



MEDICAID EXAMINATION
Tennessee Family Solutions, Inc.
Smyrna, Tennessee

Cost Report

July 1, 2022, Through June 30, 2023

Resident Days

July 1, 2022, Through June 30, 2024

Resident Accounts

October 1, 2023, Through November 18, 2024

Jason E. Mumpower
Comptroller of the Treasury



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JASON E. MUMPOWER
Comptroller

November 24, 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 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 examination of the Intermediate Care Facility for Individuals with Intellectual Disabilities (ICF/IID) Medicaid Cost Report of Tennessee Family Solutions, Inc. in Smyrna, Tennessee, for the period July 1, 2022, through June 30, 2023; resident days for the period July 1, 2022, through June 30, 2024; and resident accounts for the period October 1, 2023, through November 18, 2024.

Sincerely,

A handwritten signature in blue ink that reads "Maya Angelova".

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

MA/jb
25/018

TENNESSEE FAMILY SOLUTIONS, INC.

SMYRNA, TENNESSEE

EXAMINATION HIGHLIGHTS

Examination Scope

*Cost Report for the Period July 1, 2022, Through June 30, 2023;
Resident Days for the Period July 1, 2022, Through June 30, 2024; and
Resident Accounts for the Period October 1, 2023, Through November 18, 2024*

Findings

Tennessee Family Solutions, Inc. improperly billed 109 hospital leave days, resulting in an overpayment to the entity of \$59,890

Tennessee Family Solutions, Inc. improperly billed the Medicaid program for 109 hospital leave days while operating below the 85% occupancy requirement to bill these days, resulting in an overpayment to the entity of \$59,890 for the period July 1, 2022, through June 30, 2024.

Tennessee Family Solutions, Inc. overreported 72 Medicaid resident days on the Medicaid Cost Report for the fiscal year ended June 30, 2023

Tennessee Family Solutions, Inc. overreported 72 Medicaid resident days on the cost report for the fiscal year ended June 30, 2023, by including hospital leave days when the homes did not meet the occupancy requirement to bill for hospital leave days.

Observations

Tennessee Family Solutions, Inc. failed to deposit funds in excess of \$100 received from, or on behalf of, Medicaid ICF/IID residents in an interest-bearing account

Tennessee Family Solutions, Inc. failed to deposit Medicaid residents' funds in excess of \$100 in an interest-bearing account.

Tennessee Family Solutions, Inc. included \$13,656.80 of nonallowable expenses on its Medicaid Cost Report

Tennessee Family Solutions, Inc. included \$13,656.80 of nonallowable expenses on the Medicaid Cost Report for the period July 1, 2022, through June 30, 2023. These nonallowable expenses consist of excess depreciation expense, resident medical and dental costs, gifts, prior-year expenses, and costs not related to Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IID).

Tennessee Family Solutions, Inc. failed to properly refund a credit balance totaling \$79.59 for one deceased Medicaid resident

Tennessee Family Solutions, Inc. did not establish a system to promptly refund a credit balance on the account of one deceased resident.

Medicaid Examination
Tennessee Family Solutions, Inc.
Cost Report for the Period
July 1, 2022, Through June 30, 2023;
Resident Days for the Period
July 1, 2022, Through June 30, 2024; and
Resident Accounts for the Period
October 1, 2023, Through November 18, 2024

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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' 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. A physician must perform a Pre-Admission Evaluation (PAE) to recommend a recipient's need for facility care before he or she can be admitted to a facility. Once a recipient is admitted, a physician must certify periodically that continued institutional care is required. The number of days of coverage available to recipients in a nursing facility is not limited.

An Intermediate Care Facility for Individuals with Intellectual Disabilities (ICF/IID) is a licensed facility approved for Medicaid reimbursement that provides specialized services for individuals with intellectual disabilities or related conditions in compliance with current federal standards and certification requirements. The Department of Disability and Aging (DDA) Office of Licensure develops the supporting documents needed to issue licenses, maintains current files and appropriate records for all facilities licensed by the department, and provides consultation and technical assistance as needed to licensed and proposed programs. Additionally, DDA is responsible for conducting unannounced inspections and follow-up inspections of licensed facilities and ensuring reports of wrongdoing or deficiency in the operation of a facility are investigated.

Each year, an ICF/IID facility submits a cost report to the Comptroller's office, which computes a Medicaid reimbursement rate based on supported and allowable costs. Rate elements also include a trend inflation factor, occupancy adjustments, and gross receipts tax. The Division of TennCare in the Department of Finance and Administration reviews and approves the rate computed by the Comptroller's office. Once the Division of TennCare approves a per diem reimbursement rate, the rate will not be changed until the next rate determination, except for audit adjustments, correction of errors, or termination of a budgeted rate.

Tennessee Family Solutions, Inc.

Tennessee Family Solutions, Inc. in Smyrna, Tennessee, provides residential, community living, health care, therapeutic, and ICF/IID services. The entity is a nonprofit corporation.

The officers/members of the board of directors are as follows:

Ralph M. Kennedy, Chairperson and President
Penny Hooper, Secretary
Gary Mumme
Julia Barnes
Kerri L. Harwood
Debbie McCurdy
Andrea Williams

During the examination period, Tennessee Family Solutions, Inc. maintained a total of 16 licensed beds in four ICF/IID homes. Of the 5,840 available bed days for the fiscal year ended June 30, 2023, the four homes reported 4,064 occupied bed days for Medicaid ICF/IID residents. The entity reported total operating expenses of \$2,765,526 for the period.

The following Medicaid reimbursement rates were in effect for the period below and were computed based on the cost report for the fiscal year ended June 30, 2023:

<u>Provider Number and Name of ICF/IID</u>	<u>11/01/2023- 10/31/2024</u>
744-7125 Tennessee Family Solutions – 722-724 Stonetrace Drive	\$716.10
744-7132 Tennessee Family Solutions – 1432-1434 Rochester Drive	\$589.20
744-7163 Tennessee Family Solutions – 1727-1729 Thomas Court	\$726.84
744-7168 Tennessee Family Solutions – 1502-1504 Rochester Drive	\$551.47

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 30, 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 Tennessee Family Solutions, Inc. complied with the following requirements:

- Income and expenses reported on the Intermediate Care Facility for Individuals with Intellectual Disabilities (ICF/IID) Medicaid Cost Report for the fiscal year ended June 30, 2023, are reasonable, allowable, and in accordance with state and federal rules, regulations, and reimbursement principles.
- Resident days reported on the Intermediate Care Facility for Individuals with Intellectual Disabilities (ICF/IID) Medicaid Cost Report for the fiscal year ended June 30, 2023, have been counted in accordance with state regulations. Medicaid resident days billed to the state for the period July 1, 2022, through June 30, 2024, when residents were discharged, are in accordance with the rules.
- Charges to residents or residents' personal funds for the period October 1, 2023, through November 18, 2024, are in accordance with state and federal regulations, complied 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 Tennessee Family Solutions, Inc. 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:

- Tennessee Family Solutions, Inc. improperly billed 109 hospital leave days, resulting in an overpayment to the entity of \$59,890
- Tennessee Family Solutions, Inc. overreported 72 Medicaid resident days on the Medicaid Cost Report for the fiscal year ended June 30, 2023

In our opinion, except for the instances of material noncompliance described above, Tennessee Family Solutions, Inc. complied with the aforementioned requirements for income and expenses reported on the Intermediate Care Facility for Individuals with Intellectual Disabilities (ICF/IID) Medicaid Cost Report for the period July 1, 2022, through June 30, 2023; resident days for the period July 1, 2022, through June 30, 2024; and resident accounts for the period October 1, 2023, through November 18, 2024.

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.

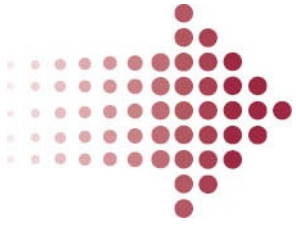
Sincerely,



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

MA/jb

Findings and Recommendations



Finding 1

Tennessee Family Solutions, Inc. improperly billed 109 hospital leave days, resulting in an overpayment to the entity of \$59,890.

Tennessee Family Solutions, Inc. improperly billed the Medicaid program \$59,890 for 109 hospital leave days during the period July 1, 2022, through June 30, 2024, while three of the homes were operating below the 85% occupancy requirement to bill for hospital leave days.

For the fiscal year ended June 30, 2023, Tennessee Family Solutions, Inc. billed the Medicaid program \$39,686.30 for 72 hospital leave days for three of the homes while they were operating below 85% occupancy. Auditors will incorporate an adjustment to resident days into the rate recomputation. A breakdown by home, number of days, and amount due to Medicaid is outlined in the table below:

ICF/IID Provider Number	Nonallowable Days per 85% Rule	Due to Medicaid
744-7125	10	\$6,446.00
744-7132	4	\$1,654.70
744-7163	58	\$31,585.60
Total	72	\$39,686.30

For the fiscal year ended June 30, 2024, Tennessee Family Solutions, Inc. billed the Medicaid program \$20,203.75 for 37 hospital leave days for three of the homes while they were operating below 85% occupancy. The cost report for the fiscal year ended June 30, 2024, is not included in the scope of this examination; therefore, auditors will not make an adjustment to the cost report. A breakdown by home, number of days, and amount due to Medicaid is outlined in the table below:

ICF/IID Provider Number	Nonallowable Days per 85% Rule	Due to Medicaid
744-7125	5	\$3,301.31
744-7132	8	\$4,470.67
744-7163	24	\$12,431.77
Total	37	\$20,203.75

After auditors notified Tennessee Family Solutions, Inc. of the amount due to Medicaid, management promptly refunded \$59,890 to the Division of TennCare.

An ICF/IID is reimbursed for a recipient's temporary absence in accordance with Chapter 1200-13-01-.30(6) of the *Rules of the Tennessee Department of Finance and Administration*. One of the requirements is that "at least eighty-five percent (85%) of all other beds in the [ICF/IID] certified at the recipient's designated level of care . . . , when computed separately, are occupied at the time of hospital admission."



Recommendation

Tennessee Family Solutions, Inc., should not bill the Medicaid program for hospital leave days when operating below 85% occupancy.

Management's Comment

Tennessee Family Solutions accepts the validity of the incorrect billing and has taken steps to assure that this error is not repeated in our billing procedures in the future. Further, Tennessee Family Solutions understands the occupancy requirements of TennCare and will attempt to get assistance from TennCare in meeting the expectation of keeping beds filled per the cited Chapter 1200-13-01-30(6).



Finding 2

Tennessee Family Solutions, Inc. overreported 72 Medicaid resident days on the Medicaid Cost Report for the fiscal year ended June 30, 2023

Tennessee Family Solutions, Inc. improperly billed the Medicaid program for hospital leave days when three of the homes were operating below 85% occupancy (Finding 1), and the entity reported these days on the cost report. As a result, the entity overstated 72 resident days on the Medicaid Cost Report for the fiscal year ended June 30, 2023. Auditors will incorporate the adjustment to resident days for the fiscal year ended June 30, 2023, into the rate recomputation.

Chapter 1200-13-6-.15 of the *Rules of the Tennessee Department of Finance and Administration* states: “The cost reports filed in accordance with the rules above must provide adequate cost and statistical data. This data must be based on and traceable to the provider’s financial and statistical records and must be adequate, accurate and in sufficient detail to support payment made for services rendered to beneficiaries.”



Recommendation

Tennessee Family Solutions, Inc. should maintain an adequate system to accurately report and account for resident days, ensuring that only hospital leave days billed in accordance with TennCare rules are reported.

Management’s Comment

Tennessee Family Solutions will ensure that billing errors of hospital leave days are only billed in accordance with TennCare rules.

Observations and Recommendations

Observation 1

Tennessee Family Solutions, Inc. failed to deposit funds in excess of \$100 received from, or on behalf of, Medicaid ICF/IID residents in an interest-bearing account

Tennessee Family Solutions, Inc. failed to deposit Medicaid residents' funds in excess of \$100 in an interest-bearing account.

Section 68-11-906(a), *Tennessee Code Annotated*, states, "Each nursing home shall deposit any funds in excess of one hundred dollars (\$100) received from, or on behalf of, a resident in an interest-bearing account, insured by an agency of the federal government."

Rules of the Tennessee Department of Finance and Administration, 1200-13-02-.05(2)(g), require, "Patient funds in excess of \$100 per patient must be kept in an insured interest-bearing account. Interest earned must be credited to the patients. Bank fees or charges associated with resident trust fund accounts shall not be charged to or debited against individual resident trust fund accounts."

Recommendation

Tennessee Family Solutions, Inc. should ensure residents' trust funds in excess of \$100 are deposited into an interest-bearing account, and interest earned on the account should be credited to the individual resident trust fund accounts.

Management's Comment

Tennessee Family Solutions maintains funds of residents in an FDIC approved National Bank. The entity is working with its banking representative to convert the current account to one providing interest on deposits. Our controller will establish the means of allocating interest due to the individual residents' accounts.

Observation 2

Tennessee Family Solutions, Inc. included \$13,656.80 of nonallowable expenses on its Medicaid Cost Report

An Intermediate Care Facility for Individuals with Intellectual Disabilities (ICF/IID) is a facility approved for Medicaid reimbursement and is required to provide routine services, including supplies, that comply with current federal standards and certification. Medicaid reimburses the ICF/IID for covered services through a per diem rate, less any available resident resources. A component of the rate is based on supported and allowable costs.

Tennessee Family Solutions, Inc. included \$13,656.80 of nonallowable expenses on the Medicaid Cost Report for the period July 1, 2022, through June 30, 2023. The nonallowable expenses consist of

- \$6,597.19 in excess depreciation expense,
- \$4,186.20 in resident medical and dental expenses,
- \$1,292.96 in gifts,
- \$736.38 in prior-year expenses,
- \$342.86 in costs not related to the ICF/IID home,
- \$256.86 in late fees,
- \$130.00 in parking violation tickets,
- \$99.00 in donations, and
- \$15.35 in alcohol.

The adjustment to expenses reported on the Medicaid Cost Report for the fiscal year ended June 30, 2023, will be incorporated into the rate recomputation.

Title 42, *Code of Federal Regulations*, Part 413, Section 24, states that, “Providers receiving payment on the basis of reimbursable cost must provide adequate cost data. This must be based on their financial and statistical records which must be capable of verification by qualified auditors.”

Chapter 21, Section 2102.3 of the Centers for Medicare and Medicaid Services (CMS) Publication 15-1, the *Provider Reimbursement Manual – Part 1*, states,

Costs not related to patient care are costs which are not appropriate or necessary and proper in developing and maintaining the operation of patient care facilities and activities. Costs which are not necessary include costs which usually are not common or accepted occurrences in the field of the provider's activity. Such costs are not allowable in computing reimbursable costs.

Medical and dental expenses not covered by TennCare should be submitted as incurred medical expenses on behalf of the resident in accordance with Chapter Post-Eligibility Treatment of *Income of the Aged, Blind and Disabled Manual*.

Part 1, Chapter 1-104.17, of the Medicare *Provider Reimbursement Manual* states, “In initially selecting a proper useful life for computing depreciation . . . the provider may use certain published useful life guidelines. For assets acquired on or after January 1, 1981, only the AHA (American Hospital Association) guidelines may be used.”

Recommendation

Tennessee Family Solutions, Inc. 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

Tennessee Family Solutions has been in consultation with TennCare to understand allowable use of resident funds for medical, dental and other costs incurred in the care of the residents. Costs outside of the allowable expenses will not be included in future cost reporting.

Observation 3

Tennessee Family Solutions, Inc. failed to properly refund a credit balance totaling \$79.59 for one deceased Medicaid resident

Tennessee Family Solutions, Inc. did not establish a system to promptly refund a credit balance on the account of one deceased resident. After the audit team identified the balance, management issued a check for the \$79.59 owed to the resident’s authorized representative. However, the auditors have not observed support that the check cleared the bank.

Recommendation

Tennessee Family Solutions, Inc. should implement a system to promptly refund credit balances to former residents or their authorized representatives.

Management's Comment

A check for the cited amount has been issued and to date has not been cashed. Evidence that the check was properly issued has been provided to the auditors. Tennessee Family Solutions will promptly refund resident credit balances to the appropriate entities going forward.

Summary of Monetary Finding and Rate Recomputation

Source of Overpayments

Improper billing of hospital leave days (Finding 1) \$ 59,890

Disposition of Overpayments

Refunded to the Division of TennCare \$59,890

Summary of Rate Recomputation

As a result of the adjustments to expenses and leave days for the fiscal year ended June 30, 2023, auditors recomputed the Medicaid reimbursement rates for the ICF/IID homes for the period November 1, 2023, through October 31, 2024, as follows:

ICF/IID Provider Number	ICF/IID Location	Original Rates	Rates after Examination Adjustments
744-7125	Stonetrace Drive	\$716.10	\$724.69
744-7132	Rochester Drive	\$589.20	\$590.86
744-7163	Thomas Court	\$726.84	\$719.06
744-7168	Rochester Drive	\$551.47	\$554.42

The Comptroller's office will submit the recomputed rates to the Division of TennCare for review, approval, and reprocessing of applicable claims.