



COMPTROLLER'S INVESTIGATIVE REPORT

Decatur County General Hospital

April 1, 2020

Justin P. Wilson
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

April 1, 2020

Decatur County General Hospital
Board of Trustees
969 Tennessee Ave, South
Parsons, TN 38363

and

Decatur County Commission
22 West Main Street
Decaturville, TN 38329

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Decatur County General Hospital, and the results are presented herein.

Copies of this report are being forwarded to Governor Bill Lee, the State Attorney General, the District Attorney General of the 24th Judicial District, the United States Attorney for the Western District of Tennessee, certain state legislators, and various other interested parties. A copy is available for public inspection in our office and may be viewed at <http://www.comptroller.tn.gov/ia/>.

Sincerely,

A handwritten signature in black ink that reads "Justin P. Wilson".

Justin P. Wilson
Comptroller of the Treasury

JPW/MLC

INVESTIGATIVE REPORT

Decatur County General Hospital

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Decatur County General Hospital (hospital). The Comptroller's Office initiated the investigation after receiving allegations the hospital mistakenly received funds which it then used improperly. Throughout the investigation, hospital officials made additional allegations pertaining to management companies' oversight in hospital operations. As a result, the investigation expanded to include these allegations. The investigation was limited to selected records for the period January 1, 2018, through February 29, 2020. The results of the investigation were communicated with the Office of the District Attorney General of the 24th Judicial District and the United States Attorney's Office for the Western District of Tennessee.

BACKGROUND

Decatur County General Hospital is in the West Tennessee city of Parsons. The hospital is owned by the Decatur County government and is governed by a board of trustees appointed by the Decatur County Board of County Commissioners. The hospital opened in 1963 and currently has a 40-bed capacity.



Due to ongoing financial difficulties, Decatur County officials considered an option to outsource the day-to-day operations of the hospital to an independent management company. On March 1, 2018, Decatur County entered into a management agreement with Impeli Health, Inc. (Impeli). In the agreement, Decatur County authorized Impeli to receive all hospital revenues, and Impeli would be responsible for all operating expenses and any shortfalls. The management agreement was terminated on September 24, 2018 by the Decatur County Board of County Commissioners.

After September 24, 2018, the hospital continued to operate under the leadership of Decatur County Mayor Mike Creasy as the interim Chief Executive Officer (CEO) until county officials could find a permanent solution. During this time, the hospital continued to have financial hardships and was facing closure. To keep the hospital open, Decatur County entered into a management agreement with Progressive Hospital Group, Inc. (Progressive). The management

agreement was effective from January 21, 2019 until Decatur County terminated the agreement on February 29, 2020.

RESULTS OF INVESTIGATION

IMPELI HEALTH, INC.

1. IMPELI IMPROPERLY DIRECTED \$307,366.09 OF UNIVERSITY OF TENNESSEE FUNDS TO PAY FOR HOSPITAL EXPENSES

Our investigation disclosed that the Chief Executive Officer (CEO) for Impeli directed a hospital employee to improperly transfer University of Tennessee (UT) funds on two separate occasions for hospital expenses. Records provided by the Decatur County Mayor’s Office disclosed that a bank mistakenly provided UT the incorrect vendor e-payable program email address. The UT funds were intended to pay for rent at a UT facility in Parsons; however, UT mistakenly provided this information to the hospital with instructions on how to transfer the funds. On April 27, 2018, the CEO, with knowledge the funds did not belong to the hospital, directed a hospital employee to electronically transfer \$153,988.57 (\$174,411.55 less bank fees of \$20,422.98) to the hospital’s account using the mistakenly provided email instructions. On May 23, 2018, the CEO directed an additional transfer of \$153,377.52 (\$174,411.55 less bank fees of \$21,034.03) to the hospital account.

The county mayor had custodial oversight of the hospital’s accounts, which required him to transfer funds to pay operational expenses for the hospital. Before the county mayor became aware of the two above-noted deposits, the CEO falsely told him the first UT deposit was from hospital managed care contracts, and the second deposit came from her personal credit card. In July 2018, UT became aware the funds had been misdirected and demanded repayment. The funds were subsequently repaid to UT.

The misdirected funds by the CEO are summarized in the table below:

Deposit Date	April 27, 2018	May 23, 2018	Total
Deposit Transferred	\$174,411.55	\$174,411.55	\$348,823.10
Bank Processing Fee	\$(20,422.98)	\$(21,034.03)	\$(41,457.01)
Net Bank Deposit	\$153,988.57	\$153,377.52	\$307,366.09

2. QUESTIONABLE PAYMENTS TOTALING \$130,488.52 WERE MADE TO VENDORS

Impeli authorized the hospital’s accounting department to disburse two questionable payments to Allergy Nexus, LLC, totaling \$110,248.52 in August 2018, and one questionable payment to Dunwoody Labs, Inc., for \$20,240 on September 17, 2018. According to invoices reviewed by investigators, Impeli purportedly made these disbursements for hospital laboratory expenses. However, hospital lab employees could not confirm that lab specimens were ever processed at the

hospital or referred to an outside lab by the hospital for processing. In addition, these vendors were not on the approved vendor list for the hospital.

The hospital's payments for questionable services are summarized below:

Vendor	Payment Date	Questionable Disbursements
Allergy Nexus, LLC	August 10, 2018	\$66,264.36
Allergy Nexus, LLC	August 15, 2018	\$43,984.16
Dunwoody Labs, Inc	September 17, 2018	\$20,240.00
Total		\$130,488.52

3. QUESTIONABLE UNPAID INVOICES TOTALING \$372,140.42

On September 24, 2018, the Decatur County Board of County Commissioners terminated the hospital management contract with Impeli. The next day, a representative of Alianza Networks emailed the county mayor demanding payment for unpaid lab invoices due to Allergy Nexus, LLC and Dunwoody Labs, Inc.; however, the hospital did not make these payments. In addition, investigators discovered \$372,140.42 in unpaid invoices due to Alianza Networks (\$42,501), Allergy Nexus, LLC (\$303,679.42) and Dunwoody Labs, Inc. (\$25,960).

As of March 27, 2020, the county mayor advised investigators that these invoices had not been paid. Investigators question the legitimacy of these invoices since the hospital cannot confirm the vendors performed any lab work, and the vendors had not provided any supporting documentation for the work the vendors allegedly performed. No further contact has been made by the vendors to the hospital.

Unpaid questionable invoices claimed by the three vendors are summarized below.

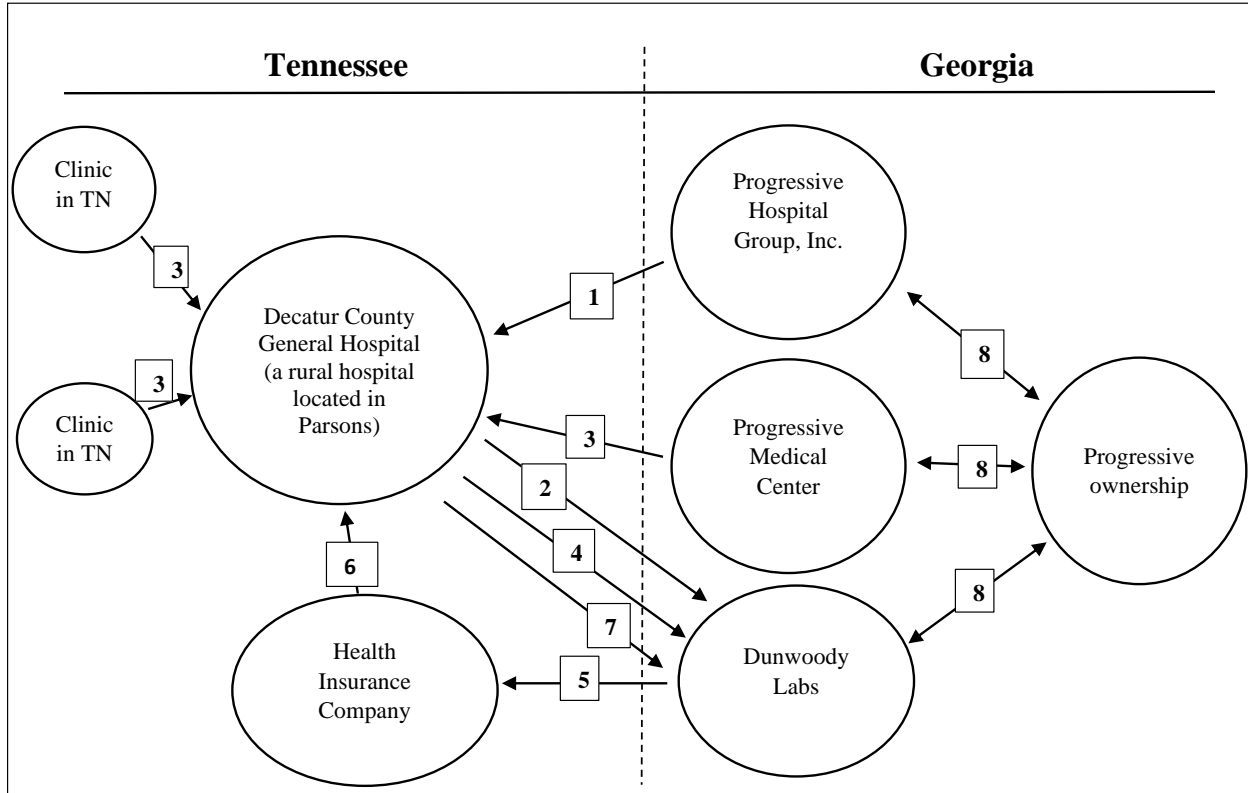
Vendor	Number of Invoices	Total Unpaid Invoices
Alianza Networks	4	\$42,501.00
Allergy Nexus, LLC	6	\$303,679.42
Dunwoody Labs, Inc	2	\$25,960.00
Total		\$372,140.42

PROGRESSIVE HOSPITAL GROUP, INC.

1. QUESTIONABLE LABORATORY INSURANCE BILLING PRACTICES

Investigators identified questionable insurance billings for laboratory testing by Progressive. Progressive utilized the hospital for insurance billing purposes and then redirected the insurance proceeds.

See the diagram below for billing practices.



Legend:

- 1 – Decatur County and Progressive Hospital Group, Inc., enter into a management provider agreement to oversee the day-to-day hospital operations.
- 2 – Shortly after entering into the management agreement, the hospital used Dunwoody Labs for laboratory testing.
- 3 - In addition to clinics throughout Tennessee, the hospital started receiving requisitions and specimens for laboratory testing from Progressive Medical Center located in Georgia. These patients were not the patients of the hospital.
- 4 – The hospital performed some laboratory tests in-house, while some tests were referred out to Dunwoody Labs. Some tests were referred straight to Dunwoody Labs without being processed at the hospital.
- 5 – Through a pre-arranged practice by Progressive and Dunwoody Labs, a representative of Dunwoody Labs would submit reimbursement claims to a health insurance company for all tests performed (both tests performed in-house and at Dunwoody Labs) using the hospital billing identification, making it appear that all the tests were performed at the hospital.
- 6 – The insurance company paid the reimbursement payments to the hospital assuming the hospital performed all the tests claimed. Because the hospital is located in a rural area, its insurance reimbursement is significantly higher than what the insurance reimbursement would have been had the independent non-contracted laboratory (such as Dunwoody Labs) submitted the claim using their own identification during the claim processing.
- 7 – Progressive authorized payments to Dunwoody Labs from the hospital using the Amex credit card. In turn, Progressive paid off the Amex charges from lab fees generated by the hospital (essentially paying themselves).
- 8 – Progressive (Progressive Hospital Group, Inc.) and its owner/principal have ownership interests in Progressive Medical Center and Dunwoody Labs.

Investigators noted the following patterns and various red flags pertaining to laboratory billing practices.

- a. Certain requisition forms (a document ordering laboratory testing for a patient by a medical professional) were altered in appearance (the logo and information on entity performing the analysis). Some patient accounts associated with Dunwoody Labs were missing basic patient information (patients' date of birth or social security number), and the requisition forms were filled out incorrectly and incompletely. For example, they lacked providers' signatures or were stamped instead of hand-written by the medical provider.
- b. As of February 29, 2020, Dunwoody Labs claimed unpaid invoices against the hospital totaling \$225,379.00. Through interviews, investigators were unable to confirm the legitimacy of \$118,240.53 of these charges.

Other laboratory charges on Dunwoody Labs invoices:

- lacked corresponding requisition forms in the hospital records.
 - were processed and billed through the insurer without the patients' specimen being accessioned at the hospital. (Note: lab accessioning means accepting [taking possession/ownership] the specimen and entering the sample data into a laboratory system).
 - included laboratory charges for tests performed prior to the effective date of the interim management agreement between the hospital and Progressive (January 21, 2019).
- c. Between January 21, 2019, and February 29, 2020, investigators determined that a Progressive's representative, using his American Express (Amex) credit card opened on the hospital's behalf, directed \$275,000 to Dunwoody Labs. Progressive then authorized the payments of the Amex charges through an electronic funds transfer from a local bank. This account contained the hospital's general revenues (e.g. insurance proceeds and other payments). These payments were allegedly for supplies and other costs the hospital owed Dunwoody Labs. Investigators could not determine the veracity of these payments.

Investigators were told by Blue Cross Blue Shield (BCBS) that it informed the hospital that the hospital is in violation of the existing provider agreement between the hospital and BCBS because of the hospital's billing practices in one or more areas, namely those involving laboratory billing. That area is a major source of the hospital's revenue. Investigators also learned that BCBS performed a review of laboratory billing during 2019 and found noncompliance by the hospital. Subsequently, BCBS disallowed \$271,402.75 (based on a representative sampling of data) for the noncompliance with the provider agreement. BCBS is actively pursuing the recoupment of these funds which may approximate \$1.6 million in overpayments due to noncompliance with billing practices. All or a portion of this amount represents a contingent liability Decatur County will be responsible to fulfill through its own funds. In addition, there is approximately \$1.2 million that results from the same noncomplying practices which BCBS determined are and were never due nor payable pursuant to the existing billing agreements.

2. QUESTIONABLE PAYMENTS OF \$55,071.04 WERE MADE TO A CONSULTANT AND OTHERS

Investigators determined that by using their Amex credit card, Progressive authorized \$47,071.04 in hospital funds to be paid to a consultant hired by Progressive. This amount consisted of \$34,170.68 for consulting services, \$12,878.76 for the consultant's lodging expenses, and \$21.60 for a Netflix payment. Through interviews with present and former employees, investigators were unable to obtain any justification that the consultant's work benefitted the hospital.

Investigators also learned that Progressive authorized payments (referred to as bonuses) to a former Chief Executive Officer (CEO) of \$5,000 and former Chief Operations Officer (COO) of \$3,000, using the hospital's funds. These were employees of the hospital. Investigators were unable to determine the justification for the payments of these bonuses.

Progressive authorized the payments to the consultant and for the bonuses despite the fact the hospital's solvency was in question.

Type of Issue		Amounts	
<i>Payments to Consultant</i>	Payments to Consultant	\$34,170.68	\$47,071.04
	Payments of Consultant's Lodging Expenses	\$12,878.76	
	Payments of Consultant's Netflix	\$21.60	
<i>Bonus Payments</i>	Payments to former CEO	\$5,000	\$8,000.00
	Payments to former COO	\$3,000	
Total			\$55,071.04

3. THE HOSPITAL HAD SUSTAINED INCREASED DEBT AND PAYROLL LIABILITIES BY THE TERMINATION DATE OF THE PROGRESSIVE MANAGEMENT AGREEMENT

Prior to the management agreement with Progressive, the hospital had approximately \$1,013,790 of debt. Under Progressive's management, the hospital's debt rose to approximately \$2,869,616. Investigators relied on the unconfirmed debt schedules provided by the hospital. These amounts potentially represent a liability that Decatur County may have to address with the hospital's vendors, employees, and other creditors. Much of this debt pertains to the purchase of supplies and services, and payroll liabilities as follows:

- a. Progressive withheld payroll taxes from the hospital employees' paychecks but failed to remit these withholdings to the Internal Revenue Service (IRS) as required by law. Investigators determined that Progressive is responsible for the non-remittance of \$783,477.71 in payroll taxes during the period June 12, 2019 through February 29, 2020.
- b. During the period May 29, 2019 through February 29, 2020, Progressive did not pay hospital employees' 401K retirement accounts amounts totaling \$62,977.04.

The above-noted amounts were withheld from employee checks, but employees were unaware these withholdings were not remitted on their behalf. The nonpayment of the payroll taxes resulted in hospital employees receiving incorrect W-2 tax forms. Despite having inaccurate tax information, the Progressive management team authorized the dissemination of the tax forms to the employees who in turn experienced difficulties when filing their individual tax returns for 2019. Employees information is being rejected or audited by the IRS for discrepancies with payroll taxes, and they possibly face fines and penalties. In addition, the hospital faces a risk of IRS fines.

Summary of Questionable Payments, Contingent and Other Liabilities, and Pending BCBS Reimbursements Related to Progressive

Type of Issues		Amounts	
<i>Questionable Payments Authorized by Progressive</i>	Payments to Dunwoody Labs	\$275,000	\$330,071
	Payments on Behalf of the Consultant	\$47,071	
	Payments to the former hospital CEO and COO (Bonuses)	\$8,000	
<i>Hospital's Contingent and Other Liabilities</i>	Hospital Outstanding Debt	\$2,869,616	Approximately \$4,469,616
	Funds At-Risk for BCBS Noncompliance	Approximately \$1,600,000	
<i>Hospital's Pending BCBS Reimbursements</i>	BCBS' Pending Payments	Approximately \$1,200,000	Approximately \$1,200,000
Total			Approximately \$6,000,000

INTERNAL CONTROL DEFICIENCY

Our investigation revealed the following deficiency in internal control:

Deficiency: Inadequate oversight of Progressive by Decatur County officials

There was a lack of oversight by the Decatur County Commission, the hospital board of trustees, the county mayor, and legal counsel over the management agreement with Progressive. There was no clear direction between the parties in terms of who was responsible for enforcing the contractual terms. Progressive did not appropriately disclose to the County Commission or the hospital board its ownership relationship with Dunwoody Labs and other affiliates. The interim management agreement between the hospital and Progressive did not state that Progressive planned on using Dunwoody Labs for the laboratory testing. Progressive also lacked the solvency to meet its

financial obligations. For example, while Progressive was managing the hospital, Decatur County contributed approximately \$386,000 to meet the hospital payroll or other charges. In May 2019, the former hospital CEO brought up concerns to the county mayor and hospital trustees about the laboratory billings and the use of the Amex credit card by Progressive. However, the county failed to properly investigate the matter, and allowed Progressive to continue managing the hospital without additional scrutiny.

As stated above, the management agreement with Progressive was terminated on February 29, 2020.

INVESTIGATIVE REPORT - APPENDIX

Decatur County General Hospital

On June 24, 2021, the Decatur County Grand Jury indicted Kelly Codega on two counts of Theft over \$60,000 and two counts of Violation of Tennessee Personal and Commercial Computer Act of 2003 over \$60,000.

On June 24, 2021, the Decatur County Grand Jury indicted Impeli Health, Inc., on two counts of Theft over \$60,000 and two counts of Violation of Tennessee Personal and Commercial Computer Act of 2003 over \$60,000.

The charges and allegations contained in the indictment are merely accusations of criminal conduct, and not evidence. The defendants are presumed innocent unless and until proven guilty beyond a reasonable doubt and convicted through due process of law.

[Decatur County General Hospital Investigation Exhibit](#)