



MEDICAID EXAMINATION

Life Bridges, Inc. Cleveland, Tennessee

Cost Report and Resident Days

July 1, 2021, Through June 30, 2022

Resident Accounts

September 1, 2022, Through October 24, 2023

Jason E. Mumpower
Comptroller of the Treasury



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JASON E. MUMPOWER
Comptroller

March 20, 2024

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 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 intermediate care facility for individuals with intellectual disabilities (ICF/IID) Medicaid cost report and resident days of Life Bridges, Inc. in Cleveland, Tennessee, for the period July 1, 2021, through June 30, 2022; and resident accounts for the period September 1, 2022, through October 24, 2023.

Sincerely,

A handwritten signature in blue ink that reads 'Katherine J. Stickel'.

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

KJS/pn
24/018

LIFE BRIDGES, INC. CLEVELAND, TENNESSEE

EXAMINATION HIGHLIGHTS

Examination Scope

*Cost Report and Resident Days for the Period July 1, 2021, Through June 30, 2022; and
Resident Accounts for the Period September 1, 2022, Through October 24, 2023*

Observations

Life Bridges, Inc. overstated \$168,205.69 of salary expense to Wright House, understated salary expense to three other homes, and included \$4,314.23 of nonallowable expenses on the Medicaid cost report

The total gross salary/wages reported on the cost report are supported in total; however, discrepancies were found in the allocation of salaries. The salaries for Wright House are overstated by \$168,205.69, while the salaries for Cate, McIntire, and Edgemon houses are understated by \$56,636.35; \$55,236.75; and \$57,674.45, respectively. Also, Life Bridges, Inc. included \$4,314.23 of nonallowable expenses on the Medicaid cost report for the period July 1, 2021, through June 30, 2022. The nonallowable expenses included unsupported expenses, personal expenses, alcohol expenses, and costs not related to ICF/IID houses.

Life Bridges, Inc. failed to deposit funds in excess of \$100 received from, or on behalf of, a Medicaid ICF/IID resident in an interest-bearing account

Life Bridges, Inc. failed to deposit Medicaid resident's funds in excess of \$100 in an interest-bearing account.

Medicaid Examination
Life Bridges, Inc., Cleveland, Tennessee
Cost Report and Resident Days for the Period
July 1, 2021, Through June 30, 2022; and
Resident Accounts for the Period
September 1, 2022, Through October 24, 2023

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Introduction

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. An intermediate care facility for individuals with intellectual disabilities (ICF/IID) is a facility approved for Medicaid reimbursement and is required to provide routine services, including supplies, that comply with current federal standards and certification.

Each year an ICF/IID facility submits a cost report to the Comptroller's office to be reviewed. A Medicaid rate is determined by the Comptroller based on supported and allowable cost. Rate elements also include a trend inflation factor, occupancy adjustments and gross receipts tax. Once a per-diem rate is determined from a clean cost report, the rate will not be changed until the next rate determination except for audit adjustments, correction of errors, or termination of a budgeted rate.

Life Bridges, Inc.

Life Bridges, Inc. in Cleveland, Tennessee, provides residential, community living, healthcare, therapeutic, and ICF/IID services. The facility is a nonprofit corporation.

The officers/members of the board of directors are as follows:

Diana Jackson, Chief Executive Officer
Ginger Davis, Chief Financial Officer
Damaris Betancourt, Chief Operating Officer
Raymond Brown, President/Chairman
Eddie Cartwright, Vice Chairman
Peggy Pesterfield, Secretary
Robert McIntire, Treasurer

During the examination period, the facility maintained a total of 20 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 7,300 available bed days for the year ended June 30, 2022, the facility reported 7,300 occupied bed days for Medicaid ICF/IID residents. Also, the facility reported total operating expenses of \$13,713,840 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 below and are calculated from the cost report covered by this examination:

<u>Provider Number and Name of ICF/IID</u>	<u>10/1/2022 - 9/30/2023</u>
744-7107 Wright House	\$942.21
744-7108 Cate House	\$868.94
744-7156 McIntire House	\$1,023.59
744-7157 Edgemon House	\$1,098.80

Examination Scope

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.

Prior Examination Findings

There has not been an examination performed within the last five years.



JASON E. MUMPOWER
Comptroller

Independent Accountant's Report

December 13, 2023

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 December 13, 2023, that Life Bridges, Inc. complied with the following requirements:

- Income and expenses reported on the intermediate care facility for individuals with intellectual disabilities (ICF/IID) Medicaid cost report are reasonable, allowable, and in accordance with state and federal rules, regulations, and reimbursement principles.
- Resident days reported on the intermediate care facility for individuals with intellectual disabilities (ICF/IID) Medicaid cost report have been counted in accordance with state regulations. Medicaid resident days billed to the state for period when residents were discharged are in accordance with the rules.
- Charges to residents or residents' personal funds are in accordance with state and federal regulations, and they complied with the Nursing Facility Manuals as well as the agreement between the facility and the Department of Finance and Administration.

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 assertions, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our unmodified opinion. Our examination does not provide a legal determination on the entity's compliance with specified requirements.

We are required to be independent of Life Bridges, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to the examination engagement.

In our opinion, management's assertions that Life Bridges, Inc. complied with the aforementioned requirements for income and expenses reported on the "Intermediate Care Statement of Reimbursable Cost" and resident days for the period July 1, 2021, through June 30, 2022; and resident accounts for the period September 1, 2022, through October 24, 2023, are fairly stated 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

Observations and Recommendations

Observation 1

Life Bridges, Inc. overstated \$168,205.69 of salary expense to Wright House, understated salary expense to three other homes, and included \$4,314.23 of nonallowable expenses on the Medicaid Cost Report

An intermediate care facility for individuals with intellectual disabilities (ICF/IID) is a facility approved for Medicaid reimbursement and is required to provide routine services, including supplies, that comply with current federal standards and certification. Medicaid pays for covered services through an all-inclusive per diem rate, less any available resident resources.

The total gross salary/wages reported on the cost report are supported in total, however, discrepancies were found in the allocation of salaries. The salaries for Wright House are overstated by \$168,205.69, while the salaries for Cate, McIntire, and Edgemon houses are understated by \$56,636.35; \$55,236.75; and \$57,674.45, respectively. The salaries for these four houses will be adjusted accordingly. Also, Life Bridges, Inc. included \$4,314.23 of nonallowable expenses on the Medicaid cost report for the period July 1, 2021, through June 30, 2022. The nonallowable expenses consist of

- \$3,030.97 in unsupported expenses;
- \$655.68 of personal expenses;
- \$476.66 in alcohol expenses; and
- \$150.92 in costs not related to ICF/IID houses.

Administration expenses allocated to each house previously disallowed during the desk review rate-setting process, totaling \$66,493.63, were determined to be supported and allowable during the examination. During the leave days assessment, the auditor noted that Life Bridges, Inc. billed for one resident's hospital bed hold day when the occupancy rate was below 85% at Edgemon House. The one hospital bed hold day will be excluded from the total days for Edgemon House for the purpose of recalculation of the rate.

Title 42, *Code of Federal Regulations*, Part 413, Section 24, states that "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."

Chapter 21, Section 2102.3 of the CMS Publication 15-1, *The Provider Reimbursement Manual – Part I*, states,

Costs Not Related to Patient Care. - 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 not allowable in computing reimbursable costs and include, for example:

- Cost of alcoholic beverages furnished to employees or to others regardless of how or where furnished, such as cost of alcoholic beverages furnished at a provider picnic or furnished as a fringe benefit; . . .

As a result of the adjustments to these expenses and the correction of one resident bed hold day, the facility's Medicaid reimbursable rates and payment adjustments for the period October 1, 2022, through September 30, 2023, will be adjusted as follows:

<u>ICF/IID Provider Number</u>	<u>ICF/IID Name</u>	Original Rates	Rates after Audit Adjustment	Change	Resident Days for the Period: 10/1/2022- 9/30/2023	Estimated Payment Adjustments
744-7107	Wright House	\$942.21	\$820.84	(\$121.37)	2,101	(\$254,998.37)
744-7108	Cate House	\$868.94	\$918.96	\$50.02	2,152	\$107,643.04
744-7156	McIntire House	\$1,023.59	\$1,092.95	\$69.36	1,460	\$101,265.60
744-7157	Edgemon House	\$1,098.80	\$1,149.37	\$50.57	1,460	\$73,832.20
Total					7,173	\$27,742.47

The above rate adjustments will be sent to the Division of TennCare for approval and reprocessing of all Medicaid claims for the dates of service from October 1, 2022, through September 30, 2023. Estimated underpayments due to the facility as a result of the expense adjustments and one-day adjustment is \$27,742.47.

Recommendation

Life Bridges, Inc. should allocate expenses appropriately between the houses and only include allowable expenses on its Medicaid Cost Report. All reported expenses should be adequately supported, for covered services, related to resident care, and in compliance with other applicable regulations.

Management's Comment

Management concurs with the observation.

Observation 2

Life Bridges, Inc. failed to deposit funds in excess of \$100 received from, or on behalf of, a Medicaid ICF/IID resident in an interest-bearing account

Life Bridges, Inc. operates a total of 4 ICF/IID houses where a sum of 23 Medicaid residents had funds held in trust for the period September 1, 2022, through August 31, 2023. Each resident had both a personal bank account and a personal petty cash account. The resident's fund exceeding \$100 was deposited into an individual non-interest-bearing bank account.

Section 68-11-906(a), *Tennessee Code Annotated*, states, "Each nursing home shall deposit any funds in excess of one hundred dollars (\$100) received from, or on behalf of, a resident in an interest-bearing account, insured by an agency of the federal government."

Rules of the Tennessee Department of Finance and Administration, 1200-13-02-.05(2)(g), states, "Patient funds in excess of \$100 per patient must be kept in an insured interest bearing account. Interest earned must be credited to the patients. Bank fees or charges associated with resident trust fund accounts shall not be charged to or debited against individual resident trust fund accounts."

Recommendation

Life Briges, Inc. should ensure resident trust funds in excess of \$100 per resident are deposited into an interest-bearing account, insured by an agency of the federal government. Interest earned on the account should be credited to the resident's trust fund accounts.

Management's Comment

Management concurs with the observation.

Summary of Monetary Observation and Recommendation

Source of Underpayments

Underpayment due to Life Bridges, Inc. (see Observation 1)	<u>\$27,742.47</u>
Total	<u>\$27,742.47</u>

Disposition of Underpayments

Due to Life Bridges, Inc.	<u>\$27,742.47</u>
Total	<u>\$27,742.47</u>