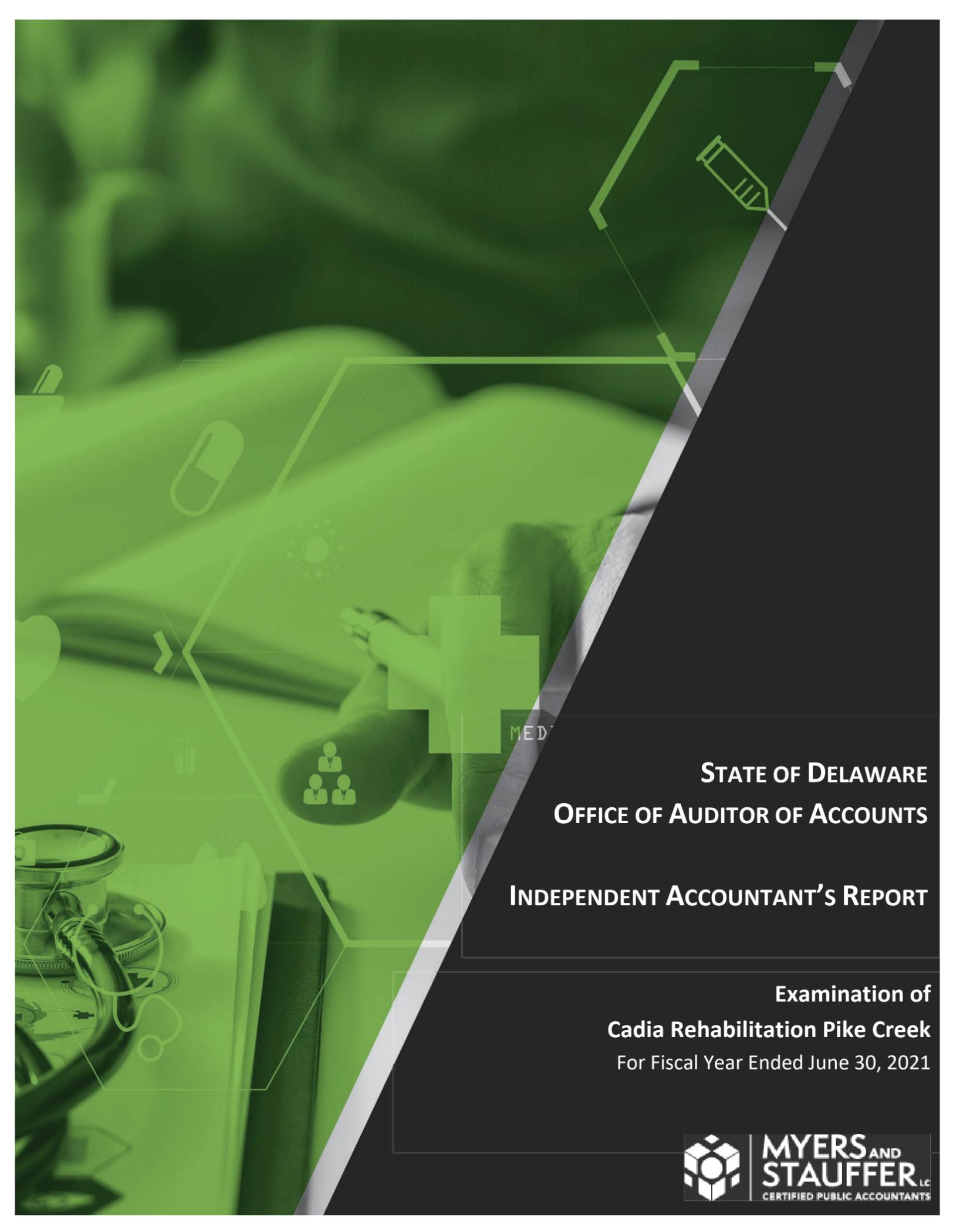


CADIA REHABILITATION PIKE CREEK

EXAMINATION
FISCAL YEAR ENDED JUNE 30, 2021

The background of the cover is a blurred photograph of a medical setting, featuring a patient lying down and a stethoscope in the foreground. A semi-transparent green overlay covers the left and center portions of the image. Overlaid on this green area are several white icons: a syringe in the upper right, a pill in the middle left, a virus-like particle in the center, a large medical cross in the center, and a group of three people in the lower center. A network of thin white lines connects these icons and other points across the green area. The right side of the cover is a solid dark grey, which contains the title text.

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

INDEPENDENT ACCOUNTANT'S REPORT

**Examination of
Cadia Rehabilitation Pike Creek**
For Fiscal Year Ended June 30, 2021



**MYERS AND
STAUFFER** LLC
CERTIFIED PUBLIC ACCOUNTANTS

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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 Pike Creek
Period: Fiscal Year Ended June 30, 2021

We have examined management's assertions that Cadia Rehabilitation Pike Creek (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

Myers and Stauffer LC
Owings Mills, Maryland
March 25, 2025

Cadia Rehabilitation Pike Creek
Schedule of Adjustments to the Trial Balance for the Fiscal Year Ending June 30, 2021

Type of Cost	Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Expenses				
Primary Patient Care Costs per Trial Balance of Costs		\$ 4,834,116		
	Adjustments to Primary Patient Care Costs			
2	To adjust health insurance to claims paid during the cost report period		\$ 50,905	
3	To adjust workers compensation to claims paid during the cost report period		\$ (50,083)	
4	To adjust the super skilled income offset based on verified net costs		\$ 3,519	
Net Primary Patient Care Costs		\$ 4,834,116	\$ 4,341	\$ 4,838,457
Primary Patient Care Cost Per Day (*)		\$ 133.8	\$ 0.1	\$ 133.9
Secondary Patient Care Costs per Trial Balance of Costs		\$ 964,056		
	Adjustments to Secondary Patient Care Costs			
1	To reclassify ancillary expense to the proper cost center		\$ (7,708)	
2	To adjust health insurance to claims paid during the cost report period		\$ 863	
3	To adjust workers compensation to claims paid during the cost report period		\$ (849)	
4	To adjust the super skilled income offset based on verified net costs		\$ 9,416	
10	To reclassify ancillary expense to the proper cost center		\$ (6,398)	
11	To reclassify rental expense to the proper cost center		\$ (2,553)	
12	To remove related party management fees		\$ (139,718)	
13	To reclassify ancillary expense to the proper cost center		\$ (27,444)	
14	To remove related party profit related to New Castle Rx		\$ (1,922)	
Net Secondary Patient Care Costs		\$ 964,056	\$ (176,313)	\$ 787,743
Secondary Patient Care Cost Per Day (*)		\$ 26.7	\$ (4.9)	\$ 21.8
Support Service Costs per Trial Balance of Costs		\$ 1,545,427		
	Adjustments to Support Service Costs			
2	To adjust health insurance to claims paid during the cost report period		\$ 6,757	
3	To adjust workers compensation to claims paid during the cost report period		\$ (6,648)	
4	To adjust the super skilled income offset based on verified net costs		\$ 1,091	
Net Support Service Costs		\$ 1,545,427	\$ 1,200	\$ 1,546,627
Support Service Cost Per Day (*)		\$ 42.8	\$ 0.0	\$ 42.8
Administrative & Routine Costs per Trial Balance of Costs		\$ 2,431,990		
	Adjustments to Administrative & Routine Costs			
2	To adjust health insurance to claims paid during the cost report period		\$ 9,596	
3	To adjust workers compensation to claims paid during the cost report period		\$ (9,441)	
4	To adjust the super skilled income offset based on verified net costs		\$ (32,304)	
8	To reclassify general liability insurance to the proper cost center		\$ 32,500	
9	To remove non-allowable legal fees related to planning costs		\$ (2,314)	
15	To adjust the home office expense to the verified amount		\$ 3,589	
Net Administrative & Routine Costs		\$ 2,431,990	\$ 1,626	\$ 2,433,616
Administrative & Routine Cost Per Day (*)		\$ 67.3	\$ 0.1	\$ 67.4

(*) Adjusted Cost Per Day is calculated utilizing actual days.

Cadia Rehabilitation Pike Creek Schedule of Adjustments to the Trial Balance for the Fiscal Year Ending June 30, 2021				
Type of Cost	Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Expenses				
Capital Costs per Trial Balance of Costs		\$ 3,076,078		
	Adjustments to Capital Costs			
4	To adjust the super skilled income offset based on verified net costs		\$ 38,475	
5	To reflect verified depreciation expense		\$ 6,912	
6	To remove the amortization of goodwill from the cost report		\$ (78,785)	
7	To reflect verified fixed assets useful lives		\$ 2,374	
8	To reclassify general liability insurance to the proper cost center		\$ (32,500)	
11	To reclassify rental expense to the proper cost center		\$ 2,553	
Net Capital Costs		\$ 3,076,078	\$ (60,971)	\$ 3,015,107
Net Capital Cost Per Day (*)		\$ 85.2	\$ (1.7)	\$ 83.5
Ancillary Costs per Trial Balance of Costs		\$ 2,415,557		
	Adjustments to Ancillary Costs			
1	To reclassify ancillary expense to the proper cost center		\$ 7,708	
2	To adjust health insurance to claims paid during the cost report period		\$ 30,004	
3	To adjust workers compensation to claims paid during the cost report period		\$ (29,520)	
4	To adjust the super skilled income offset based on verified net costs		\$ (13,399)	
10	To reclassify ancillary expense to the proper cost center		\$ 6,398	
13	To reclassify ancillary expense to the proper cost center		\$ 27,444	
Net Ancillary Costs		\$ 2,415,557	\$ 28,635	\$ 2,444,192
Ancillary Cost Per Day (*)		\$ 66.9	\$ 0.8	\$ 67.7
Other Costs per Trial Balance of Costs		\$ 77		
	Adjustments to Other Costs			
	None		\$ -	
Net Other Costs		\$ 77	\$ -	\$ 77
Other Cost Per Day (*)		\$ 0.0	\$ -	\$ 0.0

(*) Adjusted Cost Per Day is calculated utilizing actual days.

Cadia Rehabilitation Pike Creek 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				37,960
Medicaid Non-Super Skilled Patient Days		12,104		
	Adjustments to Medicaid Patient Days		23	
Medicaid Super Skilled Patient Days		7,294		
	Adjustments to Medicaid Super Skilled Patient Days		(23)	
Medicare Patient Days		14,153		
	Adjustments to Medicare Patient Days		(20)	
Private Pay Patient Days		1,448		
	Adjustments to Private Pay Patient Days		-	
Medicare/Private Pay Hospice Patient Days		40		
	Adjustments to Medicare/Private Pay Hospice Patient Days		-	
Other Patient Days		1,085		
	Adjustments to Other Patient Days		(1)	
Total Patient Days		36,124	(21)	36,103
Minimum Occupancy				34,164

Cadia Rehabilitation Pike Creek Schedule of Adjustments to the Nursing Wage Survey for the Fiscal Year Ending June 30, 2021				
Nurse Type	Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Nursing Wage Survey				
II-A Administrative Nurses				
	Director of Nursing - Number Paid	1	-	1
	Director of Nursing - Total Payroll	\$ 6,038	\$ -	\$ 6,038
	Director of Nursing - Total Hours	80.0	-	80.0
	Assistant Director of Nursing - Number Paid	1	-	1
	Assistant Director of Nursing - Total Payroll	\$ 3,779	\$ -	\$ 3,779
	Assistant Director of Nursing - Total Hours	88.0	-	88.0
	Registered Nurses - Number Paid	8	-	8
	Registered Nurses - Total Payroll	\$ 25,922	\$ -	\$ 25,922
	Registered Nurses - Total Hours	629.8	-	629.8
	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	-	-	-
II-B All Remaining Nursing Staff				
	Registered Nurses - Number Paid	19	-	19
	Registered Nurses - Total Payroll	\$ 47,977	\$ -	\$ 47,977
	Registered Nurses - Total Hours	1,338.0	-	1,338.0
	Licensed Practical Nurses - Number Paid	18	-	18
	Licensed Practical Nurses - Total Payroll	\$ 33,881	\$ -	\$ 33,881
	Licensed Practical Nurses - Total Hours	1,222.8	-	1,222.8
	Nurse Aides - Number Paid	45	-	45
	Nurse Aides - Total Payroll	\$ 48,473	\$ -	\$ 48,473
	Nurse Aides - Total Hours	3,284.2	-	3,284.2

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 Pike Creek (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 Pike Creek
Schedule of Findings for the Fiscal Year Ending June 30, 2021

Findings and Responses

Finding 21-01 Adjustment Number(s) Impacted: 1, 8, 10, 11, and 13

Condition: The provider grouped 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. General liability insurance, rental, and ancillary expense should be grouped to the administrative, 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 expense, resulting in a compliance finding. The calculated reimbursement rates submitted on the cost report for the administrative and routine and ancillary cost centers are understated while the secondary 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 cost report prior to submission to ensure accuracy.

Finding 21-02 Adjustment Number(s) Impacted: 2 and 3

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 an 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 expenses are submitted in accordance with applicable regulations when completing the State of Delaware Medicaid Cost Report.

Management's Response: Management notified cost report preparer about the proper reporting of the health and workers compensation claims. Management will review cost report prior to submission to ensure accuracy.

Finding 21-03 Adjustment Number(s) Impacted: 5

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.

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

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

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 21-04 Adjustment Number(s) Impacted: 6

Condition: The provider included amortization of goodwill with reimbursable cost.

Criteria: Provider Reimbursement Manual 15-1, Chapter 21, Section 2102.2 requires costs to be related to patient care. Necessary and proper costs related to patient care are usually costs which are common and accepted occurrences in the field of the provider's activity.

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 expenses to ensure they are appropriate when completing the State of Delaware Medicaid Cost Report.

Management's Response: Management notified cost report preparer that goodwill is a non-allowable expense. Management will review cost report prior to submission to ensure accuracy.

Finding 21-05 Adjustment Number(s) Impacted: 7

Condition: The provider did not utilize American Hospital Association (AHA) Useful Life Guidelines when calculating depreciation expense on asset additions for the period July 1, 2020 through June 30, 2021.

Criteria: Provider Reimbursement Manual 15-1, Chapter 1, Section 104.17 requires that the AHA Useful Life Guidelines be used to determine the estimated useful life of assets acquired on or after January 1, 1981.

Cause: Management's capitalization policy and submitted depreciation expense does not align with AHA guidelines.

Effect: Submitted depreciation expense was not calculated in accordance with AHA guidelines for estimated useful life of assets, resulting in a compliance finding. The calculated reimbursement rate submitted on the cost report for the capital cost center is understated.

Recommendation: Management should ensure that AHA Useful Life Guidelines are used when calculating depreciation for all assets.

Management's Response: Management notified cost report preparer that the AHA Useful Life Guidelines must be used when calculating depreciation. Management will review cost report prior to submission to ensure accuracy.

Finding 21-06 Adjustment Number(s) Impacted: 9

Condition: The provider included legal expense related to construction in progress with reimbursable cost.

Criteria: Provider Reimbursement Manual 15-1, Chapter 21, Section 2154 requires that planning costs become part of the historical cost of a completed asset.

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 expenses to ensure they are appropriate when completing the State of Delaware Medicaid Cost Report.

Management's Response: Management will review the legal costs to ensure that any related to construction are not included in the legal fees costs.

Finding 21-07	Adjustment Number(s) Impacted: 12
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 non allowable costs and 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 expenses, 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 the submitted cost report expense to ensure they are appropriate when completing the State of Delaware Medicaid Cost Report.
Management's Response:	Management will review management fee expenses to ensure they do not include non-allowable costs.
Finding 21-08	Adjustment Number(s) Impacted: 14
Condition:	The provider submitted related party profit with reimbursable cost.
Criteria:	Provider Reimbursement Manual 15-1, Chapter 10, Section 1005 states that the related organization's costs include all reasonable costs, direct and indirect, incurred in furnishing services, facilities, and supplies to the provider. The requirement is to treat the costs incurred by the supplier as if they were incurred by the provider itself.
Cause:	Management calculated the removal of related party profit for New Castle Rx from the prescription drug expense but failed to calculate the removal from over-the-counter drug expense.
Effect:	Management did not remove related party profit from expenses, 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 notified cost report preparer about the removal of the over the counter drug expense. Management will review cost report prior to submission to ensure accuracy.
Finding 21-09	Adjustment Number(s) Impacted: 15
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 that home office costs, which are not otherwise allowable costs when incurred directly by the Provider, cannot be considered 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 understated.
Recommendation:	Management should submit home office costs in accordance with appropriate regulations.
Management's Response:	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 21-10 Schedule of Adjustments to Patient Days

Condition: Verified patient days do not match the total days submitted on the cost report. Classification variances between Medicaid, Medicaid Super Skilled, Medicare, 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 5D should reflect total Medicaid patient days, Line 5E should reflect total Medicaid Super Skilled patient days, Line 5F should reflect Medicare patient days (excluding hospice 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.