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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 Capitol Period: Fiscal Year Ended June 30, 2021

We have examined management's assertions that Cadia Rehabilitation Capitol (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, 2021. 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 March 25, 2025 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

Myers and Stauffer LC

March 25, 2025

	Cadia Rehabilitation Cap Schedule of Adjustments to the Trial Balance for the		r Ending June	30 20:	21		
Type of Cost	Description	. Histar rea	Reported Amounts	А	djustment Amounts		Adjusted Amounts
Expenses							
Primary Patient Ca	are Costs per Trial Balance of Costs	\$	3,849,799				
	Adjustments to Primary Patient Care Costs						
1	To reclassify ancillary expense to the proper cost center			\$	(3,404)		
2	To reclassify guardianship expense to the proper cost center			\$	(5,827)		
3	To reclassify support care service expense to the proper cost center			\$	(4,126)		
4	To remove dental expense from the cost center			\$	(1,200)		
5	To reclassify ancillary expense to the proper cost center			\$	4,466		
6	To adjust health insurance to claims paid during the cost report period			\$	119,560		
7	To adjust workers compensation to claims paid during the cost report period			\$	9,473		
12	To reverse and reclassify nursing administrative salaries and benefits			\$	(32,157)		
12	To reverse and reclassify nursing administrative salaries and benefits			\$	(5,348)		
		\$	3,849,799	-	81,437	Ś	3,931,236
	Primary Patient Care Costs hary Patient Care Cost Per Day (*)		114.7	_	2.1	-	99.7
,		\$		Ť		-	
Secondary Patient	Care Costs per Trial Balance of Costs	Ś	760,216				
,	Adjustments to Secondary Patient Care Costs		700,210				
6	To adjust health insurance to claims paid during the cost report period			\$	2,071		
7	To adjust workers compensation to claims paid during the cost report period			\$	164		
8	To reclassify ancillary expense to the proper cost center			\$	(9,066)		
10	To reclassify rental expense to the proper cost center			\$	(21,972)		
13	To remove related party management fees			Ś	(65,356)		
Net Secondary Pat		\$	760,216	\$	(94,159)	ć	666,057
	Care Cost Per Day (*)	\$	22.7		(2.4)	-	16.9
Jecondal y rations		7	22.7	7	(2.4)	7	10.3
Support Service Co	osts per Trial Balance of Costs	\$	1,404,955				
	Adjustments to Support Service Costs						
3	To reclassify support care service expense to the proper cost center			\$	4,126		
6	To adjust health insurance to claims paid during the cost report period			\$	21,600		
7	To adjust workers compensation to claims paid during the cost report period			Ś	1,711		
Net Support Service		\$	1,404,955	\$	27,437	Ś	1,432,392
Support Service Co		\$	41.9		0.7	-	36.3
Administrative & F	Routine Costs per Trial Balance of Costs	\$	1,850,895				
	Adjustments to Administrative & Routine Costs						
2	To reclassify guardianship expense to the proper cost center			\$	5,827		
6	To adjust health insurance to claims paid during the cost report period			\$	26,494		
7	To adjust workers compensation to claims paid during the cost report period			\$	2,099		
11	To reclassify general liability insurance to the proper cost center			\$	30,401		
12	To reverse and reclassify nursing administrative salaries and benefits			\$	32,157		
12	To reverse and reclassify nursing administrative salaries and benefits			\$	5,348		
14	To adjust the home office expense to the verified amount			\$	(54,330)		
	1 2 11 11 11 11 11 11 11 11 11			-			
Net Administrative	e & Routine Costs	\$	1,850,895	\$	47,996	\$	1,898,891

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

	Cadia Rehabilitation Caj Schedule of Adjustments to the Trial Balance for the		Ending June	30, 2021	
Type of Cost	Description	Reported Amounts		Reported Adjustment	
Expenses					
Capital Costs per T	rial Balance of Costs	\$	2,401,491		
	Adjustments to Capital Costs				
9	To reflect verified depreciation expense			\$ 8,760	
10	To reclassify rental expense to the proper cost center			\$ 21,972	
11	To reclassify general liability insurance to the proper cost center			\$ (30,401)	
Net Capital Costs		\$	2,401,491	\$ 331	\$ 2,401,82
Net Capital Cost P	er Day (*)	\$	71.6	\$ 0.0	\$ 60.9
Ancillary Costs per	Trial Balance of Costs	\$	1,319,638		
	Adjustments to Ancillary Costs				
1	To reclassify ancillary expense to the proper cost center			\$ 3,404	
5	To reclassify ancillary expense to the proper cost center			\$ (4,466)	
6	To adjust health insurance to claims paid during the cost report period			\$ 23,742	
7	To adjust workers compensation to claims paid during the cost report period			\$ 1,881	
8	To reclassify ancillary expense to the proper cost center			\$ 9,066	
Net Ancillary Costs	s	\$	1,319,638	\$ 33,627	\$ 1,353,26
Ancillary Cost Per	Day (*)	\$	39.3	\$ 0.9	\$ 34.3
Other Costs per Trial Balance of Costs		\$	37		
	Adjustments to Other Costs				
	None			\$ -	
Net Other Costs			37	\$ -	\$ 3
Other Cost Per Day (*)			0.0	\$ -	\$ 0.0

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

Cadia Rehabilitation Capitol Schedule of Adjustments to Patient Days for the Fiscal Year Ending June 30, 2021						
Census Type	Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts		
Census						
Bed days available				43,800		
Medicaid Non-Super Sk	illed Patient Days	22,106				
	Adjustments to Medicaid Patient Days		-			
Medicaid Super Skilled	Patient Days	-				
	Adjustments to Medicaid Super Skilled Patient Days		-			
Medicare Patient Days		7,729				
	Adjustments to Medicare Patient Days		(10)			
Private Pay Patient Day	rs	1,342				
	Adjustments to Private Pay Patient Days		32			
Medicare/Private Pay I	Hospice Patient Days	246				
	Adjustments to Medicare/Private Pay Hospice Patient Days		21			
Other Patient Days		2,132				
	Adjustments to Other Patient Days		(73)			
Total Patient Days		33,555	(30)	33,525		
Minimum Occupancy				39,420		

	Cadia Rehabili		Voor Fuding I	20 2021	
Nurse Type	Schedule of Adjustments to the Nursing Wage		Reported Amounts	Adjustment Amounts	Adjusted Amounts
Nursing Wage Su	rvey				
I-A Administrati	ve Nurses				
	Director of Nursing - Number Paid		1	-	
	Director of Nursing - Total Payroll	\$	5,481	\$ -	\$ 5,48
	Director of Nursing - Total Hours		120.0	-	120
	Assistant Director of Nursing - Number Paid		-	-	-
	Assistant Director of Nursing - Total Payroll	\$	-	\$ -	\$ -
	Assistant Director of Nursing - Total Hours		-	-	
	Registered Nurses - Number Paid		3	-	
	Registered Nurses - Total Payroll	\$	12,942	\$ -	\$ 12,94
	Registered Nurses - Total Hours		280.5	-	280
	Licensed Practical Nurses - Number Paid		-	-	
	Licensed Practical Nurses - Total Payroll	\$	-	\$ -	\$ -
	Licensed Practical Nurses - Total Hours		-	-	
	Nurse Aides - Number Paid		-	-	
	Nurse Aides - Total Payroll	\$	-	\$ -	\$ -
	Nurse Aides - Total Hours		-	-	-
I-B All Remaining	g Nursing Staff				
	Registered Nurses - Number Paid		7	-	
	Registered Nurses - Total Payroll	\$	22,267	\$ -	\$ 22,26
	Registered Nurses - Total Hours		534.5	-	534
	Licensed Practical Nurses - Number Paid		20	-	2
	Licensed Practical Nurses - Total Payroll	\$	52,459	\$ -	\$ 52,45
	Licensed Practical Nurses - Total Hours		1,314.8	-	1,314
	Nurse Aides - Number Paid		47	-	4
	Nurse Aides - Total Payroll	\$	48,377	\$ -	\$ 48,37
	Nurse Aides - Total Hours		2,813.8	-	2,813

Cadia Rehabilitation Capitol Resident Fund and General Commentary for the Fiscal Year Ending June 30, 2021

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 Capitol (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, 2021, and have issued our report thereon dated March 25, 2025. 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 instances of noncompliance detailed on the schedule of findings that warrant the attention of those charged with governance. These findings do not materially impact the Provider's assertion and are not 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

Myers and Stauffer LC

Owings Mills, Maryland March 25, 2025

Cadia Rehabilitation Capitol Schedule of Findings for the Fiscal Year Ending June 30, 2021

Findings and Responses

Finding 21-01 Adjustment Number(s) Impacted: 1, 2, 3, 5, 8, 10, 11, and 12

Condition: The provider grouped nursing salaries, support care services, guardianship, general liability insurance, rental, and ancillary expense to improper cost

centers.

Criteria: The 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 salaries, support care services, guardianship, general liability insurance, rental, and ancillary expense should be grouped to the primary, support, administrative and routine, capital,

and ancillary cost centers, respectively.

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

Effect: Management did not properly group expenses, resulting in a compliance finding. The calculated reimbursement rates submitted on the cost report

for the primary, support service, and ancillary cost centers are understated while the secondary, administrative, and capital cost centers rates 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 notified cost report preparer about the proper account groupings. Management will review the cost report prior to submission to

ensure accuracy.

Finding 21-02 Adjustment Number(s) Impacted: 4

Condition: The provider included dental care expense with reimbursable cost.

Criteria: Provider Reimbursement Manual 15-1. Chapter 21. Section 2104.4 requires that compensation paid to a dentist for services to or for an individual

patient are not allowable provider costs and are non-reimbursable to the provider.

Cause: Non-allowable expenses were submitted with allowable costs on the State of Delaware Medicaid Cost Report.

Effect: Management did not properly address non-allowable expense, resulting in a compliance finding. The calculated reimbursement rate submitted on

the cost report for the capital cost center is overstated.

Recommendation: Management should review submitted cost report expense to ensure they are appropriate when completing the State of Delaware Medicaid Cost

Management's

Management notified cost report preparer that dental care is a non-allowable cost. Management will review cost report prior to submission to ensure

Response:

Finding 21-03 Adjustment Number(s) Impacted: 6 and 7

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 reflect actual 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 rates submitted on the cost report for the primary, secondary, support service,

administrative and routine, and ancillary cost centers are understated.

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

Medicaid Cost Report.

Management's Management notified cost report preparer about the proper reporting of the health and workers compensation claims. Management will review cost

Response: report prior to submission to ensure accuracy. Finding 21-04 Adjustment Number(s) Impacted: 9

Condition: The provider did not properly calculate depreciation expense on assets for the period July 1, 2020 through June 30, 2021.

Criteria: Provider Reimbursement Manual 15-1, Chapter 1, Section 102 states depreciation must be: (a) identifiable and recorded in the provider's accounting

records; (b) based on the historical cost of the asset; and (c) prorated over the estimated useful life of the asset using an allowable method of

depreciation.

Management included depreciation expense based on a calendar year-end and failed to appropriately align it with the State of Delaware Medicaid Cause:

Cost Report period of July 1, 2020 through June 30, 2021, through an adjustment.

Effect: Submitted depreciation expense was not appropriately calculated, resulting in a compliance finding. The calculated reimbursement rate submitted

on the cost report for the capital cost center is understated.

Management should ensure that depreciation expense is appropriately calculated when completing the State of Delaware Medicaid Cost Report. Recommendation:

Management's Response:

Management notified cost report preparer about the calculation of the depreciation. Management will review cost report prior to submission to

ensure accuracy.

Finding 21-05 Adjustment Number(s) Impacted: 13

Condition: The provider did not fully remove related party management fee expense.

Criteria: Provider Reimbursement Manual 15-1, Chapter 21, Section 2150 requires that management fees charged between related organizations be deemed

not allowable costs and be removed from the cost report.

Cause: Management estimated additional related party management fees, outside of the normal fees associated with the home office, due to the COVID-19

pandemic. These fees were not identified as related party management fees during cost report preparation and were not removed.

Effect: Management did not properly identify and remove non-allowable management fee 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 review submitted cost report expenses to ensure they are appropriate when completing the State of Delaware Medicaid Cost

Management's Response:

Management will review management fee expenses to ensure they do not include non-allowable costs.

Finding 21-06 Adjustment Number(s) Impacted: 14

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, which are not otherwise allowable costs when incurred

directly by the provider, cannot be considered allowable cost as home office costs to be allocated to providers.

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

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 Management notified cost report preparer that non-allowed costs were included in the home office costs and the workers compensation needs to be

the actual claims paid. Management will review cost report prior to submission to ensure accuracy.

Finding 21-07 Schedule of Adjustments to Patient Days

Condition: Verified patient days do not match the total submitted on the cost report. Classification variances between Medicare, Private, Medicare/Private Pay

 $\label{thm:continuous} \mbox{Hospice, and Other payer types were noted}.$

Criteria: The 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 5F should reflect Medicare patient days (excluding hospice days), Line 5G should reflect total Private patient days, Line 5H should reflect Medicare/Private Pay Hospice 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 will ensure a final census report is used when completing the cost report.