



**Examination of
Regal Heights Healthcare and
Rehabilitation Center
Long-Term Healthcare Facility**

**Medicaid Cost Report
and Nursing Wage Survey**

June 30, 2016

Regal Heights Healthcare and Rehabilitation Center Long-Term Healthcare Facility

Contents

Independent Accountant's Report	2-3
Schedule of Adjustments to the Statement of Reimbursement Cost for Skilled and Intermediate Care Nursing Facilities - Title XIX and the Nursing Wage Survey	4-7
Independent Accountant's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Examination of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	8-9
Schedule of Findings and Responses	10



Independent Accountant's Report

State of Delaware
Office of Auditor of Accounts
Department of Health & Social Services
Division of Social Services Medicaid
Dover, Delaware

We have examined management's assertions that Regal Heights Healthcare and Rehabilitation Center (the "Facility") has complied with federal requirements (42 CFR 447.253 and 483 Subpart B) and state requirements (Title XIX Delaware Medicaid State Plan, Attachment 4.19D), as applicable, relative to the Facility's fiscal records of the Department of Health and Social Services ("DHSS"), Division of Social Services, Medicaid Long-Term Care Facilities' Statement of Reimbursement Costs for Skilled and Intermediate Care Nursing Facilities - Title XIX and Nursing Wage Survey ("Statement" and "Survey", respectively) for the fiscal year ended June 30, 2016. The Facility's management is responsible for the assertions. Our responsibility is to express an opinion on the assertions based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and United States Government Accountability Office, *Government Auditing Standards* and accordingly included examining, on a test basis, evidence supporting management's assertions and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, except for the items listed as adjustments on the accompanying Schedule of Adjustments on pages 4-7, management's assertions referred to above are fairly stated, in all material respects, based on the federal requirements (42 CFR 447.253 and 483 Subpart B) and state requirements (Title XIX Delaware Medicaid State Plan, Attachment 4.19D).

In accordance with *Government Auditing Standards*, we also issued our report dated August 28, 2020 on our consideration of the Facility's internal control over reporting for the Statement and Survey and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting and compliance. That report is an integral part of an examination performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our examination.



This report is intended solely for the information and use of the Office of Auditor of Accounts of the State of Delaware, the Department of Health and Social Services of the State of Delaware, the Board of Directors and management of the Facility, Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of Management and Budget, Office of the State Treasurer and the Department of Finance. However, under 29 Del. C., Section 10002, this report is available to the public and its distribution is not limited.

BDO USA, LLP

August 28, 2020

Regal Heights Healthcare and Rehabilitation Center Long-Term Healthcare Facility

Schedule of Adjustments to the Statement of Reimbursement Cost for Skilled and Intermediate Care Nursing Facilities - Title XIX and the Nursing Wage Survey

Year ended June 30, 2016

Description	Page	Line	As Filed Amounts	Examination Adjustments		Adjusted Amounts	Adjusted Cost Per Day	Note Ref.
				No.	Amount			
<u>PART I - COST REPORT TRIAL BALANCE AND ADJUSTMENTS</u>								
<i>Primary Patient Care Costs (lines 1-5)</i>								
Nursing Staff Salaries								
Agency Costs	2	1a	\$ 2,200	\$ -	\$ 2,200.00			
Staff Nurse	2	1b	5,840,515	-	5,840,515			
			5,842,715	-	5,842,715			
Nursing Staff Benefits	2	2	1,164,453	-	1,164,453			
Nursing Training Salaries	2	3	10,002	-	10,002			
Other	2	4	69,181	-	69,181			
Subtotal - Primary Patient Care Costs	2	5	7,086,351	-	7,086,351		\$ 121.80	
<i>Secondary Patient Care Costs (lines 6-14)</i>								
Clinical Consultants	2	6	89,932	-	89,932			
Social Services	2	7	105,052	-	105,052			
Employee Benefits	2	8	20,945	-	20,945			
Raw Food	2	9	358,219	-	358,219			
Medical Supplies	2	10	275,762	-	275,762			
Pharmacy	2	11	23,459	-	23,459			
Other - Allowable Ancillary	2	12	-	-	-			
Subtotal - Secondary Patient Care Costs	2	14	873,369	-	873,369		15.01	
<i>Support Service Costs (lines 15-22)</i>								
Dietary	2	15	790,884	-	790,884			
Operation and Maintenance of Facility	2	16	618,869	-	618,869			
Housekeeping	2	17	1,729	-	1,729			
Laundry & Linen	2	18	440,595	-	440,595			
Patient Recreation	2	19	268,830	-	268,830			
Employee Benefits	2	20	73,958	-	73,958			
Other	2	21	-	-	-			
Subtotal - Support Service Costs	2	22	2,194,865	-	2,194,865		37.73	

Regal Heights Healthcare and Rehabilitation Center Long-Term Healthcare Facility

Schedule of Adjustments to the Statement of Reimbursement Cost for Skilled and Intermediate Care Nursing Facilities - Title XIX and the Nursing Wage Survey, continued

Year ended June 30, 2016

<u>Description</u>	<u>Page</u>	<u>Line</u>	<u>As Filed Amounts</u>	<u>Examination Adjustments</u>		<u>Adjusted Amounts</u>	<u>Adjusted Cost Per Day</u>	<u>Note Ref.</u>
				<u>No.</u>	<u>Amount</u>			
<i>Administrative & Routine Costs (lines 23-32)</i>								
Owner/Executive Director Salary	2	23	122,892	-		122,892		
Medical and Nursing Director Salary	2	24	162,928	-		162,928		
Other Administrative Salaries	2	25	1,047,319	-		1,047,319		
Employee Benefits	2	26	253,754	-		253,754		
Medical Records	2	27	2,327	-		2,327		
Training	2	28	-	-		-		
Interest - Working Capital	2	29	1,951	-		1,951		
Home Office - Admin	2	30	755,972	-		755,972		
Other	2	31	387,248	-		387,248		
Quality Assessment/Provider Tax	2	31A	-	-		-		
Subtotal - Administrative & Routine Costs	2	32	2,734,391	-		2,734,391	47.00	
<i>Capital Costs (lines 33-39)</i>								
Lease Costs	3	33	635,962	-		635,962		
Interest - Mortgage	3	34	-	-		-		
Property Taxes	3	35	50,408	-		50,408		
Depreciation	3	36	202,607	-		202,607		
Home Office Capital	3	37	81,696	-		81,696		
Other	3	38	14,033	-		14,033		
Subtotal - Capital Costs	3	39	984,706	-		984,706	16.93	
SUBTOTAL (lines 1-39)	3	40	13,873,682	-		13,873,682	238.47	

Regal Heights Healthcare and Rehabilitation Center Long-Term Healthcare Facility

Schedule of Adjustments to the Statement of Reimbursement Cost for Skilled and Intermediate Care Nursing Facilities - Title XIX and the Nursing Wage Survey, continued

Year ended June 30, 2016

Description	Page	Line	As Filed Amounts	Examination Adjustments		Adjusted Amounts	Adjusted Cost Per Day	Note Ref.
				No.	Amount			
Ancillary Costs (lines 41-49)								
Laboratory	3	41	23,246	-	-	23,246		
X-Rays	3	42	7,385	-	-	7,385		
Physical Therapy	3	43	366,944	-	-	366,944		
Occupational Therapy	3	44	393,542	-	-	393,542		
Speech Therapy	3	45	142,361	-	-	142,361		
Pharmacy (Rx)	3	46	326,120	-	-	326,120		
Oxygen	3	47	-	-	-	-		
Non Allowable Expenses	3	48	-	-	-	-		
Subtotal - Ancillary Costs	3	49	1,259,598	-	-	1,259,598	21.65	
Other Costs (lines 50-52)								
Gift, Beauty Shop, etc.	3	50	22,531	-	-	22,531		
Util. Review	3	51	-	-	-	-		
Subtotal - Other Costs	3	52	22,531	-	-	22,531	0.39	
TOTAL COSTS	3	53	\$ 15,155,811	\$ -	\$ -	\$ 15,155,811	\$ 260.50	

PART II - COST REPORT PATIENT DAYS

Total Beds	6	1, 3	172	-	-	172		
Total Bed Days Available	6	4	62,952	-	-	62,952		
Medicaid Patient Days	6	5D	44,394	146	146	44,540		K-1
Medicare Patient Days	6	5F	4,386	(88)	(88)	4,298		
Private Pay Patient Days	6	5G,H	6,957	(564)	(564)	6,393		
Other Days	6	5I	2,409	539	539	2,948		
Total Census Days	6	5J	58,146	33	33	58,179		
90% Minimum Census Threshold	6		56,657	-	-	56,657		

Regal Heights Healthcare and Rehabilitation Center Long-Term Healthcare Facility

Schedule of Adjustments to the Statement of Reimbursement Cost for Skilled and Intermediate Care Nursing Facilities - Title XIX and the Nursing Wage Survey, continued

Year ended June 30, 2016

<u>Description</u>	<u>Page</u>	<u>Line</u>	<u>As Filed Amounts</u>	<u>Examination Adjustments</u>		<u>Adjusted Amounts</u>
				<u>No.</u>	<u>Amount</u>	

PART III - NURSING WAGE SURVEY

No adjustments.

PART IV - DETAILED EXPLANATION OF ADJUSTMENTS

K-1 *To adjust Census data to agree to supporting documentation.*



Independent Accountant’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Examination of Financial Statements Performed in Accordance With *Government Auditing Standards*

State of Delaware
Office of Auditor of Accounts
Department of Health & Social Services
Division of Social Services Medicaid
Dover, Delaware

We have examined management’s assertions that Regal Heights Healthcare and Rehabilitation Center (the “Facility”) has complied with federal requirements (42 CRF 447.253 and 483 Subpart B) and state requirements (Title XIX Delaware Medicaid State Plan, Attachment 4.19D), as applicable, relative to the Facility’s fiscal records of the Department of Health and Social Services (DHSS), Division of Social Services, Medicaid Long-Term Care Facilities’ Statement of Reimbursement Costs for Skilled and Intermediate Care Nursing Facilities - Title XIX and Nursing Wage Survey (“Statement” and “Survey”, respectively) for the fiscal year ended June 30, 2016, and have issued our report thereon dated August 28, 2020. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to financial examinations contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Reporting

In planning and performing our examination, we considered the Facility’s internal control over financial reporting in order to determine our examination procedures for the purpose of expressing our opinions on management’s assertions, but not for the purposes of expressing an opinion on the effectiveness of the Facility’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Facility’s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Statement or Survey will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Facility's Statement and Survey are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of reported amounts. However, providing an opinion on compliance with those provisions was not an objective of our examination, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Facility's internal control or on compliance. This report is an integral part of an examination performed in accordance with *Government Auditing Standards* in considering the Facility's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Office of Auditor of Accounts of the State of Delaware, the Department of Health and Social Services of the State of Delaware, the Board of Directors and management of the Facility, Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of Management and Budget, Office of the State Treasurer, and the Department of Finance. However, under 29 Del. C., Section 10002, this report is available to the public and its distribution is not limited.

BDO USA, LLP

August 28, 2020

**Regal Heights Healthcare and Rehabilitation Center
Long-Term Healthcare Facility**

Schedule of Findings and Responses

June 30, 2016

CURRENT YEAR CONDITIONS

NONE.