



MEDICAID EXAMINATION

Creekview Health and Rehabilitation Knoxville, Tennessee

Cost Reports and Resident Days

January 1, 2022, Through December 31, 2022

Resident Accounts

January 1, 2022, Through November 21, 2023

Jason E. Mumpower
Comptroller of the Treasury



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JASON E. MUMPOWER
Comptroller

April 22, 2024

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 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 Medicare and Medicaid Supplemental Cost Reports of Creekview Health and Rehabilitation in Knoxville, Tennessee, for the period January 1, 2022, through December 31, 2022; resident days for the period January 1, 2022, through December 31, 2022; and resident accounts for the period January 1, 2022, through November 21, 2023.

Sincerely,

A handwritten signature in blue ink that reads "Katherine J. Stickel". The signature is written in a cursive, flowing style.

Katherine J. Stickel, CPA, CGFM, Director
Division of State Audit

KJS/pn
24/020

CREEKVIEW HEALTH AND REHABILITATION KNOXVILLE, TENNESSEE

EXAMINATION HIGHLIGHTS

Examination Scope

Cost Reports and Resident Days for the Period January 1, 2022, Through December 31, 2022; and Resident Accounts for the Period January 1, 2022, Through November 21, 2023

Finding Recommending Monetary Refunds

Creekview Health and Rehabilitation failed to properly manage and promptly refund accounts receivable credit balances of 81 former residents, totaling \$265,671.42

Creekview Health and Rehabilitation has not established a system to properly manage and promptly refund credit balances on the accounts of deceased or discharged residents. Management did not maintain evidence that staff notified former residents or their authorized representative of refunds due to them. Management failed to refund accounts receivable credit balances totaling \$265,671.42. Of the \$265,671.42 that remains on accounts receivable, \$126,817.26 is due back to former Medicaid residents or their authorized representatives, and \$138,854.16 is due back to the Medicaid Program.

Observations

Creekview Health and Rehabilitation included \$18,519.28 in nonallowable expenses and \$87.35 in expenses that should have been reported in ancillary cost centers on its Medicare Cost Report

Creekview Health and Rehabilitation included \$18,519.28 of nonallowable expenses and \$87.35 in expenses that should have been reported in ancillary cost centers on the Medicare Cost Report for the year ended December 31, 2022. The nonallowable expenses consist of \$15,847.56 in unsupported

expense; \$2,274.50 in expense not incurred during the cost report period; \$382.22 in corporate expense; and \$15.00 in expense for another facility. The expenses that have been reported in ancillary cost centers consist of \$87.35 in therapy expense.

The \$18,519.28 total of nonallowable expenses and the \$87.35 in expenses that should have been reported in ancillary cost centers may affect the Medicaid reimbursement rate since 2022 was a rebase year.

Creekview Health and Rehabilitation inappropriately charged Medicaid residents for covered services

The facility inappropriately charged six Medicaid residents a total of \$260 for haircuts, which are basic covered services, from January 1, 2022, through November 21, 2023. This amount should be reimbursed to the Medicaid residents who were charged for these services.

Medicaid Examination
Creekview Health and Rehabilitation
Cost Reports and Resident Days for the Period
January 1, 2022, Through December 31, 2022; and
Resident Accounts for the Period
January 1, 2022, Through November 21, 2023

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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.

Creekview Health and Rehabilitation

Creekview Health and Rehabilitation in Knoxville, Tennessee, provides both NF-1 and NF-2 services. The facility is owned by Knoxville Opco LLC, a Limited Liability Company in Knoxville, Tennessee. Knoxville Opco LLC is owned by Clearview TN SNF Holdco LLC (100%), which is owned by SHNZ Holdings LLC (95%) and Sweet Home Management (5%). SHNZ Holdings LLC is owned by HC Family Trust (50%) and Zanziper Family Trust (50%).

During the examination period, the facility maintained a total of 91 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

33,215 available bed days for the year ended December 31, 2022, the facility reported 15,623 for Medicaid residents. Also, the facility reported total operating expenses of \$6,344,025 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>NF Rate</u> <u>Q05-2123</u>
January 1, 2022, through June 30, 2022	\$211.84
July 1, 2022, through December 31, 2022	\$216.65

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

There has not been an examination performed within the last five years.



JASON E. MUMPOWER
Comptroller

Independent Accountant's Report

December 8, 2023

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 Creekview Health and Rehabilitation complied with the following requirements:

- Income and expenses reported on the Skilled Nursing Facility and Medicaid Supplemental Cost Reports for the fiscal year ended December 31, 2022, 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 have been counted in accordance with state regulations. Medicaid resident days billed to the state from January 1, 2022, through December 31, 2022, when residents were discharged, are in accordance with the rules.
- Charges to residents and charges to residents' personal funds from January 1, 2022, through November 21, 2023, 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management complied, in all material respects, with the specified 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 modified opinion. Our examination does not provide a legal determination on the entity's compliance with specified requirements.

We are required to be independent of Creekview Health and Rehabilitation 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:

- Creekview Health and Rehabilitation failed to properly manage and promptly refund accounts receivable credit balances of 81 former residents, totaling \$265,671.42.

In our opinion, except for the instance of material noncompliance described above, Creekview Health and Rehabilitation complied with the aforementioned requirements for income and expenses reported on the Medicare and Medicaid Supplemental Cost Reports for the period January 1, 2022, through December 31, 2022; resident days for the period January 1, 2022, through December 31, 2022; and resident accounts for the period January 1, 2022, through November 21, 2023.

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,



Katherine J. Stickel, CPA, CGFM, Director
Division of State Audit

KJS/pn

Finding and Recommendation



Finding

Creekview Health and Rehabilitation failed to properly manage and promptly refund accounts receivable credit balances of 81 former residents, totaling \$265,671.42

Creekview Health and Rehabilitation failed to establish a system to properly manage and promptly refund accounts receivable credit balances on the accounts of deceased or discharged residents. Management failed to refund accounts receivable credit balances, totaling \$265,671.42, that remain on the accounts of 81 former Medicaid residents. Of this amount, \$126,817.26 is due back to the residents or their authorized representatives, and \$138,854.16 is due back to the Medicaid Program. The resident accounts that had credit balances were discharged between June 28, 2019, and August 7, 2023.

Discharge Period	Residents	Amount Due to Medicaid	Amount Due to Residents
FYE* 12/31/19	9	\$5,369.25	\$3,578.83
FYE 12/31/20	11	\$22,987.90	\$11,089.24
FYE 12/31/21	29	\$45,269.98	\$49,021.49
FYE 12/31/22	22	\$57,025.35	\$47,912.34
01/01/2023–08/07/2023	10	\$8,201.68	\$15,215.36
Total	81	\$138,854.16	\$126,817.26

* Fiscal year ended.

Criteria

Title 42, *United States Code* (USC), Section 1320a-7k(d), contains obligations for health care providers regarding reporting and returning overpayments from the Division 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 31 USC 3729(b)(3). The False Claims Act subjects a provider to a fine and triple the amount of damages, known as “treble damages,” if he or she knowingly conceals or knowingly and improperly avoids or decreases an obligation to pay money to the federal government.

Section 66-29-123(a), *Tennessee Code Annotated*, requires, “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

Creekview Health and Rehabilitation should implement an adequate system to promptly refund accounts receivable credit balances on the accounts of former residents or their authorized representatives. The facility should refund the accounts receivable credit balances, totaling \$126,817.26, due back to the residents or their authorized representatives, and \$138,854.16 due back to the Medicaid Program. Additionally, the facility’s management should maintain evidence of attempts to contact the owner of the credit balance. If the proper owner cannot be located within three years from the date of the last account activity, a report of the abandoned property must be filed with the Tennessee Department of Treasury, Division of Unclaimed Property.

Management’s Comment

We reviewed the auditor’s examination and have provided documentation that supports overdue patient care balances for this period should be \$74,604.99. \$4,085.31 of this was due to residents and all of this has been properly refunded. We are currently in the process of refunding the remaining \$70,519.68 to the State of Tennessee and coordinating with them the best way to achieve this as quickly as possible. Our third-party accounting company has revised their process for review and oversight and has implemented an additional review process which will address any account balances over 30 days to ensure timely refunds when appropriate.

Observations and Recommendations

Observation 1

Creekview Health and Rehabilitation included \$18,519.28 in nonallowable expenses and \$87.35 in expenses that should have been reported in ancillary cost centers on its Medicare Cost Report

Creekview Health and Rehabilitation included \$18,519.28 of nonallowable expenses and \$87.35 in expenses that should have been reported in ancillary cost centers on the Medicare Cost Report for the year ended December 31, 2022. The nonallowable expenses consist of \$15,847.56 in unsupported expense; \$2,274.50 in expense not incurred during the cost report period; \$382.22 in corporate expense; and \$15.00 in expense for another facility. The expenses that have been reported in ancillary cost centers consist of \$87.35 in therapy expense.

Chapter 1200-13-06-.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.” Chapter 1200-13-06.09 also specifies that unnecessary costs and costs unrelated to patient care be deducted from allowable expenses. Such costs that are not allowable in computing reimbursable costs include, but are not limited to,

- any fines, penalties, or interest paid on any tax payments or interest charges on overdue payables;
- costs which are not necessary or related to patient care; and
- advertising costs incurred.

The \$18,519.28 of nonallowable expenses will be removed from total expenses. The \$87.35 in expenses that should have been reported in ancillary cost centers will be reclassified to the appropriate cost center. The effect of the adjustment to the Medicaid rate may impact the Medicaid reimbursement rate since 2022 was a rebase year.

Recommendation

Creekview Health and Rehabilitation 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.

Management's Comment

Less than 1% (0.291%) of total spending was not supported with copies of receipts. Missing receipts included supply items such as nursing, activities, and maintenance, all of which directly support care and services for the residents. There was \$87 that was also placed in an incorrect cost center. The accounting team has implemented additional processes to ensure better safeguards in ensuring all receipts are maintained and that all coding is appropriate.

Observation 2

Creekview Health and Rehabilitation inappropriately charged Medicaid residents for covered services

Creekview Health and Rehabilitation inappropriately charged Medicaid residents for Medicaid-covered services. The facility inappropriately charged six Medicaid residents a total of \$260 for haircuts, which is a basic covered service, from January 1, 2022, through November 21, 2023.

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

Chapter 3, Paragraph 310.A.6 of the *Intermediate Care Facilities (ICF) Manual* states,

Policies must ensure that each resident admitted to the ICF:

- b. Is fully informed in writing prior to or at the time of admission and during stay, of services available in the ICF, and of related charges including any charges for services not covered under the Title XIX program or not covered by the ICF's basic per diem rate.

The facility failed to inform Medicaid residents during the admissions process that they have a free haircut alternative.

Recommendation

Creekview Health and Rehabilitation should not charge residents for covered services. In the future, the facility should provide covered

services to all Medicaid residents without charge. The facility should establish adequate procedures to ensure compliance with applicable laws and regulations relative to protecting resident trust funds. The facility should reimburse the six Medicaid residents or their authorized representatives a total of \$260.

Management's Comment

There was \$260 in total erroneously charged to residents for covered services for a total of six residents. This money has been refunded to the residents. An additional audit step will be conducted to ensure that residents are not being charged for items that should be covered by the facility before any invoices are sent out monthly.

Summary of Monetary Finding and Observation

Source of Overpayments

Unrefunded accounts receivable credit balances (see Finding)	\$ 265,671.42
Charges for basic covered services (see Observation 2)	<u>260.00</u>
Total	<u>\$ 265,931.42</u>

Disposition of Overpayments

Due to residents or their authorized representatives	\$127,077.26
Due to the Medicaid Program	<u>138,854.16</u>
Total	<u>\$ 265,931.42</u>