

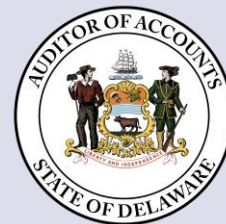
EXAMINATION OF DEPT. OF HEALTH AND SOCIAL SERVICES, DIV. OF MEDICAID AND MEDICAL ASSISTANCE,

DISPROPORTIONATE SHARE HOSPITAL PAYMENTS PROGRAM DELAWARE PSYCHIATRIC CENTER

FOR FISCAL YEAR ENDED JUNE 30, 2019

Report Summary

Examination of Delaware Department of Health and Social Services, Div. of Medicaid and Medical Assistance, Disproportionate Share Hospital Payments Program - Delaware Psychiatric Center for Fiscal Year ended June 30, 2019



What Was Performed?

An examination of the Disproportionate Share Hospital (DSH) Payments Program for the Delaware Psychiatric Center facility for the fiscal year ended June 30, 2019, including internal controls over financial reporting and tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Why This Engagement?

For states to receive Federal Financial Participation for DSH payments, federal law requires states to submit an independent certified audit and an annual report to the Secretary describing DSH payments made to each DSH hospital. The State Auditor is authorized under 29 Del. C., §2906 to conduct post-audits of all financial transactions of all state agencies.

The State of Delaware, Department of Health and Social Services (DHSS), Division of Medicaid and Medical Assistance (DMMA) administers the Disproportionate Share Hospital (DSH) payments to qualifying hospitals that serve a large number of Medicaid eligible and uninsured individuals. This program is regulated by the federal government. The States that receive federal funding must annually certify that the six required verifications are examined to ensure compliance with the program. Management of the Program are responsible for complying with these requirements including design, implementation, and maintenance of internal controls.

This examination engagement was conducted in accordance with federal regulations – 42 CFR, Parts 447 and 455 and the requirements of the State of Delaware's Medicaid State Plan Section 4.19A.

What Was Found?

The State of Delaware, Department of Health and Social Services (DHSS), Division of Medicaid and Medical Assistance, Disproportionate Share Hospital Payments Program is not in compliance with the Requirement, in all material respects and therefore this was also a material internal control weakness. The Delaware Psychiatric Center (DPC) submitted the Annual Disproportionate Share Hospital Report for only a six-month period (July 1, 2018 - December 31, 2018) instead of the required annual period.

The State of Delaware, DHSS, Division of Medicaid and Medical Assistance, DSH Program for DPC Examination for fiscal year ended June 30, 2019, can be found on our website: [Click Here](#)

For any questions regarding the attached report, please contact OAOA_Comms@delaware.gov.

**State of Delaware Department of Health and Social Services
Division of Medicaid and Medical Assistance
Independent Accountant's Report on
Assertions on Compliance with
Specified Requirements Applicable to the
Disproportionate Share Hospital Payments Program
Delaware Psychiatric Center**

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Independent Accountant's Report

State of Delaware Department of Health
and Social Services
Division of Medicaid and
Medical Assistance
Lewis Building
Herman Holloway Campus
1901 N. DuPont Highway
New Castle, DE 19720

We have examined management's assertion that the State of Delaware, Department of Health and Social Services, Division of Medicaid and Medical Assistance, Disproportionate Share Hospital Payments Program (the "Program") for the Delaware Psychiatric Center for the period from July 1, 2018 to June 30, 2019, complies with the six verifications required by the Code of Federal Regulations - 42 CFR, Parts 447 and 455 and met the requirements of the State of Delaware's Medicaid State Plan Section 4.19A (the "Requirements"). The Requirements are as follows:

- If applicable, recipient facilities have at least two obstetricians who have staff privileges at the facility and who have agreed to provide obstetric services to individuals who are entitled to medical assistance for such services under such State plan. In addition, a facility that is an Institute for Mental Disease must have a Medicaid inpatient utilization rate (as defined under Social Security Act Section 1923(b)) of not less than 1 percent.
- The Disproportionate Share Hospital ("DSH") payments made to the facilities comply with the hospital-specific DSH payment limit.
- Only uncompensated care costs of furnishing inpatient and outpatient hospital services to Medicaid eligible individuals, less the amount paid by the State under the non-disproportionate share hospital payment provisions of the State Plan, and individuals with no third party coverage, less the amount of payments made by these patients, have been included in the calculation of the hospital-specific disproportionate share payment limit, as described in Section 1923(g)(1)(A) of the Social Security Act.
- For purposes of the hospital-specific limit calculation, any Medicaid payments (including regular Medicaid fee-for-service rate payments, supplemental/enhanced Medicaid payments, and Medicaid managed care organization payments) received by the facilities for furnishing inpatient hospital and outpatient hospital services to Medicaid eligible individuals, which are in excess of the Medicaid incurred costs for such services, have been applied against the uncompensated care costs ("UCC") of furnishing inpatient hospital and outpatient hospital services to individuals with no source of third party coverage for such services.
- Any information and records of all of its inpatient and outpatient hospital specific costs under the Medicaid program; claimed expenditures under the Medicaid program; uninsured inpatient and outpatient hospital service costs in determining payment adjustments; and any payments made on behalf of the uninsured from payment adjustments have been separately documented and retained.
- The estimate of the hospital-specific DSH limit has been calculated in accordance with Section 1923(d)(5) of the Social Security Act.



Management of the Program is responsible for complying with these requirements, including the design, implementation, and maintenance of internal control to prevent, or detect and correct, misstatement of the subject matter, due to fraud or error. Our responsibility is to express an opinion on management's assertions about the facilities' compliance based on our examination for the period from July 1, 2018 to June 30, 2019 based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and *Government Auditing Standards*. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management has complied with the Requirements for the period ended June 30, 2019, in all material respects. An examination involves performing procedures to obtain and examine evidence about the Requirements for the period ended June 30, 2019. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our adverse opinion. Our examination does not provide a legal determination on the Program's compliance with specified Requirements.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements related to the engagement.

As a result of our testing, it was determined that the Delaware Psychiatric Center submitted the Annual Disproportionate Share Hospital Report for a six-month period covering July 1, 2018 through December 31, 2018 and therefore was not complete and accurate as it did not contain the data for its complete fiscal year ended June 30, 2019. The adjusted amount of UCC for the fiscal year ended was greater than the amount for the six-month period and therefore no adjustment was proposed.

In our opinion, because of the significance of the matter described in the preceding paragraph the State of Delaware, Department of Health and Social Services, Division of Medicaid and Medical Assistance, Disproportionate Share Hospital Payments Program referred to above is not in compliance with the Requirement, in all material respects.

The Disproportionate Share Report for the period from July 1, 2018 to June 30, 2019, on page 7 is presented for purposes of additional analysis and is not a required part of the examination report. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not examine the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we also issued our report dated April 28, 2023, on our consideration of the Program's internal control over financial reporting 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 State of Delaware Office of Auditor of Accounts, DHSS, Division of Medicaid and Medical Assistance, and is not intended to be and should not be used by anyone other than the specified parties. However, under 29 Del. C. §10002, this report is public record and its distribution is not limited. This report, as required by statute, was provided to the Office of the Governor, Office of the Controller General, the Office of the Attorney General, the General Assembly, and the Office of Management and Budget.

BDO USA, LLP

Wilmington, DE
April 28, 2023

Supplementary Material

STATE OF DELAWARE DEPARTMENT OF HEALTH AND SOCIAL
SERVICES DIVISION OF MEDICAID AND MEDICAL ASSISTANCE
ANNUAL DISPROPORTIONATE SHARE HOSPITAL REPORT PERIOD FROM JULY 1, 2018 TO
JUNE 30, 2019

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Hospital Name	Estimated Hospital-Specific DSH Limit	Medicaid IP Utilization Rate	Low-Income Utilization Rate	Defined DSH Qualification Criteria	Regular IP/OP Medicaid FFS Basic Rate Payments	IP/OP Medicaid MCO Payments	Supplemental/Enhanced IP/OP Medicaid Payments	Total Medicaid IP/OP Payments	Total Cost of Care - Medicaid IP/OP Services	Total Medicaid Uncompensated Care	Uninsured IP/OP Revenue	Total Applicable Section 1011 Payments	Total cost of IP/OP Care for the Uninsured	Total Uninsured IP/OP Uncompensated Care Cost	Total Annual Uncompensated Care Costs	Disproportionate Share Hospital Payments	Medicaid Provider Number	Medicare Provider Number	Total Hospital Cost
Delaware Psychiatric Center, as filed	\$ 13,833,146	38.3%	91.1%	(1)	\$ -	\$ -	\$ -	\$ -	\$ 5,816,743	\$ 5,816,743	\$ 49,009	\$ -	\$ 8,065,412	\$ 8,016,403	\$ 13,833,146	\$ 2,938,572	1356482970	08-4001	\$ 42,487,824
Delaware Psychiatric Center, as adjusted (2)	\$ 25,026,608	39.3%	97.7%	(1)	\$ 3,982,385	\$ -	\$ -	\$ 3,982,385	\$ 11,552,703	\$ 7,070,318	\$ 125,243	\$ -	\$ 17,181,533	\$ 17,056,290	\$ 25,026,608	\$ 2,938,572	1356482970	08-4001	\$ 43,487,824

- (1) State defined Disproportionate Share Hospital Qualification Criteria, Institutes for Mental Disease
- Comply with requirements of Social Security Act Section 1923 (d) and (b)
 - Is a public psychiatric hospital (owned or operated by an agency of DE state government)
 - Has service revenue attributable to public funds (excluding Medicare and Medicaid), bad debts, or free care of > 60%
- (2) Please see finding 19-001



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

State of Delaware Department of Health
and Social Services
Division of Medicaid and
Medical Assistance
Lewis Building
Herman Holloway Campus
1901 N. DuPont Highway
New Castle, DE 19720

We have examined management's assertion that the State of Delaware, Department of Health and Social Services, Division of Medicaid and Medical Assistance, Disproportionate Share Hospital Payments Program (the "Program") for the Delaware Psychiatric Center for the period July 1, 2018 to June 30, 2019, complies with the six verifications required by the Code of Federal Regulations - 42 CFR, Parts 447 and 455 and met the requirements of the State of Delaware's Medicaid State Plan Section 4.19A (the "Requirements"). 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 and have issued our report thereon dated April 28, 2023. As a result of our testing, it was determined that the Delaware Psychiatric Center submitted the Annual Disproportionate Share Hospital Report for a six-month period covering July 1, 2018 through December 31, 2018 and therefore was not complete and accurate as it did not contain the data for its complete fiscal year ended June 30, 2019. The adjusted amount of UCC for the fiscal year ended was greater than the amount for the six-month period and therefore no adjustment was proposed.

Report on Internal Control Over Financial Reporting

In planning and performing our examination, we considered the Program's internal control over financial reporting (internal control) as a basis for designing examination procedures that are appropriate in the circumstances for the purpose of expressing our opinions on management's assertions, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 19-001 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program's financial reports are free from 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 the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 19-001.

Program's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Program's response to the findings identified in our examination and described in the accompanying schedule of findings and responses. The Program's response was not subjected to the other auditing procedures applied in the examination and, accordingly, we express no opinion on the response.

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 Program'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 Program's internal control and compliance. This report is intended solely for the information and use of the State of Delaware Office of Auditor of Accounts, DHSS, Division of Medicaid and Medical Assistance, and is not intended to be and should not be used by anyone other than the specified parties. However, under 29 Del. C. §10002, this report is public record and its distribution is not limited. This report, as required by statute, was provided to the Office of the Governor, Office of the Controller General, the Office of the Attorney General, the General Assembly, and the Office of Management and Budget.

BDO USA, LLP

April 28, 2023

**State of Delaware, Department of Health and Social Services, Division
of Medicaid and Medical Assistance, Disproportionate Share Hospital
Payments Program**

Schedule of Findings and Responses

June 30, 2019

CURRENT YEAR CONDITIONS

CONDITION 2019-001

- Condition: As a result of our testing, it was determined that the Delaware Psychiatric Center(DPC) submitted the Annual Disproportionate Share Hospital Report for a six-month period covering July 1, 2018 through December 31, 2018 and therefore was not complete and accurate as it did not contain the data for its complete fiscal year ended June 30, 2019. The adjusted amount of UCC for the fiscal year ended was greater than the amount for the six-month period and therefore no adjustment was proposed.
- Criteria: Under the Delaware Medicaid Program, a hospital is required to submit a Medicaid Disproportionate Share Report to the Delaware Division of Medicaid and Medical Assistance(DMMA) for the entire fiscal year.
- Cause: DPC management was unable to determine the cause of this error and provided the data for the period July 1, 2018 through June 30, 2019 at our request.
- Effect: As the adjusted amount of UCC was still greater than the amount received, no adjustment was proposed.
- Suggestion: Facility management should ensure that the report submitted to DMMA covers the entire fiscal year and is complete and accurate.
- Management's
Response: None provided.

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PRIOR YEAR CONDITIONS

CONDITION 2018-001

- Condition: As a result of our testing, it was determined that the Delaware Psychiatric Center (DPC) submitted the Annual Disproportionate Share Hospital Report for a six-month period covering July 1, 2017 through December 31, 2017 and therefore was not complete and accurate as it did not contain the data for its complete fiscal year ended June 30, 2018. The adjusted amount of UCC for the fiscal year ended was greater than the amount for the six-month period and therefore no adjustment was proposed.
- Criteria: Under the Delaware Medicaid Program, a hospital is required to submit a Medicaid Disproportionate Share Report to the Delaware Division of Medicaid and Medical Assistance(DMMA) for the entire fiscal year.
- Cause: DPC management was unable to determine the cause of this error and provided the data for the period July 1, 2017 through June 30, 2018 at our request.
- Effect: As the adjusted amount of UCC was still greater than the amount received, no adjustment was proposed.
- Suggestion: Facility management should ensure that the report submitted to DMMA covers the entire fiscal year and is complete and accurate.
- Management's
Response: None provided.

CURRENT STATUS OF PRIOR YEAR CONDITIONS

The condition has not been corrected as of June 30, 2019. See current year Condition 19-001.

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