overpayment, reducing it from $621,775 to $307,935.

Auditors relied on the TennCare claims data for the entire examination period to determine the actual number of payments and paid visits received on all TennCare services. As a result, we determined the Division of TennCare made overpayments totaling $307,935 to the clinic for the period January 1, 2017, through December 31, 2021.
Criteria

Chapter 13, Section 40.1, of the Medicare Benefit Policy Manual states, “RHC or FQHC [Federally Qualified Health Center] visits may take place in the RHC or FQHC, the patient’s residence (including an assisted living facility), a Medicare-covered Part A SNF (see Pub.100-04, Medicare Claims Processing Manual, chapter 6, section 20.1.1), or the scene of an accident.”

Title 42, United States Code (USC), 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 31 USC 3729(b)(3). The False Claims Act subjects a provider to a fine and triple the damages, called “treble damages,” if he or she knowingly conceals or knowingly and improperly avoids or decreases an obligation to pay money to the federal government.

Recommendation

Hall Medical Clinic should establish procedures to ensure that it submits accurate quarterly settlement requests to the State of Tennessee. The requests should reflect the actual paid TennCare visits and all monies received 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 recoupment of the overpayment.

Management’s Comment

Errors, if any, regarding ancillary services on quarterly reports submitted by previous management and ownership and/or the Hall Medical Clinic between January 1, 2017, and December 31, 2021, are the inadvertent result of errors in billing software utilized by the clinic for all or part of the time period as well as inconsistency in reporting requirements for various programs. There was no intent to report inaccurate revenue amounts on the part of previous ownership and/or management or the Hall Medical Clinic during the relevant time period. The sole previous owner of the clinic passed away in 2020, and the clinic has reviewed its standards and procedures for reporting revenue on quarterly reports and is now reporting revenue accurately.

The absence of any intent to report inaccurate information on the quarterly reports is demonstrated by the fact the finding that those reports underreported patient visits, which resulted in less revenue being paid out under the RHC program.
Hall Medical Clinic
Settlement Calculation
Dates of Service 1/1/2017 to 12/31/2021

<table>
<thead>
<tr>
<th>Quarter Ended</th>
<th>Visits as 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, and Patients 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>
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</table>

Amount Due to TennCare: Under Reported TennCare Payments
$ (621,774.91)

Amount Due to RHC: Under Reported TennCare Visits
$ 313,839.94

Total Amount Due to TennCare
$ (307,934.97)