TENNESEE
COMPTROLLER
OF THE TREASURY

TENN CARE EXAMINATION

Citizens of Lake County for Health Care, Inc.
Tiptonville, Tennessee

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

Jason E. Mumpower
Comptroller of the Treasury

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

Comptroller Website
comptroller.tn.gov
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 TennCare visits and payments of Citizens of Lake County for Health Care, Inc., in Tiptonville, Tennessee, for the period January 1, 2017, through December 31, 2021.

Sincerely,

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

KJS/pn
22/074
EXAMINATION HIGHLIGHTS

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

FINDING RECOMMENDING MONETARY REFUND

Citizens of Lake County for Health Care, Inc. did not accurately report TennCare visits and payments on its submitted quarterly settlement requests, which resulted in TennCare overpayments of $144,782

Citizens of Lake County for Health Care, Inc. underreported 733 TennCare visits and underreported $225,144 in payments received from Managed Care Organizations, third parties, and patients for the period January 1, 2017, through December 31, 2021, by failing to report visits and payments for patients with TennCare as their secondary insurance. The clinic also failed to include payments for ancillary services.

As a result, the Division of TennCare made overpayments of $144,782 to the clinic for the period January 1, 2017, through December 31, 2021.
INTRODUCTION

Purpose and Authority of the Examination
General Background
Examination Scope
Prior Examination Findings

INDEPENDENT ACCOUNTANT’S REPORT

FINDING AND RECOMMENDATION

- Citizens of Lake County for Health Care, Inc. did not accurately report TennCare visits and payments on its submitted quarterly settlement requests, which resulted in TennCare overpayments of $144,782

Summary of Settlement Calculation
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 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 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.

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 FQHC 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 FQHC’s scope of services approved by the state to be included in the settlement calculation.

PPS payments (payments) are all payments received by the FQHC 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). FQHC 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 visits and payments on the settlement requests, all claims must be submitted to and deemed “paid” by the TennCare MCO.

**Citizens of Lake County for Health Care, Inc.**

Citizens of Lake County for Health Care, Inc., in Tiptonville, Tennessee, provides FQHC services and participates in Tennessee’s Medicaid Prospective Payment System. The board of directors’ members are as follows:

Rose Currin, Chairperson  
Craig Clay, Vice-Chairperson  
Linda Ledge, Secretary  
Debbie Beasley, Treasurer  
Ozella Garland  
Linda Cook  
Mary Reid  
Rhonda Battee  
Will Jackson  
Joyce Barnes

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

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<th>Period</th>
<th>Prospective Payment System (PPS) Rate (044-1822)</th>
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<td>July 1, 2017, through June 30, 2018</td>
<td>$106.52</td>
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<td>July 1, 2021, through December 31, 2021</td>
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**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.
There has not been an examination performed within the last five years.
Independent Accountant’s Report

October 17, 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 October 17, 2022, that Citizens of Lake County for Health Care, Inc. 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 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
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:

- Citizens of Lake County for Health Care, Inc. did not accurately report TennCare visits and payments on its submitted quarterly settlement requests, which resulted in TennCare overpayments of $144,782.

In our opinion, except for the instance of material noncompliance described above, management’s assertions that Citizens of Lake County for Health Care, Inc. complied with the aforementioned requirements for TennCare patient 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,

[Signature]

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

KJS/pn
Finding – Citizens of Lake County for Health Care, Inc. did not accurately report TennCare
visits and payments on its submitted quarterly settlement requests, which resulted in
TennCare overpayments of $144,782

Citizens of Lake County for Health Care, Inc. did not accurately report paid TennCare
visits and payments received on all TennCare services on its quarterly settlement requests
submitted to the Office of the Comptroller of the Treasury. Auditors used TennCare claims data
to determine total paid TennCare visits and payments. The clinic underreported 733 TennCare
visits and $225,144 in payments received from Managed Care Organizations (MCOs), third
parties, and patients for the period January 1, 2017, through December 31, 2021, by failing to
report visits and payments for patients with TennCare as their secondary insurance. The clinic also
failed to include payments for ancillary services such as X-rays and labs. While underreporting
visits results in a decreased TennCare quarterly settlement to the clinic, underreporting payments
inflates the TennCare quarterly settlement amount.

TennCare Visit Variances
Dates of Service January 1, 2017, Through December 31, 2021
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 totaling $144,782 to the clinic for the period January 1, 2017, through December 31, 2021.

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 the provider knowingly conceals or knowingly and improperly avoids or decreases an obligation to pay money to the federal government.

**Recommendation**

Citizens of Lake County for Health Care, Inc. should establish procedures to ensure that it submits accurate quarterly settlement requests to the State of Tennessee. The settlement requests should reflect the actual TennCare visits and payments 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

As a preliminary matter, we take exception with the scope and, specifically, the time period of the examination as a whole. TennCare’s decision to perform an audit on this rural, non-profit federally qualified health center (“FQHC”) for a five (5) year period and to demand repayment of $144,782 is quite troubling. [Citizens of Lake County for Health Care, Inc.] (“CLCHC”) submitted quarterly reports to TennCare on a timely basis for many years and, because it received absolutely no indication of concerns or other meaningful guidance from TennCare to the contrary before the audit, CLCHC reasonably believed (and maintains) its reports were accurate and continued to submit these reports consistent with its understanding of the reporting requirements. Had TennCare’s audit(s) been conducted timely, CLCHC could have identified and resolved any issues early on and mitigated the potential of a substantial overpayment allegation like the one now at issue.

While the auditors have now advised, through the audit process, that CLCHC’s reporting was erroneous and resulted in overpayments, TennCare’s failure to ever alert CLCHC of any potential issues or concerns with respect to the quarterly reports it submitted during the five-year examination period is astonishing, to say the least. TennCare’s belated, six-figure demand for CLCHC to pay back funds it received several years ago also imposes a significant financial burden on a non-profit FQHC whose mission and mandate is to provide access to local healthcare to thousands of patients in a rural area. Lake County is one of ten “distressed counties” in Tennessee. This means Lake County lands in the lowest tier of counties in Tennessee (and nationally) in these three economic categories: (1) per capita market income ($13,429); (2) poverty rate (31.00%); and (3) three-year average unemployment rate (6.4%).¹ Like employment opportunities, healthcare options are also limited. There is a high Medicaid population (28% of the total county) in Lake County due to the foregoing factors. The absence of a local hospital with an emergency department means that many patients seek emergency-type services at CLCHC. This demand has strained CLCHC’s already limited resources as it continues to struggle to serve Medicaid patients from not only Lake County, but the neighboring counties, as well.

The audit report alleges CLCHC “did not accurately report paid TennCare visits and payments received on all TennCare services on its quarterly settlement requests . . .” (Report, p. 6). The quarterly reports submitted by CLCHC have been available for TennCare’s review over the past five years that TennCare has elected to audit. Although the auditors purportedly relied on “TennCare claims data to determine total paid TennCare visits and payments,” this data was never made available to CLCHC in a readable or usable format at any point during the five-year examination period. The limited data supplied by the auditors during the audit only contained the number of visits per quarter – it did not include any underlying details or documentation that would allow CLCHC to determine how the adjusted per visit rates were calculated or to undertake an exhaustive review of the auditors’ findings. While TennCare is permitted a five-year lookback period from the date of payment when auditing providers, CLCHC’s ability to determine whether this timeframe was followed and to fully respond to the draft audit report was effectively

foreclosed by the limited information provided by the auditors, and CLCHC objects to the finding on that basis. Furthermore, the auditors’ process, overall finding, and underlying data highlight the significant problems with TennCare’s quarterly reporting and audit processes as a whole.

CLCHC has consistently endeavored to correctly report all visits and associated data without the benefit of any meaningful guidance or instruction from TennCare. But CLCHC and other TennCare providers have faced very real challenges when preparing and submitting their claims visit data and quarterly reports. First, TennCare has offered providers little to no training, instructional materials, or other resources with respect to preparing quarterly reports, nor has it clearly defined what constitutes a “visit” for reporting purposes. Second, there is no meaningful way for providers to contemporaneously compare their claims data to that of TennCare to ensure that visits are reported accurately at any point before or after their quarterly reports are submitted. TennCare’s online visit data is not available in a user-friendly, readable format, and it is simply not reasonable or feasible to expect providers like CLCHC to devote their already limited resources to the time-consuming process of trying to reconcile their claims data with TennCare’s largely unreadable data. Finally, TennCare never conducted any interim reviews or audits during the examination period, nor did it issue any periodic reports or other notifications to CLCHC that raised any issues or concerns with their reporting. Had TennCare done so, CLCHC could have compared their visit data with TennCare’s data after quarterly reports were submitted and not only verified that the numbers were consistent, but also detected and corrected any material errors or other discrepancies. While the state auditors now evidently have implemented a “reconciliation process” that allows the auditors to detect and alert providers to material variances between providers’ quarterly reports and TennCare’s visit data on a more regular basis, this process was not in place during the examination period – if it was, CLCHC and TennCare could have avoided the overpayment issue alleged in the audit report altogether.

**Auditor Response**

Citizens of Lake County Health Care has a responsibility to accurately report paid TennCare visits and payments on a quarterly basis. Pursuant to Section 71-5-130, *Tennessee Code Annotated*, the Comptroller of the Treasury has the authority to audit this data. The Division of TennCare will make a final determination concerning payback.

Regarding the availability of data, the provider should already have the claim detail from the remittance advices they received from the MCOs. Auditors relied on the claims data obtained from TennCare and also provided Citizens of Lake County for Health Care management with claims data to support the visits and payments on the settlement calculation. This data included each paid TennCare claim by claim line with the patient’s name, date of birth, date of service, procedure code, payment, and a visit indicator denoting PPS visits.
### Citizens of Lake County for Health Care, Inc.

**Settlement Calculation**

**Dates of Service 1/1/2017 to 12/31/2021**

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<th>Quarter Ended</th>
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<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>TennCare Settlements Paid by TennCare</th>
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11,224 | $542,784.00 | 11,957 | 1,305,081.82 | $767,927.57 | 681,936.00 | 1,449,863.57 | $144,781.75

Amount due to TennCare: Under Reported TennCare Payments $ (225,143.57)
Amount due to FQHC: Under Reported TennCare Visits 80,361.82
Total Amount Due to TennCare $ (144,781.75)