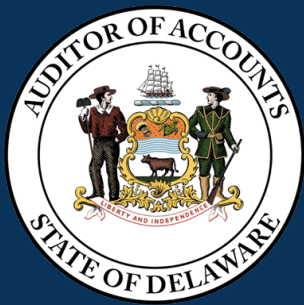


# CADIA REHABILITATION SILVERSIDE

---

EXAMINATION  
FISCAL YEAR ENDED JUNE 30, 2020



# CADIA REHAB SILVERSIDE

## REPORT SUMMARY FOR FISCAL YEAR ENDED JUNE 30, 2020

### BACKGROUND

An examination of the Cadia Rehabilitation Silverside Long-Term Care Facility fiscal records of the Delaware Department of Health and Social Services, Division of Medicaid and Medical Assistance, Medicaid Long-Term Care Facilities' Statement of Reimbursement Costs for Skilled and Intermediate Care Nursing Facilities – Title XIX and Nursing Wage Survey (cost report and nursing wage survey, respectively) for fiscal year ended June 30, 2020.

The State Auditor is authorized under 29 Del. C., §2906 to conduct post-audits of all financial transactions of all state agencies.

This engagement was conducted in accordance with federal requirements (42 CFR 447.253 and 483 Subpart B) and state requirements (Title XIX Delaware Medicaid State Plan, Attachment 4.19D) (criteria), as applicable to the Cadia Rehabilitation Silverside Long-Term Care Facility fiscal records. The criteria were used to prepare the Schedule of Adjustments to the Trial Balance, Patient Days, and Nursing Wage Survey for fiscal year ended June 30, 2020, found in the report.

### KEY INFORMATION AND FINDINGS

The State of Delaware is required to ensure that the fiscal records at the nursing care facilities are retained and properly support the cost report, or the financial report showing the cost and charges related to Medicaid activities. These costs must be compliant with federal and state regulations. Under the Delaware Medicaid State Plan, the state is required to examine a sample of facilities to ensure the facilities' cost reports, patient days, and nursing wage surveys are compliant. It is my pleasure to report that an **unqualified opinion\*** was issued for this examination and Cadia Rehabilitation Silverside Long-Term Care Facility complied, in all material respects, with the criteria mentioned above.

There were eight (8) adjustment findings issued to the Trial Balance, Patient Days, or Nursing Survey Report that are stated below:

1. The Provider grouped nursing salaries and ancillary expense to improper Cost Center.
2. The Provider did not incorporate the 2019 year-end adjusting journal entries into the submitted cost.
3. The Provider maintains self-insurance for health and workers compensation insurance expense. The self-insurance fund is not setup through an independent fiduciary.
4. The Provider did not submit liability insurance expense based on verified documentation.
5. The Provider did not submit accurate licenses, taxes, and fees, mortgage insurance, and property insurance expense related to RES/SSS Silverside LLC.
6. The Provider's cost report adjustment to include allocated home office expense was not calculated properly.
7. The Provider submitted related party profit with allowable expense.
8. Verified patient days do not agree in total to submitted total cost report days. Classification variances between Medicaid, Medicare, Medicare/Private Pay Hospice, and Other payer types were noted.

\*Unqualified Opinion - An unqualified opinion is considered a clean report. An unqualified opinion doesn't have any adverse comments, and it doesn't include any disclaimers about any clauses or the audit process.

The background of the cover is a blurred photograph of a medical professional in a white coat, with a green semi-transparent overlay. The overlay features various medical icons: a syringe, a pill, a stethoscope, a microscope, a group of people, and a large cross. A white diagonal line runs from the bottom left towards the top right, separating the green overlay from the dark grey text area.

**STATE OF DELAWARE  
OFFICE OF AUDITOR OF ACCOUNTS**

**INDEPENDENT ACCOUNTANT'S REPORT**

**Examination of  
Cadia Rehabilitation Silverside  
For Fiscal Year Ended June 30, 2020**



**MYERS AND  
STAUFFER**<sub>LC</sub>  
CERTIFIED PUBLIC ACCOUNTANTS

# Table of Contents

■ Independent Accountant’s Report.....	1
■ Schedule of Adjustments to the Trial Balance .....	3
■ Schedule of Adjustments to Patient Days.....	5
■ Schedule of Adjustments to the Nursing Wage Survey .....	5
■ Resident Fund and General Commentary.....	6
■ Independent Accountant’s Report on Internal Control Over Financial Reporting.....	7
■ Schedule of Findings.....	9



## Independent Accountant's Report

State of Delaware  
Office of Auditor of Accounts  
401 Federal Street  
Dover, DE 19901

Department of Health and Social Services  
Division of Medicaid and Medical Assistance  
Medicaid's Long Term Care Facilities  
1901 N. Dupont Highway, Lewis Building  
New Castle, DE 19720

Provider: Cadia Rehabilitation Silverside  
Period: Fiscal Year Ended June 30, 2020

We have examined management's assertions that Cadia Rehabilitation Silverside (Provider) has complied with federal requirements (42 Code of Federal Regulations [CFR] 447.253 and 483 Subpart B) and state requirements (Title XIX Delaware Medicaid State Plan, Attachment 4.19D) (criteria), as applicable, relative to the Provider'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 (cost report and survey, respectively) for the fiscal year ended June 30, 2020. The Provider's management is responsible for the assertions and the information contained in the cost report and survey, which were reported to DHSS for purposes of the criteria described above. The criteria was used to prepare the Schedule of Adjustments to the Trial Balance, Patient Days, and Nursing Wage Survey. Our responsibility is to express an opinion on the assertions based on our examination.

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) and the standards applicable to attestation engagements contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertions are in accordance with the criteria in all material respects. An examination includes performing procedures to obtain evidence about management's assertions. The nature, timing, and extent of the procedures selected depend on our professional judgment, including an assessment of the risks of material misstatement of management's assertions, whether due to fraud or error. We believe the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

The accompanying Schedule of Adjustments to the Trial Balance, Patient Days, and Nursing Wage Survey were prepared from information contained in the Provider's cost report for the purpose of complying with the DHSS's requirements for the Medicaid program reimbursement, and is not intended to be a complete presentation in conformity with accounting principles generally accepted in the United States of America.

The items listed as adjustments on the accompanying Schedule of Adjustments to the Trial Balance, Patient Days, and Nursing Wage Survey do not materially impact the Provider's assertion.

In our opinion, management's assertions, referred to above, are presented in accordance with the criteria, in all material respects.

In accordance with *Government Auditing Standards*, we also issued our report dated January 5, 2024 on our consideration of the Provider's internal control over reporting for the cost report 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 State of Delaware Office of Auditor of Accounts, DHSS, Division of Medicaid and Medical Assistance, and Medicaid's Long Term Care Facilities 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, the Office of the Controller General, the Office of the Attorney General, the General Assembly, and the Office of Management and Budget.

Myers and Stauffer LC  
Owings Mills, Maryland  
January 5, 2024

**Cadia Rehabilitation SilverSide**  
**Schedule of Adjustments to the Trial Balance for the Fiscal Year Ending June 30, 2020**

Type of Cost	Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
<b>Expenses</b>				
<b>Primary Patient Care Costs per Trial Balance of Costs</b>		\$ 4,776,897		
	<b>Adjustments to Primary Patient Care Costs</b>			
5	To reclassify covid salaries and bonuses to proper cost center and adjust benefits		\$ 47,539	
6	To adjust workers compensation to claims paid during the year		\$ (57,613)	
12	To adjust health insurance to claims paid during the year		\$ 11,738	
<b>Net Primary Patient Care Costs</b>		\$ 4,776,897	\$ 1,664	\$ 4,778,561
<b>Primary Patient Care Cost Per Day (*)</b>		\$ 119.4	\$ 0.0	\$ 113.3
<b>Secondary Patient Care Costs per Trial Balance of Costs</b>		\$ 697,440		
	<b>Adjustments to Secondary Patient Care Costs</b>			
1	To reclassify ancillary expense to the proper cost center		\$ (4,627)	
3	To reflect year end adjusting journal entries related to Covid-19 expense		\$ (7,504)	
4	To reflect year end adjusting journal entries related to equipment below the capitalization threshold		\$ 4,920	
5	To reclassify covid salaries and bonuses to proper cost center and adjust benefits		\$ (1,501)	
6	To adjust workers compensation to claims paid during the year		\$ (1,166)	
12	To adjust health insurance to claims paid during the year		\$ 238	
14	To remove related party profit related to New Castle Rx		\$ (2,750)	
<b>Net Secondary Patient Care Costs</b>		\$ 697,440	\$ (12,390)	\$ 685,050
<b>Secondary Patient Care Cost Per Day (*)</b>		\$ 17.4	\$ (0.3)	\$ 16.2
<b>Support Service Costs per Trial Balance of Costs</b>		\$ 1,521,851		
	<b>Adjustments to Support Service Costs</b>			
5	To reclassify covid salaries and bonuses to proper cost center and adjust benefits		\$ (11,968)	
6	To adjust workers compensation to claims paid during the year		\$ (9,297)	
12	To adjust health insurance to claims paid during the year		\$ 1,894	
<b>Net Support Service Costs</b>		\$ 1,521,851	\$ (19,371)	\$ 1,502,480
<b>Support Service Cost Per Day (*)</b>		\$ 38.0	\$ (0.5)	\$ 35.6
<b>Administrative &amp; Routine Costs per Trial Balance of Costs</b>		\$ 2,491,234		
	<b>Adjustments to Administrative &amp; Routine Costs</b>			
2	To reclassify ancillary expense to the proper cost center		\$ (2,062)	
5	To reclassify covid salaries and bonuses to proper cost center and adjust benefits		\$ (14,450)	
6	To adjust workers compensation to claims paid during the year		\$ (11,224)	
7	To adjust submitted general liability insurance to the verified amount		\$ 172,150	
8	To adjust licenses, taxes, and fees to the verified expense for the realty company		\$ (17,819)	
12	To adjust health insurance to claims paid during the year		\$ 2,287	
13	to adjust the home office expense to the verified amount		\$ (139,492)	
<b>Net Administrative &amp; Routine Costs</b>		\$ 2,491,234	\$ (10,610)	\$ 2,480,624
<b>Administrative &amp; Routine Cost Per Day (*)</b>		\$ 62.3	\$ (0.3)	\$ 58.8

(\*) Adjusted Cost Per Day is calculated utilizing days at minimum occupancy.

**Cadia Rehabilitation Silverside**  
**Schedule of Adjustments to the Trial Balance for the Fiscal Year Ending June 30, 2020**

Type of Cost	Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
<b>Expenses</b>				
<b>Capital Costs per Trial Balance of Costs</b>		\$ 1,495,412		
	<b>Adjustments to Capital Costs</b>			
9	To adjust mortgage insurance to the verified expense for the realty company		\$ 33,494	
10	To adjust property insurance to the verified expense for the realty company		\$ 31,699	
11	To adjust property tax to the verified expense for the realty company		\$ (171,952)	
<b>Net Capital Costs</b>		\$ 1,495,412	\$ (106,759)	\$ 1,388,653
<b>Net Capital Cost Per Day (*)</b>		\$ 37.4	\$ (2.5)	\$ 32.9
<b>Ancillary Costs per Trial Balance of Costs</b>		\$ 2,211,780		
	<b>Adjustments to Ancillary Costs</b>			
1	To reclassify ancillary expense to the proper cost center		\$ 4,627	
2	To reclassify ancillary expense to the proper cost center		\$ 2,062	
5	To reclassify covid salaries and bonuses to proper cost center and adjust benefits		\$ (19,620)	
6	To adjust workers compensation to claims paid during the year		\$ (14,998)	
12	To adjust health insurance to claims paid during the year		\$ 3,056	
<b>Net Ancillary Costs</b>		\$ 2,211,780	\$ (24,873)	\$ 2,186,907
<b>Ancillary Cost Per Day (*)</b>		\$ 55.3	\$ (0.6)	\$ 51.9
<b>Other Costs per Trial Balance of Costs</b>		\$ 205		
	<b>Adjustments to Other Costs</b>			
	None		\$ -	
<b>Net Other Costs</b>		\$ 205	\$ -	\$ 205
<b>Other Cost Per Day (*)</b>		\$ 0.0	\$ -	\$ 0.0

(\*) Adjusted Cost Per Day is calculated utilizing days at minimum occupancy.



Cadia Rehabilitation Silverside				
Schedule of Adjustments to Patient Days for the Fiscal Year Ending June 30, 2020				
Census Type	Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
<b>Census</b>				
Bed days available				46,848
<b>Medicaid Non-Super Skilled Patient Days</b>		21,392		
	Adjustments to Medicaid Patient Days		54	
<b>Medicaid Super Skilled Patient Days</b>		-		
	Adjustments to Medicaid Super Skilled Patient Days		-	
<b>Medicare Patient Days</b>		9,816		
	Adjustments to Medicare Patient Days		(8)	
<b>Private Pay Patient Days</b>		1,688		
	Adjustments to Private Pay Patient Days		50	
<b>Medicare/Private Pay Hospice Patient Days</b>		-		
	Adjustments to Medicare/Private Pay Hospice Patient Days		-	
<b>Other Patient Days</b>		7,116		
	Adjustments to Other Patient Days		(23)	
<b>Total Patient Days</b>		<b>40,012</b>	<b>73</b>	<b>40,085</b>
<b>Minimum Occupancy</b>				<b>42,163</b>

Cadia Rehabilitation Silverside				
Schedule of Adjustments to the Nursing Wage Survey for the Fiscal Year Ending June 30, 2020				
Nurse Type	Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
<b>Nursing Wage Survey</b>				
<b>II-A Administrative Nurses</b>				
	Director of Nursing - Total Payroll	\$ 4,087	\$ -	\$ 4,087
	Director of Nursing - Total Hours	80.0	-	80.0
	Assistant Director of Nursing - Total Payroll	\$ 3,385	\$ -	\$ 3,385
	Assistant Director of Nursing - Total Hours	80.0	-	80.0
	Registered Nurses - Total Payroll	\$ 23,171	\$ -	\$ 23,171
	Registered Nurses - Total Hours	583.3	-	583.3
	Licensed Practical Nurses - Total Payroll	\$ 2,496	\$ -	\$ 2,496
	Licensed Practical Nurses - Total Hours	80.0	-	80.0
	Nurse Aides - Total Payroll	\$ -	\$ -	\$ -
	Nurse Aides - Total Hours	-	-	-
<b>II-B All Remaining Nursing Staff</b>				
	Registered Nurses - Total Payroll	\$ 58,483	\$ -	\$ 58,483
	Registered Nurses - Total Hours	1,616.9	-	1,616.9
	Licensed Practical Nurses - Total Payroll	\$ 28,623	\$ -	\$ 28,623
	Licensed Practical Nurses - Total Hours	1,073.0	-	1,073.0
	Nurse Aides - Total Payroll	\$ 47,205	\$ -	\$ 47,205
	Nurse Aides - Total Hours	2,983.8	-	2,983.8

**Commentary**

**None.**



**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  
401 Federal Street  
Dover, DE 19901

Department of Health and Social Services  
Division of Medicaid and Medical Assistance  
Medicaid's Long Term Care Facilities  
1901 N. Dupont Highway, Lewis Building  
New Castle, DE 19720

We have examined management’s assertions that Cadia Rehabilitation Silverside (Provider) has complied with federal requirements (42 Code of Federal Regulations [CFR] 447.253 and 483 Subpart B) and state requirements (Title XIX Delaware Medicaid State Plan, Attachment 4.19D), as applicable, relative to the Provider’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 (cost report and survey, respectively) for the fiscal year ended June 30, 2020, and have issued our report thereon dated January 5, 2024. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) 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 Provider’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 Provider’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Provider’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 cost report 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 Provider's cost report 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 Provider'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 Provider'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 State of Delaware Office of Auditor of Accounts, DHSS, Division of Medicaid and Medical Assistance, and Medicaid's Long Term Care Facilities 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, the Office of the Controller General, Office of the Attorney General, the General Assembly, and the Office of Management and Budget.

Myers and Stauffer LC  
Owings Mills, Maryland  
January 5, 2024

**Cadia Rehabilitation Silverside**  
**Schedule of Findings for the Fiscal Year Ending June 30, 2020**

**Findings and Responses**

**Finding 20-01      Adjustment Number(s) Impacted: 1, 2, and 5**

**Condition:**            The Provider grouped ancillary and nursing salaries expense to improper Cost Centers.

**Criteria:**            State of Delaware Department of Health and Social Services Division of Medicaid and Medical Assistance Medicaid Cost Report Instructions for Nursing Facilities provides descriptions by cost center line for the appropriate grouping of expense. Nursing salary expense and ancillary expense are to be grouped to the primary and ancillary cost centers, respectively.

**Cause:**                Management's working trial balance account grouping to the cost report does not align with the requirements in the Medicaid cost report instructions.

**Effect:**                Management did not properly group expense resulting in a compliance finding. The calculated reimbursement rate submitted on the cost report for the primary cost center is understated while the secondary, support services, administrative and ancillary cost centers are overstated.

**Recommendation:** Management should submit expenses on the Medicaid cost report in accordance with account groupings identified in the State of Delaware Department of Health and Social Services Division of Medicaid and Medical Assistance Medicaid Cost Report Instructions for Nursing Facilities.

**Management's Response:**      Management did not provide a response.

**Finding 20-02      Adjustment Number(s) Impacted: 3 and 4**

**Condition:**            The Provider did not incorporate the 2019 year end adjusting journal entries into the submitted cost.

**Criteria:**            Provider Reimbursement Manual 15-1, Chapter 23, Section 2300 requires that cost data must be based on an approved method of cost finding and on the accrual basis of accounting.

**Cause:**                The Provider utilized a working trial balance and general ledger that did not include December 31, 2019 year end adjusting journal entries.

**Effect:**                Management did not submit expense related to their 2019 year end adjusting journal entries resulting in a compliance finding. The calculated reimbursement rate submitted on the cost report for the secondary cost center is overstated.

**Recommendation:** Management should prepare the cost report in accordance with regulations that require the use of the accrual basis of accounting.

**Management's Response:**      Management did not provide a response.

**Finding 20-03      Adjustment Number(s) Impacted: 6 and 12**

**Condition:**            The Provider maintains self insurance for health and workers compensation insurance expense. The self insurance fund is not setup through an independent fiduciary.

**Criteria:**            Provider Reimbursement Manual 15-1, Chapter 21, Section 2161 requires the self insurance fund to be setup through a third party independent fiduciary to allow fund contributions. In lieu of fund contributions, actual claims paid for the cost report period can be submitted as expense.

**Cause:**                The Provider does not meet the requirements to be considered a self insured program. A cost report adjustment was not proposed to properly adjust accrued expense for health and workers compensation insurance to claims paid.

**Effect:**                Management does not qualify as self insured under Provider Reimbursement Manual 15-1, Chapter 21, Section 2161 resulting in adjustment to claims paid and a compliance finding. The calculated reimbursement rate submitted on the cost report for the Primary, Secondary, Support Service, Administrative, and Ancillary cost center are overstated.

**Recommendation:** Management should ensure insurance expense is submitted in accordance with applicable regulations when completing the State of Delaware Medicaid Cost Report.

**Management's Response:**      Management did not provide a response.

**Finding 20-04      Adjustment Number(s) Impacted: 7**

Condition:      The Provider did not submit liability insurance expense based on verified documentation.

Criteria:      Provider Reimbursement Manual 15-1, Chapter 23, Section 2300 requires that cost data must be based on an approved method of cost finding and on the accrual basis of accounting.

Cause:      The Provider attempted to combine the nursing facility trial balance with the RES/SSS Silverside LLC, a related party, trial balance. Errors occurred during the compilation and inaccurate liability insurance expense was reported.

Effect:      Management did not accurately submit costs related to liability insurance on the cost report resulting in a compliance finding. The calculated reimbursement rate submitted on the cost report for the administrative cost center is understated.

Recommendation: Management should ensure accuracy of the working trial balance used to complete the State of Delaware Medicaid Cost Report.

Management's Response:      Management did not provide a response.

**Finding 20-05      Adjustment Number(s) Impacted: 8, 9, 10, and 11**

Condition:      The provider did not submit accurate licenses, taxes, and fees, mortgage insurance, and property insurance expense related to RES/SSS Silverside LLC.

Criteria:      Provider Reimbursement Manual 15-1, Chapter 10, Section 1011.5 requires rent paid to the related party lessor by the provider be deemed not allowable cost. The provider, however, would include in its costs the costs of ownership of the facility.

Cause:      The Provider attempted to combine the nursing facility trial balance with the RES/SSS Silverside LLC, a related party, trial balance. Errors occurred during the compilation and inaccurate expenses were reported.

Effect:      Management did not accurately submit RES/SSS Silverside LLC expenses on the cost report resulting in a compliance finding. The calculated reimbursement rate submitted on the cost report for the administrative and capital cost centers are overstated.

Recommendation: Management should ensure accuracy of the working trial balance used to complete the State of Delaware Medicaid Cost Report.

Management's Response:      Management did not provide a response.

**Finding 20-06      Adjustment Number(s) Impacted: 13**

Condition:      The Provider's cost report adjustment to include allocated home office expense was not calculated properly.

Criteria:      Provider Reimbursement Manual 15-1, Chapter 21, Section 2150 requires Home office costs that are not otherwise allowable costs when incurred directly by the Provider cannot be allowable as home office costs to be allocated to providers.

Cause:      The home office expense allocation included non-allowable therapy expenses and failed to adjust workers compensation insurance expense to reflect actual claims paid.

Effect:      Management included non-allowable therapy costs and did not properly submit workers compensation expense resulting in a compliance finding. The calculated reimbursement rate submitted on the cost report for the administrative and routine cost center is overstated.

Recommendation: Management should submit home office costs in accordance with appropriate regulations.

Management's Response:      Management did not provide a response.

**Finding 20-07      Adjustment Number(s) Impacted: 14**

Condition:            The Provider submitted related party profit with allowable expense.

Criteria:             Provider Reimbursement Manual 15-1, Chapter 10, Section 1000 states costs applicable to services, facilities, and supplies furnished to the Provider by organizations related to the Provider by common ownership or control are includable in the allowable cost of the Provider at the cost to the related organization.

Cause:                Management calculated the removal of related party profit for New Castle Rx from the prescription drug expense but they did not calculate the removal from the over-the-counter drug expense.

Effect:                Management did not remove related party profit from expense resulting in a compliance finding. The calculated reimbursement rate submitted on the cost report for the secondary cost center is overstated.

Recommendation: Management should ensure related party expenses are submitted in accordance with appropriate regulations when completing the State of Delaware Medicaid Cost Report.

Management's Response:      Management did not provide a response.

**Finding 20-08      Schedule of Adjustments to Patient Days**

Condition:            Verified patient days do not agree in total to submitted total cost report days. Classification variances between Medicaid, Medicare, Private, and Other payer types were noted.

Criteria:             State of Delaware Department of Health and Social Services Division of Medicaid and Medical Assistance Medicaid Cost Report Instructions for Nursing Facilities provides descriptions by census line on the appropriate classification of patient days. Line 5D should reflect total Medicaid patient days, Line 5F should reflect Medicare patient days (excluding hospice days), Line 5G should reflect Private patient days, and Line 5I should reflect any other patient days that do not fit on another line.

Cause:                Management did not utilize a finalized census when preparing the cost report as payer classification variances existed.

Effect:                Management did not properly report total patient days and did not properly group patient days resulting in a compliance finding.

Recommendation: Management should utilize a finalized census to accurately report patient days on the State of Delaware Medicaid Cost Report.

Management's Response:      Management did not provide a response.