

EXAMINATION FISCAL YEAR ENDED JUNE 30, 2021

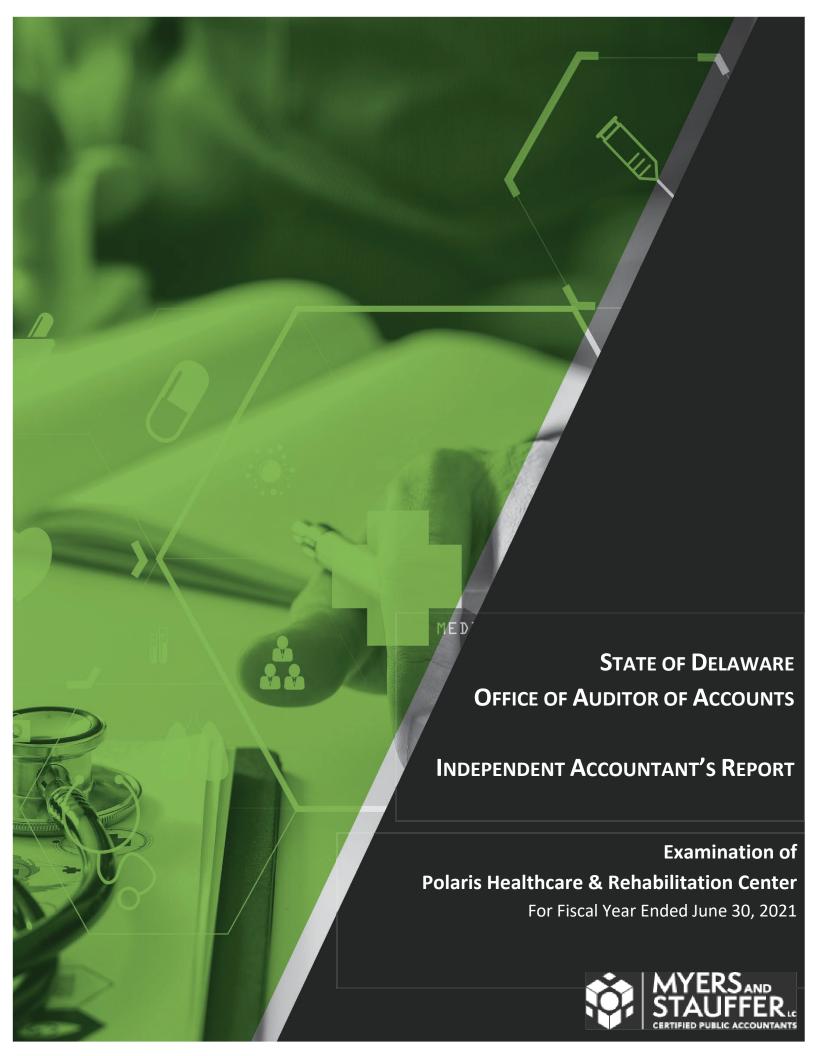


Table of Contents

Independent Accountant's Report	. 1
Schedule of Adjustments to the Trial Balance	
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: Polaris Healthcare & Rehabilitation Center

Period: Fiscal Year Ended June 30, 2021

We have examined management's assertions that Polaris Healthcare & Rehabilitation Center (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

			Poportod	Adjustment	Adjusted
Type of Cost	Description	Reported Amounts		Adjustment Amounts	Adjusted Amounts
Expenses					
Primary Patient Ca	re Costs per Trial Balance of Costs	\$	1,011,233		
	Adjustments to Primary Patient Care Costs				
3	To reflect verified benefits expense and benefits allocation			\$ (30,990	
Net Primary Patier	nt Care Costs	\$	1,011,233	\$ (30,990	\$ 980,24
Primary Patient Ca	re Cost Per Day (*)	\$	186.1	\$ (3.6	\$ 114.
Secondary Patient	Care Costs per Trial Balance of Costs	\$	221,486		
	Adjustments to Secondary Patient Care Costs				
2	To reflect verified food cost per day			\$ 7,171	
3	To reflect verified benefits expense and benefits allocation			\$ (1,873	
6	To reclassify cost report preparation fees to the proper cost center			\$ (4,500	
7	To reclassify compliance program retainer fees to the proper cost center			\$ (3,088	
8	To reclassify ancillary expense to the proper cost center			\$ (2,405	
9	To reclassify medical supplies to the proper cost center			\$ 2,914	
Net Secondary Pati	ient Care Costs	\$	221,486	\$ (1,781	\$ 219,70
Secondary Patient	Care Cost Per Day (*)	\$	40.8	\$ (0.2	\$ 25.
Summant Samiles Co	ote you Trial Deleves of Costs		244.000		
Support Service Co	sts per Trial Balance of Costs	\$	911,398		
_	Adjustments to Support Service Costs				
2	To reflect verified food cost per day			\$ (7,171	
3	To reflect verified benefits expense and benefits allocation			\$ (1,065	
9	To reclassify medical supplies to the proper cost center			\$ (2,914	
Net Support Service		\$	911,398		
Support Service Co	st Per Day (*)	\$	167.8	\$ (1.3	\$ 105.
Administrative & R	loutine Costs per Trial Balance of Costs	\$	914,421		
	Adjustments to Administrative & Routine Costs				
3	To reflect verified benefits expense and benefits allocation			\$ (19,732	
4	To remove non-allowable telephone expense related to patient use			\$ (11,594	
6	To reclassify cost report preparation fees to the proper cost center			\$ 4,500	
7	To reclassify compliance program retainer fees to the proper cost center			\$ 3,088	
10	To reflect verified home office expense			\$ 22,039	
Net Administrative	· · · · · · · · · · · · · · · · · · ·	\$	914,421	-	\$ 912,72
Administrativo & D	Coutine Cost Per Day (*)	\$	168.3		

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

	Polaris Healthcare & Rehab Schedule of Adjustments to the Trial Balance fo			30 2021	
Type of Cost	Description	the ristal rea	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Expenses					
Capital Costs per	Trial Balance of Costs	\$	258,398		
	Adjustments to Capital Costs				
1	To reflect verified depreciation expense during the cost report period			\$ (39,346)	
10	To reflect verified home office expense			\$ 1,248	
Net Capital Costs		\$	258,398	\$ (38,098)	\$ 220,300
Net Capital Cost Per Day (*)			47.6	\$ (4.5)	\$ 25.8
Ancillary Costs pe	er Trial Balance of Costs	\$	503,914		
	Adjustments to Ancillary Costs				
3	To reflect verified benefits expense and benefits allocation			\$ (10,851)	
5	To replace estimated laboratory expense with the verified amount			\$ (2,486)	
8	To reclassify ancillary expense to the proper cost center			\$ 2,405	
Net Ancillary Costs			503,914	\$ (10,932)	\$ 492,982
Ancillary Cost Per Day (*)			92.8	\$ (1.3)	\$ 57.7
Other Costs per	Trial Balance of Costs	\$			
	Adjustments to Other Costs				
	None			\$ -	
Net Other Costs		\$	-	\$ -	\$ -
Other Cost Per Day (*)				\$ -	\$ -

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

		Reported	Adjustment	Adjusted
Census Type	Description	Amounts	Amounts	Amounts
Census				
Bed days available				9,49
Medicaid Non-Super	Skilled Patient Days	2,542		
	Adjustments to Medicaid Patient Days			
Medicaid Super Skille	ed Patient Days			
	Adjustments to Medicaid Super Skilled Patient Days		-	
Medicare Patient Days		2,214		
	Adjustments to Medicare Patient Days			
Private Pay Patient Days		506		
	Adjustments to Private Pay Patient Days			
Medicare/Private Pa	y Hospice Patient Days			
	Adjustments to Medicare/Private Pay Hospice Patient Days		-	
Other Patient Days		171		
	Adjustments to Other Patient Days			
Total Patient Days		5,433	-	5,43
Minimum Occupancy	1			8,54:

Polaris Healthcare & Rehabilitation Center Schedule of Adjustments to the Nursing Wage Survey for the Fiscal Year Ended June 30, 2021						
Nurse Type	Description	Rep	Reported Amounts		Adjusted Amounts	
Nursing Wage Su	ırvey					
I-A Administrat	ive Nurses					
	Director of Nursing - Number Paid		1	-		
	Director of Nursing - Total Payroll	\$	4,489	\$ -	\$ 4,4	
	Director of Nursing - Total Hours		80.0	-	80	
	Assistant Director of Nursing - Number Paid		1	-		
	Assistant Director of Nursing - Total Payroll	\$	3,269	\$ -	\$ 3,2	
	Assistant Director of Nursing - Total Hours		80.0	-	80	
	Registered Nurses - Number Paid		1	-		
	Registered Nurses - Total Payroll	\$	3,900	\$ -	\$ 3,9	
	Registered Nurses - Total Hours		93.0	-	9:	
	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		-	-	-	
-B All Remainir	ng Nursing Staff					
	Registered Nurses - Number Paid		8	\$ -		
	Registered Nurses - Total Payroll	\$	19,380	\$ -	\$ 19,3	
	Registered Nurses - Total Hours		473.3	-	473	
	Licensed Practical Nurses - Number Paid		5	-		
	Licensed Practical Nurses - Total Payroll	\$	4,497	\$ -	\$ 4,4	
	Licensed Practical Nurses - Total Hours		146.5	-	140	
	Nurse Aides - Number Paid		20	-		
	Nurse Aides - Total Payroll	\$	15,086	\$ -	\$ 15,0	
	Nurse Aides - Total Hours		761.8	-	76:	

Polaris Healthcare & Rehabilitation Center 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 Polaris Healthcare & Rehabilitation Center (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

Polaris Healthcare & Rehabilitation Center 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 did not properly calculate depreciation expense on assets for the period July 1, 2020 through June 30, 2021.

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

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 with the State of Delaware Medicaid Cost Report period Cause:

of July 1, 2020 through June 30, 2021.

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 overstated.

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

Management's Response:

Management has received the findings and will do our best to adhere to the recommendations.

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

Condition: The provider improperly calculated the food expense reclassification.

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, on the appropriate grouping of expense. Food expenditures should be grouped to the secondary cost center.

Cause: Management included estimated food cost per day in the food expense reclassification as opposed to verified, actual information.

Effect: Management improperly calculated the food expense reclassification, resulting in a compliance finding. The calculated reimbursement rate submitted on the cost

report for the support service cost center is overstated while the secondary cost center is understated.

Recommendation: Management should utilize accurate documentation when preparing the State of Delaware Medicaid Cost Report.

Management's Response:

Management has received the findings and will do our best to adhere to the recommendations.

Finding 21-03 Adjustment Number(s) Impacted: 3

Condition: The provider improperly allocated fringe benefits expense on the cost report.

Provider Reimbursement Manual 15-1, Chapter 21, Section 2144.7 states that some accounting systems are not designed to accumulate, on a departmentalized or Criteria:

cost center basis, the various employee fringe benefits incurred by the providers. Such providers may accumulate fringe benefits for all employees in one account

during the cost reporting period and allocate fringe benefits to the appropriate cost centers.

Cause: A cost report adjustment was not proposed to properly adjust accrued expense for workers compensation to premiums paid during the cost report period.

Effect: Management did not properly allocate fringe benefits expense, resulting in 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 overstated.

Recommendation: Management should submit workers compensation expense in accordance with appropriate regulations when allocating fringe benefits expense on the State of

Delaware Medicaid Cost Report

Management's Response:

Management has received the findings and will do our best to adhere to the recommendations.

Finding 21-04 Adjustment Number(s) Impacted: 4 and 5

Condition: The provider included non-allowable personal patient use telephone expenditures and estimated laboratory 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.

Provider Reimbursement Manual 15-1, Chapter 23, Section 2302.1 requires that, under the accrual basis of accounting, expenditures for expense and asset items be

recorded in the period in which they are incurred, regardless of when they are paid.

Cause: Non-allowable and estimated expenses prior to vendor adjustments were submitted with reimbursable cost on the State of Delaware Medicaid Cost Report.

Effect: Management did not properly address non-allowable expense and did not replace estimated expense with actual amounts, resulting in a compliance finding. The

calculated reimbursement rates submitted on the cost report for the administrative and routine and ancillary cost centers are 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 has received the findings and will do our best to adhere to the recommendations.

Finding 21-05 Adjustment Number(s) Impacted: 6, 7, 8, and 9

Condition: The provider grouped cost report preparation fees, compliance program retainer fees, medical supplies, 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. Cost report preparation fees and compliance program retainer fees, medical supplies, and ancillary expenditures are to be grouped to the administrative and routine, secondary, 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 expenses, resulting in a compliance finding. The calculated reimbursement rate submitted on the cost report for the secondary

and support service cost centers are overstated while the administrative and routine 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 has received the findings and will do our best to adhere to the recommendations.

Finding 21-06 Adjustment Number(s) Impacted: 10

Condition: The provider failed to include allocated home office expense on the cost report.

Criteria: Provider Reimbursement Manual 15-1, Chapter 21, Section 2150 states that a home office's reasonable costs for providing the services related to patient care are

includable as allowable costs of the provider.

Cause: Management did not include actual home office pass down costs on the State of Delaware Medicaid Cost Report.

Effect: Management failed to include verified home office expense, resulting in a compliance finding. The calculated reimbursement rates submitted on the cost report for

the administrative and routine and capital cost centers are understated.

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

Management's Response:

Management has received the findings and will do our best to adhere to the recommendations.