TENNESSEE COMPTROLLER OF THE TREASURY

MEDICAID EXAMINATION

The Waters of Winchester, LLC
Winchester, Tennessee

Cost Reports
January 1, 2023, Through December 31, 2023

Resident Days
January 1, 2023, Through June 30, 2024

Resident Accounts
October 1, 2023, Through January 31, 2025

Jason E. Mumpower
Comptroller of the Treasury

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Tennessee Comptroller of the Treasury

TENNESSEE COMPTROLLER OF THE TREASURY

JASON E. MUMPOWER
Comptroller

June 25, 2025

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 limited scope examination of the Medicare and Medicaid Supplemental Cost Reports of The Waters of Winchester, LLC in Winchester, Tennessee, for the period January 1, 2023, through December 31, 2023; resident days for the period January 1, 2023, through June 30, 2024; and resident accounts for the period October 1, 2023, through January 31, 2025.

Sincerely,

Katherine J. Stickel

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

KJS/rd
25/013

THE WATERS OF WINCHESTER
WINCHESTER, TENNESSEE

EXAMINATION HIGHLIGHTS

Examination Scope

Cost Reports for the Period January 1, 2023, Through December 31, 2023;
Resident Days for the Period January 1, 2023, Through June 30, 2024; and
Resident Accounts for the Period October 1, 2023, Through January 31, 2025

Finding Recommending Monetary Refunds

The Waters of Winchester, LLC failed to properly manage and promptly refund credit balances of 45 former Medicaid residents, totaling $40,611.55

The Waters of Winchester, LLC has not established a system to properly manage and promptly refund credit balances on the accounts of deceased or discharged Medicaid residents. Management failed to refund credit balances totaling $40,611.55. Of this amount, $3,035.20 is due to former Medicaid residents or their authorized representatives, and $37,576.35 is due to the Medicaid program.

Observations

The Waters of Winchester, LLC inappropriately charged 6 residents a total of $50 for Medicaid basic covered services

The Waters of Winchester, LLC inappropriately charged Medicaid residents for Medicaid basic covered services. The facility charged 6 Medicaid residents $50 for shaves and eyebrow trims.

The Waters of Winchester, LLC charged Medicaid residents more than non-Medicaid residents

The Waters of Winchester, LLC improperly charged Medicaid residents a higher daily rate than residents of non-Medicaid payor types. As a result, the facility charged Medicaid residents $23.15 per day more than other payor types from July 1, 2023, through December 31, 2023.

Medicaid Examination
The Waters of Winchester, LLC
Cost Reports for the Period January 1, 2023, Through December 31, 2023; Resident Days for the Period January 1, 2023, Through June 30, 2024; and Resident Accounts for the Period October 1, 2023, Through January 31, 2025

Contents

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 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 Waters of Winchester, LLC

The Waters of Winchester, LLC, in Winchester, Tennessee, provides both NF-1 and NF-2 services. The facility is 40% owned by both Michael Blisko and Gublin Enterprises Limited Partnership; A&F Realty owns the remaining 20%.

The Waters of Winchester, LLC has a governing body but no board of directors.

During the examination period, the facility maintained a total of 132 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 48,180 available bed days for the year ended December 31, 2023, the facility reported 22,383 for Medicaid residents. Also, the facility reported total operating expenses of $9,785,527 for the period.

The Division of Quality Assurance is responsible for the inspection of the quality of the facility's physical plant, professional staff, and resident services.

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

Period	NF Rate
January 1, 2023, through June 30, 2023	$241.59
July 1, 2023, through December 31, 2023	$287.75
January 1, 2024, through June 30, 2024	$275.19
July 1, 2024, through December 31, 2024	$246.69
January 1, 2025, through January 31, 2025	$247.81

Examination Scope

Our examination covers certain financial-related requirements of the Medicaid Nursing Facility Program. The requirements covered are 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.

TENNESSEE COMPTROLLER OF THE TREASURY

JASON E. MUMPOWER
Comptroller

Independent Accountant's Report

May 29, 2025

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 The Waters of Winchester, LLC complied with the following requirements:

- Income reported on the Skilled Nursing Facility and Medicaid Supplemental Cost Reports for the fiscal year ended December 31, 2023, is 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, 2023, through June 30, 2024, when residents were discharged, are in accordance with the rules.
- Charges to residents' personal funds from October 1, 2023, through January 31, 2025, are in accordance with state and federal regulations, complying with the Nursing Facility Manuals, and the agreement between the facility and the Department of Finance and Administration.

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 The Waters of Winchester, LLC 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:

- The Waters of Winchester, LLC failed to properly manage and promptly refund credit balances of 45 former Medicaid residents, totaling $40,611.55

In our opinion, except for the instance of material noncompliance described above, The Waters of Winchester, LLC complied with the aforementioned requirements for income reported on the Skilled Nursing Facility and Medicaid Supplemental Cost Reports for the period January 1, 2023, Through December 31, 2023; Resident Days for the period January 1, 2023, Through June 30, 2024; and Resident Accounts for the period October 1, 2023, Through January 31, 2025.

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

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

KJS/rd

Finding and Recommendation

Finding

The Waters of Winchester, LLC failed to properly manage and promptly refund credit balances of 45 former Medicaid residents, totaling $40,611.55

The Waters of Winchester, LLC failed to establish a system to manage and promptly refund credit balances on the accounts of deceased or discharged Medicaid residents. The auditors requested and reviewed the facility's accounts receivable aging report for outstanding credit balances on discharged Medicaid residents' accounts and identified 45 Medicaid residents discharged between 2016 and 2024, with remaining credit balances totaling $40,611.55. Of this amount, $3,035.20 was due to discharged Medicaid residents or their authorized representatives, and $37,576.35 was due to the Medicaid program. The facility's management researched the outstanding credit balances and determined that the balances should be refunded. Management issued some refund checks to the discharged Medicaid residents. The auditors reviewed the facility's operating account bank statements through April 30, 2025, and noted that refund checks cleared the bank except for $1,725.26 due to Medicaid residents or their authorized representatives. A total of $37,576.35 is still due to the Medicaid program.

Accounts Receivable – Credit Balances

FYE	Due to Medicaid/TennCare	Due to Resident or Authorized Representative	Number of Residents
FYE 12/31/2016	$ 416.47	$ 0.00	1
FYE 12/31/2017	7,551.04	313.86	10
FYE 12/31/2018	6,361.65	0.00	7
FYE 12/31/2019	9,046.98	0.00	9
FYE 12/31/2020	5,752.89	0.00	4
FYE 12/31/2021	2,810.07	200.90	5
FYE 12/31/2022	4,434.81	2,161.44	7
FYE 12/31/2023	0.00	359.00	1
FYE 12/31/2024	1,202.44	0.00	1
Total	**$ 37,576.35**	**$ 3,035.20**	**45**
Reimbursed as of 04/30/2025	**$ 0.00**	**$ 1,309.94**	**2**
Total Outstanding	**$ 37,576.35**	**$ 1,725.26**	**43**

Title 42, *United States Code* (USC), 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, Division of Unclaimed Property* 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

The Waters of Winchester, LLC should implement an adequate system to promptly refund credit balances on the accounts of former residents or their authorized representatives and 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, the facility should file a report of the abandoned property with the Tennessee Department of Treasury, Division of Unclaimed Property.

Management's Comment

The Waters of Winchester accepts this finding from the Tennessee State Comptroller's audit. All refunds have been issued to the responsible party that was mentioned in the finding, and the business office manager has confirmed all checks have been received. The Waters of Winchester will refund Medicaid the $37,576.35 mentioned in the finding as well.

Observations and Recommendations

Observation 1

The Waters of Winchester, LLC inappropriately charged 6 residents a total of $50 for Medicaid basic covered services

The Waters of Winchester, LLC inappropriately charged Medicaid residents for Medicaid basic covered services. The facility charged 6 Medicaid residents $50 for facial shaves and eyebrow trims, which are basic covered services, from October 1, 2023, through October 18, 2024.

Chapter 1200-13-02-.03 of the *Rules of the Tennessee Department of Finance and Administration, Division of TennCare* states, "(6) The specific items and services covered by the NF program shall be those defined and approved by TennCare. A NF shall not charge a TennCare enrollee for a covered service. Non-covered services may be charged directly to the resident, upon prior notification by the NF to the resident that the service is not covered. Rule 1200-13-13-.08(5)." 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."

Recommendation

The Waters of Winchester, LLC should provide basic covered services to all Medicaid residents without charge. The facility should reimburse the Medicaid residents or their authorized representatives for the cost of the covered services.

Management's Comment

The Waters of Winchester accepts this observation from the Tennessee State Comptroller's audit.

The business office manager and beautician have been in-serviced on what services are appropriate to charge for. Beard and eyebrow trimming is no longer an offered service through the beauty shop. Refund checks to all 6 residents were issued on 3/28/2025 for a total refund amount of $50.00.

Observation 2

The Waters of Winchester, LLC charged Medicaid residents more than non-Medicaid residents

The Waters of Winchester improperly charged Medicaid residents a higher daily rate than residents of non-Medicaid payor types. As a result, the facility charged Medicaid residents $23.15 per day more than other payor types from July 1, 2023, through December 31, 2023. The rate for Medicaid residents was $287.75, while the rate for non-Medicaid residents was $264.60 for the same accommodations.

Chapter 1200-13-02-.03(5) of the *Rules of the Tennessee Department of Finance and Administration, Division of TennCare* states, "Regardless of the Medicaid reimbursement rate established, a NF may not charge TennCare Enrollees an amount greater than the amount per day charged to non-Medicaid payer patients for equivalent accommodations and services."

Recommendation

The Waters of Winchester, LLC should ensure that the Medicaid enrollees are not charged an amount greater than the amount per day charged to non-Medicaid payors for the same accommodations and services.

Management's Comment

The Waters of Winchester accepts this observation from the Tennessee State Comptroller's audit.

Summary of Monetary Finding and Observation

Source of Overpayments

Unrefunded credit balances (Finding 1)	$ 39,301.61
Residents charged for Medicaid basic covered services (Observation 1)	50.00
Total	$ 39,351.61

Disposition of Overpayments

Due to residents or their authorized representatives	$ 1,775.26
Due to the Medicaid program	37,576.35
Total	$ 39,351.61