



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

DISPROPORTIONATE SHARE HOSPITAL PAYMENTS PROGRAM SAINT FRANCIS HOSPITAL

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 – Saint Francis Hospital for Fiscal Year ended June 30, 2019



What Was Performed?

An examination of the Disproportionate Share Hospital (DSH) Payments Program for the Saint Francis Hospital 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?

Auditors deemed the Saint Francis Hospital (SFH) facility to be out of compliance with the reporting guidance and requirements. The facility was unable to provide adequate support for a significant portion of the samples selected to substantiate the amounts reported on the Disproportionate Share Hospital Payments Program Report submitted to the State. Auditors were unable to adequately support the uncompensated care costs reported.

Based on the limitations associated with the SFH facility, the evidence provided was not sufficient to enable auditors to express an opinion on whether Delaware, Department of Health and Social Services, Division of Medicaid and Medical Assistance, Disproportionate Share Hospital Payments Program is in compliance with the six verifications required by the Code of Federal Regulations (42 CFR, Parts 447 and 455) and the requirements of the State of Delaware's Medicaid State Plan Section 4.19A, in all material respects.

Auditors identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2019-001 that were considered to be material weaknesses.

The State of Delaware, DHSS, Division of Medicaid and Medical Assistance, DSH Program for SFH 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
St. Francis Hospital**

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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 St. Francis Hospital 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. 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, the facility was unable to provide adequate support for a significant portion of the samples selected to substantiate the amounts reported on the Disproportionate Share Hospital Payments Program Report submitted to the State. There was no way to adequately support the uncompensated care costs reported. Consequently, BDO was unable to determine if the uncompensated costs were appropriately reported. The facility is deemed to be out of compliance with the reporting guidance and requirements.

Because of the limitation on the scope of our examination described in the preceding paragraph, the evidence provided was not sufficient to enable us to express, and we do not express, an opinion on whether Delaware, Department of Health and Social Services, Division of Medicaid and Medical Assistance, Disproportionate Share Hospital Payments Program is in compliance with the Requirement, in all material respects.

The Disproportionate Share Report for the period 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 May 11, 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
May 11, 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 PPS Basic Rate Payments	IP/OP Medicaid WCO 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
St. Francis Hospital (2)	\$ 10,066,269	35.72%	44.73%	(1)	\$ 4,991,552	\$ 33,865,586	\$ -	\$ 38,857,138	\$ 43,375,862	\$ 4,518,724	\$ 84,122	\$ -	\$ 5,631,667	\$ 5,567,545	\$ 10,066,269	\$ 9,131,095	1295738896	08-0003	\$ 135,926,638

- (1) State defined Disproportionate Share Hospital criteria, Acute General Care hospitals:
- Comply with requirements of Social Security Act Section 1923 (d) and (b)
 - Is a not-for-profit hospital categorized as an acute care general hospital
 - Has an inpatient facility located within an incorporated city in Delaware with population > 50,000 and provides obstetric services at that facility to the general population
 - Is an enrolled provider with all participating DE Medicaid/CHIP managed care organizations
 - Has a low income utilization rate > 15%
- (2) The Annual Disproportionate Share Hospital Report for St. Francis Hospital is based on financial and organization data for the year January 1, 2017 to December 31, 2017.



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 St. Francis Hospital 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"). 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 May 11, 2023. As a result of our testing, the facility was unable to provide adequate support for the samples selected to substantiate the amounts reported on the Disproportionate Share Hospital Payments Program Report submitted to the state. There was no way to adequately support the uncompensated care costs reported. Consequently, BDO was unable to determine if the uncompensated costs were appropriately reported. The facility is deemed to be out of compliance with the reporting guidance and requirements.

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

May 11, 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: St. Francis Hospital (SFH) was unable to provide adequate support for three of the forty samples selected related to expenditure testing, for twenty-two of the forty samples selected related to payroll testing, and for eight of the forty samples selected related to fixed asset testing.
- Criteria: CMS-2198-F, "General DSH Audit and Reporting Protocol", requires that Disproportionate Share Hospitals provide the State with specific revenue and cost data, including backup documentation, which an independent auditor may use to examine the required report. The Disproportionate Share Hospital Payments Report should be supported by all necessary schedules and documentation.
- Cause: SFH did not maintain records to support the reporting requirements.
- Effect: The facility was unable to substantiate the amounts reported on the Disproportionate Share Hospital Payments Program Report submitted to the State. There was no way to adequately support the uncompensated care costs reported. Consequently, BDO was unable to determine if the uncompensated costs were appropriately reported. The facility is deemed to be out of compliance with the reporting guidance and requirements.
- Suggestion: SFH should carefully maintain records in order to substantiate amounts reported.
- Management's
Response: Management will review processes and procedures to ensure that records are properly maintained.

* * * * *

PRIOR YEAR CONDITIONS

CONDITION 2018-001

- Condition: St. Francis Hospital (SFH) was unable to provide adequate support for seventeen of the forty samples selected related to expenditure testing, for nineteen of the forty samples selected related to payroll testing, and for thirty-six of the forty samples selected related to fixed asset testing.
- Criteria: CMS-2198-F, "General DSH Audit and Reporting Protocol", requires that Disproportionate Share Hospitals provide the state with specific revenue and cost data, including backup documentation, which an independent auditor may use to examine the required report. The Disproportionate Share Hospital Payments Report should be supported by all necessary schedules and documentation.
- Cause: SFH did not provide support for the selected samples.
- Effect: The facility was unable to substantiate the amounts reported on the Disproportionate Share Hospital Payments Program Report submitted to the state. There was no way to adequately support the uncompensated care costs reported. Consequently, BDO was unable to determine if the uncompensated costs were appropriately reported. The facility is deemed to be out of compliance with the reporting guidance and requirements.
- Suggestion: SFH should carefully maintain records in order to substantiate amounts reported.
- Management's
Response: Management will review processes and procedures to ensure that records are properly maintained.

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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