



**MEDICAID EXAMINATION**  
**Gallaway Operator, LLC**  
**DBA Gallaway Health and Rehab**  
**Gallaway, Tennessee**

**Cost Reports**

*January 1, 2023, Through December 31, 2023*

**Resident Days**

*January 1, 2023, Through June 30, 2024*

**Resident Accounts**

*October 1, 2023, Through September 30, 2024*

**Jason E. Mumpower**  
*Comptroller of the Treasury*



**DIVISION OF  
HEALTH PROVIDER REVIEW**

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JASON E. MUMPOWER  
*Comptroller*

March 10, 2026

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 Health Provider Review 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 limited scope examination of the Medicare and Medicaid Supplemental Cost Reports of Gallaway Operator, LLC, DBA Gallaway Health and Rehab in Gallaway, Tennessee, for the period January 1, 2023, through December 31, 2023; resident days for the period January 1, 2023, through June 30, 2024; and resident accounts for the period October 1, 2023, through September 30, 2024.

Sincerely,

A handwritten signature in blue ink that reads "Maya Angelova".

Maya Angelova, CPA, CFE, Director  
Division of Health Provider Review

MA/ao  
25/014

# GALLAWAY OPERATOR, LLC

## DBA GALLAWAY HEALTH AND REHAB

### GALLAWAY, TENNESSEE

## EXAMINATION HIGHLIGHTS

### Examination Scope

*Cost Reports for the Period January 1, 2023, Through December 31, 2023;  
Resident Days for the Period January 1, 2023, Through June 30, 2024; and  
Resident Accounts for the Period October 1, 2023, Through September 30, 2024*

### Findings

#### **Gallaway Operator, LLC failed to properly manage and promptly refund credit balances of 12 former Medicaid residents, totaling \$9,182.45**

Gallaway Operator, LLC has not established a system to properly manage and promptly refund credit balances on the accounts of deceased or discharged residents. Management failed to refund credit balances totaling \$9,182.45. Of this amount, \$8,020.04 is due back to former Medicaid residents or their authorized representatives, and \$1,162.41 is due back to the Medicaid program.

#### **Gallaway Operator, LLC failed to properly manage resident trust funds**

Gallaway Operator, LLC failed to take adequate measures to safeguard resident trust funds as required by federal and state laws, including the following:

- The facility failed to properly document resident trust fund cash withdrawals, resulting in unsupported withdrawals totaling \$11,324.27.
- The facility failed to consistently charge residents the correct monthly patient liability, resulting in several residents not receiving their personal needs allowance on time.
- The facility failed to properly manage resident trust fund balances of deceased residents, resulting in negative balances totaling \$2,285.23.

## Observation

**Gallaway Operator, LLC charged Medicaid residents a higher daily rate than other payors for the period January 1, 2023, through December 31, 2023**

For the period January 1 through December 31, 2023, the facility charged Medicaid residents higher daily rates than Medicare residents for the same room types.

**Medicaid Examination  
Gallaway Operator, LLC  
DBA Gallaway Health and Rehab**

**Cost Reports for the Period  
January 1, 2023, Through December 31, 2023;**

**Resident Days for the Period  
January 1, 2023, Through June 30, 2024; and**

**Resident Accounts for the Period  
October 1, 2023, Through September 30, 2024**

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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' compliance with such requirements.

### Background

To receive services under the TennCare Long-Term Care Program, a recipient must meet Medicaid eligibility requirements under one of the coverage groups included in the *State Plan under Title XIX of the Social Security Act*. The need for nursing care, in itself, is not 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 Tennessee Health Facilities Commission (HFC) certifies nursing facility beds and serves as the designated State Surveying Agency for the Centers for Medicare and Medicaid Services. The HFC is responsible for ensuring quality of care in nursing homes through its licensure and regulatory authority, which includes conducting surveys, investigating complaints, and enforcing compliance with state and federal standards.

#### *Gallaway Operator, LLC*

Gallaway Operator, LLC in Gallaway, Tennessee, provides both intermediate and skilled levels of care. The facility is owned by GBD, LLC.

During the examination period, the facility maintained a total of 104 licensed nursing facility beds. Of the 37,960 available bed days for the year ended December 31, 2023, the facility reported 24,814 for Medicaid residents. Also, the facility reported total operating expenses of \$9,663,165 for the period.

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

<u>Period</u>	<u>NF Rate</u>
January 1, 2023, through June 30, 2023	\$227.41
July 1, 2023, through December 31, 2023	\$274.32
January 1, 2024, through June 30, 2024	\$275.41
July 1, 2024, through September 30, 2024	\$268.92

### Examination Scope

Our examination covers certain financial-related requirements of the TennCare Long-Term Care 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**

January 22, 2026

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 whether Gallaway Operator, LLC, DBA Gallaway Health and Rehab, complied with the following requirements:

- Income reported on the Skilled Nursing Facility and Medicaid Supplemental Cost Reports for the fiscal year ended December 31, 2023, is reasonable, allowable, and in accordance with state and federal rules, regulations, and reimbursement principles.
- Resident days reported on the Skilled Nursing Facility and Medicaid Supplemental Cost Reports have been counted in accordance with state regulations. Medicaid resident days billed to the state from January 1, 2023, through June 30, 2024, when residents were discharged, are in accordance with the rules.
- Charges to residents or residents' personal funds from October 1, 2023, through September 30, 2024, are in accordance with state and federal regulations, complied with the Nursing Facility Manuals, and 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 on management's compliance with those requirements 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 complied, in all material respects, with the requirements specified above.

An examination involves performing procedures to obtain evidence about whether management complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our qualified opinion. Our examination does not provide a legal determination on the entity's compliance with specified requirements.

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

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

- Gallaway Operator, LLC failed to properly manage and promptly refund credit balances of 12 former Medicaid residents, totaling \$9,182.45
- Gallaway Operator, LLC failed to properly manage resident trust funds

In our opinion, except for the instances of material noncompliance described above, Gallaway Operator, LLC complied with the aforementioned requirements for income reported on the Skilled Nursing Facility and Medicaid Supplemental Cost Reports for the period January 1, 2023, through December 31, 2023; resident days for the period January 1, 2023, through June 30, 2024; and resident accounts for the period October 1, 2023, through September 30, 2024.

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.

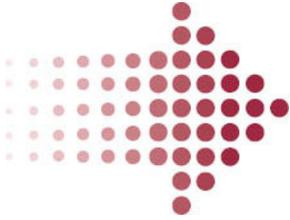
Sincerely,



Maya Angelova, CPA, CFE, Director  
Division of Health Provider Review

MA/ao

## Findings and Recommendations



### Finding 1

Gallaway Operator, LLC failed to properly manage and promptly refund credit balances of 12 former Medicaid residents, totaling \$9,182.45

Gallaway Operator, LLC failed to establish a system to manage and promptly refund credit balances on the accounts of deceased or discharged residents. Management failed to refund credit balances totaling \$9,182.45 that remain on the accounts of 12 former Medicaid residents. Of this amount, \$8,020.04 is due to former Medicaid residents or their authorized representatives, and \$1,162.41 is due to the Medicaid Program.

Auditors identified credit balances for discharged Medicaid residents that remained unresolved for more than 60 days. Facility management explained that regional staffing changes contributed to delays in processing refunds and provided additional Accounts Receivable (AR) Aging reports throughout the engagement. Although some balances were reduced, refunds owed to former residents and the Medicaid program remain unresolved.

Auditors' review of the facility's AR Aging Report dated October 27, 2025, identified \$9,182.45 in unresolved Medicaid credit balances for residents discharged on or before September 30, 2024. These credit balances represent overpayments the facility did not return within 60 days of identifying the overpayment, as required by regulation.

Discharge Period	Number of Residents	Due to Medicaid	Due to Resident or Authorized Representative
FYE 12/31/2020	5	\$ 438.71	\$3,418.04
FYE 12/31/2023	3	\$ 328.20	\$ 545.69
1/1/2024-9/16/2024	4	\$ 395.50	\$4,056.31
<b>Total</b>	<b>12</b>	<b>\$1,162.41</b>	<b>\$8,020.04</b>

Title 42, *United States Code* (USC), Section 1320a-7k(d), contains obligations for health care providers regarding reporting and returning overpayments. It states,

**(1) In general**

If a person has received an overpayment, the person shall—

- (A) report and return the overpayment to the Secretary, the State, an intermediary, a carrier, or a contractor, as appropriate, at the correct address; and
- (B) notify the Secretary, State, intermediary, carrier, or contractor to whom the overpayment was returned in writing of the reason for the overpayment.

**(2) Deadline for reporting and returning overpayments**

An overpayment must be reported and returned under paragraph (1) by the later of—

- (A) the date which is 60 days after the date on which the overpayment was identified; or
- (B) the date any corresponding cost report is due, if applicable.

Section 66-29-123(a), *Tennessee Code Annotated*, requires that “A holder of property presumed abandoned and subject to the custody of the treasurer shall report in a record to the treasurer concerning the property.” Chapter 1700-02-01-.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.”

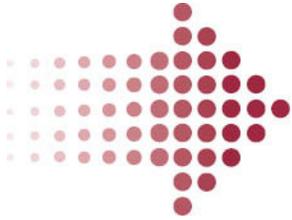


**Recommendation**

Galloway Operator, LLC should implement an adequate system to promptly refund credit balances on the accounts of former residents or their authorized representatives, as well as to the Medicaid program. The facility should refund the credit balances. The facility’s management should maintain evidence of attempts to contact the owner of the credit balance. If the proper owner cannot be located, the facility should file a report of the abandoned property with the Tennessee Department of Treasury, Division of Unclaimed Property.

**Management’s Comment**

Per our review, we concur with the state’s findings. We will be following the recommendation of the auditors. We will be auditing the credit balance accounts equaling \$9,182.45 and refunding them to the applicable responsible party or the state recovery system.



## Finding 2

### Gallaway Operator, LLC failed to properly manage resident trust funds

The facility did not properly manage resident trust funds due to the exceptions described below:

- Gallaway Operator, LLC did not maintain adequate documentation to support resident trust fund transactions. The facility did not maintain adequate records for 21 Medicaid resident trust fund accounts and was unable to support transactions totaling \$11,324.27 due to missing or incomplete invoices, receipts, and withdrawal slips. Auditors requested supporting documentation, including signed cash disbursement logs for resident advance cash, receipts or invoices for personal need items, copies of checks with proof that the checks cleared the bank for closed accounts, and burial policies signed by residents authorizing burial expenses. The facility did not provide sufficient documentation to verify that these transactions were accurate or allowable.
- During the testing period, the facility charged multiple residents the incorrect Medicaid patient liability. In some instances, the facility overcharged residents and carried those overcharges forward to offset future patient liability. In other instances, the facility failed to charge the patient liability in the correct month and later posted multiple patient liability charges to the resident's account at one time. Due to these incorrect and delayed patient liability postings, residents did not always receive their required Personal Needs Allowance (PNA) on time. Although the facility later reconciled the accounts after the examination began to ensure residents received their full PNA, the delays in issuing the monthly PNA did not comply with TennCare requirements and limited residents' timely access to their personal funds.
- The facility did not maintain accurate resident trust fund balances for four deceased Medicaid residents. The expiration dates for these residents ranged from December 4, 2017, through February 11, 2022. Resident trust funds hold residents' money, and the facility is responsible for maintaining accurate balances. The resident trust fund showed negative balances totaling \$2,285.23, which represented amounts residents owed to the facility rather than funds held for residents. The negative balances resulted from the disbursement of resident trust fund balances prior to the completion of all post-discharge account activity, without adequate monitoring or reconciliation. These unresolved negative balances reduce the trust fund balance, which adversely affects the allocation of pooled interest to residents' accounts and increases the risk that resident funds are not adequately protected by the facility's surety bond.

Chapter 1200-13-02-.05(2)(g) of the *Rules of the Tennessee Department of Finance and Administration, Division of TennCare*, 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 amounts received and disbursed and shall not be commingled with NF [nursing facility] funds.”

Patient liability, the individual’s required monthly contribution, is calculated based on the individual’s total income after certain allowable deductions, as outlined in the *TennCare Policy Manual*, No. 125.005, “Post-Eligibility Treatment of Income.” Chapter 1200-13-01-.08(1)(a) of *Rules of the Tennessee Department of Finance and Administration, Division of TennCare* requires that residents receive a Personal Needs Allowance each month.

*Rules of the Tennessee Health Facilities Commission*, Chapter 0720-18-.04(8), states, “Within thirty (30) days of a resident’s death, the facility shall provide an accounting of the resident’s funds held by the facility and an inventory of the resident’s personal property . . . to the resident’s executor, administrator or other person authorized” and obtain a signed receipt.



### **Recommendation**

Gallaway Operator, LLC should immediately establish adequate internal controls, policies, and procedures, to ensure compliance with applicable laws and regulations related to the management and protection of resident funds. Management should refund unsupported withdrawals totaling \$11,324.27 to the applicable residents or their authorized representatives. Documentation should be maintained to ensure that resident funds are properly safeguarded, accurately accounted for, and used in accordance with Medicaid and resident trust fund requirements. In addition, the facility should establish and implement procedures to ensure that overdrawn balances of discharged or deceased residents are promptly identified and resolved.

### **Management’s Comment**

Per our review, we concur with the state’s findings. We will be following the recommendation of the auditors. Resident Trust Policy and Procedures are in place and any new staff that will be involved with the Resident Trust will be required to review and understand the policy. We will be reimbursing the residents for the unsupported withdrawals identified in the amount of \$11,324.27. Monthly review of the Resident Trust reconciliation package (which includes withdrawal documentation) will be reviewed and validated by the Administrator. This validation will include a review of the trust accounts to ensure any overdrawn accounts are identified and resolved.

## Observation and Recommendation

### Observation

Gallaway Operator, LLC charged Medicaid residents a higher daily rate than other payors for the period January 1, 2023, through December 31, 2023

For the period January 1, 2023, through December 31, 2023, the facility charged Medicaid residents daily rates that exceeded those charged to Medicare Part A residents for comparable room types, as follows:

From January 1 through August 31, 2023:

- The facility charged Medicaid \$270 per day for private rooms, while it billed Medicare Part A \$193 per day for the same room type.
- The facility charged Medicaid \$235.51 per day for semi-private rooms, while it billed Medicare Part A \$189 per day for the same room type.

From September 1 through December 31, 2023:

- The facility charged Medicaid \$290 per day for private rooms, while Medicare Part A rates remained \$193 per day.
- The facility charged Medicaid \$276 per day for semi-private rooms, while Medicare Part A rates remained \$189 per day.

These rate differences resulted in Medicaid residents being charged more than non-Medicaid residents for equivalent accommodations and services.

Chapter 1200-13-02-.03(5) of the *Rules of the Tennessee Department of Finance and Administration* states, “Regardless of the Medicaid reimbursement rate established, a NF may not charge TennCare Enrollees an amount greater than the amount per day charged to non-Medicaid payer patients for equivalent accommodations and services.”

## **Recommendation**

Gallaway Operator, LLC should ensure that the facility's daily room rates are equal to or less than the daily rate charged to Medicaid.

## **Management's Comment**

Per our review, we concur with the state's findings. We will be following the recommendation of the auditors.

## Summary of Monetary Findings

### Source of Overpayments

Unrefunded credit balances (Finding 1)	<u>\$ 9,182.45</u>
Unsupported withdrawal payments (Finding 2)	<u>\$11,324.27</u>
<b>Total</b>	<b><u>\$20,506.72</u></b>

### Disposition of Overpayments

Due to residents or their authorized representatives	<u>\$ 19,344.31</u>
Due to the Medicaid program	<u>\$ 1,162.41</u>
<b>Total</b>	<b><u>\$20,506.72</u></b>