



PERFORMANCE AUDIT REPORT

Health Facilities Commission

October 2025

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF STATE AUDIT

Katherine J. Stickel, CPA, CGFM, Director

State Agency Audits

Kandi B. Thomas, CPA, CFE, CGFM, CGMA
Assistant Director

Jennifer Whitsel, CPA, CFE, CGMA
Audit Manager

Sharon Shaneyfelt, CFE, CGFM
Audit Coordinator

Mary Cain, CFE
Sheila Raymer, CFE
De'Aundrea Pointer
In-Charge Auditors

Joel Andalon
Matthew Keylon
Brandon Patterson
Claire Stewart
Staff Auditors

Audit Special Teams

Amber L. Crawford, CGFM, SPHR
Assistant Director

Drew Sadler, CGFM
Senior Auditor, Early Audit Planning

Amanda S. Adams
Amy W. Brack
Editors

Chris Kelly, CPA
Data Analytics Manager

Laura Carroll, CPA, CFE, CISA
Data Visualization Designer

Connor N. Fuqua, CPA
Data Analytics Auditor

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
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JASON E. MUMPOWER
Comptroller

October 14, 2025

The Honorable Randy McNally
Speaker of the Senate
The Honorable Cameron Sexton
Speaker of the House of Representatives
The Honorable Ed Jackson, Chair
Senate Committee on Government Operations
The Honorable Justin Lafferty, Chair
House Committee on Government Operations
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

and
Mr. Logan Grant, Executive Director
Health Facilities Commission
502 Deaderick Street
Nashville, TN, 37243
and
Mr. Rick Chinn, Chair
Health Facilities Commission
502 Deaderick Street
Nashville, TN, 37243

Ladies and Gentlemen:

We have conducted a performance audit of selected programs and activities of the Health Facilities Commission for the period July 1, 2022, through May 31, 2025.¹ This audit was conducted pursuant to the requirements of the Tennessee Governmental Entity Review Law, Section 4-29-111, *Tennessee Code Annotated*.

This report presents the conclusions of our audit, including a finding and an observation. The Health Facilities Commission management was given the opportunity to respond, and we have included the responses in the respective sections of the report.

This report is intended to aid the Joint Government Operations Committee in its review to determine whether the commission should be continued, restructured, or terminated.

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/jw
24/100

1. For certain audit objectives, which can be found in Appendix 1 under the Methodologies, our audit scope extended beyond this period.

HEALTH FACILITIES COMMISSION

AUDIT HIGHLIGHTS

Health Facilities Commission's Mission

Protecting patients and promoting quality in healthcare facilities.

Audit Period

July 1, 2022, through May 31, 2025

Scheduled Termination Date

June 30, 2026

Key Audit Conclusions

Finding: Despite initial actions taken, management has been unable to clear the recertification survey and complaint backlogs or to meet current survey and complaint response needs, and may face challenges to eliminate the backlogs by the required deadline (page 20).

Observation: To comply with statute, management should establish the necessary internal controls, including written policies and procedures, for awarding grants from the State Nursing Home Civil Monetary Penalty Trust Fund for nursing home facilities (page 30).

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INTRODUCTION

Audit Authority

This performance audit of the Health Facilities Commission (the commission) was conducted pursuant to the Tennessee Governmental Entity Review Law, Title 4, Chapter 29, *Tennessee Code Annotated*. Under Section 4-29-247, the commission is scheduled to terminate on June 30, 2026. The Comptroller of the Treasury is authorized under Section 4-29-111 to conduct a limited program review audit of the commission and to report to the Joint Government Operations Committee of the General Assembly. This audit is intended to aid the committee in determining whether the commission should be continued, restructured, or terminated.

Background

Before July 2022, oversight of Tennessee's health facilities was shared across multiple state entities, including the Department of Health's Office of Health Care Facilities, the Board for Licensing Health Care Facilities, and the Health Services and Development Agency. The new Health Facilities Commission was created on July 1, 2022,² and assumed the following functions:

- issuing licenses for and monitoring 15 facility types (as listed in **Appendix 6**) and home medical equipment providers,
- assessing penalties against deficient healthcare facilities,
- maintaining the state's abuse registry,
- approving a hospital's trauma program and inspecting trauma centers,³ and
- managing civil monetary penalties imposed against healthcare facilities.

In July 2022, the Executive Director of the former Health Services and Development Agency was appointed the commission's Executive Director,⁴ and this position oversees staff and manages the commission's daily operations to achieve its mission. The commission is responsible for the state's certificate-of-need process, which requires the commission to approve new or existing healthcare facilities that want to expand or change

2. Public Chapter 1119 from the General Assembly's 112th session.

3. This includes the Trauma Care Advisory Council, which advises state officials on the adequacy of the state's trauma care system. The council is not part of this audit.

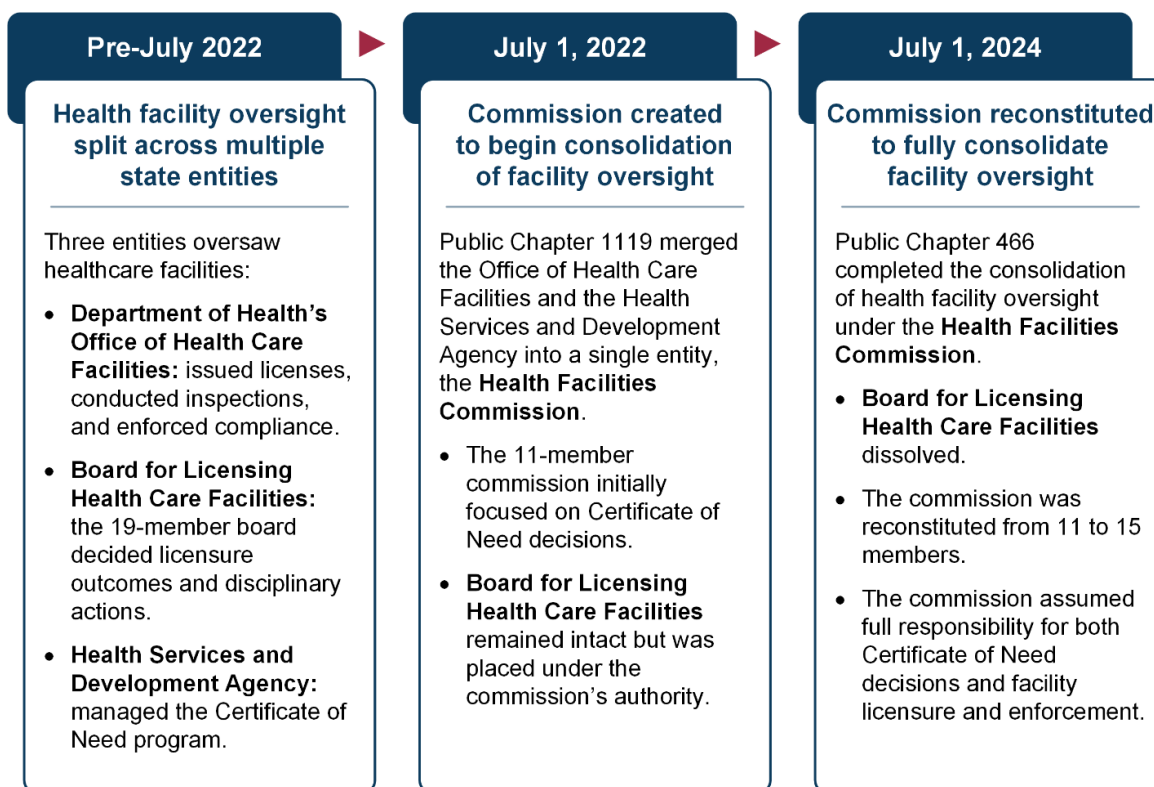
4. Section 68-11-277, *Tennessee Code Annotated*.

their existing facilities within Tennessee. See the **Certificate-of-Need Statutory Changes** section of this report for more information. The commission is also responsible for the Clinical Laboratory Improvement Amendments Program, administered on behalf of the federal Centers for Medicare and Medicaid Services to ensure clinical laboratories comply with federal laboratory testing quality standards.

Administrative and Oversight Restructuring

On July 1, 2024, statute⁵ eliminated the 19-member Board for Licensing Health Care Facilities, which was responsible for licensing and regulating healthcare facilities, and merged its oversight responsibilities with the commission's. Previously an 11-member body, the Health Facilities Commission now consists of 15 members who are appointed by either the Governor, the Speaker of the House, or the Speaker of the Senate. See **Figure 1** and the **Commission Responsibilities** section of this report for more information.

Figure 1: Health Facilities Oversight Restructuring Timeline



Source: Public Chapter 1119 from the General Assembly's 112th session, Public Chapter 466 from the General Assembly's 113th session, and management's responses to committee questions from the commission's June 2024 sunset hearing.

5. Chapter 466 of the Public Acts of 2024.

The commission has 177 full-time employees and 6 divisions. See **Appendix 2** for a list of commission members and **Appendix 3** for the commission's organizational chart and structure. See **Appendix 5** for the commission's financial information.

AUDIT SCOPE

We have audited the Health Facilities Commission (the commission) for the period July 1, 2022, through May 31, 2025. Our audit scope included assessments of program effectiveness, efficiency, and internal controls, as well as compliance with provisions of laws, regulations, policies, and procedures in the following areas:

- the commission's responsibilities as outlined in statute,
- management's plan to phase out certain certificate-of-need requirements to address statutory changes,
- management's process to ensure that healthcare facility surveys and complaint investigations are completed within the state and federal requirements,
- management's plan to address the backlog of facility surveys, and
- management's process for assessing and collecting penalties against healthcare facilities and distributing the revenue collections to assist facilities.

Additionally, we followed up on the recommendations related to the state abuse registry from the 2022 Department of Health performance audit.⁶

We present more detailed information about our audit objectives, conclusions, and methodologies in **Appendix 1** of this report.

For any sample design applied in this audit, we used nonstatistical audit sampling, which was the most appropriate and cost-effective method for concluding on our audit objectives. Based on our professional judgment, review of authoritative sampling guidance, and careful consideration of underlying statistical concepts, we believe that nonstatistical sampling provides sufficient appropriate audit evidence to support the conclusions in our report. Although our sample results provide reasonable bases for

6. During the 2022 Department of Health performance audit, the department's Office of Health Care Facilities was responsible for maintaining the state's abuse registry. When the office transferred to the commission on July 1, 2022, commission management became responsible for this registry.

drawing conclusions, the errors identified in these samples cannot be used to make statistically valid projections to the original populations.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Tennessee statutes, in addition to audit responsibilities, entrust certain other responsibilities to the Comptroller of the Treasury or his designee. Those responsibilities include serving as a voting member on the Health Facilities Commission. We do not believe that the Comptroller's service in this capacity affected our ability to conduct an independent audit of the commission.

The Health Facilities Commission's management is responsible for establishing and maintaining effective internal controls and for complying with applicable laws, regulations, policies, procedures, and provisions of contracts and grant agreements.

PRIOR AUDIT FINDINGS

Report of Actions Taken on Recommendations in Related Reports

Section 8-4-109(c), *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the actions taken to implement the recommendations in the prior audit report. This is the Health Facilities Commission's first performance audit since it was created in July 2022.

As part of the commission's current audit, we reviewed any prior audit recommendations related to functions performed by other state entities that are now under the commission's authority and governance. Specifically, we followed up on the July 2012 report on the Health Services and Development Agency and the September 2022 report on the Department of Health. The Health Services and Development Agency report contained no findings, and the Department of Health report contained six audit recommendations related to the state's abuse registry.

Partially Resolved Audit Recommendations

The current audit disclosed that commission management addressed five recommendations. For the remaining recommendation, commission management was still working toward compliance with the timeliness of surveys of healthcare facilities that receive federal funding through Medicare and Medicaid. See our current audit conclusions in the **Healthcare Facility Surveys and Complaint Investigations** section of this report.

AUDIT CONCLUSIONS

Commission Responsibilities

The Health Facilities Commission's members provide oversight for commission management and are responsible for ensuring Tennesseans receive quality healthcare. Our goal was to determine whether commission members, in their oversight capacity, complied with statutory requirements for commission composition, quorum, and attendance; the Audit Committee Act; the Open Meetings Act; and conflict-of-interest policies. We also reviewed the internal audit function, including the Audit Director's responsibilities. Our review did not result in any findings or observations.

Background

To fulfill the Health Facilities Commission's (the commission's) mission and purpose, commission members meet throughout the year to conduct business related to promoting quality healthcare in Tennessee. Such business can include

- regulating healthcare facilities and reviewing and approving certificates of need for healthcare facilities,⁷
- directing studies related to healthcare and reporting on healthcare institutions, and

7. A certificate of need is a permit that allows an entity to expand or change an existing health facility or construct a new one. See the **Certificate-of-Need Statutory Changes** section of this report for more information.

- issuing civil monetary penalties against facilities when necessary and suspending or revoking a facility's license if it does not comply with federal or state health and safety requirements.⁸

To carry out the commission's duties and requirements, the commission appoints the Executive Director, who is responsible for daily operations.

Commission Composition

According to statute,⁹ the commission consists of 15 voting members:

- The Governor, the Speaker of the Senate, and the Speaker of the House each appoint 4 members, who represent related healthcare interests and serve staggered 2- and 3-year terms.
- The Comptroller of the Treasury, the Commissioner of the Department of Disability and Aging, and the Director of TennCare, or their respective designees, serve as permanent standing members.

See **Appendix 2** for the commission makeup and appointing authorities.

Meeting Frequency, Attendance, and Quorum

To comply with statute, the commission must meet a minimum of eight times per year; the commission generally meets monthly to fulfill its duties. During its first meeting in every even-numbered year, the members elect a chair and a vice chair.

Under the commission's statute, when a member is absent from three consecutive meetings, the member's appointment is automatically terminated.¹⁰ The commission's Executive Assistant and General Counsel are responsible for tracking attendance, and when a member misses two consecutive meetings, the Executive Assistant and General Counsel send a warning email to the commission member.

According to statute, the commission cannot conduct business without a quorum, defined as a simple majority of appointed members. For contested cases and certain disciplinary matters, five or more appointed members must be present to constitute a quorum.¹¹

8. As authorized in Section 68-11-801, *Tennessee Code Annotated*. See the **State Civil Monetary Penalties** section of this report for more information.

9. Section 68-11-203(b)(1), *Tennessee Code Annotated*.

10. Section 68-11-203(c)(3), *Tennessee Code Annotated*.

11. Codified in Section 68-11-203(e)(3) and (e)(4)(B), *Tennessee Code Annotated*. For contested cases and other disciplinary matters, the commission chair may split the commission into panels of five or more members to conduct hearings. Five or more members on each panel constitutes a quorum.

Audit Committee

The commission is required by the State of Tennessee Audit Committee Act of 2005¹² to establish an audit committee with at least three members. The audit committee is responsible for evaluating management's assessment of the entity's system of internal controls and informing the Comptroller of the Treasury of the results of the assessment and controls to reduce the risk of fraud. The commission's audit committee was established in December 2024.

The act also requires the commission to create an audit committee charter based on guidelines established by the Comptroller of the Treasury, who must also review and approve the charter. The commission established its charter, which was approved on February 5, 2025.

Internal Audit

The commission's internal audit function is handled by one staff member, the Audit Director, who reports directly to the audit committee. The Audit Director relies on the guidance of the Institute of Internal Auditors' *Global Internal Audit Standards* to perform audits and fulfill the position's responsibilities.

Tennessee Open Meetings Act

As a governing body, the commission and its statutorily authorized audit committee are required to comply with the Tennessee Open Meetings Act.¹³ This act requires the commission and the audit committee to host public meetings, provide adequate public notice of the meetings, record meeting minutes, and make meeting minutes available to the public.

Meetings and Minutes

For both full commission and audit committee meetings, commission staff post a public meeting notice on the commission's website. The commission's Executive Assistant is responsible for taking meeting minutes. The commission members and audit committee members review and approve their respective minutes at the next meeting. Commission staff post commission meeting minutes on the commission's website, and audit committee minutes are available on request.

Conflicts of Interest

To ensure the personal, professional, and financial interests of the commission members do not conflict with their duties to serve and fulfill the commission's mission, statute¹⁴

12. Codified in Title 4, Chapter 35, *Tennessee Code Annotated*.

13. Codified in Title 8, Chapter 44, *Tennessee Code Annotated*.

14. Section 68-11-203 (e)(7), *Tennessee Code Annotated*.

requires each member to sign a conflict-of-interest form annually and notify the commission if they have a direct or indirect conflict to avoid actual conflicts or the appearance of conflicts of interest.

On May 6, 2025, commission management implemented written procedures requiring commission members to sign conflict-of-interest forms and disclose direct and indirect interests on July 1 each year, or whenever a member is appointed. As part of the conflict-of-interest procedures, the commission's General Counsel meets with new members to discuss conflict-of-interest policies during onboarding, and the General Counsel is present at meetings to advise on whether a member has a conflict or not. Members with conflicts must recuse themselves and leave the meeting until the discussion is concluded.

Current Audit

We focused our review on whether commission members and the audit committee fulfilled their responsibilities for complying with requirements concerning composition, quorum, attendance, and conflict-of-interest; the Audit Committee Act; and the Open Meetings Act. We also focused our review on internal audit's supervisory review process related to the abuse registry. Our review did not result in any findings or observations. See **Appendix 1** for our detailed objectives, conclusions, and methodologies.

Certificate-of-Need Statutory Changes

Tennessee is one of 35 states with statutes governing certificates of need (CONs), which require state approval for healthcare facilities to build or expand operations within the state. However, since 2016, the state has been working on phasing out CONs for certain facilities. Our goal was to review the Health Facilities Commission's readiness plan for the upcoming changes to the state's CON laws. Our review did not result in any findings or observations.

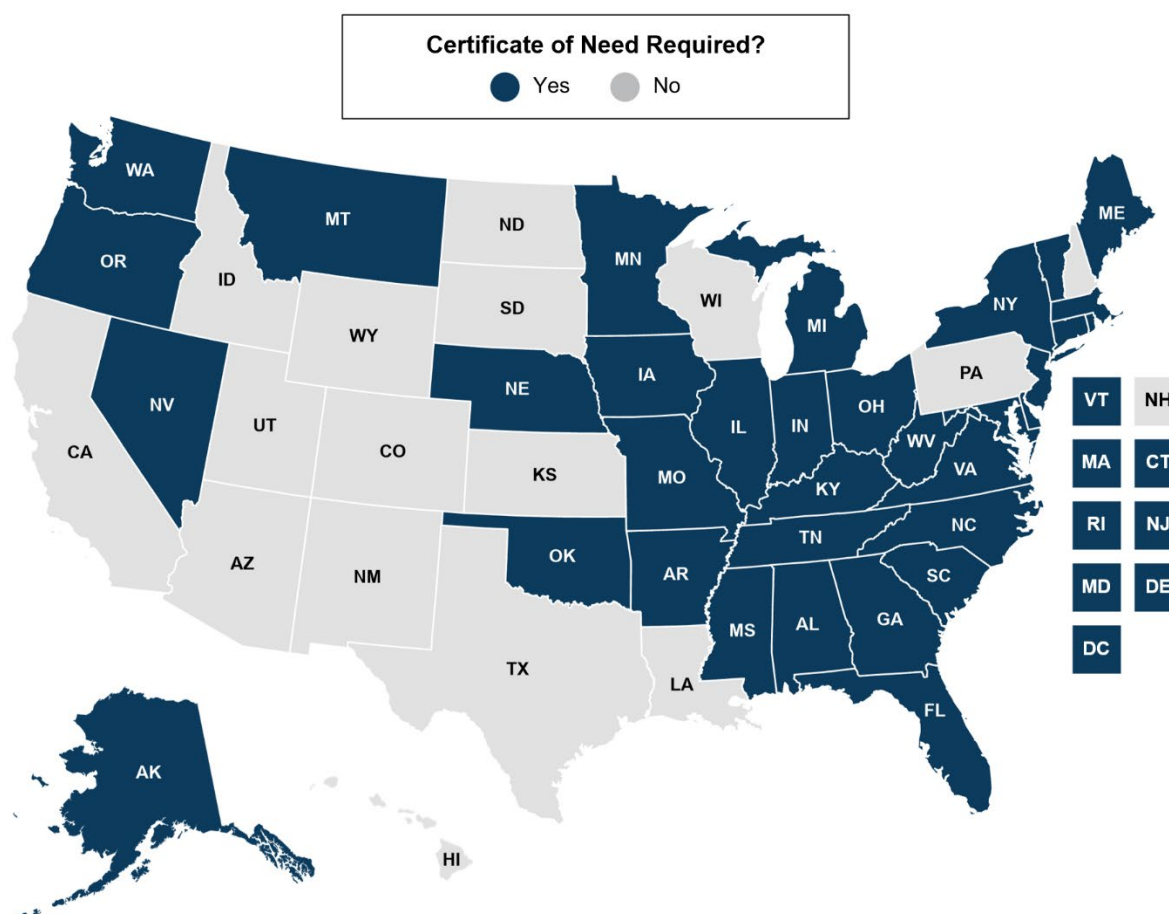
Background

History of the Certificate-of-Need Program

In 1972, the federal government required state certificate-of-need (CON) programs to slow down the rate of healthcare facility construction at a time when the federal government was subsidizing both construction costs and healthcare service costs. Congress repealed the CON requirement in 1987, but most states maintained CON programs. In October 2015, the Federal Trade Commission and the Antitrust Division of the U.S. Department of Justice released a statement asserting that state-level CON laws

created barriers to entry and expansion and that there was no evidence to date suggesting that CON laws successfully control costs or improve healthcare quality. As of August 2024, Tennessee is 1 of 35 states that continue to issue CON permits as approval for healthcare facilities to build, expand, acquire medical equipment, or relocate current services or sites. See **Figure 2**.

Figure 2: Map of States with Certificate-of-Need Laws, as of August 2024



Source: National Academy for State Health Policy's 50-State Scan of State Certificate-of-Need Programs (<https://nashp.org/state-tracker/50-state-scan-of-state-certificate-of-need-programs/>).

According to the National Conference on State Legislatures, at least 23 states, including Tennessee, have passed legislation adjusting their CON laws to either repeal them, let them expire, or allow exemptions for certain facility types.

Commission Authority

To ensure the responsible growth of healthcare infrastructure in Tennessee, the Health Facilities Commission (the commission) is authorized by statute¹⁵ to issue certificates of need (CONs), which are permits to create, change, or construct a health facility, for select healthcare facility projects. These projects include creating new facilities, expanding existing ones, and, in some cases, relocating medical services or sites at institutions such as hospitals, nursing homes, and outpatient centers. For example, if a healthcare company wants to build a hospital in Nashville, the company must submit a CON application to the commission, which decides whether to approve or deny the application. See **Appendix 7** for a list of facility types that require CONs.

Applying for a Certificate of Need

Healthcare entities pursuing a qualifying project must submit a CON application to commission staff by the 15th day of the month. Each application must contain relevant service details; estimated project costs; facility locations; and appropriate supporting documentation, such as medical licenses, equipment purchase receipts, and proof of property acquisition. The healthcare entity must also pay the required filing fees when submitting its CON application. Commission staff provide the application to the commission 12 days prior to the commission meeting if the application is on the meeting's agenda.

Commission's Responsibilities for Certificates of Need

After receiving an application, the 15-member commission reviews it and determines whether to approve, deny, or defer the request. If an application is approved, the commission issues a certificate of need, which enables the healthcare entity to proceed with applying for licensure through the commission's Division of Licensing and Regulation. Between July 2022 and June 2025, the commission approved 79 of 87 CON applications for projects that met the necessary qualifications.

Certificate-of-Need Law Changes

According to management, the General Assembly began discussing phasing out the CON process in 2016 in order to allow the healthcare market to determine where facilities should be built. In 2019, members of both the Senate and the House of Representatives formed a working group to develop a phase-out process; as a result of the working group's decisions, in 2024, the General Assembly passed legislation to remove the CON requirement for some facility types, as exhibited in **Figure 3**. Instead of approvals for building and expansion projects, the commission evaluates these facilities as part of the

15. Section 68-11-1607, *Tennessee Code Annotated*.

licensing requirements to ensure the facilities provide high-quality services to Tennesseans.

Figure 3: Facility Types No Longer Requiring Certificates of Need, 2025 to 2029

December 2025	December 2027	December 2029
• ICF/IID (Intermediate Care Facilities for Individuals with Intellectual Disabilities) • Burn Units • Neonatal Intensive Care • PET/MRI Machines	• Ambulatory Surgical Treatment Centers • Linear Accelerators • Long-Term Hospitals	• Open Heart Surgery

Source: Auditor created based on Chapter 0985 of the Public Acts of 2024.

Management's Initial Plans to Address Changes

To develop management's new healthcare facility evaluation process in lieu of requiring CON applications, the commission's Executive Director formed a voluntary technical advisory group of industry subject-matter experts for each facility type, such as those working in neonatal intensive care, to help management and staff develop rules. In January 2025, management and the advisory group were still in the planning stage as they work to promulgate rules to govern the service areas set to transition in December 2025.

As of August 7, 2025, management began the rulemaking process and is drafting policies and procedures that will describe management's responsibilities for evaluating these facilities. The types of evaluations vary based on the facility type and can range from conducting on-site reviews to verifying accreditation.¹⁶ According to management, the commission is scheduled to review the rules at the August 27, 2025, commission meeting.

Current Audit

As described above, we reviewed the upcoming changes to the certificate-of-need program and management's plan to address them. Our review did not result in any findings or observations. See **Appendix 1** for our detailed audit objectives, conclusions, and methodologies.

16. For example, burn units must be accredited by the American Burn Association.

Healthcare Facility Surveys and Complaint Investigations

The Health Facilities Commission regulates over 3,000 healthcare facilities by conducting surveys and investigating complaints. Our goal was to review management's survey and complaint investigation processes for nursing homes and assisted care living facilities, which represented 22% of the approximately 3,000 facilities. Our second goal was to determine whether management effectively addressed the federal survey backlog, which was created by another state agency prior to the commission's creation. See the **Finding**.

Background

As part of its mission to safeguard patients and ensure the quality of healthcare services, the Health Facilities Commission's (the commission's) Division of Licensure and Regulation (the division) plays a key role in

- **conducting surveys**¹⁷ by routinely inspecting healthcare facilities to assess compliance with health and safety requirements, and
- **investigating formal complaints**, made by patients, family members, or the public, to uphold standards and protect patient welfare.

This division currently operates two regional offices—the West Tennessee Regional Office in Jackson and the East Tennessee Regional Office in Knoxville—to conduct surveys and investigations statewide. See the regional office map in **Appendix 8**.

Information Systems

Commission management relies on two systems to determine which facilities require surveys and have reported complaints. Neither system belongs to the commission. The Centers for Medicare and Medicaid Services (CMS) provides states with access to the Automated Survey Process Environment (ASPEN), an umbrella system that contains several modules that the commission uses to enter data from the surveys and track complaints. CMS also uses ASPEN to monitor the state's progress in completing surveys under its responsibilities, which we describe below. The commission uses the Tennessee

17. A survey is an assessment or inspection of healthcare providers, like nursing homes, to ensure the providers meet the required standards for quality and safety. The Centers for Medicare and Medicaid Services requires healthcare facilities to have surveys in order to participate in the Medicare and Medicaid programs.

Department of Health's Licensure and Regulatory System (LARS), which contains licensure information for all licensed healthcare facilities in Tennessee, to identify the regional office that is assigned to conduct each facility's surveys.

Surveys

The division conducts surveys that are guided by the state¹⁸ and federal¹⁹ requirements, and the state's facilities could be required to meet both survey standard requirements.²⁰ The commission's federal responsibilities stem from CMS, which has designated the commission as the state survey agency for facilities that receive funding through Medicare and Medicaid programs.²¹

The commission is required to conduct **initial surveys** when a facility applies for state licensing and federal certification,²² and **recertification surveys** at varying intervals depending on the facility type. For example, nursing homes and assisted care living facilities must have a recertification survey within 15 months of the last survey.

For federal surveys, staff assess such areas as facilities, staffing ratios, and emergency preparedness. State licensure surveys are based solely on licensure rules and could have different standards than the federal level. For example, the federal survey requires hot water not to exceed 120 degrees Fahrenheit, whereas the state survey cites a 115-degree minimum. For facilities that must have a federal and a state licensure survey, commission staff typically complete both surveys at the same time.

These surveys ensure that healthcare providers in Tennessee meet all applicable state and federal standards, thereby supporting high-quality, safe care across the state. From July 1, 2022, through April 17, 2025, the commission conducted 11,335 state and federal healthcare facility surveys. See **Appendix 6** for a list of facility types that require surveys.

Survey Scheduling Process

The commission's central office management delegates all responsibility for survey scheduling to its two regional offices, which are responsible for the healthcare facilities located in the counties within their respective regions. When regional office management schedules surveys, they review open complaints and incorporate complaint investigations into the upcoming scheduled surveys. Each regional office independently develops and

18. Section 68-11-210, *Tennessee Code Annotated*.

19. Title 42, *Code of Federal Regulations*, Chapter 488.

20. For example, nursing homes must have a federal and a state survey, while assisted care living facilities only have a state survey.

21. CMS administers Medicare. In Tennessee, Medicaid is administered through the Division of TennCare.

22. When a healthcare facility receives a federal certification, it is allowed to participate in and receive payment from the Medicare and Medicaid programs. The certification ensures that facilities meet federal health and safety standards.

submits its monthly schedule using its own methodology and internal planning criteria. Each region must submit its monthly schedule for the next month to CMS by the 10th of the current month.

West Region

For the West Tennessee Regional Office, the Regional Administrator is solely responsible for creating the monthly survey schedule using a data-driven approach. Specifically,

- she reviews the monthly provider rating list provided by CMS to identify facilities with low weekend staffing and extended periods without a registered nurse on-site; and
- she uses ASPEN to check the dates of facilities' last surveys and complaint histories, while she prioritizes immediate-jeopardy complaints, which are those that have caused or are likely to cause serious harm or death.

East Region

For the East Tennessee Regional Office, survey scheduling is a collaborative process involving the Regional Administrator, the Deputy Regional Administrator, and survey supervisors, who determine facility priorities and finalize the monthly schedule based on information from two internally generated reports:

- the ASPEN Interval Report, showing the timing since each facility's last survey; and
- the Complaint and Recertification Workload Report, which highlights facilities with unresolved complaints and pending recertifications, and prioritizes immediate-jeopardy complaints.

Federal Survey Backlog

Before the COVID-19 pandemic and the transfer of responsibilities to the Health Facilities Commission, the Tennessee Department of Health was already operating under a CMS-approved plan of correction, aimed at resolving a backlog of federal surveys and complaint investigations.²³ With the onset of the federal public health emergency in March 2020, all federal and state healthcare facility surveys were suspended. This pause lasted until May 2021, which further exacerbated the backlog. When the commission assumed oversight of survey responsibilities in July 2022, the Department of Health reported to them that

23. The plan of correction has been in place since October 17, 2019.

- **270 healthcare facilities** were overdue for a federal survey, **176 of which were nursing homes**.

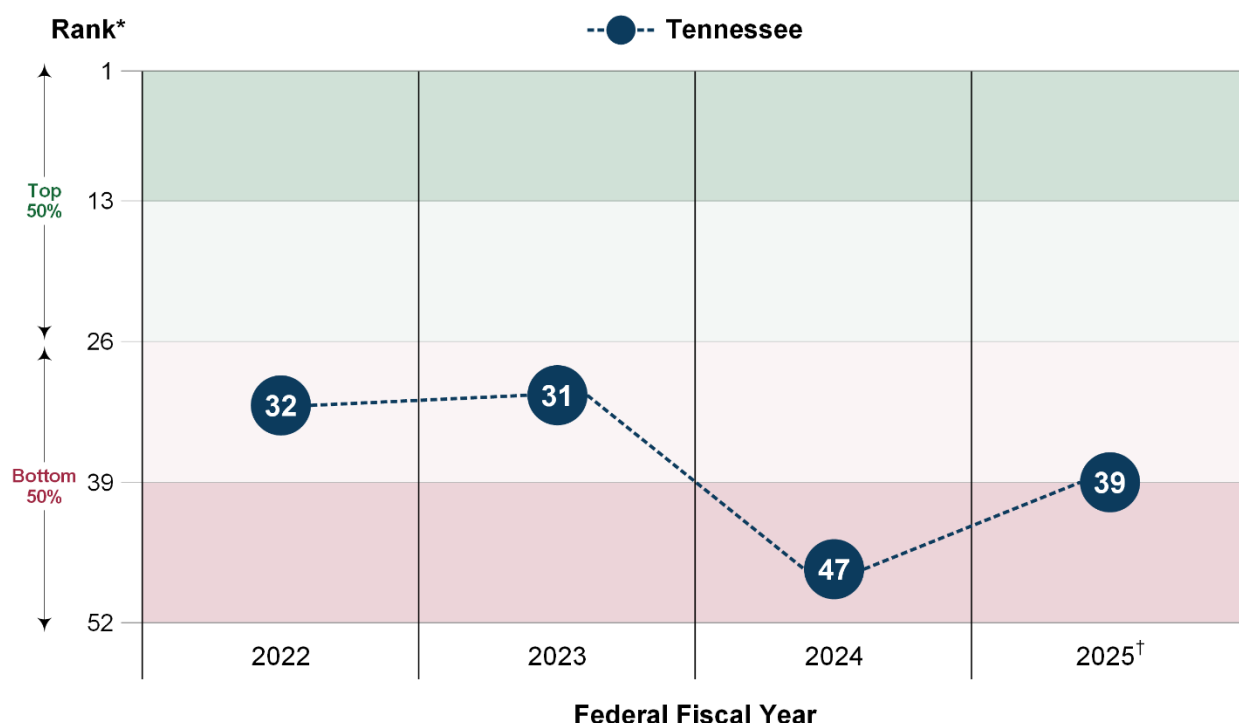
As noted above, the commission is required to survey nursing homes and assisted care living facilities every 15 months²⁴ to ensure they continue to meet state and federal health and safety standards. For facilities requiring federal surveys, CMS provides states with quarterly metrics²⁵ that it uses to monitor whether states are completing their surveys on time. Tennessee ranked 39th out of 52 states and territories for late surveys for federal fiscal year 2025,²⁶ as of the quarter ended March 31, 2025, according to CMS's analysis of the commission's compliance with the nursing home survey timeliness requirement. See **Figure 4** for Tennessee's annual ranking since federal fiscal year 2022.

24. Title 42, *Code of Federal Regulations* (CFR), Part 488, Sections 20 and 308 apply to nursing homes that participate in Medicare and Medicaid. Section 68-11-210(a)(1), *Tennessee Code Annotated*, applies to state-licensed health facilities, including nursing homes and assisted care living facilities.

25. The State Performance Standards System.

26. According to its state survey performance data, CMS used 15.9 months because it is the maximum time interval for nursing home recertification surveys before a survey is deemed late.

Figure 4: Tennessee’s Federal Nursing Home Completion Rank for Surveys, Federal Fiscal Years (October 1 – September 30) 2022 to 2025



* Rankings include 52 jurisdictions: the 50 U.S. states, the District of Columbia, and Puerto Rico.

† The federal fiscal year 2025 ranking reflects data through the quarter ending March 31, 2025, the most recent data available at the time of the audit.

Source: CMS State Performance Standards System data.

New Legislation to Address the Federal Survey Backlog

To address the survey backlog, the Tennessee General Assembly passed Chapter 263 of the Public Acts of 2025, which requires the commission to ensure that all nursing homes have received a current survey by December 31, 2026. According to commission management, the General Assembly passed a bill because the Tennessee Health Care Association’s²⁷ members were frustrated that commission management was behind on completing federal recertification surveys.

The act also required management to submit a plan to meet the December 2026 deadline to the General Assembly by June 1, 2025. Commission management submitted the plan on May 28, 2025. According to the plan, the commission downsized the Division of Licensure and Regulation from three regional offices to two. Before the plan change, the

27. The Tennessee Health Care Association works to maintain high standards of care in long-term care facilities in Tennessee.

division operated a West Tennessee Regional Office in Jackson, a Middle Tennessee Regional Office in Nashville, and an East Tennessee Regional Office in Knoxville. On December 8, 2024, commission management closed the Middle Tennessee office to reduce costs and reassigned its staff to the remaining East and West Tennessee offices, redistributing county coverage between the two remaining offices. The division still operates a central office located in Nashville. See **Appendix 8** for a regional office map as of December 8, 2024. Management also reorganized existing positions and is working to fill nine vacancies. Management believes they can meet the December 2026 deadline established in the public chapter.

Complaints

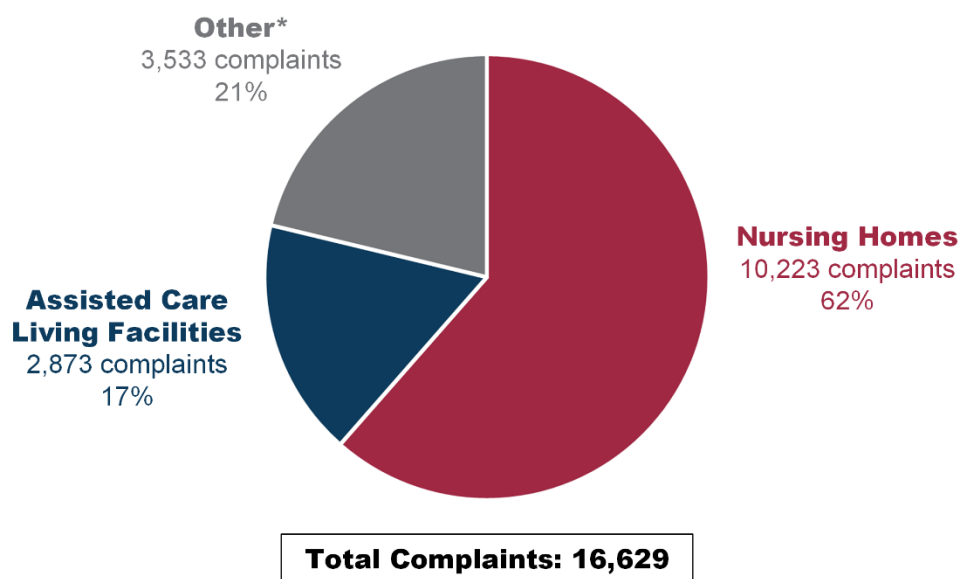
Background

In October 2022, CMS changed its complaint reporting protocols to allow members of the public to file a complaint against a facility. Prior to this change, **only** residents/patients or employees could file complaints. When an individual, a resident, a family member, or an employee encounters issues at a healthcare facility, they can file a complaint with the commission. To address complaints, the commission performs complaint investigations in conjunction with the initial and recertification survey process.

From July 1, 2022, through April 17, 2025, the commission performed 16,629 complaint investigations, **79%** of which were related to **nursing homes** and **assisted care living facilities**²⁸ (see **Figure 5**). Given the number of complaints and the vulnerability of the residents, we focused our work on these two types of facilities.

28. An assisted care living facility provides daily housing and personal care assistance. Residents do not require the intensive medical care offered in a nursing home. They have some independence and receive help with activities such as bathing and meals.

Figure 5: Complaints by Facility Type, July 1, 2022, to April 17, 2025



* The “Other” category includes facility types with lower complaint volumes, as well as general licensure complaints.

Source: Auditor analysis of the commission’s complaint investigation data for the period July 1, 2022, through April 17, 2025.

Complaint Investigation Process

When someone files a complaint against a healthcare facility, the commission’s central office’s complaint intake unit evaluates the nature of the complaint and enters it into ASPEN.

Commission management assigns each complaint a priority level based on the urgency, potential harm, and compliance impact, in accordance with the CMS *State Operations Manual*. The priority level determines when the surveyor must begin an investigation into the complaint. For example, investigations involving immediate-jeopardy complaints must be initiated within two business days from intake. For less serious complaints, CMS has various timelines to initiate investigations. See **Appendix 9** for a complete list of priority levels and required investigation response times.

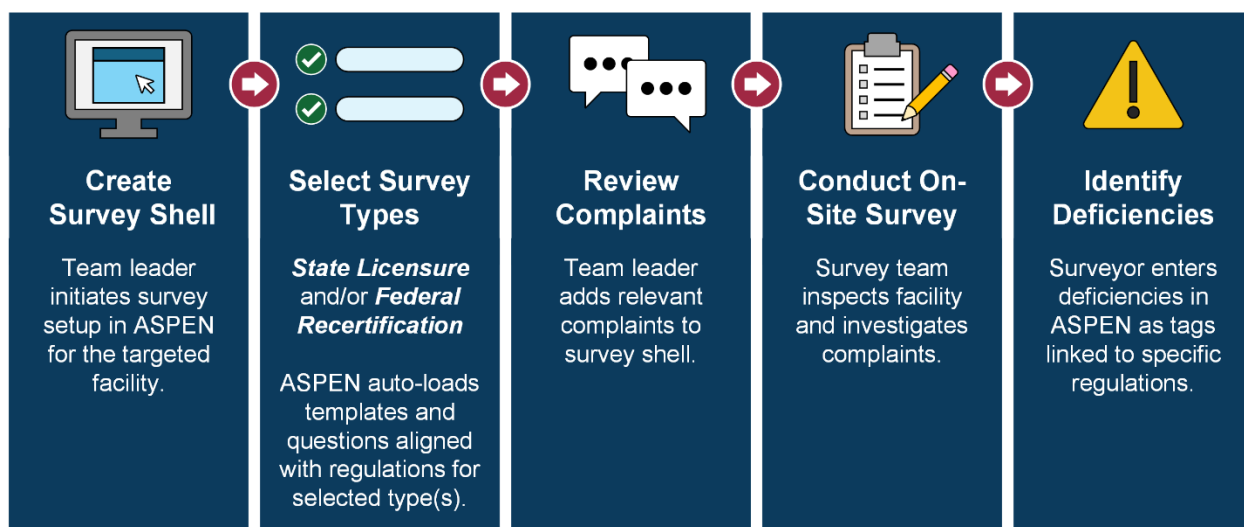
Surveyors are responsible for conducting a timely and thorough investigation based on the complaint’s assigned priority level, and documenting outcomes in ASPEN for federal monitoring and accountability.

Combined Facility Survey and Complaint Investigation Process

Survey teams typically consist of three to four people, including a team leader, but may have up to eight people if the facility is large or has many complaints. A typical survey

can take approximately three weeks. At the start of a scheduled survey, the team leader initiates the process by creating a survey shell in ASPEN for the targeted facility. Based on the type of survey, ASPEN automatically generates the appropriate templates and standardized questions aligned with federal and state health and safety regulations. The team leader reviews all related outstanding complaints to ensure they are investigated during the site visit. Then the team conducts the survey on-site, investigating the incorporated complaints, documenting their findings in ASPEN, and identifying any deficiencies. See **Figure 6**.

Figure 6: Facility Survey and Complaint Investigation Process Overview



Source: Auditor created based on discussion with commission management.

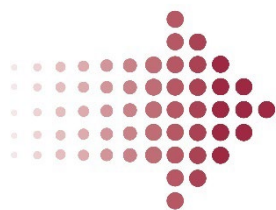
Post-Survey and Complaint Investigation Review Process

After completing a facility survey or complaint investigation, when applicable, the team leader and supervisor review the findings for accuracy and completeness. Once approved, the report is routed to support staff, who submit it to CMS via the ASPEN system. If surveyors find deficiencies, support staff issue a formal notification letter to the facility, requesting a corrective action plan within 10 calendar days. Civil monetary penalties may apply depending on the nature and severity of the findings, as outlined in the commission's enforcement procedures. See the **State Civil Monetary Penalties** section of this report for management's process for assessing and collecting penalties.

Current Audit

To determine if management has an effective process to ensure staff complete surveys and complaint investigations in accordance with federal and state requirements, we focused our review on the commission's process for scheduling and completing federal certification surveys, state licensure surveys, and complaint investigations of nursing homes and assisted care living facilities in Tennessee. We also examined management's

progress in resolving the federal survey backlog. See the **Finding**. See **Appendix 1** for our detailed audit objectives, conclusions, and methodologies.



Finding: Despite initial actions taken, management has been unable to clear the recertification survey and complaint backlogs or to meet current survey and complaint response needs, and may face challenges to eliminate the backlogs by the required deadline

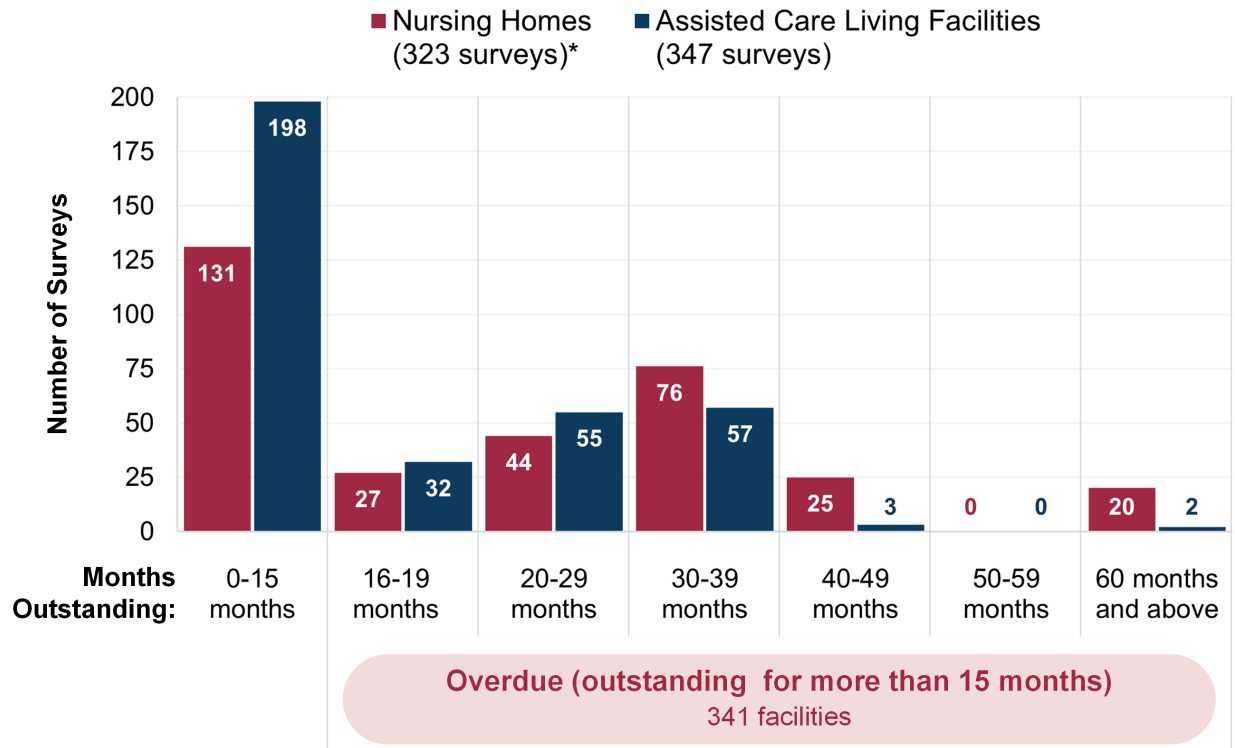
In order to ensure the health and safety of nursing home and assisted care living facility patients, Section 68-11-210, *Tennessee Code Annotated*, requires each facility to be inspected within 15 months after the date of the last survey. Moreover, for those nursing homes also certified by the Centers for Medicare and Medicaid Services (CMS), 42 CFR 488.308(a) requires the Health Facilities Commission (the commission) to conduct a federal recertification survey “not later than 15 months after the last day of the previous standard survey.” Furthermore, the CMS *State Operations Manual* requires complaint investigations to begin based on the given priority level, from two business days for immediate jeopardy to the next on-site visit for low-priority complaints. Finally, the Tennessee General Assembly passed Chapter 263 of the Public Acts of 2025, which requires the commission to ensure that all nursing homes have received a current survey by December 31, 2026.

Staff were unable to timely complete a majority of healthcare facility surveys

We examined the commission’s survey data for the period July 2022 through April 2025. We analyzed the entire population of 670 nursing homes and assisted care living facilities that were active during the audit period.²⁹ We found that staff did not complete surveys for 341 facilities (51%) within the **15-month timeframe** required by federal and state requirements. Alarming, **22 providers had not been surveyed in at least 60 months**, indicating substantial lapses in meeting timeliness requirements. See **Figure 7**.

29. July 1, 2022, through May 31, 2025.

Figure 7: Open Surveys by Number of Months Outstanding, as of April 17, 2025



* Nursing homes include those that are federally certified and those that are state-licensed but do not have federal certification.

Source: Auditor analysis of the commission's survey data for the period July 1, 2022, through April 17, 2025.

In July 2022, the commission took over federal and state survey responsibilities from another state entity. At that time, they inherited a backlog of 176 overdue federal nursing home surveys. By April 2025, this backlog increased to 192. Additionally, our data analysis revealed 149 overdue state surveys for assisted care living facilities. We were unable to compare this to the 2022 backlog, because management had not been notified of any backlog at the time.

Management stated that their increased workload, including decertifying facilities and performing other required types of surveys, made it difficult to schedule surveys timely. However, the persistent survey backlog continues to affect the commission's ability to monitor health facilities' operations.

Management has not addressed critical health facility complaints within the required timeframes, resulting in a backlog of complaints and increasing the risk to patient care and safety

From July 1, 2022, through April 17, 2025, the commission received **13,096** complaints related to nursing homes and assisted care living facilities. Management indicated that complaint volume and severity affect the scheduling and staffing of facility surveys.³⁰ However, our analysis revealed that staff did not investigate 5,534 of the 13,096 complaints (**42%**) within the federally required timeframes. All these late complaints were classified as either immediate jeopardy, high risk but not immediate jeopardy, or medium risk but not immediate jeopardy. See **Figure 8**.

**Figure 8: 5,534 Late Complaint Investigations of Nursing Home and Assisted Care Living Facility Complaints Based on Complaint Level
July 1, 2022, Through April 17, 2025**

Complaint Level	Nursing Homes			Assisted Care Living Facilities		
	Investigations Initiated Late	Range of Days Late	Average Days Late	Investigations Initiated Late	Range of Days Late	Average Days Late
Immediate Jeopardy	778	3 to 897 days	118 days	424	3 to 1,013 days	138 days
High	1,976	11 to 1,976 days	137 days	542	46 to 716 days	264 days
Medium	709	457 to 1,035 days	633 days	1,105	46 to 1,105 days	298 days
Total	3,463	3 to 1,976 days	234 days	2,071	3 to 1,105 days	256 days

Source: Auditor analysis of the commission's data in ASPEN.

According to management, these complaint investigation delays were due to their workload and their focus on reducing their survey backlog. However, these delays represent a systemic breakdown in complaint triage and response, increasing the risk of unaddressed threats to patient care and safety. As of April 17, 2025, management had not started the investigation of 4,756 complaints, which represents management's complaint backlog. Management's inability to meet mandated response times impacts

30. According to the CMS *State Operations Manual*, after complaints are prioritized, all immediate-jeopardy complaints must be investigated within 2 business days. High-risk complaints related to nursing homes must be investigated within 10 business days, and within 45 calendar days for assisted living care facility complaints. Medium-risk complaints at nursing homes must be investigated at the next on-site survey, and within 45 calendar days for assisted living care facility complaints. See **Appendix 9** for more information.

management's oversight responsibility to help safeguard vulnerable residents from serious harm, neglect, or abuse.

Management must develop the necessary internal controls and continue to refine its strategy to complete all required surveys and respond to complaints by the required deadlines

Federal Recertification Surveys

In order to address the backlog of federal recertification surveys, management implemented a few changes to improve efficiency as part of its plan submitted to the General Assembly on May 28, 2025. First, management continued to prioritize complaints received by combining complaint investigations and surveys, where possible. Second, in July 2024, management reclassified positions to allow them to hire more licensed practical nurses, bachelor's-level social workers, and registered dietitians, who were needed to perform surveys. They also issued salary increases to surveyors on staff and increased the entry-level salary for registered nurses.

Finally, on December 8, 2024, management closed the Middle Tennessee Regional Office and reassigned surveyors to the remaining East and West Regions. The staff assigned to the Middle Tennessee region focused on nursing home surveys. By reassigning them to the other regions, the staff can learn to conduct surveys of other facility types. Management believes their changes, which they noted in the plan, will help them catch up on federal recertification surveys by the December 31, 2026, deadline.

We reviewed the plan; however, it did not provide milestones for regional office management to assess whether regional office staff were staying on task to meet the deadline.

State Licensure Surveys and Complaint Investigations

Even though management developed a plan for federal surveys, they have not developed a detailed plan to address outstanding state licensure surveys, especially for assisted care living facilities, including the complaints they have received. Many of the complaints were received after the commission became responsible for investigating them.

Until management can eliminate the backlog and catch up on all surveys and complaint investigations, individuals receiving services at these facilities will continue to be at risk.

Oversight Responsibilities and Data Reliability Concerns

Based on our audit, we identified several areas where central office leadership needs to improve oversight of regional office management. Currently, regional offices use inconsistent methods to develop survey schedules, and central office leadership does not adequately monitor their progress. This lack of oversight means healthcare facilities may not be scheduled for necessary surveys.

Additionally, management relies on external information systems, specifically the Tennessee Department of Health’s Licensure and Regulatory System (LARS) and CMS’s Automated Survey Process Environment (ASPEN), to track federal and state surveys and complaints. However, these systems have limitations. LARS includes information on regional office assignments and facility status, while ASPEN does not. Without reconciling data from both systems to ensure the completeness of the population, regional office management cannot obtain a clear picture of all facilities requiring surveys.

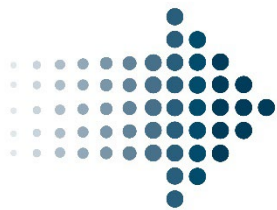
For more information, see the
Data Reliability Review
Methodology in **Appendix 1**.

Management’s annual risk assessment does not sufficiently mitigate risks

We reviewed the commission’s 2024 Financial Integrity Act Risk Assessment and determined that management identified the risks that

- licensed facilities do not receive required federal and state surveys, including those facilities that are in the backlog; and
- management does not investigate complaints in a timely manner.

However, management’s identified controls were not sufficient to mitigate the deficiencies noted in this finding.³¹



Recommendation: Management should develop a detailed strategy and the necessary controls to ensure they complete past-due federal recertification surveys, state licensure surveys, and complaint investigations as required. This strategy should also allow staff to stay up-to-date as current facilities come due for their next surveys. Furthermore, management should ensure they address all complaints within their required timeframes. Management should develop a more integrated system to create a data reconciliation process that ensures accurate and comprehensive oversight. This

31. See Green Book Principle 7.09 and Principle 16.05.

should include reporting tools that provide real-time insights into survey schedules and facility status.

Management should review and update the risk assessment for the deficiencies noted in this finding, design and implement controls to address these risks, continue to monitor these risks, and take appropriate action to address other deficiencies as they occur.

Management's Comment

We concur. Management has taken many actions over the past three years to increase the Commission's capacity to perform surveys, including:

- Using existing resources, we reclassified administrative positions to create two new Fire & Building Code inspector positions, to address the increasing demands on a division that has received no additional positions in roughly fifteen years,
- Closing the Middle Tennessee Regional Office and redistributing positions to the West and East Regional Offices to improve recruitment efforts and reduce costs,
- Creating a High Priority Complaint Intake Unit for Long Term Care,
- Developing policies and procedures related to offsite review of complaints, and
- Requesting additional recurring state and federal funds for additional positions.

However, since CMS changed its complaint reporting protocols to allow members of the public to file a complaint against a facility in October 2022, the number of complaints requiring investigation has drastically increased and the Commission has begun investigating unlicensed facilities, which have exacerbated the demand for surveys. Management remains optimistic that the recertification backlog will be eliminated by December 31, 2026, as required by Chapter 263 of the Public Acts of 2025. We continue to seek innovative solutions for our ever-increasing workload including requesting additional funds and positions as well as technology to improve efficiency. Management will ensure that the corrective actions noted above will be included in HFC's 2025 Risk Assessment.

State Civil Monetary Penalties

The Health Facilities Commission has the authority to issue penalties to healthcare facilities for violations identified during facility surveys. The commission's decision to impose penalties is intended to deter facilities from noncompliance and to reinforce their adherence to state and federal health and safety standards. Our primary goal was to determine whether the commission established a process to track and collect the imposed penalties. Our secondary goal was to determine whether the commission established a process to redistribute the collected funds to assist these state facilities in improving their operations. See the **Observation**.

Background

In Tennessee, healthcare facilities must maintain a valid license to operate. The Health Facilities Commission (the commission) is responsible for conducting periodic surveys to ensure compliance with state and federal standards. When a facility fails to meet these requirements, surveyors document deficiencies, and depending on the nature of the deficiencies, the commission may impose civil monetary penalties. These deficiencies range from noncompliance issues³² to issues that risk immediate harm to the patient,³³ with penalties assessed based on the severity and amount of risk to the patient. The commission has the following responsibilities for imposing and collecting penalties:

- On the **federal** level, the commission conducts federal surveys for healthcare facilities participating in Medicaid and Medicare programs. If deficiencies are identified, the Centers for Medicare and Medicaid Services (CMS) retains sole authority to determine penalty amounts for these violations and is responsible for collecting federal civil monetary penalties.³⁴ The commission can assess state penalties on these facilities as well, based on these federal deficiencies.
- On the **state** level, the commission is authorized to impose state civil monetary penalties on nursing homes and assisted care living facilities if commission staff

32. These violations are indirectly related to resident care, such as facility maintenance issues. For example, if a commission employee performing a survey found that a nursing home's hot water temperature measured 110 degrees Fahrenheit instead of the required 115 degrees, the employee would note a deficiency on the survey.

33. These conditions could represent patient abuse or any other issues detrimental to the health, safety, or welfare of the patient.

34. Title 42, *Code of Federal Regulations*, Part 488, Subpart F.

identify deficiencies on surveys. These penalties are assessed independently of CMS and are based on penalty ranges defined in the commission's administrative rules (see **Appendix 10**).

Our audit focused specifically on the state-assessed penalty process, evaluating how commission management determines, tracks, and enforces penalties for facilities found to be noncompliant with state standards. We also focused our audit work on nursing homes and assisted care living facilities since, as mentioned in **the Healthcare Facility Surveys and Complaint Investigations** section of this report, these residents are among the most vulnerable citizens under the commission's oversight.

State Civil Monetary Penalty Assessment Process

Penalty Assessment

The penalty assessment process begins if, after Division of Licensure and Regulation (division) staff complete a survey, they identify deficiencies within the healthcare facility. The survey team calculates preliminary penalty amounts based on the nature and severity of the identified issues, and the team presents the issues and penalties to key commission members responsible for reviewing the survey results. This meeting includes the following key personnel and commission management:

- the Director and the Deputy Director of Licensure and Regulation;
- the Deputy General Counsel and other members of the commission's legal team;
- commission consultants,³⁵ who ensure the penalty is appropriate;
- the Disciplinary Coordinator, who tracks penalties and related provider payments;
- Regional Administrators; and
- the Facilities Construction Director.

Together, this group evaluates the severity of the deficiencies and reaches a consensus on the appropriate penalty amount. If warranted, management issues a consent order, which summarizes the violations and states the penalty amount the facility is required to pay. The Disciplinary Coordinator forwards the finalized paperwork to the Office of Legal Services, and the commission chair signs the order. The consent order is then sent to the facility and posted publicly on the commission's website.

Facilities have 30 calendar days to remit payment. If the facility does not pay, division staff complete the following steps:

- Staff send the facility a first notice 15 days after the penalty due date.

35. A commission consultant is an external consultant who is a healthcare facility subject matter expert.

- Staff send a second notice at 30 days past the due date.
- If still unpaid at the time the facility has to renew its license, commission management denies the license until the facility pays the penalty, and commission management refers the case to a collections company 30 days after the facility's license renewal date.

Tracking Issued Penalties

To track penalties, the Disciplinary Coordinator records the amount in the Licensure and Regulatory System (LARS) and updates a master Excel tracking spreadsheet. Beginning in February 2025, management began weekly reconciliations between LARS and the spreadsheet to monitor outstanding balances and payment deadlines.

Recording Penalty Payments

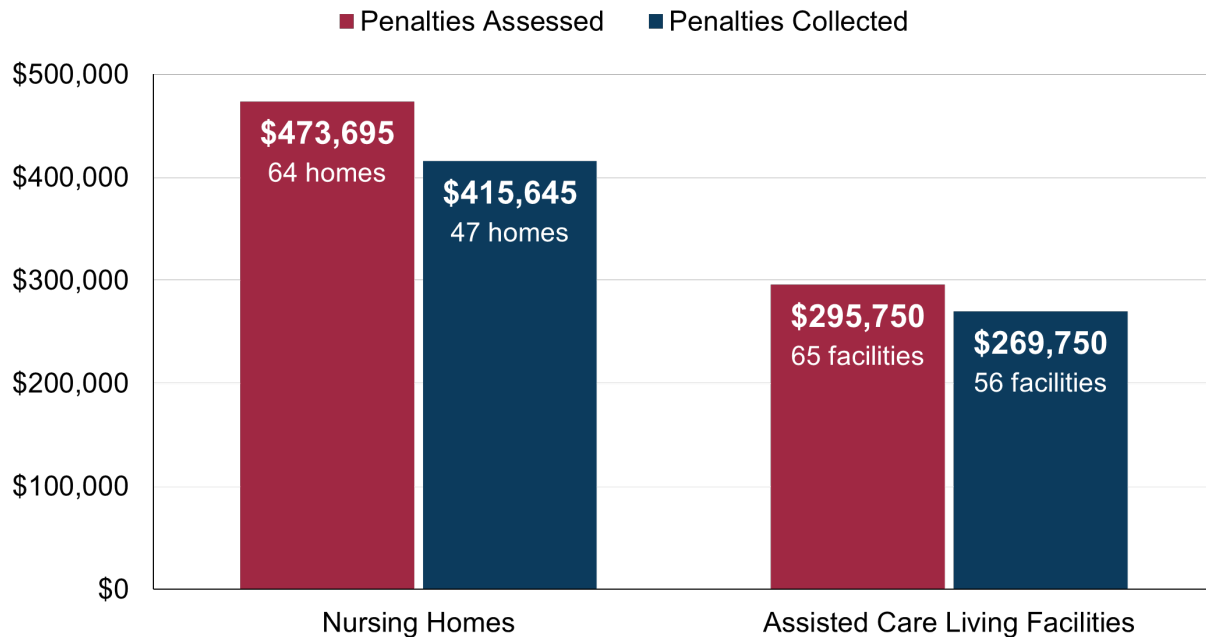
When a licensed nursing home or assisted care living facility submits payment for a civil monetary penalty, management initiates a multi-step process to ensure the funds are accurately recorded and reconciled between the financial and regulatory systems.

Upon receipt, fiscal management records the payment in Edison, Tennessee's centralized accounting system, under the commission's reserve account. Prior to July 1, 2024, all penalty funds—regardless of facility type—were deposited into a single reserve account. Recognizing the need for improved transparency and fund segregation, commission leadership established two distinct reserve accounts starting July 1, 2024:

- the State Nursing Home Civil Monetary Penalty Trust Fund, designated for penalties collected from nursing homes; and
- the Assisted Care Living Facility Quality Improvement Fund, dedicated to penalties from assisted care living facilities.

In addition to Edison, the Disciplinary Coordinator documents every payment in the commission's two internal tracking systems, the Excel tracking spreadsheet and LARS. See **Figure 9** for the total amount collected from fiscal year 2023 through March 25, 2025, for both provider types. See **Appendix 10** for the amounts assessed and collected by fiscal year.

**Figure 9: Total State Civil Monetary Penalties That the Commission Assessed and Collected from Nursing Homes and Assisted Care Living Facilities
Fiscal Years 2023 Through 2025 (as of March 25, 2025)**



Source: Auditor analysis of management's disciplined facilities tracking sheets for fiscal years 2023 to 2025, as of March 25, 2025.

Reinvestment of Penalty Funds Through Grants and Emergency Support

After receiving and accounting for the penalties, the commission uses the penalty collections to fund emergency support to nursing homes³⁶ and to fund grant awards to both nursing homes and assisted care living facilities. These reinvestment strategies reflect the commission's dual role as both a regulatory enforcer and a facilitator of care quality improvements.

For nursing homes, the commission may use the State Nursing Home Civil Monetary Penalty Trust Fund to respond to nursing home emergencies that threaten resident safety or disruption of daily operations. Statutory³⁷ authority allows management to

- appoint temporary management to stabilize facility operations;
- fund continued care and protection of residents; and
- cover essential operating expenses, such as payroll and utilities.

36. Sections 68-11-280 and 68-11-827, *Tennessee Code Annotated*.

37. Section 68-11-831, *Tennessee Code Annotated*.

For assisted care living facilities, the commission may award grants from the Assisted Care Living Facility Quality Improvement Fund, which is intended to support one-time projects that enhance resident care and facility operations. To receive funding, facilities must complete an application that verifies eligibility and outlines the proposed improvement initiative. Commission management opened applications on June 18, 2025, to solicit projects funded by the Assisted Care Living Facility Quality Improvement Fund. The application included a budget and contract template that explained the grantees' responsibilities if they receive project funding. The application deadline was August 4, 2025.

Current Audit

We examined commission management's process for tracking and collecting imposed penalties on nursing homes and assisted care living facilities resulting from deficient surveys. We also reviewed commission management's process for redistributing the penalty revenue collections back to the healthcare facilities to fund operational improvements in those facilities. See the **Observation**. See **Appendix 1** for our detailed audit objectives, conclusions, and methodologies.

Observation: To comply with statute, management should establish the necessary internal controls, including written policies and procedures, for awarding grants from the State Nursing Home Civil Monetary Penalty Trust Fund for nursing home facilities

Under Tennessee law, the Health Facilities Commission (the commission) is authorized to use the State Nursing Home Civil Monetary Penalty Trust Fund to support nursing home residents and facility operations in critical situations. Specifically, the statute permits the use of these funds to

- protect residents' care and property and sustain nursing home operations, including participation in TennCare, the state's Medicaid program;³⁸ and
- appoint temporary management at a deficient nursing home to ensure residents' health and safety, particularly when a facility is ordered to close or must make improvements to comply with state and federal requirements.³⁹

38. Section 68-11-827, *Tennessee Code Annotated*.

39. Section 68-11-831, *Tennessee Code Annotated*.

Management lacks a formal process for distributing grant funds to nursing homes

While management has established a formal process governing the fund disbursements for nursing home emergency support, they have not established written policies and procedures governing nursing home grant awards. Based on our review, we also found that management did not have adequate guidance in communicating with the facility about the authorized use of the grant funds and the required documentation for budgeting and spending. When asked to provide documentation of their processes, management cited relevant state statutes but did not produce internal controls or procedural guidance.⁴⁰ Thus, commission management lacks the following safeguards to ensure compliance with state statute:

- a formal grant award process that guides management and staff in how to award the funds;
- defined application guidance, including preparation of a grant budget, and eligibility criteria for facilities that want to apply for assistance; and
- the expectation of the facility's required supporting documentation to justify the commission's approval of grant expenditures.

Without these safeguards, commission management risks granting funds to nursing homes that may not use them as the statute requires. Commission management should ensure they implement the necessary process to ensure staff and facility leadership comply with the statutory requirements for the Nursing Home Civil Monetary Penalty Trust Fund grants.

Management's Comment

We concur. Management has begun incorporating existing procedures and controls for the State CMP into a formal policy. Management will ensure that the corrective actions noted above will be included in HFC's 2025 Risk Assessment.

40. See Green Book Principles 3.09, 3.10, and 3.11.

APPENDICES

Appendix 1: Objectives, Conclusions, and Methodologies

Prior Audit Follow-up

Abuse Registry

Audit Objective: Did Health Facilities Commission (commission) management address the six recommendations we noted in the Department of Health's 2022 performance audit?

Conclusion: Based on our review of the commission's Audit Director's work, management has implemented or made progress toward implementing five of the six audit recommendations. See the **Prior Audit Findings** section of this report for management's progress toward implementing the sixth recommendation.

Methodology to Address the Audit Objective

To address our audit objective, including gaining an understanding of the work performed to address the 2022 Department of Health performance audit recommendations, we interviewed the commission's Auditor Director. We reviewed

- the Audit Director's working papers for the abuse registry audit;
- the records disposition authorization for abuse registry files;
- the updated Notice of Intent to Place form;
- the commission's abuse registry audit report;
- the original and draft *Rules of the Tennessee Health Facilities Commission*;
- management's corrective action plan to address the finding in the commission's internal audit report;
- Sections 68-11-1604 and 68-11-1001, *Tennessee Code Annotated*; and
- *Government Auditing Standards*, issued by the U.S. Government Accountability Office.

Current Audit

Commission Responsibilities

1. Audit Objective: Did the commission comply with statutory requirements for commission composition and member attendance, and did members fulfill their responsibilities by actively participating and conducting business only when a quorum was present?

Conclusion: Based on our work, we determined that the commission fulfilled its responsibilities by attending meetings, actively participating, and conducting business only when a quorum was present. Additionally, as of June 18, 2025, the commission had no vacancies.

2. Audit Objective: Did the commission comply with statutory requirements for the Audit Committee Act of 2005?

Conclusion: Based on our review, commission management sent the commission's audit committee charter to the Comptroller of the Treasury on January 22, 2025. The Comptroller approved the audit charter on February 5, 2025.

3. Audit Objective: To ensure public accountability and transparency, did the commission comply with the provisions of the Tennessee Open Meetings Act established in Title 8, Chapter 44, *Tennessee Code Annotated*, by holding public meetings, providing adequate public notice of meetings, recording meeting minutes, and making the meeting minutes available to the public?

Conclusion: Based on our review, the commission complied with the Tennessee Open Meetings Act. The commission hosted public meetings and provided adequate public notice of each meeting. Commission staff recorded the meeting minutes and made them available on the commission's website.

4. Audit Objective: Did the commission ensure members signed a conflict-of-interest form annually to ensure members were aware of their responsibilities, including the need to recuse themselves from certain discussions and business?

Conclusion: Based on our review, we determined that the commission ensured that members signed an annual conflict-of-interest form, except for one member who temporarily served on the

commission for four months while the appointed member was on extended leave. The commission has since implemented procedures to include this scenario in the future to ensure compliance.

5. Audit Objective: Did the Internal Audit Director establish a supervisory review process prior to releasing internal audit reports?

Conclusion: Based on our review, the director did not establish a supervisory review process for the internal audit report reviews, including the abuse registry internal audit report released during our audit period. Given that the director has no staff and performs the work and writes the reports, the director should work with the audit committee to establish a supervisory review process.

Methodology to Address the Audit Objectives

To address all five audit objectives, including obtaining an understanding of internal controls significant to the commission's statutory requirements for membership, meetings, conflicts of interest, and oversight objectives to assess management's design of internal controls, we interviewed the commission's Internal Audit Director, the state's Executive Internal Auditor, and the General Counsel. We attended commission and audit committee meetings on January 22, 2025, and February 26, 2025, and reviewed

- Title 68, Chapter 11, *Tennessee Code Annotated*;
- Section 4-35-102, *Tennessee Code Annotated*;
- Title 8, Chapter 44, *Tennessee Code Annotated*;
- Section 8-14-119, *Tennessee Code Annotated*;
- 2024 and 2025 conflict-of-interest forms for all commission members;
- commission member appointment letters;
- the commission's audit committee charter, approved February 5, 2025;
- August 2022 through February 2025 commission meeting minutes; and
- the commission's website and electronic calendar.

To address audit objective 1, we performed testwork on quorum and attendance requirements and vacancies by reviewing the commission meeting minutes for the period August 2022 through February 2025. To address audit objective 3, we performed testwork on public notices of meetings and the availability of meeting minutes by reviewing the commission's website. To address objective 4, we compared a list of all commission members to the signed 2024 conflict-of-interest forms. To address audit objective 5, see the abuse registry methodology above.

Certificate-of-Need Statutory Changes

Audit Objective: Did the commission develop a plan to address the upcoming changes to the certificate-of-need (CON) requirements?

Conclusion: Based on our review, the commission is scheduled to review proposed rule changes related to its plan to phase out CON requirements for certain healthcare facilities by December 2025.

Methodology to Address the Audit Objective

To address our audit objective, including gaining an understanding of the CON process and obtaining an understanding and assessing management's plan for the upcoming changes to the process, we interviewed the Executive Director, CON Program Director, the General Counsel, and a Senior Administrative Assistant. We also attended commission and audit committee meetings on January 22, 2025, and February 26, 2025. We reviewed

- Section 68-11-1601 through 1628, *Tennessee Code Annotated*;
- the commission's website;
- the commission's 2024 Legislative Update document;
- the CON Operations Manual;
- the June 2023 Tennessee Rural Health Care Task Force Final Report;
- the Certificate of Need Reform Working Group Report;
- the Commonwealth Fund's⁴¹ rankings of healthcare by state;
- various research sites related to state certificate-of-need laws; and
- the proposed rule changes for the facilities that will no longer require CONs beginning in December 2025.

Healthcare Facility Surveys and Complaint Investigations

1. Audit Objective: Did commission management establish a process to ensure staff completed nursing homes and assisted care living facility surveys in accordance with federal and state requirements?

41. The Commonwealth Fund is an international, independent research group specializing in healthcare practice and policies. They use compiled data from entities such as the Centers for Disease Control and Prevention, the Centers for Medicare and Medicaid Services, and the National Survey of Children's Health.

Conclusion: Based on our work, we found that the majority of surveys were not completed on time, and management has not developed an effective process. Additionally, management did not design internal controls to ensure the completeness of the survey data. See the **Finding**.

2. Audit Objective: Did commission management establish a process to ensure staff begin complaint investigations for nursing homes and assisted care living facilities by the required timeframes in accordance with federal requirements?

Conclusion: Based on our work, we found that management is struggling to begin and complete complaint investigations within the required timeframes. Currently, the commission has a backlog of complaints for nursing homes and assisted care living facilities. See the **Finding**.

3. Audit Objective: Has management addressed the inherited backlog of federal recertification surveys for nursing homes?

Conclusion: The commission was not able to resolve the backlog of surveys for nursing homes and now has a backlog of surveys for assisted care living facilities. Management is required by statute to resolve the survey backlog by December 31, 2026, and may be challenged to **eliminate** it by the deadline. See the **Finding**.

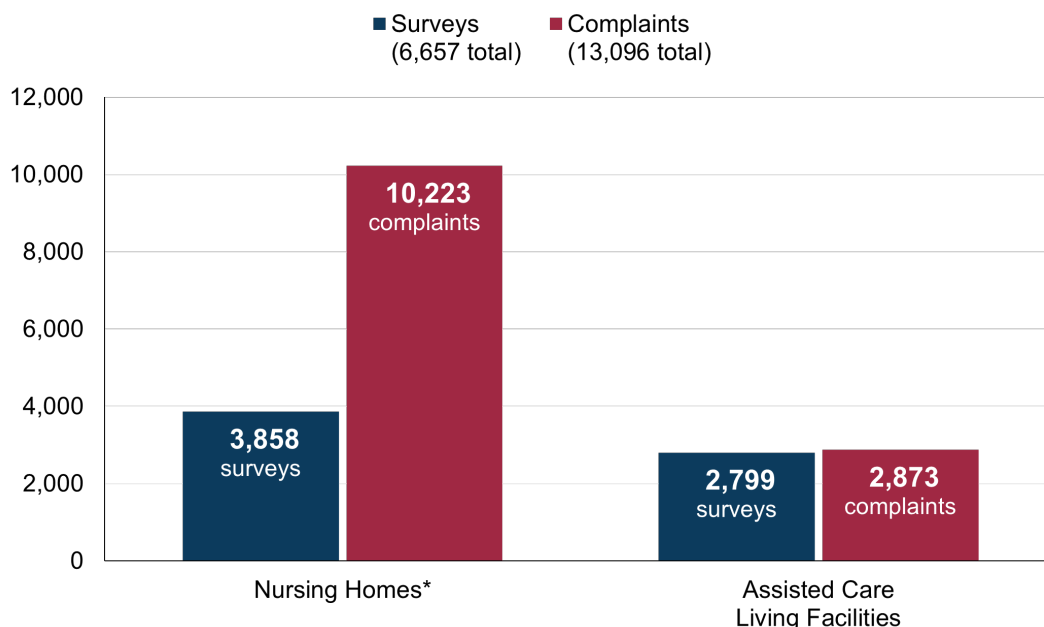
Methodology to Address the Audit Objectives

To address audit objectives 1 and 2, including to gain an understanding of management's process to conduct federal recertification and state licensure surveys for nursing homes and assisted care living facilities, and to obtain an understanding and assess management's design and implementation of internal control significant to our audit objective, we interviewed and performed walkthroughs with the Director and the Deputy Director of Licensing and Regulation, and management and staff in the East Tennessee and West Tennessee Regional Offices. We reviewed

- Title 42, *Code of Federal Regulations*, Part 488;
- the Centers for Medicare and Medicaid Services' *State Operations Manual* and State Performance Standards System;
- Title 68, Chapter 11, Part 2, *Tennessee Code Annotated*;
- Title 68, Chapter 11, Part 16, *Tennessee Code Annotated*; and
- Chapters 0720-18 and 0720-26 of the *Rules of the Tennessee Health Facilities Commission*.

To address audit objectives 1 and 2, including determining whether staff completed surveys and complaint investigations for federally certified nursing homes, assisted care living facilities, and state-licensed nursing homes within the timeline as required, we obtained and analyzed a list of all nursing home and assisted care living facility survey and complaint data for the period July 1, 2022, through April 17, 2025. This list included a total of 6,657 surveys and 13,096 complaint investigations. See **Figure 10**.

**Figure 10: Surveys and Complaints by Facility Type
July 1, 2022, Through April 17, 2025**



* Nursing homes includes those that are federally certified and those that are state-licensed but do not have federal certification.

Source: Auditor created using management's data contained in ASPEN.

To address audit objective 3, we interviewed the Executive Director and the Director of Licensure and Regulation to gain an understanding of the backlog of federal recertification surveys. We reviewed Chapter 263 of the Public Acts of 2025; management's May 28, 2025, plan to meet the December 31, 2026, deadline to complete federal recertification surveys as required by the act; and correspondence from the Tennessee Department of Health regarding the backlog of federal recertification surveys that the commission inherited on July 1, 2022.

Data Reliability Review Methodology

The U.S. Government Accountability Office (GAO), whose standards we are statutorily obligated to follow, requires us to assess the sufficiency and appropriateness of computer-processed information we use to support our findings, conclusions, and recommendations. To evaluate management's evidence related to facility surveys and

complaint investigations of nursing homes and assisted care living facilities, we requested all completed federal and state surveys, as well as complaint investigations, for the period July 1, 2022, through December 7, 2024, to assess survey and complaint investigation timeframes. We subsequently requested the same data for the period December 8, 2024,⁴² through April 17, 2025. According to management, they pulled the survey and complaint data from the Automated Survey Process Environment (ASPEN), which is a proprietary system of the Centers for Medicare and Medicaid Services. Management also had to extract each facility's assigned region from the Department of Health's Licensure and Regulation System (LARS)⁴³ and link the two datasets to fulfill our request. We then met with management to discuss how to interpret the survey's completeness and complaint timeliness. During our discussions with management, management provided different interpretations of how the data is entered and how to understand the data outputs when management pulls reports. Because management has not developed a process to reconcile the data, and because both systems cannot be connected, we could not compare the data to management's established process to determine if these statements were reasonable. To obtain assurance of the data's accuracy, we tested a sample of 92 records of completed surveys and obtained screenshots of ASPEN from commission management to verify that commission staff completed the required federal and state surveys. We did not identify any issues with the testwork and used the data to draw conclusions related to accuracy.

Because we could not obtain the assurance of the data's completeness due to internal control weaknesses we identified through our work, we concluded that this data is of undetermined reliability in accordance with GAO's *Applied Research and Methods: Assessing Data Reliability*.

State Civil Monetary Penalties

1. Audit Objective: Did management establish a process and the necessary internal controls to track and collect penalties imposed on nursing homes and assisted care living facilities that had deficient surveys?

Conclusion: Based on our review, management implemented procedures and internal controls to track and collect penalties imposed on nursing homes and assisted care living facilities that had deficient surveys.

42. On December 8, 2024, management restructured the Division of Licensure and Regulation's regional offices by eliminating the Middle Tennessee Regional Office and assigning that region's facilities to either the East Tennessee or West Tennessee Regional Offices.

43. LARS tracks state licensure information and is necessary for staff to know when state licensures are up for renewal.

2. Audit Objective: Did management establish a process to redistribute the collected funds to assist nursing homes and assisted care living facilities in improving their operations?

Conclusion: Based on our review, while management established a process to distribute collected funds to assisted care living facilities, management has not established a process to distribute funds as grants to assist nursing homes to improve their operations. See the **Observation**.

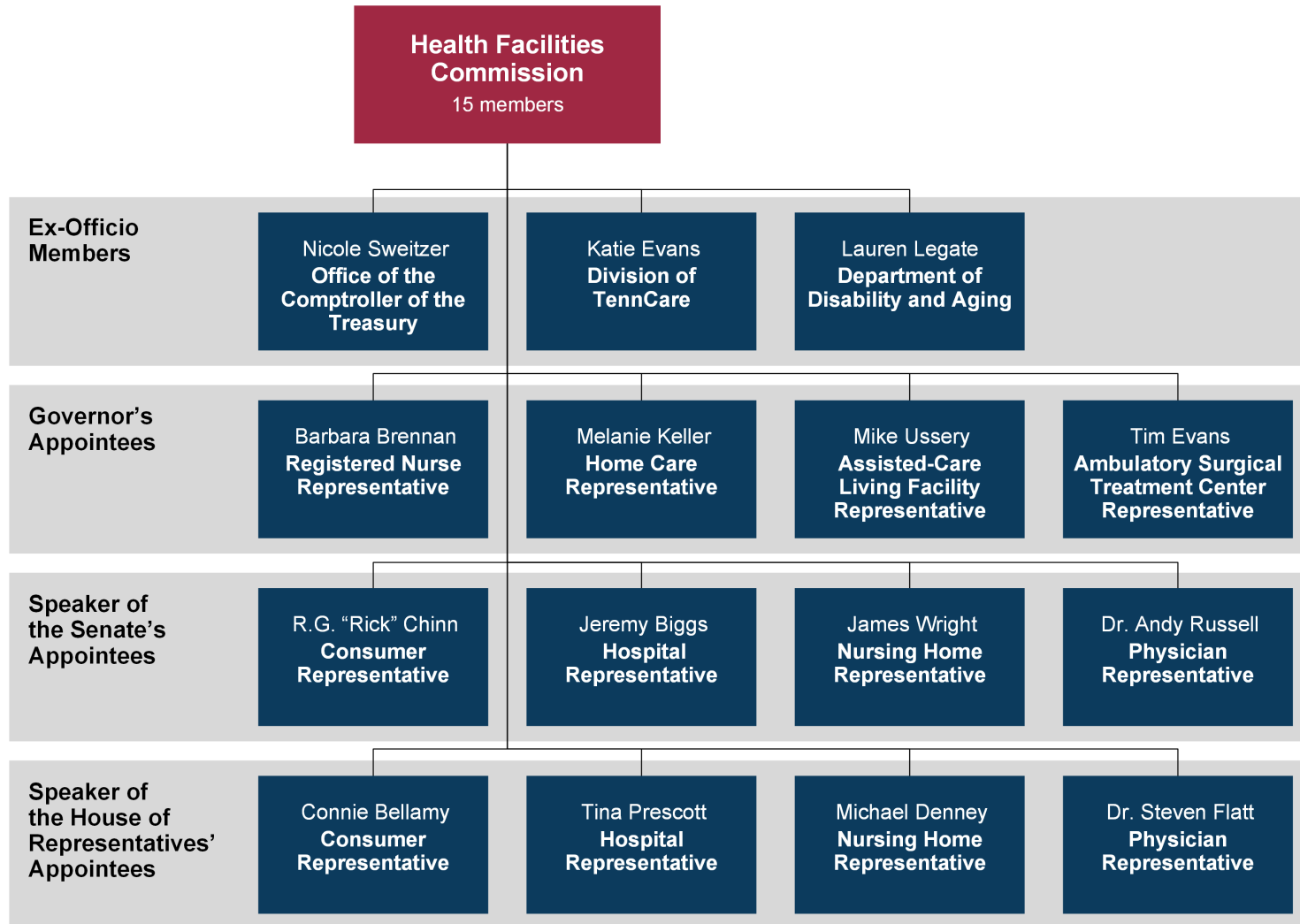
Methodology to Address the Audit Objectives

To address audit objective 1, including determining management's process to assess and collect civil monetary penalties against nursing home and assisted care living facility providers with violations identified on surveys and complaint investigations and assessing the design and implementation of internal controls, we interviewed the General Counsel, the Deputy General Counsel, the Deputy Director of Administration and Fiscal Director, and the Disciplinary Coordinator. We reviewed the tracking spreadsheets for disciplined facilities for fiscal years 2023, 2024, and 2025; Chapters 0720-18, 0720-26, and 0720-44 of *Rules of the Tennessee Health Facilities Commission*; and the Licensure and Regulation Administrative Unit's *Standard Operating Guidelines*.

To address audit objective 2, including determining management's process to distribute collected funds to nursing homes and assisted care living facilities to improve facility operations and assessing the design and implementation of internal controls, we interviewed the Deputy Director of Licensure and Regulation, the Deputy Director of Licensing, the Board Administrator and Supervisor in the Licensure Regulation Administrative Unit, and the Civil Monetary Penalties Fund Director. We reviewed Sections 68-11-201, 68-11-280, 68-11-1601, 68-11-801(a), 68-11-816, 68-11-826, 68-11-827, and 68-11-831, *Tennessee Code Annotated*; and the commission's website containing the grant application materials funded by the Assisted Care Living Facility Quality Improvement Fund.

Appendix 2: Commission Members

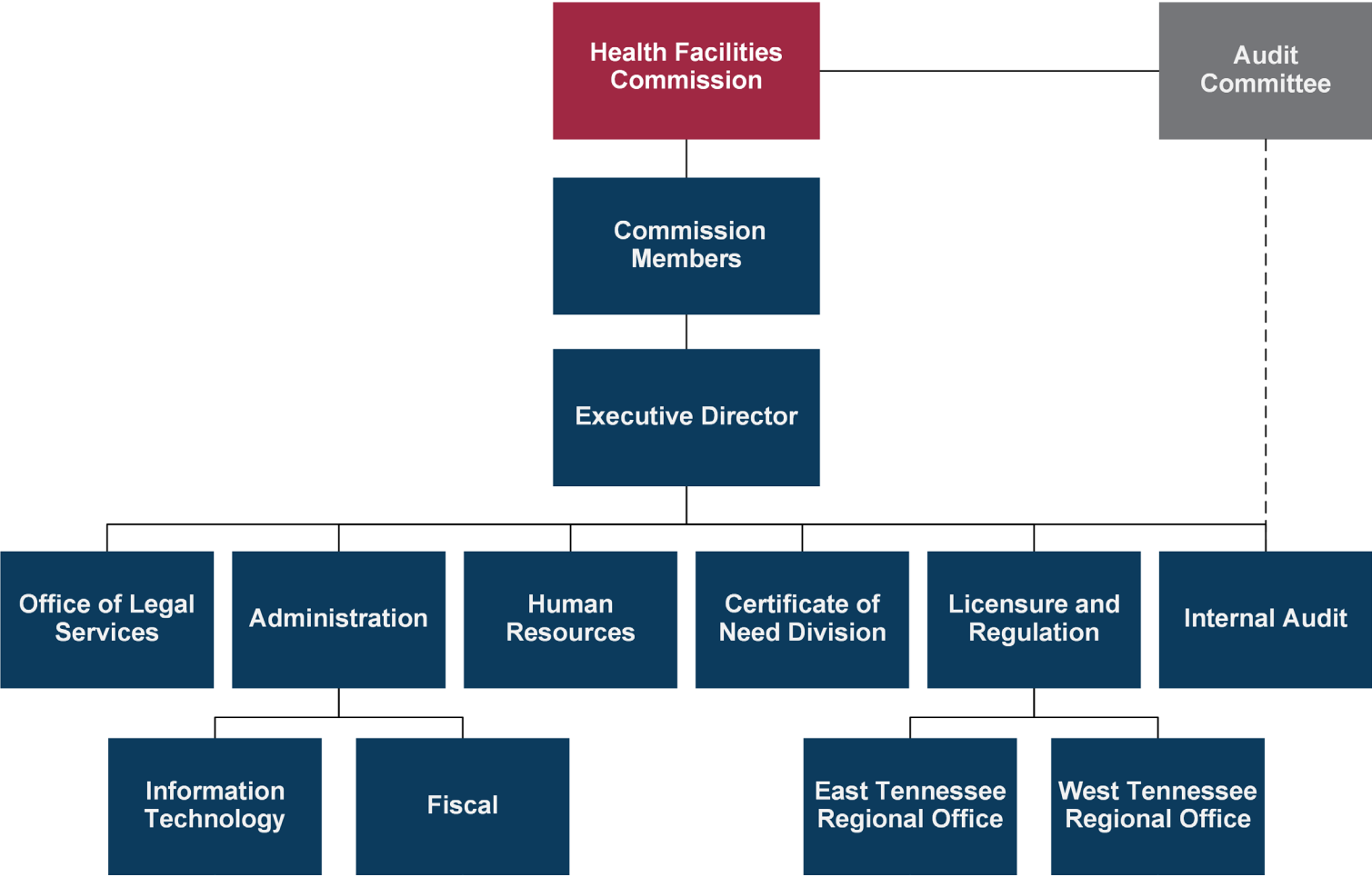
Figure 11: Health Facilities Commission Members as of August 13, 2025



Source: List of commission members retrieved from the commission's website (<https://www.tn.gov/hfc/board-members.html>).

Appendix 3: Commission Management’s Organizational Chart and Structure

Figure 12: Health Facilities Commission Organizational Chart as of February 2025



Source: Commission management.

Organizational Structure

The commission employs an Executive Director, who directs and supervises the staff in four divisions, as well as the Audit Director and the Human Resources Manager. Of those four divisions, two provide direct services to the quality within healthcare facilities: the Licensure and Regulation and the Certificate of Need Divisions. The commission is also designated as the state survey agency for the federal Centers for Medicare and Medicaid Services.

Administration

The Administration Division is responsible for the commission's administrative duties. This includes budget preparation and monitoring, purchasing, revenue collections, leasing, asset management, records management, vehicle management, and information systems support. The commission follows all applicable statewide policies and procedures related to accounting, information technology, and human resources.

Licensure and Regulation

Through its two regional offices, the Division of Licensure and Regulation is responsible for licensing the state's healthcare facilities and performing periodic facility surveys and complaint investigations to ensure the facilities are meeting state and federal health and safety requirements. These facilities and provider types include, but are not limited to, nursing homes, assisted care living facilities, birthing centers, hospices, hospitals, home medical equipment, and outpatient diagnostic centers. This division maintains the state abuse registry.

Staff within the division also review construction-related documents for healthcare facilities to ensure construction projects comply with safety and building codes. They also inspect buildings during and after construction for code compliance.

Certificate of Need

The Certificate of Need (CON) Division is responsible for approving permits for establishing or modifying a healthcare institution, facility, or service at a designated location within the State of Tennessee. A 15-member commission governs the division and determines whether a CON application is necessary in the proposed service area, whether the proposal will provide healthcare that meets appropriate quality standards, and whether the effects of competition or duplication would be positive for consumers.

Legal Services

The Division of Legal Services litigates disciplinary actions taken against facilities and abuse registry placements. Staff also conduct legal reviews of contracts, assist with human resources processes, review public records requests, and are involved in the rulemaking process.

Internal Audit

Reporting directly to the commission's audit committee, Internal Audit is responsible for developing and executing the commission's annual audit plan. This division also conducts audits of commission operations and issues audit reports to management and the commission.

Appendix 4: Edison Business Units

Figure 13: Edison Business Units for the Commission's Divisions

316.07 Health Facilities Commission

Source: Analysis of the commission's general ledger data for fiscal years 2023 to 2025 as of July 25, 2025, extracted from Edison.

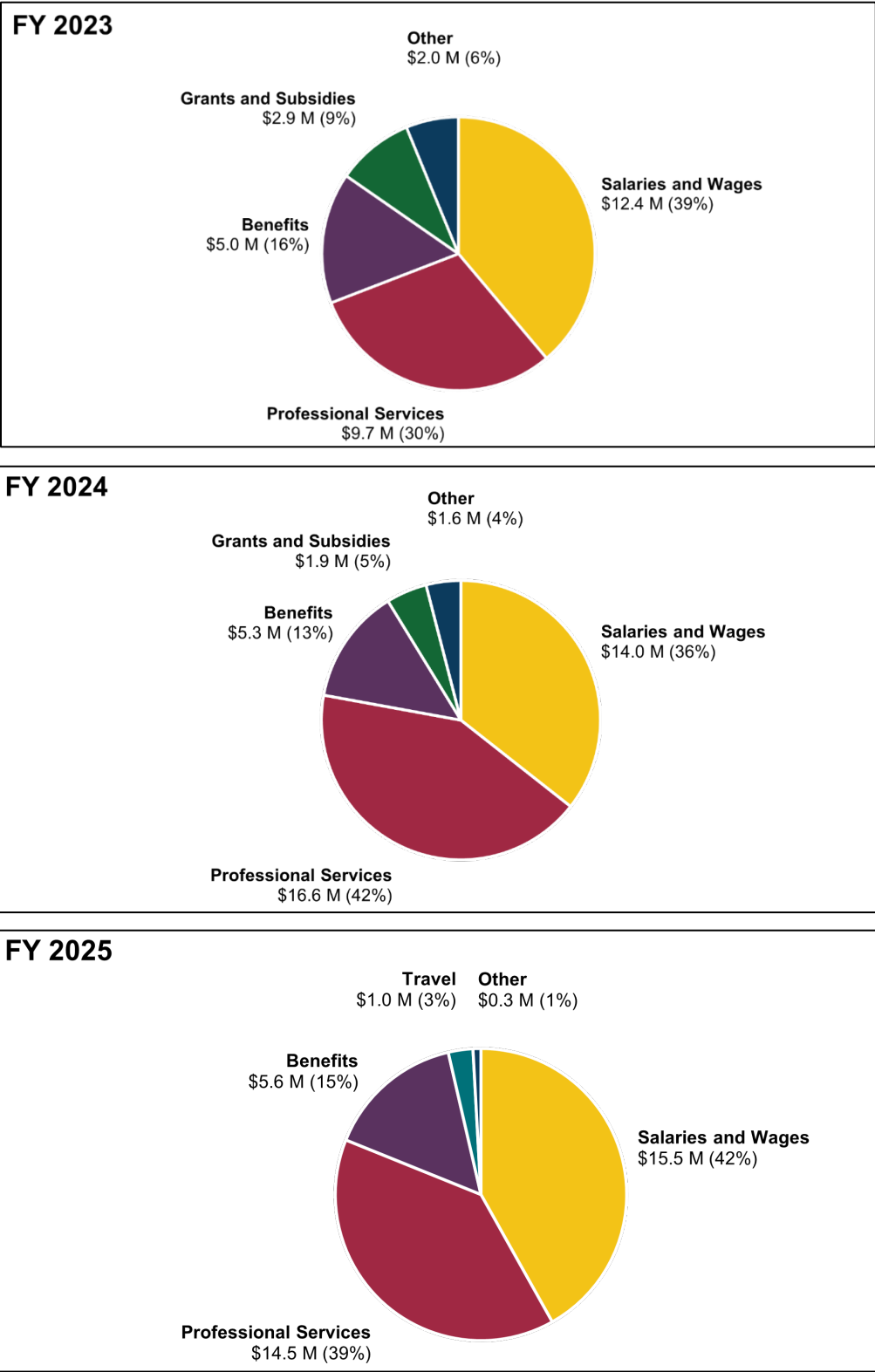
Appendix 5: Commission's Financial Information

Figure 14: Commission's Expenditures and Revenues, Fiscal Years 2023 to 2025

Description	Fiscal Year		
	2023	2024	2025
Expenditures			
Salaries and Wages	\$12,425,821	\$14,018,154	\$15,453,368
Third Party Professional and Administrative Services	6,440,965	12,578,946	10,015,825
Benefits	4,956,412	5,265,956	5,644,652
Professional Services Provided by Other State Agencies	3,260,758	4,063,219	4,469,823
Grants and Subsidies	2,922,391	1,862,980	(60,444)
Travel	935,793	885,632	1,009,046
Computer Related Items	939,107	260,994	248,299
Transfers to Internal Service Fund	0	253,823	0
Supplies and Office Furniture	44,365	57,253	49,955
Communications and Shipping Costs	34,995	35,085	37,183
Training of State Employees	17,729	23,677	27,127
Rentals and Insurance	15,653	20,399	19,100
Utilities and Fuel	35	40,000	0
Unclassified Expenses	2,000	2,800	2,800
Maintenance, Repairs, and Services Performed By Others	357	3,120	0
Awards and Indemnities	0	904	779
Motor Vehicle Operation	50	488	13
Printing, Duplicating, and Film Processing	0	0	58
Total Expenditures	\$31,996,430	\$39,373,429	\$36,917,585
Revenues			
State Appropriations	\$21,566,300	\$22,559,200	\$30,643,500
Federal Revenue	4,709,408	12,601,335	10,269,492
Health Care Facilities Licensure	4,832,300	6,897,556	4,818,453
Nursing Home Civil Penalties	1,096,312	1,656,741	4,146,686
Current Services	3,080,696	899,492	1,583,115
Interdepartmental Revenue	2,640,209	715,101	483,487
Certificate of Need Fees	544,248	390,021	866,452
Temporary Healthcare Staffing Registration Fees	0	0	441,345
Residential Home Administration Fees	514,902	(400,962)	53,540
Refund of Prior Year Expenditures	0	291	2,272
Total Revenues	\$38,984,374	\$45,318,775	\$53,308,343

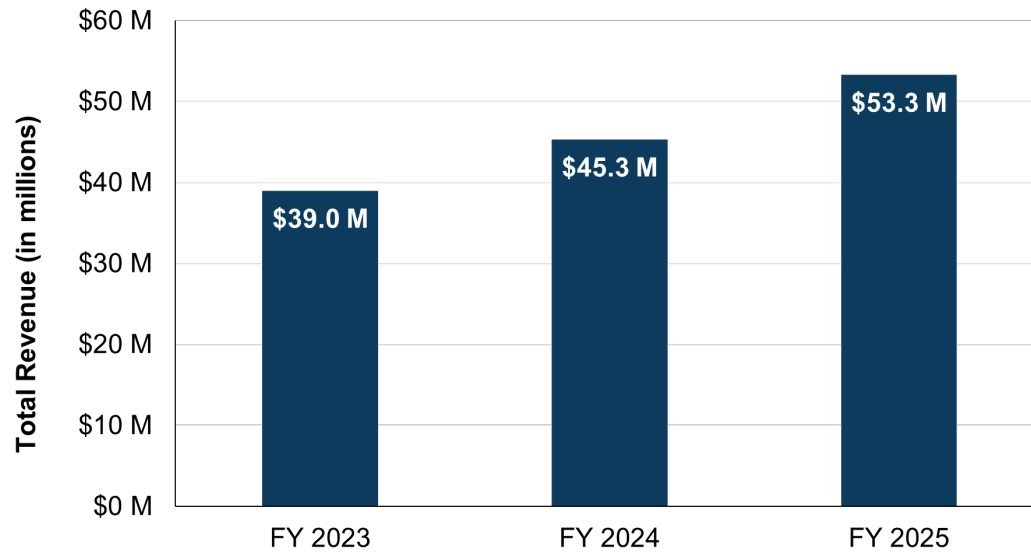
Source: Analysis of the commission's general ledger data for fiscal years 2023 to 2025 extracted from Edison.

Figure 15: Commission’s Expenditures by Fiscal Year (FY), 2023 to 2025



Source: Analysis of the commission's general ledger data extracted from Edison and the State of Tennessee budget publication for fiscal years 2025 and 2026.

Figure 16: Commission's Revenues by Year, Fiscal Years (FY) 2023 to 2025



Source: Analysis of the commission's general ledger data extracted from Edison.

Appendix 6: Healthcare Facilities Under the Commission's Oversight

Figure 17: Facilities Licensed and Monitored by the Health Facilities Commission

 Adult Care Homes	 Ambulatory Surgical Treatment Centers	 Assisted Care Living Facilities
 Birthing Centers	 Home Care Organizations	 Homes for the Aged
 Hospitals	 Outpatient Diagnostic Centers	 Prescribed Childcare Centers
 Nursing Homes	 Recuperation Centers	 Renal Dialysis Clinics
 Residential HIV Supportive Living Centers	 Residential Hospice Centers	 Traumatic Brain Injury Residential Homes

Source: Section 68-11-202, *Tennessee Code Annotated*.

Appendix 7: Projects Requiring Certificates of Need

Figure 18: List of Certificate-of-Need Programs, Exceptions, and Actions as of March 7, 2025

Category	Applicability
Institutions	Institutions that require a certificate of need (CON) before establishment, licensure, or certification: • Hospital • Nursing Home • Ambulatory Surgical Treatment Center (<i>required until December 1, 2027</i>) • Intellectual Disability Institutional Habilitation Facility (<i>required until December 1, 2025</i>) • Home Care Organization-Home Health and Hospice • Outpatient Diagnostic Center • Rehabilitation Center • Residential Hospice • Nonresidential Substitution-based Treatment Center for Opiate Addiction Exceptions: Institutional CON requirements do not apply to: • Institutions in counties that are economically distressed and have no actively licensed hospital (as of fiscal year 2025: Lake and Perry Counties) • Home care organizations limited to providing only professional support services • Home care organizations and residential hospices limited to serving patients under the care of a healthcare research institution • Home health agencies limited to serving patients under age 18 or to providing services under the Federal Energy Employees Occupational Illness Compensation Program Act of 2000 • Nonresidential substitution-based treatment centers for opiate addiction operated by a hospital on the same campus as the hospital
Services	Services that require a CON before any person initiates service: • Burn Unit (<i>required until December 1, 2025</i>) • Neonatal Intensive Care Unit (<i>required until December 1, 2025</i>) • Open Heart Surgery (<i>required until December 1, 2029</i>) • Organ Transplantation • Home Health • Cardiac Catheterization • Linear Accelerator (<i>required until December 1, 2027</i>) • Hospice • Opiate Addiction Treatment (<i>provided through a licensed, nonresidential, substitution-based treatment center for opiate addiction</i>)

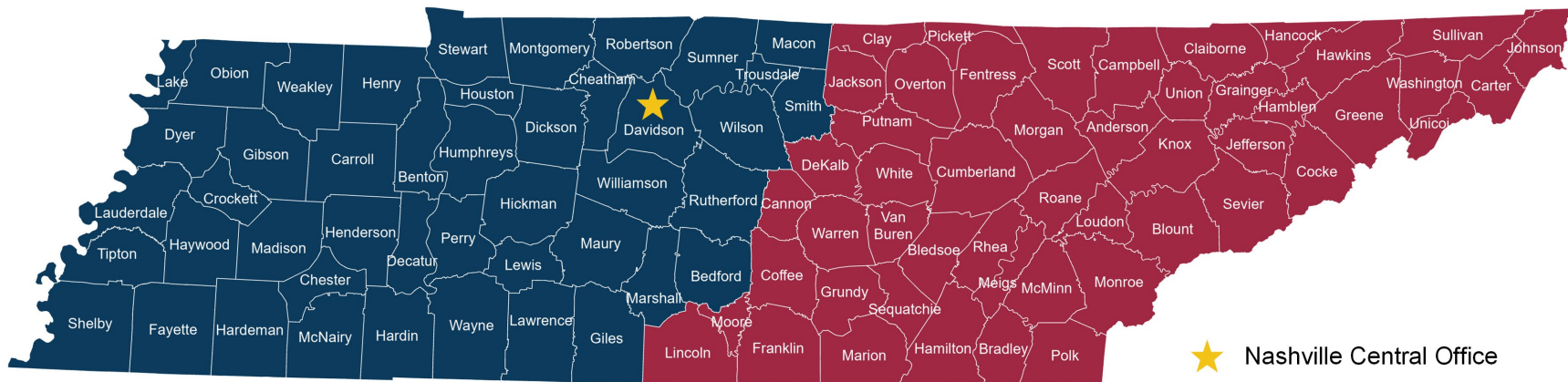
Figure 18: List of Certificate-of-Need Programs, Exceptions, and Actions as of March 7, 2025 (Continued)

Category	Applicability
Actions	Structural or operational changes within a healthcare institution that require a CON: Bed Complement Changes Any bed-related changes, including: - An increase in nursing home beds Exception: An increase of the lesser of 10 beds or 10% of the facility's licensed capacity is allowed without a CON once every three years. - Redistribution of beds across categories: - From acute to long-term care - From any category to a category (acute, rehabilitation, or long-term care) the facility does not already have licensed beds for - Relocation of beds to another site Facility Relocation Change in the location of existing or certified facilities providing healthcare services Exceptions: - Relocation of the principal office of a home health agency or hospice within the same licensed service area. - Exemptions as granted by the commission's Executive Director for facility relocations that continue serving the same patient communities, preserve access for vulnerable populations, and do not increase the share of patients with private insurance. Actions in Counties with a Population of 175,000 or Less <i>(required until December 1, 2025):</i> - Initiation of Magnetic Resonance Imagery (MRI) services - Increasing the number of MRI machines (other than to replace or decommission an existing machine) - Initiation of Positron Emission Tomography (PET) services Actions in Counties with a Population of 175,000 or More <i>(required until December 1, 2025):</i> - Initiation of MRI services or increasing the number of MRI machines only if services are provided to patients age 14 or younger on more than 5 occasions per year - Establishment of a satellite emergency department or inpatient facility at a location other than a hospital's main campus Overall Exception: Action-based CON requirements do not apply to institutions in counties that are economically distressed and have no actively licensed hospital (as of fiscal year 2025: Lake and Perry Counties).

Source: Commission's website (<https://www.tn.gov/hfc/certificate-of-need-information/certificate-of-need-basics.html>).

Appendix 8: Division of Licensure and Regulation Regional Offices

Figure 19: Division of Licensure and Regulation's Regional Offices and Counties Served as of December 8, 2024



West Tennessee Region

★ Jackson Regional Office

Bedford	Giles	Lawrence	Rutherford
Benton	Hardeman	Lewis	Shelby
Carroll	Hardin	Macon	Smith
Cheatham	Haywood	Madison	Stewart
Chester	Henderson	Marshall	Sumner
Crockett	Henry	Maury	Tipton
Davidson	Hickman	McNairy	Trousdale
Decatur	Houston	Montgomery	Wayne
Dickson	Humphreys	Obion	Weakley
Dyer	Lake	Perry	Williamson
Fayette	Lauderdale	Robertson	Wilson
Gibson			

East Tennessee Region

★ Knoxville Regional Office

Anderson	Fentress	Lincoln	Rhea
Bledsoe	Franklin	Loudon	Roane
Blount	Grainger	Marion	Scott
Bradley	Greene	McMinn	Sequatchie
Campbell	Grundy	Meigs	Sevier
Cannon	Hamblen	Monroe	Sullivan
Carter	Hamilton	Moore	Unicoi
Claiborne	Hancock	Morgan	Union
Clay	Hawkins	Overton	Van Buren
Cocke	Jackson	Pickett	Warren
Coffee	Jefferson	Polk	Washington
Cumberland	Johnson	Putnam	White
DeKalb	Knox		

Source: Commission management.

Appendix 9: Complaint Priority Levels and Response Times

Figure 20: Complaint Priority Levels and Required Investigation Response Times for Nursing Homes and Assisted Care Living Facilities

Priority Level	Definition	Response Time	
		Nursing Homes	ACLFs/ SOLs*
Immediate Jeopardy	The allegation caused, or is likely to cause, serious injury, harm, impairment, or death to a resident.	2 working days	2 working days
High Non-Immediate Jeopardy	The allegation caused or may cause harm negatively impacting the resident's mental, physical, and/or psychosocial status and is of such consequence that rapid response is indicated.	10 working days	45 calendar days
Medium Non-Immediate Jeopardy	The allegation caused or may cause harm that is of limited consequence and does not significantly impair the resident's mental, physical and/or psychosocial status or function.	Next onsite survey	45 calendar days
Low Non-Immediate Jeopardy	The allegation may have caused physical, mental, and/or psychosocial discomfort that does not constitute injury or damage.	Next onsite survey	Next onsite survey
Referral – Immediate	Referral to another entity is required by state procedures and/or warranted by the seriousness of the allegation.	Immediate	Immediate
Referral – Other	Referral to another entity for non-urgent action or informational purposes.	N/A	N/A
No Action Necessary	No further investigation or action is required (for example, a previous survey investigated the same events).	N/A	N/A

* Assisted Care Living Facilities (ACLFs) and State-Only Licensed Nursing Homes (SOLs).
Source: Centers for Medicare and Medicaid Services' *State Operations Manual*, Chapter 5.

Appendix 10: State-Assessed Penalties, Nursing Homes and Assisted Care Living Facilities

Figure 21: State-Assessed Penalty Violations and Amounts for Nursing Homes and Assisted Care Living Facilities

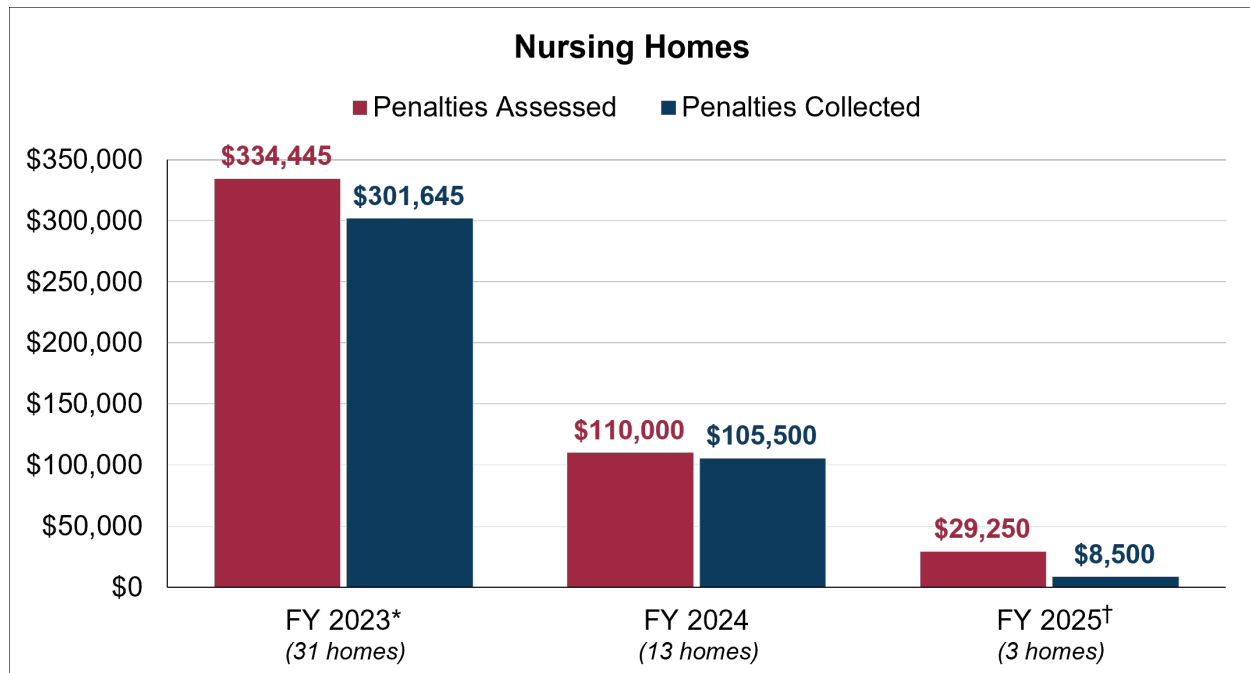
Nursing Homes		
Statute*	Violation	Penalty†
68-11-252, 68-11-802	Type A: Conditions in a nursing home are, or are likely to be, detrimental to the health, safety, or welfare of residents, accompanied by an order from the commission's Executive Director to suspend admission of new residents.	\$1,500–\$7,500
68-11-803	Type B: Violation of clearly defined care standards that directly impact resident health or well-being. Includes prohibited practices such as abuse, improper transfers, staffing deficiencies, or failures in medical, dietary, or hygiene care. May apply to individual or multiple residents.	\$500–\$1,500
68-11-804	Type C: Violations indirectly related to resident care, such as administrative, safety, or facility maintenance deficiencies. Penalties are imposed when issues are repeated or uncorrected after citation. Examples include failure to retain inspection reports, secure medications, maintain sanitation, or document medical orders.	\$250–\$400
Assisted Care Living Facilities		
Statute*	Violation	Penalty
68-11-201(4)(B)	Failure to provide room and board or non-medical living assistance services appropriate to residents' needs.	\$0–\$1,000
68-11-201(4)(C)	Failure to provide or appropriately oversee required medical and professional services, Medicare services, individualized care planning, medical record documentation, or fire safety measures.	\$0–\$1,000
68-11-213(i)(2)	Admission or retention of a resident who does not meet eligibility requirements for assisted care living. Each resident constitutes a separate violation.	\$0–\$3,000
68-11-213(i)(1)	Unlicensed operation of an assisted care living facility. Each day of operation constitutes a separate violation.	\$0–\$5,000

* All statutory references are to *Tennessee Code Annotated*.

† Per Section 68-11-811(d), *Tennessee Code Annotated*, if the same violation occurs at a nursing home within 12 months of the first, the second penalty is double the standard amount.

Source: Sections 68-11-201, 68-11-213, 68-11-252, 68-11-802 through 11-804, and 68-11-811, *Tennessee Code Annotated*; and Health Facilities Commission Rule 0720-26-.05.

Figure 22: State Monetary Penalties That the Commission Assessed and Collected for Nursing Homes, Fiscal Years 2023 to 2025

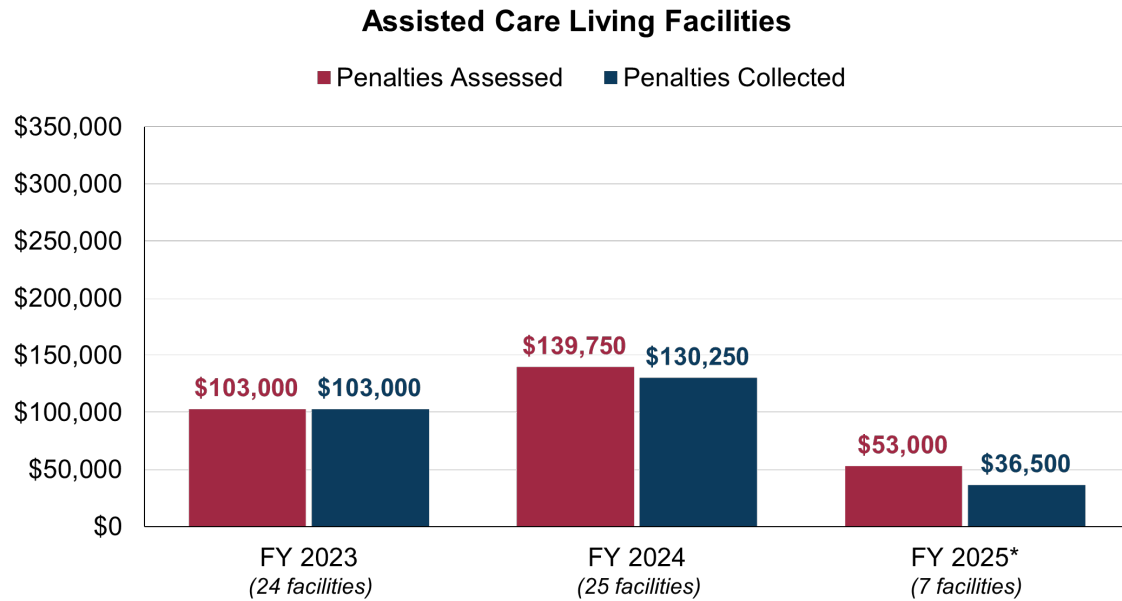


* The opening balance of the Nursing Home Resident Protection Trust Fund was a negative balance of (\$108,247) as of the start of fiscal year 2023 (July 1, 2022).

† Fiscal Year 2025 as of March 25, 2025.

Source: Auditor analysis of management's disciplined facilities tracking sheets for fiscal years 2023 to 2025 as of March 25, 2025.

Figure 23: State Civil Monetary Penalties That the Commission Assessed and Collected from Assisted Care Living Facilities, Fiscal Years 2023 to 2025



* Fiscal Year 2025 as of March 25, 2025.

Source: Auditor analysis of management's disciplined facilities tracking sheets for fiscal years 2023 to 2025 as of March 25, 2025.