

# TENNCARE REPORT

**The Bridge at South Pittsburg  
South Pittsburg, Tennessee**

**Depreciation Expense for the Period  
January 1, 2010, Through December 31, 2010,  
Resident Days for the Period  
January 1, 2009, Through June 30, 2011,  
and Resident Accounts for the Period  
January 1, 2009, Through September 12, 2011**



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY**

**Department of Audit  
Division of State Audit**



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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
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May 31, 2012

The Honorable Bill Haslam, Governor  
and

Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243

and

Mr. Darin Gordon, Deputy Commissioner  
Bureau 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 nursing facilities participating in the Tennessee Medical Assistance Program under Title XIX of the Social Security Act (Medicaid).

Submitted herewith is the report of the limited scope examination of the depreciation expense reported on the Medicaid cost report of The Bridge at South Pittsburg, South Pittsburg, Tennessee, for the period January 1, 2010, through December 31, 2010; resident days for the period January 1, 2009, through June 30, 2011; and resident accounts for the period January 1, 2009, through September 12, 2011.

Sincerely,

Arthur A. Hayes, Jr., CPA  
Director

AAH/pn  
12/020

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report

## **The Bridge at South Pittsburg**

South Pittsburg, Tennessee

Depreciation Expense for the Period

January 1, 2010, Through December 31, 2010,

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and Resident Accounts for the Period

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### **FINDINGS RECOMMENDING MONETARY REFUNDS**

#### **Residents Inappropriately Charged for Covered Services**

The Bridge at South Pittsburg charged Medicaid residents' trust fund accounts for haircuts and shampoos, which are Medicaid covered services. As a result of the inappropriate charges, the facility should reimburse 42 Medicaid residents or their authorized representatives a total of \$1,699.00.

#### **Lack of Documentation or Authorization for Withdrawals from the Resident Trust Fund**

The Bridge at South Pittsburg failed to take adequate measures to safeguard the resident trust fund as required by federal and state laws. The facility lacked support for withdrawals and proper authorization for seven of the Medicaid resident trust fund accounts. The facility should refund seven Medicaid residents or their authorized representatives a total of \$675.09.

### **FINDINGS NOT RECOMMENDING MONETARY REFUNDS**

#### **Insufficient Surety Bond Coverage for the Resident Trust Fund**

The Bridge at South Pittsburg's surety bond coverage was insufficient to ensure all funds held in trust for its residents.

**Incorrect Useful Lives of Depreciable Assets**

The Bridge at South Pittsburg reported excess depreciation expense on its “Medicaid Nursing Facility Level 1 Cost Report” for the fiscal year ended December 31, 2010. Of the four assets tested that were purchased during the fiscal year ended December 31, 2010, all four of the assets had incorrect useful lives, resulting in assets being depreciated too rapidly. Since the Medicaid reimbursement rate was frozen effective July 1, 2011, an adjustment to depreciation expense would have no effect on the facility’s Medicaid reimbursement rate.

**The Bridge at South Pittsburg  
South Pittsburg, Tennessee  
Depreciation Expense for the Period  
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**INTRODUCTION**

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**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 nursing facilities that participate in the Tennessee Medicaid Nursing Facility Program.

Under their agreements with the state and as stated on cost reports submitted to the state, participating nursing facilities 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 nursing facilities' assertions that they are in compliance with such requirements.

**BACKGROUND**

To receive services under the Medicaid Nursing Facility Program, a recipient must meet Medicaid eligibility requirements under one of the coverage groups included in the *State Plan for Medical Assistance*. The need for nursing care is not in itself sufficient to establish eligibility. Additionally, a physician must certify that recipients need nursing facility care before they can be admitted to a facility. Once a recipient is admitted, a physician must certify periodically that continued nursing care is required. The number of days of coverage available to recipients in a nursing facility is not limited.

The Medicaid Nursing Facility Program provides for nursing services on two levels of care. Level I Nursing Facility (NF-1) services are provided to recipients who do not require an intensive degree of care. Level II Nursing Facility (NF-2) services, which must be under the direct supervision of licensed nursing personnel and under the general direction of a physician, represent a higher degree of care.

The Bridge at South Pittsburg, South Pittsburg, Tennessee, provides both NF-1 and NF-2 services. The facility is owned and operated by Signature Consulting Services, LLC. The officers/members of the board of directors are as follows:

Elmer Joseph, CEO/President  
Ira Smedra  
Jacob Wintner

During the examination period, the facility maintained a total of 165 licensed nursing facility beds. The Division of Quality Assurance of the Department of Health licensed the facility for these beds. Eligible recipients receive services through an agreement with the Department of Health. Of the 60,225 available bed days, the facility reported 37,370 for Medicaid NF-1 residents and 110 for Medicaid NF-2 residents for the year ended December 31, 2010. Also, the facility reported total operating expenses of \$9,154,539 for the period.

The Division of Quality Assurance inspected the quality of the facility’s physical plant, professional staff, and resident services. The nursing facility met the required standards.

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

<u>Period</u>	<u>Level I NF (744-0312)</u>	<u>Level II NF (044-5343)</u>
July 1, 2008, through June 30, 2009	\$139.50	\$144.32
July 1, 2009, through June 30, 2010	\$142.14	\$150.26
July 1, 2010, through August 31, 2010	\$158.94	\$163.38
September 1, 2010, through June 30, 2011	\$162.75	\$165.24
July 1, 2011, through December 31, 2011	\$162.73	\$165.19

**PRIOR EXAMINATION FINDINGS**

This facility has not been examined within the past five years.

**SCOPE OF THE EXAMINATION**

Our examination covers certain financial-related requirements of the Medicaid Nursing Facility 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, clinical, or medical provisions.



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
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**Independent Accountant's Report**

**September 15, 2011**

The Honorable Bill Haslam, Governor  
and

Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243

and

Mr. Darin Gordon, Deputy Commissioner  
Bureau 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 September 15, 2011, that The Bridge at South Pittsburg complied with the following requirements:

- Depreciation expense reported on the "Medicaid Nursing Facility Level 1 Cost Report" for the fiscal year ended December 31, 2010, was in accordance with federal regulations.
- Resident days have been counted in accordance with state regulations. Medicaid resident days billed to the state from January 1, 2009, through June 30, 2011, when residents were hospitalized or on therapeutic leave are in accordance with the bed hold rules.
- Charges to residents' personal funds from January 1, 2009, through September 12, 2011, are in accordance with state and federal regulations.

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, and accordingly, included examining on a test basis, evidence about The Bridge at South Pittsburg's compliance with those requirements and performing such other procedures as we considered necessary under the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on The Bridge at South Pittsburg's compliance with specified requirements.

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

- Residents inappropriately charged for covered services
- Lack of documentation or authorization for withdrawals from the resident trust fund
- Insufficient surety bond coverage for the resident trust fund
- Incorrect useful lives of depreciable assets

In our opinion, except for the instances of material noncompliance described above, The Bridge at South Pittsburg complied with, in all material respects, the aforementioned requirements for the depreciation expense reported on the cost report for the period January 1, 2010, through December 31, 2010; resident days for the period January 1, 2009, through June 30, 2011; and for resident accounts for the period January 1, 2009, through September 12, 2011.

This report is intended solely for the information and use of the Tennessee General Assembly and the Tennessee Department of Finance and Administration. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

A handwritten signature in black ink that reads "Arthur A. Hayes, Jr." The signature is written in a cursive style with a large, prominent initial "A".

Arthur A. Hayes, Jr., CPA  
Director

AAH/pn

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## FINDINGS AND RECOMMENDATIONS

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### 1. Residents Inappropriately Charged for Covered Services

#### Finding

The Bridge at South Pittsburg has inappropriately charged Medicaid residents' trust fund accounts for Medicaid covered services. From January 1, 2009, through September 12, 2011, the facility inappropriately charged 42 residents a total of \$1,699.00 for basic haircuts and shampoos.

Chapter 1200-8-6-.06(4)(q) of the *Rules of Tennessee Department of Health* states, in regard to basic services, "Residents shall have shampoos, haircuts, and shaves as needed, or desired."

As a result of the inappropriate charges for basic haircuts and shampoos, the resident trust fund accounts for Medicaid residents have been incorrectly charged \$1,699.00 for Medicaid covered services.

#### Recommendation

The Bridge at South Pittsburg should not charge Medicaid residents for covered services. The facility should reimburse the 42 Medicaid residents or their authorized representatives a total of \$1,699.00. In the future, the facility should provide covered services to all Medicaid residents without charge.

#### Management's Comment

Management concurs. The facility will reimburse the identified residents or their authorized representatives. In the future, the facility will provide covered services to all Medicaid residents according to Chapter 1200-8-6-.06(4)(q) of the *Rules*.

### 2. Lack of Documentation or Authorization for Withdrawals from the Resident Trust Fund

#### Finding

The Bridge at South Pittsburg failed to take adequate measures to safeguard resident trust funds as required by federal and state laws. The facility lacked adequate documentation and

proper authorization from either the residents or their authorized representatives for withdrawals in seven of the Medicaid resident trust fund accounts, totaling \$675.09.

Section 483.10, Paragraph 22,163.10(c)(4), of the *Medicare and Medicaid Guide* requires the facility “to establish and maintain a system that assures a full and complete and separate accounting, according to generally accepted accounting principles, of each resident’s personal funds entrusted to the facility on the resident’s behalf.”

Chapter 1200-13-6-.10(4) of the *Rules of Tennessee Department of Finance and Administration* states, “Personal funds held by the provider for Medicaid patients used in purchasing clothing and personal incidentals must be properly accounted for with detailed records of amount received and disbursed and shall not be commingled with nursing facility funds.”

### **Recommendation**

The Bridge at South Pittsburg should immediately establish adequate internal controls to ensure compliance with applicable laws and regulations relative to protection of resident trust funds. Adequate documentation must be maintained to support deposits and withdrawals for the resident trust fund accounts. The facility should reimburse seven Medicaid residents or their authorized representatives a total of \$675.09.

### **Management’s Comment**

Management concurs. The facility will reimburse the identified residents or their authorized representatives. Additionally, the facility has established appropriate internal controls to ensure compliance with Section 483.10, Paragraph 22.163.10(c)(4), of the *Medicare and Medicaid Guide*.

## **3. Insufficient Surety Bond Coverage for the Resident Trust Fund**

### **Finding**

The Bridge at South Pittsburg failed to maintain an adequate trust fund surety bond to protect resident funds. The amount of the surety bond was not sufficient to cover all funds held in trust. As of February 9, 2011, the resident trust fund balance was \$107,807.93, while the coverage under the bond was limited to \$60,000.

Section 68-11-906(f), *Tennessee Code Annotated*, states, “The nursing home shall maintain a surety bond on all funds held in trust for the facility residents and shall make an annual, audited accounting of such funds available to their residents and for public inspection.”

Failure to maintain an adequate surety bond increases the risk that resident trust funds would not be replaced in the event of misappropriation or theft.

### **Recommendation**

The Bridge at South Pittsburg should maintain controls to ensure compliance with applicable laws and regulations for the protection of resident trust funds. The facility should increase the surety bond as necessary to provide coverage for all money held in trust at any point in time.

### **Management's Comment**

Management concurs. The facility has increased its surety bond to provide coverage for all money held in trust. Additionally, the facility has implemented internal controls to ensure compliance with TCA Section 68-11-906(f).

## **4. Incorrect Useful Lives of Depreciable Assets**

### **Finding**

The Bridge at South Pittsburg reported excess depreciation expense on its "Medicaid Nursing Facility Level 1 Cost Report" for the fiscal year ended December 31, 2010. Of the four assets tested that were purchased during the fiscal year ended December 31, 2010, all four of the assets had incorrect useful lives, resulting in the assets being depreciated too rapidly.

Paragraph 4695 of the *Medicare and Medicaid Guide* states, "In initially selecting a proper useful life for computing depreciation . . . the provider may use certain published useful life guidelines. . . . For assets acquired on or after January 1, 1981, only the AHA (American Hospital Association) guidelines may be used."

Since the Medicaid reimbursement rate was frozen effective July 1, 2011, an adjustment to depreciation expense would have no effect on the facility's Medicaid reimbursement rate; therefore, no adjustment to expenses will be made.

### **Recommendation**

The Bridge at South Pittsburg is required to use the useful life guidelines as published by the American Hospital Association. Management should immediately change the useful lives of any assets, including the four tested in this examination, and properly report depreciation expense on subsequent cost reports.

### **Management's Comment**

Management concurs. The facility has reviewed its accounting practices to ensure compliance with Paragraph 4695 of the *Medicare and Medicaid Guide*.

## SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

### Source of Overpayments

Residents Inappropriately Charged for Covered Services (see finding 1)	\$1,699.00
Lack of Documentation or Authorization for Withdrawals from the Resident Trust Fund (see finding 2)	<u>\$ 675.09</u>
Total	<u>\$2,374.09</u>

### Disposition of Overpayments

Due to residents or their authorized representatives	<u>\$2,374.09</u>
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