



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY**

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**THE BRIDGE AT SOUTH PITTSBURG  
SOUTH PITTSBURG, TENNESSEE**

**Cost Report for the Period  
January 1, 2014, Through December 31, 2014;  
Resident Days for the Period  
January 1, 2014, Through June 30, 2015;  
and Resident Accounts for the Period  
October 1, 2014, Through September 30, 2015**

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**Justin P. Wilson, Comptroller**



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JUSTIN P. WILSON  
*Comptroller*

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June 7, 2018

The Honorable Bill Haslam, Governor  
and  
Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243  
and  
Dr. Wendy Long, 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 and agencies providing home- and community-based waiver services 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 the Medicaid cost report of The Bridge at South Pittsburg, in South Pittsburg, Tennessee, for the period January 1, 2014, through December 31, 2014; resident days for the period January 1, 2014, through June 30, 2015; and resident accounts for the period October 1, 2014, through September 30, 2015.

Sincerely,

A handwritten signature in black ink that reads "Deborah V. Loveless".

Deborah V. Loveless, CPA, Director  
Division of State Audit

DVL/pn  
16/310

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report  
**The Bridge at South Pittsburg**  
South Pittsburg, Tennessee  
Cost Report for the Period  
January 1, 2014, Through December 31, 2014;  
Resident Days for the Period  
January 1, 2014, Through June 30, 2015;  
and Resident Accounts for the Period  
October 1, 2014, Through September 30, 2015

## FINDINGS RECOMMENDING MONETARY REFUNDS

### **Nonallowable Expenses Included on the Cost Report**

The Bridge at South Pittsburg included \$48,399.34 of nonallowable expenses on the “Medicaid Nursing Facility Level 1 Cost Report” for the year ended December 31, 2014. The nonallowable amount consists of \$42,540.94 of marketing salaries; \$5,593.40 of marketing travel expenses; \$175.00 in late fees; and \$90.00 in advertising. As a result of these adjustments, as well as the adjustments to resident days and gross charges, overpayments made to the facility by the Medicaid Program are estimated at \$42,889.22, computed from July 1, 2015, through June 30, 2016 (page 6).

### **Inaccurate Accumulation of Resident Days and Gross Charges**

The Bridge at South Pittsburg inaccurately reported resident days and gross charges on the Medicaid cost report. The facility

overreported 248 Medicaid Level 1 Nursing Facility (NF-1) days and 11 private NF-1 days. The facility underreported 83 Medicare NF-2 days and 175 other NF-1 days. The facility also overstated gross charges for Medicaid NF-1 by \$45,384.00 and private NF-1 by \$2,013.00. The facility understated gross charges for Medicare NF-2 by \$15,189.00 and other NF-1 by \$32,025.00. The adjustments to resident days and associated charges are incorporated in the rate change in the nonallowable expense finding (page 7).

### **Improper Management of Credit Balances**

The Bridge at South Pittsburg failed to ensure that credit balances on the accounts of deceased or discharged residents were properly managed and promptly refunded. Accounts receivable unrefunded credit balances totaling \$32,090.29 remain on the accounts of 68 former residents. Of this

amount, \$31,204.59 is due to the Medicaid Program, and \$885.70 is due to 2 former

Medicaid residents or their authorized representatives (page 8).

**The Bridge at South Pittsburg  
South Pittsburg, Tennessee  
Cost Report for the Period  
January 1, 2014, Through December 31, 2014;  
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**The Bridge at South Pittsburg  
South Pittsburg, Tennessee  
Cost Report for the Period  
January 1, 2014, Through December 31, 2014;  
Resident Days for the Period  
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and Resident Accounts for the Period  
October 1, 2014, Through September 30, 2015**

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

E. Joseph Steier, III, CEO  
 John Harrison, CFO  
 Sandra Adams, Vice President and General Counsel

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 31,554 for Medicaid NF-1 residents and no days for Medicaid NF-2 residents for the year ended December 31, 2014. Also, the facility reported total operating expenses of \$9,025,973.00 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, 2013, through June 30, 2014	\$160.22	\$169.63
July 1, 2014, through June 30, 2015	\$159.13	\$173.83
July 1, 2015, through June 30, 2016	\$181.64	\$175.44

**PRIOR EXAMINATION FINDINGS**

The prior report of The Bridge at South Pittsburg, 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, contained the following findings:

- 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, and
- incorrect useful lives of depreciable assets.

These findings have been satisfactorily remedied.

## **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 or clinical or medical provisions.



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## **Independent Accountant's Report**

**November 5, 2015**

The Honorable Bill Haslam, Governor  
and  
Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243  
and  
Dr. Wendy Long, 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 November 5, 2015, that The Bridge at South Pittsburg complied with the following requirements:

- Income and expenses reported on the "Medicaid Nursing Facility Level 1 Cost Report" for the fiscal year ended December 31, 2014, are reasonable, allowable, and in accordance with state and federal rules, regulations, and reimbursement principles.
- Resident days reported on the Medicaid cost report have been counted in accordance with state regulations. Medicaid resident days billed to the state from January 1, 2014, through June 30, 2015, when residents were hospitalized or on therapeutic leave are in accordance with the bed hold rules.
- Charges to residents and charges to residents' personal funds from October 1, 2014, through September 30, 2015, 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 other such procedures that we considered necessary. 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:

- nonallowable expenses included on the cost report,
- inaccurate accumulation of resident days and gross charges, and
- improper management of credit balances.

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 income and expenses reported on the Medicaid cost report for the period January 1, 2014, through December 31, 2014; for resident days for the period January 1, 2014, through June 30, 2015; and for resident accounts for the period October 1, 2014, through September 30, 2015.

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,



Deborah V. Loveless, CPA, Director  
Division of State Audit

DVL/pn

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## FINDINGS AND RECOMMENDATIONS

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### 1. Nonallowable Expenses Included on the Cost Report

#### Finding

The Bridge at South Pittsburg included \$48,399.34 of nonallowable expenses on the “Medicaid Nursing Facility Level 1 Cost Report” for the year ended December 31, 2014. The nonallowable expenses consist of \$42,540.94 of marketing salaries; \$5,593.40 of marketing travel expense; \$175.00 in late fees; and \$90.00 in advertising.

Chapter 1200-13-6-.09 of the *Rules of Tennessee Department of Finance and Administration* states, “Adequate financial records, statistical data, and source documents must be maintained for proper determination of costs under the program.” It also specifies that unnecessary costs and costs unrelated to patient care be deducted from allowable expenses. Such costs that are not allowable in computing reimbursable costs include

- any fines, penalties, or interest paid on any tax payments or interest charges on overdue payables;
- advertising costs incurred which seek to increase patient population or utilization of the provider’s facilities by the general public; and
- travel expenses which are personal in nature, not proper or related to patient care.

Part 1, Paragraph 2102.3 of the *Provider Reimbursement Manual* states,

Costs not related to patient care are costs which are not appropriate or necessary and proper in developing and maintaining the operation of patient care facilities and activities. Costs which are not necessary include costs which usually are not common or accepted occurrences in the field of the provider’s activity.

Such costs are nonallowable in computing reimbursable costs and include, for example, cost of travel incurred in connection with non-patient care related purposes.

As a result of the adjustments to allowable expenses above, and the adjustment to resident days and gross charges noted in Finding 2, the facility’s Medicaid reimbursable rates were adjusted as follows:

<u>Period</u>	<u>Original Rate</u>	<u>Adjusted Rate</u>	<u>Difference</u>
July 1, 2015, through June 30, 2016	\$181.64	\$180.27	\$(1.37)
July 1, 2016, through June 30, 2017	\$188.61	\$188.61	\$(0.00)
July 1, 2017, through June 30, 2018	\$196.55	\$196.55	\$(0.00)

The above adjustments will be sent to the Bureau of TennCare for reprocessing of all Medicaid claims for the dates of service from July 1, 2015, through June 30, 2016. Estimated overpayments made to the facility as a result of the expense adjustments and gross charges and days adjustments are \$42,889.22.

### **Recommendation**

The Bridge at South Pittsburg should include only allowable expenses on the Medicaid cost report. All reported expenses should be adequately supported for covered services, related to resident care, and in compliance with other applicable regulations. The Bureau of TennCare should reprocess all claims for the period July 1, 2015, through June 30, 2016. The estimated recoupment for the reprocessed claims is \$42,889.22.

### **Management's Comment**

Thank you for bringing this to our attention. We strive to comply with applicable reimbursement regulations at all times. Since the preparation of this cost report, we have reviewed and modified our preparation process and educated our staff to ensure we correctly offset applicable marketing personnel. We will review the other findings and incorporate any changes necessary to comply with applicable regulations.

## **2. Inaccurate Accumulation of Resident Days and Gross Charges**

### **Finding**

The Bridge at South Pittsburg inaccurately reported residents on the "Medicaid Nursing Facility Level 1 Cost Report" for the year ended December 31, 2014. The facility overreported 248 Medicaid NF-1 days and 11 private NF-1 days. The facility underreported 83 Medicare NF-2 days and 175 other NF-1 days.

Also, gross charges were overstated for Medicaid NF-1 by \$45,384.00 and private NF-1 by \$2,013.00. The facility understated gross charges for Medicare NF-2 by \$15,189.00 and other NF-1 by \$32,025.00.

Chapter 1200-13-6-.10(5) of the *Rules of the Tennessee Department of Finance and Administration* states:

Each facility must maintain daily census records and an adequate patient log. . . . This log, however, must be sufficient to provide the following information on an individual basis and to accumulate monthly and yearly totals for Medicaid NF patients and for all other patients.

Chapter 1200-13-6-.15 of the *Rules* states:

The cost reports . . . must provide adequate cost and statistical data. This data must be based on and traceable to the provider's financial and statistical records and must be adequate, accurate, and in sufficient detail to support payment made for services rendered to beneficiaries.

The adjustments made to resident days and gross charges are incorporated in the rate adjustment noted in Finding 1.

### **Recommendation**

The Bridge at South Pittsburg should maintain an adequate system to report and account for resident days and gross charges. The report should provide adequate and accurate statistical data necessary for proper completion of the Medicaid cost report.

### **Management's Comment**

Thank you for bringing this to our attention. We have reviewed and modified our cost report preparation process and educated our staff to ensure that we correctly place the Medicaid NF-1 days on the appropriate line in the cost report.

## **3. Improper Management of Credit Balances**

### **Finding**

The Bridge at South Pittsburg failed to ensure that credit balances on all of the accounts of deceased or discharged Medicaid residents are properly managed and promptly refunded. Management failed to refund the portion of the credit balances due to the Medicaid Program and to former residents or their authorized representatives.

Section 6402 of the Affordable Care Act contains new obligations for health care providers regarding reporting and returning overpayments from the Bureau 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 Title 31, *United States Code*, Section 3729(b)(3). The False Claims Act subjects a provider to a fine and treble damages if he knowingly conceals or knowingly and improperly avoids or decreases an obligation to pay money to the federal government.

Section 66-29-123(a), *Tennessee Code Annotated*, requires a holder of property presumed abandoned, and subject to the custody of the treasurer, to report in a record to the treasurer concerning the property. Chapter 1700-2-1-.19(1) of the *Rules of the Tennessee Department of Treasury* states, “Before filing the annual report of property presumed abandoned, the holder shall exercise due diligence to ascertain the whereabouts of the owner to prevent abandonment from being presumed.”

Accounts receivable unrefunded credit balances totaling \$32,090.29 remain on the accounts of 68 former residents of The Bridge at South Pittsburg. Of this amount, \$31,204.59 is due to the Medicaid Program, and \$885.70 is due to 2 former Medicaid residents or their authorized representatives.

### **Recommendation**

The Bridge at South Pittsburg should immediately implement an adequate system to promptly refund credit balances on the accounts of former residents. A refund of \$31,204.59 should be remitted to the Medicaid Program, and \$885.70 should be refunded to two former residents or their authorized representatives.

### **Management’s Comment**

South Pittsburg issues timely refunds to residents for any received overpayments. When working with insurance companies, South Pittsburg attempts to get the insurance to recoup the funds overpaid. If the insurance company does not recoup, South Pittsburg issues a refund to the resident. All of the credit balances that were reviewed as part of this audit have been refunded to the appropriate payer(s).

### **Auditor’s Comment**

Auditors will follow up on the disposition of this finding within six months of the release of this report.

**SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS**

**Source of Overpayments**

Rate reduction (see Findings 1 and 2)	\$ 42,889.22
Unrefunded credit balances (see Finding 3)	<u>\$ 32,090.29</u>
 Total	 <u>\$ 74,979.51</u>

**Disposition of Overpayments**

Due to the State of Tennessee	\$ 74,093.81
Due to residents or their authorized representatives	<u>\$ 885.70</u>
 Total	 <u>\$ 74,979.51</u>