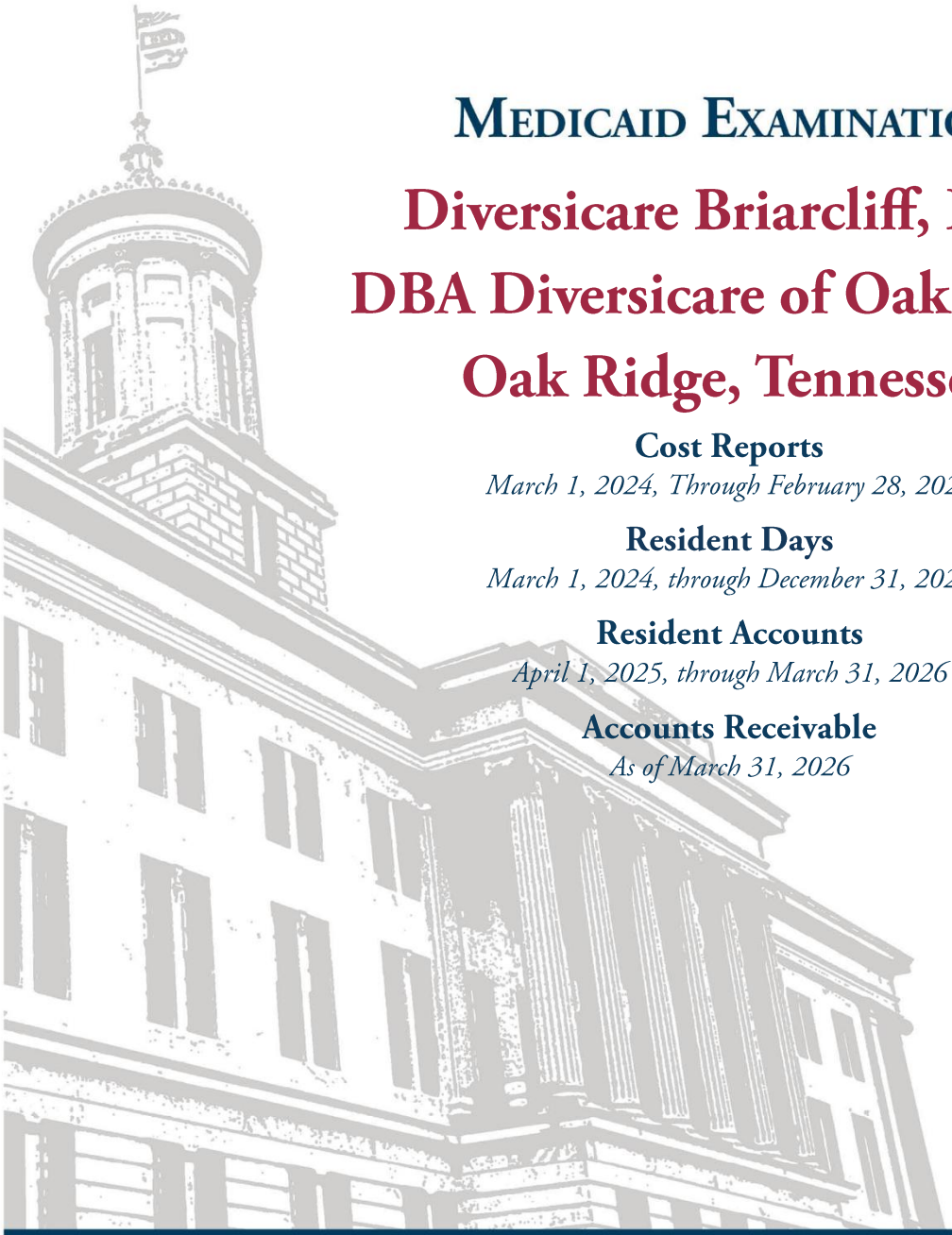
TENNESSEE COMPTROLLER OF THE TREASURY



MEDICAID EXAMINATION

Diversicare Briarcliff, LLC
DBA Diversicare of Oak Ridge
Oak Ridge, Tennessee

Cost Reports
March 1, 2024, Through February 28, 2025

Resident Days
March 1, 2024, through December 31, 2025

Resident Accounts
April 1, 2025, through March 31, 2026

Accounts Receivable
As of March 31, 2026

Jason E. Mumpower
Comptroller of the Treasury

DIVISION OF
HEALTH PROVIDER REVIEW

Maya Angelova, CPA, CFE, *Director*

Jessica Barker, CPA
Assistant Director

Regina Dobbins, CPA, CFE, CGFM, CPM
Audit Manager

Tammy Fruscione, CGFM
In-Charge Auditor

Katelyn Dibrell, CPA
Monica Ivanovici, CFE
Chris Phalen, CGFM
Staff Auditors

State Audit Special Teams
Amber L. Crawford, CGFM, SPHR
Assistant Director

Amanda S. Adams
Amy W. Brack
Editors

David Cook, CPA
Legislative Audit Review Officer

Comptroller of the Treasury, Division of Health Provider Review
Cordell Hull Building
425 Rep. John Lewis Way N.
Nashville, TN 37243
615.401.7897
Find a Division of Health Provider Review Report
Mission: Make government work better

TENNESSEE COMPTROLLER OF THE TREASURY

TENNESSEE COMPTROLLER OF THE TREASURY

JASON E. MUMPOWER
Comptroller

November 16, 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 Skilled Nursing Facility and Medicaid Supplemental Cost Reports of Diversicare Briarcliff, LLC dba Diversicare of Oak Ridge, in Oak Ridge, Tennessee, for the period March 1, 2024, through February 28, 2025; resident days for the period March 1, 2024, through December 31, 2025; resident accounts for the period April 1, 2025, through March 31, 2026, and accounts receivable credit balances as of March 31, 2026.

Sincerely,

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

MA/rd
26/050

CONTENTS

Introduction 1

Purpose and Authority of the Examination 1

Background 1

Examination Scope 2

Prior Examination Findings 2

Independent Accountant's Report 3

Finding and Recommendation 6

Finding: Diversicare Briarcliff, LLC failed to properly manage and promptly refund credit balances of 64 former Medicaid residents totaling $83,413.97 6

Observations and Recommendations 8

Observation 1: Diversicare Briarcliff, LLC charged 16 Medicaid residents a total of $345 for basic services 8

Observation 2: Diversicare Briarcliff, LLC inappropriately included salaries and related employee benefits totaling $57,498 on Schedule C of the Medicaid Supplemental Cost Report 9

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.

Diversicare Briarcliff, LLC

Diversicare Briarcliff, LLC, dba Diversicare of Oak Ridge, located in Oak Ridge, Tennessee, provides both intermediate and skilled levels of care. The facility is directly owned by DAC Acquisition LLC and is managed by Diversicare Healthcare Services, LLC.

During the examination period, the facility maintained a total of 120 licensed nursing facility beds. Of the 43,800 available bed days for the year ended February 28, 2025, the facility reported 22,546 for Medicaid residents. Also, the facility reported total operating expenses of $10,420,099 for the period.

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

Period	NF Rate
January 1, 2024, through June 30, 2024	$ 261.42
July 1, 2024, through December 31, 2024	$ 248.88
January 1, 2025, through June 30, 2025	$ 246.61
July 1, 2025, through December 31, 2025	$ 257.13
January 1, 2026, through March 31, 2026	$ 253.23

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

An examination has not been performed within the last five years.

Jason E. Mumpower
Comptroller

Independent Accountant's Report

September 9, 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
Tennessee Department of Finance and Administration
310 Great Circle Road, 4W
Nashville, Tennessee 37243

Ladies and Gentlemen:

We have examined whether Diversicare Briarcliff, LLC, dba Diversicare of Oak Ridge, complied with the following requirements:

- Revenue and direct care salaries reported on the Skilled Nursing Facility and Medicaid Supplemental Cost Reports for the fiscal year ended February 28, 2025, are 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 for the fiscal year ended February 28, 2025, have been counted in accordance with state rules and regulations, and Medicaid resident days billed to the state from March 1, 2024, through December 31, 2025, when residents were discharged, are in accordance with state rules and regulations.
- Charges to residents or residents' personal funds from April 1, 2025, through March 31, 2026, complied with state and federal rules and regulations, the Nursing Facility Manuals, and the agreement between the facility and the Department of Finance and Administration.

- Credit balances for Medicaid resident accounts receivable as of March 31, 2026, are properly managed and refunded in accordance with state and federal rules and regulations.

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 Diversicare Briarcliff, LLC, dba Diversicare of Oak Ridge, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to the examination engagement.

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

- Diversicare Briarcliff, LLC failed to properly manage and promptly refund credit balances of 64 former Medicaid residents totaling $83,413.97

In our opinion, except for the instance of material noncompliance described, Diversicare Briarcliff, LLC, dba Diversicare of Oak Ridge, complied, in all material respects, with the aforementioned requirements for revenue and direct care salaries reported on the Skilled Nursing Facility and Medicaid Supplemental Cost Reports for the period March 1, 2024, through February 28, 2025; resident days for the period March 1, 2024, through December 31, 2025; resident accounts for the period April 1, 2025, through March 31, 2026; and accounts receivable credit balances as of March 31, 2026.

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.

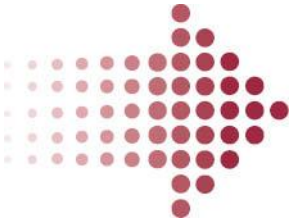
Sincerely,



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

MA/rd

FINDING AND RECOMMENDATION



Finding: Diversicare Briarcliff, LLC failed to properly manage and promptly refund credit balances of 64 former Medicaid residents totaling $83,413.97

Diversicare Briarcliff, LLC failed to establish a system to manage and promptly refund credit balances on the accounts of deceased or discharged residents. The auditors requested and reviewed the facility's accounts receivable aging report for discharged Medicaid residents with credit balances outstanding for more than 60 days and identified 64 residents with credit balances totaling $83,413.97. Of this amount, $75,659.88 was due to the Medicaid program, and $7,754.09 was due to discharged Medicaid residents or their authorized representatives. After auditors identified the credit balances, the facility's management researched the outstanding credit balances and issued refund checks totaling $6,270.58 to eight discharged Medicaid residents or their authorized representatives, $1,483.51 to Tennessee Department of Treasury Unclaimed Property Division for six discharged Medicaid residents, and $8,301.71 to the Medicaid Program. The auditors reviewed the facility's supporting documentation and noted that the refund checks totaling $16,055.80 had cleared the bank. As of June 1, 2026, the remaining outstanding balances consisted of $67,358.17 due to the Medicaid program.

Figure 1: Credit Balances Identified on Accounts Receivable Report

Discharge Period	Due to Medicaid Program	Due to the Resident or Authorized Representative	Number of Residents
FYE* 02/28/2011	$153.54		1
FYE 02/29/2012	$1,581.72		3
FYE 02/28/2013	$2,597.26		4
FYE 02/28/2014	$7,899.09		13
FYE 02/28/2015	$2,864.42		5
FYE 02/29/2016	$6,812.12		1
FYE 02/28/2017	$10,246.10		6
FYE 02/28/2018	$1,290.58	$200.00	5
FYE 02/28/2019	$721.57		3
FYE 02/28/2021	$189.00		1
FYE 02/28/2022		$71.56	1
FYE 02/28/2023	$531.32	$526.00	3
FYE 02/28/2025	$3,584.15	$1,904.50	7
3/1/2025-12/8/2025	$37,189.01	$5,052.03	11
Total	**$75,659.88**	**$7,754.09**	**64**

* Fiscal year ended.

Title 42, *United States Code*, Chapter 7, 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: Diversicare Brairicliff, 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'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

Diversicare has procedures and policies in place to make sure all credits are refunded and will reeducate to make sure these are completed in a timely manner. All refunds have been resolved as of the date of this report.

OBSERVATIONS AND RECOMMENDATIONS

Observation 1: Diversicare Briarcliff, LLC charged 16 Medicaid residents a total of $345 for basic services

Diversicare Briarcliff, LLC inappropriately charged 16 Medicaid Residents a total of $345 for basic services, specifically haircuts and beard trims.

Regarding basic services, Chapter 0720-18-.06(4)(q) of the *Rules of the Tennessee Health Facilities Commission states,* "Residents shall have shampoo, haircuts, and shaves as needed, or desired."

Recommendation: Diversicare Briaricliff, LLC should provide basic services to all Medicaid residents at no charge. The facility should refund $345 to the 16 Medicaid residents for the haircuts and beard trims.

Management's Comment

Diversicare has procedures and policies in place to make sure all basic services are provided and will reeducate to make sure these services are provided appropriately. All charges have been resolved as of the date of this report.

Observation 2: Diversicare Briarcliff, LLC inappropriately included salaries and related employee benefits totaling $57,498 on Schedule C of the Medicaid Supplemental Cost Report

Diversicare Briarcliff, LLC inappropriately included $57,498 of salary expenses on Schedule C of its Medicaid Supplemental Cost Report for the year ended February 28, 2025, consisting of $44,457 in Licensed Practical Nurse (LPN) costs and $13,041 in Certified Nursing Assistant (CNA) and orderly costs. Auditors determined that the facility reported 100 percent of two employees' salaries as direct patient care on Schedule C, although the facility had allocated only 50 percent of each employee's duties to direct patient care. In addition, one employee's salary was reported on Schedule C even though the employee's job description and assigned administrative duties indicated the employee's salary did not qualify for inclusion on Schedule C. As a result, auditors removed inappropriately reported salary expenses of $57,498 from Schedule C.

The adjustments to Schedule C salary costs may affect the provider's reimbursement rate. The Division of TennCare will consider the corrected report and determine any applicable reimbursement impact.

Chapter 1200-13-02-.05(2)(d) of the *Rules of the Tennessee Department of Finance and Administration* states, "Cost reports must be prepared according to Medicaid supplemental

cost reporting instructions, CMS Publication 15-2, cost reporting instructions, and definitions of allowable and non-allowable costs contained in CMS Publication 15-1."

Medicaid supplemental cost reporting instructions state, "Licensed Practical (LPN) … that are providing direct patient care services can be included in this cost center…" and "Certified Nurse Aides (CNA) and Orderlies … that are providing direct patient care services can be included in this cost center…"

Recommendation: Diversicare Briarcliff, LLC should follow the supplemental cost report instructions when completing the Medicaid Supplemental Cost Report and include only allowed expenses. All reported expenses should be adequately supported for covered services related to resident care and in compliance with applicable regulations.

Management's Comment

Management will review the classification of salaries to ensure that only direct care salaries are recorded on Schedule C.