



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

**THE BRIDGE AT MONTEAGLE
MONTEAGLE, 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**

Justin P. Wilson, Comptroller



**Division of State Audit
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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
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May 25, 2017

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 Monteagle, in Monteagle, 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

DVL/pn
16/307

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
The Bridge at Monteagle
Monteagle, Tennessee
Cost Report for the Period
January 1, 2014, Through December 31, 2014;
Resident Days for the Period
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FINDINGS RECOMMENDING MONETARY REFUNDS

Nonallowable Expenses Included on the Cost Report

The Bridge at Monteagle included \$49,927.66 in nonallowable expenses on the Medicaid cost report for the year ended December 31, 2014. The nonallowable expenses included marketing-related expenses; expenses unrelated to resident care; therapy expenses not related to Nursing Facility Level 1 (NF-1) resident care; unsupported expenses; and late fees. As a result of these adjustments, overpayments made to the facility by the

Medicaid Program are estimated at \$76,854.42, computed from July 1, 2015, through June 30, 2016 (page 6).

Improper Management of Credit Balances

The Bridge at Monteagle failed to ensure that credit balances on the accounts of seven deceased or discharged residents were properly managed and promptly refunded. Management failed to refund \$2,792.34 to the Medicaid Program (page 7).

FINDING NOT RECOMMENDING MONETARY REFUND

Resident Trust Fund Balances Exceeding the Medicaid Resource Limit

The Bridge at Monteagle had six Medicaid residents with trust fund balances exceeding the Medicaid resource limit of \$2,000. The

facility should not bill the Medicaid Program for services rendered to any resident whose resources exceed the Social Security Income limit (page 8).

**The Bridge at Monteagle
Monteagle, Tennessee
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**The Bridge at Monteagle
Monteagle, Tennessee
Cost Report for the Period
January 1, 2014, Through December 31, 2014;
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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.

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 Monteagle, in Monteagle, Tennessee, provides both NF-1 and NF-2 services. The facility is owned and operated by LP Monteagle, LLC, located in Louisville, Kentucky.

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

E. Joseph Steier, III, Chief Executive Officer
 John Harrison, Chief Financial Officer
 Sandra Adams, Vice President and General Counsel

During the examination period, the facility maintained a total of 150 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 54,750 available bed days, the facility reported 35,096 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 \$8,140,537 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 (744-0422)</u>	<u>Level II NF (044-5393)</u>
July 1, 2013, through June 30, 2014	\$158.85	\$146.83
July 1, 2014, through June 30, 2015	\$156.52	\$151.03
July 1, 2015, through June 30, 2016	\$172.18	\$152.65
July 1, 2016, through June 30, 2017	\$188.61	\$153.38

PRIOR EXAMINATION FINDINGS

The prior report of The Bridge at Monteagle, for the period January 1, 2009, through December 31, 2011, contained the following findings:

- need to properly manage unrefunded credit balances
- improper billing of resident hospital leave days
- incorrect useful lives of depreciable assets

At the beginning of field work, auditors determined that the incorrect useful lives of depreciable assets finding has been satisfactorily remedied. No action was taken by facility management to refund \$1,613.94 owed to the State of Tennessee Medicaid Program for the improper billing of resident hospital leave days finding. The Bridge at Monteagle must still

remit \$1,613.94 to the State of Tennessee Medicaid Program for the 15 improperly billed resident hospital leave days noted in the prior report. The unrefunded credit balance finding is repeated in this report.

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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PHONE (615) 401-7897
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Independent Accountant's Report

October 29, 2015

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 October 29, 2015, that The Bridge at Monteagle 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 Monteagle's compliance with those requirements and performing other such procedures that we considered necessary under the circumstances. We believe that our examination provides a reasonable basis for our opinion.

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

- nonallowable expenses included on the cost report
- improper management of credit balances
- resident trust fund balances exceeding the Medicaid resource limit

In our opinion, except for the instances of material noncompliance described above, The Bridge at Monteagle 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

DVL/pn

FINDINGS AND RECOMMENDATIONS

1. Nonallowable Expenses Included on the Cost Report

Finding

The Bridge at Monteagle included \$49,927.66 of nonallowable expenses on the Medicaid cost report for the fiscal year ended December 31, 2014. The nonallowable amount consists of \$43,987.23 of marketing-related expenses; \$3,266.58 of expenses unrelated to resident care; \$2,231.81 of therapy expenses not related to Medicaid Nursing Facility Level 1 (NF-1) resident care; \$320.31 of unsupported expenses; and \$121.73 in late fees.

Chapter 1200-13-6-.09 of the *Rules of the 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.” Such costs that are not allowable in computing reimbursable costs included but are not limited to:

- costs that are not necessary or related to patient care;
- 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.

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 not allowable 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 above adjustments to allowable expenses, the facility’s Medicaid reimbursable rate was affected as follows:

<u>Period</u>	<u>Original Rate</u>	<u>Adjusted Rate</u>	<u>Difference</u>
July 1, 2015, through June 30, 2016	\$172.18	\$170.00	\$(2.18)
July 1, 2016, through June 30, 2017	\$188.61	\$188.61	\$ 0.00

The above rate 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 total \$76,854.42.

Recommendation

The Bridge at Monteagle 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 Medicaid claims for the period July 1, 2015, through June 30, 2016. The estimated recoupment for the reprocessed claims for the period is \$76,854.42.

Management's Comment

Our leadership strives to comply with applicable reimbursement regulations. Since the preparation of this cost report, we have altered our preparation process to offset applicable marketing personnel. We will review the other findings and incorporate any changes necessary to comply with applicable regulations.

2. Improper Management of Credit Balances

Finding

The Bridge at Monteagle failed to ensure that credit balances on the accounts of deceased or discharged residents were properly managed and promptly refunded. This finding is repeated from the prior examination report.

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 66-29-113(a), *Tennessee Code Annotated*, requires that "every person holding funds or other property, tangible or intangible, presumed abandoned under this party shall report to the treasurer. . . ." Chapter 1700-2-1-.19(1) of the *Rules of 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 of \$2,792.34 remain on the accounts of seven former residents of The Bridge at Monteagle. The entire amount is due to the State of Tennessee Medicaid Program.

Recommendation

The Bridge at Monteagle should immediately implement an adequate system to promptly refund credit balances on the accounts of former residents. The facility should refund a total of \$2,792.34 to the State of Tennessee Medicaid Program.

Management’s Comment

Monteagle’s credit balance policy is to issue timely refunds for any received overpayments. When working with insurance companies, Monteagle attempts to get the insurance to recoup the funds overpaid. If the insurance company does not recoup, Monteagle issues a refund. The credit balances that were reviewed have since been refunded to the appropriate payer.

3. Resident Trust Fund Balances Exceeding the Medicaid Resource Limit

Finding

The Bridge at Monteagle had six Medicaid residents with trust fund balances exceeding the Medicaid resource limit of \$2,000.

Chapter 1240-3-3-.05 of the *Rules of the Tennessee Department of Human Services* states, “Applicants for medical assistance are permitted to retain resources in an amount not to exceed the SSI [Social Security Income] limits.”

Paragraph 15,642 of the *Medicare and Medicaid Guide* states, “Resources that may be retained are . . . cash assets up to \$2,000 for an individual.”

As a result, the Medicaid Program was billed for six residents who did not satisfy the financial eligibility requirements.”

Recommendation

The Bridge at Monteagle should notify each resident or resident's responsible party when any resident's funds approach the \$2,000 Medicaid resource limit. The facility should not bill the Medicaid Program for services rendered to any resident whose resources exceed the Social Security Income limit. Those residents should be billed as private payors until the resources are spent down sufficiently to satisfy the financial eligibility requirements.

Management's Comment

Monteagle strives to comply with all state regulation requirements regarding resident trust funds (RTF). Our policy is to notify the resident or resident representative when the resident's RTF account is within \$200 of exceeding the permitted resident resource limit. This policy provides the resident or the resident's family with ample time to "spend down" the resident's resources. Balances found during the audit were spent down for each resident's needs.

SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

Source of Overpayments

Rate reduction (see finding 1)	\$ 76,854.42
Unrefunded Credit Balances (see finding 2)	<u>\$ 2,792.34</u>
Total	<u>\$ 79,646.76</u>

Disposition of Overpayments

Due to the State of Tennessee	<u>\$ 79,646.76</u>
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