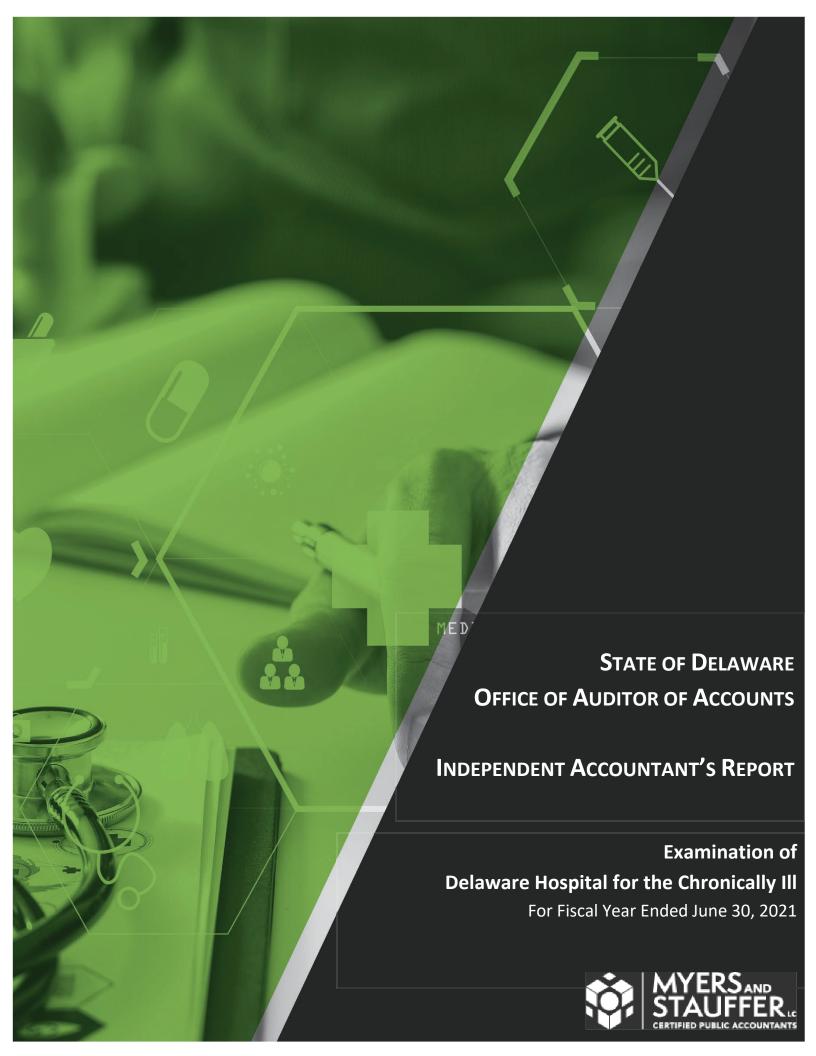


FISCAL YEAR ENDED JUNE 30, 2021



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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: Delaware Hospital for the Chronically III

Period: Fiscal Year Ended June 30, 2021

We have examined management's assertions that Delaware Hospital for the Chronically III (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

	Delaware Hospital for the Ch Schedule of Adjustments to the Trial Balance for th		Ended June 30	0, 2021				
Type of Cost	Description		Reported Amounts		Adjustment Amounts		Adjusted Amounts	
Expenses								
Primary Patient Ca	are Costs per Trial Balance of Costs	\$	14,137,165					
	Adjustments to Primary Patient Care Costs							
	None							
Net Primary Patie	nt Care Costs	\$	14,137,165	\$	-	\$	14,137,165	
Primary Patient Care Cost Per Day (*)			398.0	\$		\$	236.5	
Secondary Patient	Care Costs per Trial Balance of Costs	\$	2,618,964					
	Adjustments to Secondary Patient Care Costs							
4 and 5	To reclassify ancillary expense to the appropriate cost center			\$	(14,393)			
Net Secondary Patient Care Costs			2,618,964	\$	(14,393)	\$	2,604,571	
Secondary Patient Care Cost Per Day (*)			73.7	\$	(0.2)	\$	43.6	
Support Service Co	osts per Trial Balance of Costs	\$	8,865,383					
	Adjustments to Support Service Costs							
	None							
Net Support Servi	ce Costs	\$	8,865,383	\$	-	\$	8,865,383	
Support Service Cost Per Day (*)			249.6	\$		\$	148.3	
Administrative & Routine Costs per Trial Balance of Costs		\$	8,417,655					
	Adjustments to Administrative & Routine Costs							
1	To remove capital expense and to allow the applicable depreciation expense			\$	(158,321)			
3	To reclassify rental expense to the appropriate cost center			\$	(24,216)			
6	To remove non-allowable cable expense related to patient use			\$	(33,991)			
Net Administrative	Net Administrative & Routine Costs			\$	(216,528)	\$	8,201,127	
Administrative & Routine Cost Per Day (*)			237.0		(3.6)	Ś	137.2	

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

Type of Cost	Description .		Adjustment Amounts	Adjusted Amounts	
Expenses					
Capital Costs per Trial Balance of Costs		\$	637,599		
	Adjustments to Capital Costs				
1	To remove capital expense and to allow the applicable depreciation expense			\$ 1,319	
2	To adjust depreciation expense to reflect verified amounts			\$ 7,646	
3	To reclassify rental expense to the appropriate cost center			\$ 24,216	
Net Capital Costs			637,599	\$ 33,181	\$ 670,780
Net Capital Cost Per Day (*)			17.9	\$ 0.6	\$ 11.2
Ancillary Costs per	Ancillary Costs per Trial Balance of Costs		1,438,227		
	Adjustments to Ancillary Costs				
4 and 5	To reclassify ancillary expense to the appropriate cost center			\$ 14,393	
Net Ancillary Costs	S	\$	1,438,227	\$ 14,393	\$ 1,452,620
Ancillary Cost Per	Day (*)	\$	40.5	\$ 0.2	\$ 24.3
Other Costs per Trial Balance of Costs		\$	-		
	Adjustments to Other Costs				
	None			\$ -	
Net Other Costs			-	\$ -	\$ -
Other Cost Per Day (*)			_	\$ -	ś -

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

Census Type	Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Census				
Bed days available				66,430
Medicaid Non-Supe	r Skilled Patient Days	32,994		
	Adjustments to Medicaid Patient Days		-	
Nedicaid Super Skilled Patient Days		-		
	Adjustments to Medicaid Super Skilled Patient Days		-	
Medicare Patient Days		296		
	Adjustments to Medicare Patient Days		-	
Private Pay Patient Days		2,156		
	Adjustments to Private Pay Patient Days		1	
Medicare/Private Pay Hospice Patient Days		76		
	Adjustments to Medicare/Private Pay Hospice Patient Days		(1)	
Other Patient Days		-		
	Adjustments to Other Patient Days		-	
<b>Total Patient Days</b>		35,522	-	35,52
Minimum Occupano	cy			59,78

Nurse Type	Description		Reported Amounts	Adjustment Amounts	Adjusted Amounts					
Nursing Wage Survey										
II-A Administrat	ive Nurses									
	Director of Nursing - Number Paid		1	-						
	Director of Nursing - Total Payroll	\$	4,342	\$ -	\$ 4,34					
	Director of Nursing - Total Hours		82.5	0.5	83.					
	Assistant Director of Nursing - Number Paid		2	-						
	Assistant Director of Nursing - Total Payroll	\$	6,482	\$ -	\$ 6,48					
	Assistant Director of Nursing - Total Hours		143.0	-	143.					
	Registered Nurses - Number Paid		21	-	2					
	Registered Nurses - Total Payroll	\$	60,995	\$ -	\$ 60,99					
	Registered Nurses - Total Hours		1,778.0	-	1,778.					
	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 Remainii	ng Nursing Staff									
	Registered Nurses - Number Paid	\$	33	\$ -	3					
	Registered Nurses - Total Payroll	\$	93,041	\$ -	\$ 93,04					
	Registered Nurses - Total Hours		2,415.8	(37.5)	2,378.					
	Licensed Practical Nurses - Number Paid		40	-	4					
	Licensed Practical Nurses - Total Payroll	\$	81,798	\$ -	\$ 81,79					
	Licensed Practical Nurses - Total Hours		3,079.5	1.0	3,080.					
	Nurse Aides - Number Paid		122	(2.0)	12					
	Nurse Aides - Total Payroll	\$	181,818	\$ (545)	\$ 181,27					
	Nurse Aides - Total Hours		9,469.5	(55.5)	9,414.					

## Delaware Hospital for the Chronically III Resident Fund and General Commentary for the Fiscal Year Ended 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 Delaware Hospital for the Chronically III (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

#### Delaware Hospital for the Chronically III Schedule of Findings for the Fiscal Year Ended June 30, 2021

**Findings and Responses** 

Finding 21-01 Adjustment Number(s) Impacted: 1

Condition: The provider included a capital asset in the administrative and routine cost center rather than depreciating the asset over the useful life.

Criteria: Provider Reimbursement Manual 15-1, Chapter 1, Section 108.1 states that if a depreciable asset, at the time of its acquisition, has an estimated useful life of at

least 2 years and a historical cost of at least \$5,000, its cost must be capitalized and written off ratably over the estimated useful life of the asset using an

approved method of depreciation.

Cause: Management's capitalization policy was not applied for the expense.

Effect: Management did not capitalize assets in accordance with its capitalization policy, resulting in a compliance finding. The calculated reimbursement rate submitted

on the cost report for the administrative and routine cost center is overstated while the capital cost center rate is understated.

Management should capitalize assets and calculate depreciation in accordance with the minimum requirements of PRM 15-1. Chapter 1, Section 108.1. Recommendation:

Management's Response:

Management did not capitalize the nurse call bell upgrade in error and agrees with the auditor's finding.

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

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 the AHA Useful Life Guidelines to be used for estimated useful life of an asset for all

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 an asset, 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 AHA Useful Life Guidelines are used when calculating depreciation for all assets. Recommendation:

Management's Response:

Management has purchased the AHA Useful Life Guidelines and will use the guidelines going forward.

Finding 21-03 Adjustment Number(s) Impacted: 3, 4, and 5

Condition: The provider grouped equipment rental expenditures and ancillary expenditures 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, on the appropriate grouping of expense. Equipment rental expenditures and ancillary expenditures should be

grouped to the capital and ancillary cost centers, respectively.

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

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

and administrative and routine cost centers are overstated while the capital and ancillary cost centers are understated.

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 agrees with the auditor's findings and will group rental and ancillary expenditures appropriately going forward.

Finding 21-04 Adjustment Number(s) Impacted: 6

Condition: The provider included non-allowable personal patient use cable television expense with reimbursable cost.

Criteria: Provider Reimbursement Manual 15-1, Chapter 21, Section 2106.1 requires the removal from allowable costs any costs of items or services, such as telephone,

television, and radio that are located in patient accommodations and furnished solely for the personal comfort of the patients.

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 administrative and routine 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 Report.

Management's Response:

Management agrees with the auditor's finding and will remove resident cable television expense going forward.

Finding 21-05 Schedule of Adjustments to Patient Days

Condition: Verified patient days agreed in total but variances between Private Pay and Medicare/Private Pay Hospice 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 5G should reflect Private Pay patient days and Line 5H should reflect

Medicare/Private Pay Hospice patient days.

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

Effect: Management 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 agrees with the auditor's finding and will adhere to the recommendation going forward.

Finding 21-06 Schedule of Adjustments to the Nursing Wage Survey

Condition: The provider improperly recorded total hours for the administrative director of nursing, non-administrative registered nurses, non-administrative licensed practical

 $nurses, and \ total \ number \ of \ staff, \ total \ pay, \ and \ total \ hours \ for \ non-administrative \ nurse \ aides \ on \ the \ nursing \ wage \ survey.$ 

Criteria: The State of Delaware Department of Health and Social Services, Division of Medicaid and Medical Assistance Instructions for Completion of Nursing Home:

Nursing Wage Survey provides instructions, by occupational group, on the appropriate grouping of total number of staff, total pay, and total hours. Total hours for the administrative director of nursing should be included in Section II.A.1. Total number of staff, total pay, and total hours for non-administrative registered nurses,

licensed practical nurses, and nurse aides should be included in Section II.B.

Cause: Total number of staff, total pay, and total hours recorded on the nursing wage survey did not align with the requirements in the nursing wage survey instructions.

Effect: Management did not properly group total number of staff, total pay, and total hours, resulting in a compliance finding. The calculated total hours for the

administrative director of nursing and non-administrative licensed practical nurses were understated on the nursing wage survey while total hours for non-

administrative registered nurses and total number of staff, total pay, and total hours for the non-administrative nurse aides were overstated.

Recommendation: Management should submit total number of staff, total pay, and total hours on the nursing wage survey in accordance with the State of Delaware Department of

 $Health \ and \ Social \ Services, \ Division \ of \ Medical \ Assistance \ Instructions \ for \ Completion \ of \ Nursing \ Wage \ Survey.$ 

Management's Response: Management agrees with the auditor's finding and will adhere to the recommendation going forward.

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