



MEDICAID EXAMINATION

LP Memphis, LLC **DBA Signature Health Care of Memphis** **Memphis, 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 November 4, 2024

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF STATE AUDIT

Katherine J. Stickel, CPA, CGFM, *Director*

Medicaid/TennCare

Maya Angelova, CPA, CFE

Assistant Director

Regina Dobbins, CPA, CFE, CGFM, CPM

Audit Manager

Kelsey Potts

In-Charge Auditor

Tammy Fruscione, CGFM

Senior Auditor

Isabel Badoe

Staff Auditor

Audit Special Teams

Amber L. Crawford, CGFM, SPHR

Assistant Director

Amanda S. Adams

Amy W. Brack

Editors

David Cook, CPA

Legislative Audit Review Officer

Comptroller of the Treasury, Division of State Audit

Cordell Hull Building

425 Rep. John Lewis Way N.

Nashville, TN 37243

615.401.7897

comptroller.tn.gov/office-functions/state-audit.html

Mission: Make Government Work Better





JASON E. MUMPOWER
Comptroller

June 11, 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 LP Memphis, LLC, DBA Signature Health Care of Memphis, in Memphis, 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 November 4, 2024.

Sincerely,

A handwritten signature in blue ink that reads "Katherine J. Stickel".

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

KJS/rid
25/012

LP Memphis, LLC

DBA SIGNATURE HEALTH CARE OF MEMPHIS MEMPHIS, 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 November 4, 2024*

Findings

Signature Health Care of Memphis failed to properly manage and promptly refund credit balances of 91 former Medicaid residents or their authorized representatives, totaling \$109,315.31

Signature Health Care of Memphis 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 \$109,315.31. Of this amount, \$32,966.82 was due to former Medicaid residents or their authorized representatives, and \$76,348.49 was due to the Medicaid program.

Signature Health Care of Memphis has not established a system to ensure that resident trust fund accounts are properly managed

Signature Health Care of Memphis did not attempt to determine the whereabouts of or notify residents or their authorized representatives when outstanding checks written from the petty cash trust fund account had not cleared the bank. As of January 23, 2025, 25 checks had been outstanding for over 90 days, 23 of which had been outstanding for more than two years. Additionally, the facility failed to properly reconcile the resident trust fund bank statements from October 2023 to October 2024.

Observations

Signature Health Care of Memphis inappropriately charged 16 residents a total of \$1,003 for Medicaid basic covered services

Signature Health Care of Memphis inappropriately charged Medicaid residents for basic covered services, specifically haircuts and shaves. The facility charged 16 Medicaid residents \$1,003 for haircuts and shaves.

Signature Health Care of Memphis failed to maintain an adequate surety bond for the resident trust fund account

Signature Health Care of Memphis failed to maintain an adequate surety bond for the resident trust fund account to protect resident funds.

**Medicaid Examination
LP Memphis, LLC
DBA Signature Health Care of Memphis
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 November 4, 2024**

Contents

	<u>Page</u>
Introduction	1
Purpose and Authority of the Examination	1
Background	1
Examination Scope	2
Prior Examination Findings	2
Independent Accountant's Report	3
Findings and Recommendations	
1. Signature Health Care of Memphis failed to properly manage and promptly refund credit balances of 91 former Medicaid residents or their authorized representatives, totaling \$109,315.31	5
2. Signature Health Care of Memphis has not established a system to ensure that resident trust fund accounts are properly managed	8
Observations and Recommendations	
1. Signature Health Care of Memphis inappropriately charged 16 residents a total of \$1,003 for Medicaid basic covered services	11
2. Signature Health Care of Memphis failed to maintain an adequate surety bond for the resident trust fund account	12
Summary of Monetary Findings and Observations	13

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.

LP Memphis, LLC, DBA Signature Health Care of Memphis

LP Memphis, LLC, DBA Signature Health Care of Memphis, in Memphis, Tennessee, provides both NF-1 and NF-2 services. The facility is owned by LP CR Holdings, LLC, as a direct owner and Agemo Holdings, LLC; LPSNF II, LLC; JJLA, LLC; Elmer Joseph Steier; Ira Smedra; Jacob Wintner; and Wheaton, LLC, all as indirect owners. The facility is managed by Signature Healthcare Consulting Services, LLC.

During the examination period, the facility maintained a total of 140 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 51,100 available bed days for the year ended December 31, 2023, the facility reported 25,778 for Medicaid residents. Also, the facility reported total operating expenses of \$13,686,775 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:

<u>Period</u>	<u>NF Rate</u>
January 1, 2023, through June 30, 2023	\$256.45
July 1, 2023, through December 31, 2023	\$298.81
January 1, 2024, through June 30, 2024	\$282.03
July 1, 2024, through November 4, 2024	\$262.22

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.



JASON E. MUMPOWER
Comptroller

Independent Accountant's Report

May 8, 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 LP Memphis, LLC, DBA Signature Health Care of Memphis, 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 and residents' personal funds from October 1, 2023, through November 4, 2024, 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 LP Memphis, LLC, DBA Signature Health Care of Memphis, 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:

- Signature Health Care of Memphis failed to properly manage and promptly refund credit balances of 91 former Medicaid residents or their authorized representatives, totaling \$109,315.31
- Signature Health Care of Memphis has not established a system to ensure that resident trust fund accounts are properly managed

In our opinion, except for the instances of material noncompliance described above, LP Memphis, LLC, DBA Signature Health Care of Memphis, 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 November 4, 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.

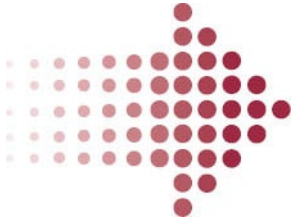
Sincerely,



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

KJS/rd

Findings and Recommendations



Finding 1

Signature Health Care of Memphis failed to properly manage and promptly refund credit balances of 91 former Medicaid residents or their authorized representatives, totaling \$109,315.31

Signature Health Care of Memphis 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 91 Medicaid residents discharged between 2010 and 2024, with remaining credit balances totaling \$109,315.31. Of this amount, \$32,966.82 was due to discharged Medicaid residents or their authorized representatives, and \$76,348.49 was due to the Medicaid program. The facility's management researched the outstanding credit balances and determined that the balances should be refunded. Management proactively issued refund checks to the discharged Medicaid residents and the Medicaid program. The auditors reviewed the facility's operating account bank statements through March 31, 2025, and noted that the issued refund checks had cleared the bank except for \$9,183.63, which remained due to 11 former Medicaid residents or their authorized representatives.

Accounts Receivable – Credit Balances

FYE	Due to Medicaid/TennCare	Due to Resident or Authorized Representative	Number of Residents
12/31/2010	\$ 3,197.19	-	4
12/31/2011	8,794.50	\$ 635.00	6
12/31/2012	870.23	438.50	3
12/31/2013	3,688.22	1,493.00	7
12/31/2014	2,909.17	67.28	3
12/31/2015	3,166.11	-	2
12/31/2016	1,856.32	1,391.56	5
12/31/2017	676.29	1,015.59	4
12/31/2018	5,777.14	133.82	8
12/31/2019	5,423.92	202.06	5

Accounts Receivable – Credit Balances (Continued)

FYE	Due to Medicaid/TennCare	Due to Resident or Authorized Representative	Number of Residents
12/31/2020	8,661.17	7,708.56	16
12/31/2021	8,781.28	1,021.69	8
12/31/2022	9,864.86	5,452.78	8
12/31/2023	12,158.09	3,972.22	7
12/31/2024	524.00	9,434.76	5
Total	\$ 76,348.49	\$ 32,966.82	91
Reimbursed as of 3/31/25	\$ 76,348.49	\$ 23,783.19	80
Total Outstanding	\$0	\$9,183.63	11

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* 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

Signature Health Care of Memphis 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

We concur with this finding.

Corrective Actions:

- A comprehensive audit of all former resident accounts with outstanding credit balances was conducted. Each balance was verified and categorized by source (e.g., resident refund, Medicaid).
- \$109,315.31 has been refunded. Each account was reviewed to confirm refund eligibility and the appropriate payee.
- A monthly review process has been implemented to evaluate all discharged residents with credit balances.
- Refunds will be processed and issued within 30 days of discharge.
- If, after completing due diligence to locate the rightful owner (including attempts to contact the resident, representative, or estate), the refund remains unclaimed, the funds will be submitted to the appropriate State Unclaimed Property Office per state escheatment laws.
- The Business Office Manager has received training on the refund policy.
- Monthly audits of credit balances are now in place to ensure ongoing compliance and timely resolution of all future credit balances.



Finding 2

Signature Health Care of Memphis has not established a system to ensure that resident trust fund accounts are properly managed

Signature Health Care of Memphis uses Resident Fund Management Service to manage the facility's resident trust fund. This involves three bank accounts. The resident trust fund account in which the residents' social security checks, other residents' income and funds are deposited, the resident trust fund petty cash account in which funds are transferred to and checks are written on the residents' behalf, and the resident care cost account in which the residents' liability is transferred and then transferred out to the facility's operating account.

Signature Health Care of Memphis did not attempt to determine the whereabouts or notify residents or their authorized representatives when outstanding checks written from the petty cash trust fund account had not cleared the bank. As of January 23, 2025, 25 checks were outstanding over 90 days, 23 of which were outstanding for more than two years. The checks were written to former residents for account balances due to the residents or to a vendor where services were performed on behalf of a resident. The facility did not maintain evidence of attempts to contact the owner of the outstanding check or file a report of the abandoned property with the Tennessee Department of Treasury, Division of Unclaimed Property.

Resident Trust Fund – Outstanding Checks

FYE	Sum of Resident Trust Fund Outstanding Checks	Number of Checks
12/31/2019	\$ 85.03	2
12/31/2020	1,919.67	9
12/31/2021	3,008.01	5
12/31/2022	4,191.58	7
12/31/2023	50.00	1
12/31/2024	150.00	1
Total	\$ 9,404.29	25

Additionally, the facility failed to properly reconcile the resident trust fund bank statements from October 2023 to October 2024. The facility's bank reconciliation dated October 31, 2024, had an unreconciled balance of \$31,583.20. This includes amounts associated with withdrawals from resident trust fund accounts where corresponding checks were either not issued or were voided without being reissued. The variance is also attributed to a transfer into the trust fund petty cash account of \$7,763.19

from an old petty cash account of the prior owners. As of May 7, 2025, more information about the legitimacy of this deposit, whether it should remain in the account or be adjusted, is still outstanding.

Title 42, *Code of Federal Regulations* (CFR), Part 483, Section 10(f)(10)(i), states that “. . . the facility must act as a fiduciary of the resident’s funds and hold, safeguard, manage, and account for the personal funds of the resident deposited with the facility, as specified in this section.”

In addition, 42 CFR 483.10(f)(10)(iii)(A) states, “The facility must establish and maintain a system that assures a full and complete and separate accounting, according to generally accepted accounting principles, of each resident’s personal funds entrusted to the facility on the resident’s behalf.”

Further, 42 CFR 483.10(g)(14)(iv) requires that “The facility must record and periodically update the address (mailing and email) and phone number of the resident representative(s).”

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* 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. “Due Diligence” is defined herein as the degree of care which a reasonably prudent man would exercise in the normal course of business operations.”



Recommendation

The management of Signature Health Care of Memphis should establish a system to ensure that resident trust funds are properly managed. They should maintain evidence of attempts to contact the owner of the outstanding checks. 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.

Signature Health Care of Memphis should ensure that the resident trust fund accounts are reconciled properly. Signature Health Care of Memphis should review and reconcile the outstanding \$31,583.20 to ensure proper documentation and accuracy of the resident trust fund accounts.

Management's Comment

We concur with this finding.

Corrective Actions:

- A list of all checks outstanding for over 90 days was compiled. Follow-up communication was initiated with residents and their representatives to reissue or void outdated checks.
- All trust fund reconciliations have been brought current and are now being completed monthly.
- Monthly Petty Cash variance is expected to reconcile to zero.
- A monthly tracker is established to monitor stale-dated checks.
- The Administrator and Business Office Manager received training on RTF policy and procedures.
- Regional Business Office Consultant conducts monthly RFMS audits, including account reconciliation and review of stale-dated checks.

Observations and Recommendations

Observation 1

Signature Health Care of Memphis inappropriately charged 16 residents a total of \$1,003 for Medicaid basic covered services

Signature Health Care of Memphis informed Medicaid residents during the admission process that they could receive basic hair services as needed or desired free of charge. Based on our testwork, Signature Health Care of Memphis inappropriately charged Medicaid residents for basic covered services, specifically haircuts and shaves. The facility charged 16 Medicaid residents \$1,003 for haircuts and shaves.

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.”

Recommendation

Signature Health Care of Memphis should provide basic hair services to all Medicaid residents without charge. The facility should refund the Medicaid residents for the haircuts and shaves.

Management’s Comment

We concur with this observation.

Corrective Actions:

- All improper charges have been identified and full refunds issued to the affected residents or their representatives.
- Staff have been re-trained on services that must be provided at no charge to Medicaid residents. Ongoing education will reinforce these guidelines.
- Monthly audits will be conducted to ensure no additional improper charges occur.

Observation 2

Signature Health Care of Memphis failed to maintain an adequate surety bond for the resident trust fund account

Signature Health Care of Memphis failed to maintain an adequate surety bond for the resident trust fund account to protect resident funds. The provider had a \$45,000 surety bond coverage from May 1, 2023, to November 1, 2024. However, the \$45,000 did not adequately cover the average daily balance of the trust fund on any day between October 1, 2023, and September 30, 2024.

Section 68-11-906(f), *Tennessee Code Annotated*, requires, “The nursing home shall maintain a surety bond on all funds held in trust for facility residents and shall make an annual, audited accounting of such funds, available to the residents and for public inspection.” Chapter 0720-18-.04(6) of the *Rules of the Tennessee Department of Treasury* states, “The facility shall maintain a surety bond on all resident funds held in trust. Such surety bonds shall be sufficient to cover the amount of such funds. The surety bond shall be an agreement between the company issuing the bond and the nursing home and shall remain in the possession of the nursing home.”

Failure to maintain an adequate surety bond increases the risk that residents’ trust funds would not be replaced in the event of misappropriation or theft.

Recommendation

Signature Health Care of Memphis should establish procedures to comply with applicable laws and regulations to protect resident trust funds. The facility should obtain a surety bond to adequately cover the average daily balance of the resident trust fund account.

Management’s Comment

We concur with this observation.

Corrective Actions:

- The surety bond coverage increased to meet and exceed regulatory requirements effective January 1, 2025.
- A monthly review process has been established to monitor the balances of the Resident Trust Account, Petty Cash Account, and Care Cost Account, ensuring the surety bond remains adequate to fully cover the combined totals of all three accounts.

Summary of Monetary Findings and Observations

Source of Overpayments

Unrefunded accounts receivable credit balances (Finding 1)	\$9,183.63
Outstanding resident trust fund checks (Finding 2)	9,404.29
Overpayments due to residents (Observation 1)	<u>1,003.00</u>
Total	<u>\$19,590.92</u>

Disposition of Overpayments

Due to residents or their authorized representatives	\$15,208.72
Due to vendors on behalf of residents or their authorized representatives	<u>4,382.20</u>
Total	<u>\$19,590.92</u>