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Signature HealthCARE balances discussion on Medicaid billing issue

All Signature expenses appropriate according to company's mission and vision, but some not reimbursable, by design under Medicaid state methods

Louisville, Ky. (July 2, 2014) – A few news outlets have published or aired stories this week regarding our 2009 Tennessee Medicaid home office cost report that were inaccurate and misleading.

There have been some questions and discussion surrounding the matter, and we want to clarify that our provider costs are appropriate, but certain expenses will never be reimbursable under various state Medicaid programs because each state has different methods, payment models and allowable expenses.

The press release issued by the TN Comptroller's Office states the balance of the expenditures that the comptroller found improper under Tennessee Rules were allocated to other states. In fact, many of our other states do not require a home office cost report, use a case mix system based on resident acuity, and some reimburse at a higher nursing staffing level for provider oversight and programming, therapy management and similar functions.

Signature HealthCARE'S mission and vision, and operating platform, calls for higher staffing, \$5 million annually in spirituality programming and more comprehensive oversight that includes disputed travel costs to remain present and active in each community.

During 2009, we operated in 66 centers in seven states. The nearly \$2 million cited in the comptroller's press release applied to overhead for all of our centers at the time and not only to our 22 Tennessee centers.

The state of Tennessee requires a separate home office filing in which the actual amount was only \$561,000, or less than half a percent of the total Medicaid payments made to Signature for the 560,000 days of quality care delivered to over 9,200 residents who called Signature their home in 2009.

Because of our unique and 'by-design' approach, we never expected to have any cost overages reimbursed because half of our Tennessee centers had already exceeded the state Medicaid ceilings. We will remain committed to our quality programming, which is usually below our operating costs in most states where we operate.

Because of this reconciliation process for all of our 22 Tennessee centers, the overage should be only about \$250,000, for which we have not been billed, informed or notified, and are expecting a settlement letter by year-end 2014.

We have accurately booked the reserve for accounting purposes and our financial records, and cannot even pay the adjusted amount until we receive state confirmation of the final amount - which is less than 0.03% of the \$83 million in total Medicaid services delivered to the more than 9,000 residents who, in 2009, lived in one of the Signature communities we are so proud of. We operated at a negative margin in 2009, substantiated by Joseph Lubarsky's annual Medicaid shortfall report, which says that in 2009, all TN facilities operated at a shortfall of \$3.73 per Medicaid day.

At the time the press release was issued from the comptroller, all other states in which we operate were properly settled as normal business, and had a very different Medicaid program structure, so we believe all states are properly reconciled.

The Tennessee Medicaid system is partially retrospective with facility-specific rates, with rates under two levels of care categories and certain excluded expenses which is very different than other states in which we operate. As a multi-state operator, we are aware of the complex and varied nature of each state's Medicaid reimbursement process, and believe this issue has been oversimplified.

We have enjoyed a strong provider partnership with the regulatory authorities, the TennCARE program, and building relationships with policymakers and other leaders throughout Tennessee. We respect the Medicaid reimbursement process, the office of the Comptroller, and are proud to continue serving the residents of Tennessee.

Signature HealthCARE is a skilled-nursing, rehabilitation and health care company with 113 locations in nine states and more than 17,000 employees. For more, visit www.ltcrevolution.com.

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