

The background of the cover is a blurred photograph of a medical professional in a white coat, with a large green cross overlaid on their chest. The entire image is covered with a semi-transparent green overlay. Various medical icons are scattered across the overlay, including a syringe, a pill, a virus, a stethoscope, a clipboard, and a group of people. A network of white lines connects these icons, suggesting a healthcare system or data flow. The right side of the cover is a dark grey diagonal band containing the title and logo.

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

INDEPENDENT ACCOUNTANT'S REPORT

**Examination of
Regal Heights Healthcare and Rehabilitation
Center**

For Fiscal Year Ended June 30, 2022



**MYERS AND
STAUFFER** LC
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: Regal Heights Healthcare and Rehabilitation Center
Period: Fiscal Year Ended June 30, 2022

We have examined management's assertions that Regal Heights Healthcare and 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, 2022. 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 December 1, 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
December 1, 2025

Regal Heights Healthcare and Rehabilitation Center
Schedule of Adjustments to the Trial Balance for the Fiscal Year Ending June 30, 2022

Type of Cost	Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Expenses				
Primary Patient Care Costs per Trial Balance of Costs		\$ 9,355,533		
	Adjustments to Primary Patient Care Costs			
4	To reclassify pharmacy consulting expense to the appropriate cost center		\$ (8,100)	
5	To reclassify administrative contract expense to the appropriate cost center		\$ (44,387)	
7	To adjust the employee benefits allocation to reflect verified salaries		\$ (127,980)	
Net Primary Patient Care Costs		\$ 9,355,533	\$ (180,467)	\$ 9,175,066
Primary Patient Care Cost Per Day (*)		\$ 166.4	\$ (3.2)	\$ 162.4
Secondary Patient Care Costs per Trial Balance of Costs		\$ 934,320		
	Adjustments to Secondary Patient Care Costs			
1	To reclassify patient billable costs to the appropriate cost center		\$ (12,145)	
4	To reclassify pharmacy consulting expense to the appropriate cost center		\$ 8,100	
6	To adjust the food expense reclassification to the verified amount		\$ 91,604	
7	To adjust the employee benefits allocation to reflect verified salaries		\$ (2,655)	
Net Secondary Patient Care Costs		\$ 934,320	\$ 84,904	\$ 1,019,224
Secondary Patient Care Cost Per Day (*)		\$ 16.6	\$ 1.5	\$ 18.0
Support Service Costs per Trial Balance of Costs		\$ 2,184,664		
	Adjustments to Support Service Costs			
6	To adjust the food expense reclassification to the verified amount		\$ (91,604)	
7	To adjust the employee benefits allocation to reflect verified salaries		\$ (9,622)	
Net Support Service Costs		\$ 2,184,664	\$ (101,226)	\$ 2,083,438
Support Service Cost Per Day (*)		\$ 38.9	\$ (1.8)	\$ 36.9
Administrative & Routine Costs per Trial Balance of Costs		\$ 3,264,302		
	Adjustments to Administrative & Routine Costs			
3	To remove non-reimbursable legal fees expense		\$ (10,525)	
5	To reclassify administrative contract expense to the appropriate cost center		\$ 44,387	
7	To adjust the employee benefits allocation to reflect verified salaries		\$ (29,914)	
10	To adjust the home office pass down expense to the verified amount		\$ (6,126)	
Net Administrative & Routine Costs		\$ 3,264,302	\$ (2,178)	\$ 3,262,124
Administrative & Routine Cost Per Day (*)		\$ 58.1	\$ (0.0)	\$ 57.7

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

Regal Heights Healthcare and Rehabilitation Center
Schedule of Adjustments to the Trial Balance for the Fiscal Year Ending June 30, 2022

Type of Cost	Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Expenses				
Capital Costs per Trial Balance of Costs		\$ 684,205		
	Adjustments to Capital Costs			
2	To reclassify patient billable costs to the appropriate cost center		\$ (23,319)	
8	To adjust to reflect actual property costs		\$ 195,188	
9	To adjust to remove duplicate property tax expense		\$ (59,670)	
Net Capital Costs		\$ 684,205	\$ 112,199	\$ 796,404
Net Capital Cost Per Day (*)		\$ 12.2	\$ 2.0	\$ 14.1
Ancillary Costs per Trial Balance of Costs		\$ 1,135,833		
	Adjustments to Ancillary Costs			
1	To reclassify patient billable costs to the appropriate cost center		\$ 12,145	
2	To reclassify patient billable costs to the appropriate cost center		\$ 23,319	
7	To adjust the employee benefits allocation to reflect verified salaries		\$ 170,171	
Net Ancillary Costs		\$ 1,135,833	\$ 205,635	\$ 1,341,468
Ancillary Cost Per Day (*)		\$ 20.2	\$ 3.6	\$ 23.7
Other Costs per Trial Balance of Costs		\$ 2,408		
	Adjustments to Other Costs			
	None		\$ -	
Net Other Costs		\$ 2,408	\$ -	\$ 2,408
Other Cost Per Day (*)		\$ 0.0	\$ -	\$ 0.0

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

Regal Heights Healthcare and Rehabilitation Center Schedule of Adjustments to Patient Days for the Fiscal Year Ending June 30, 2022				
Census Type	Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Census				
Bed days available				62,780
Medicaid Non-Super Skilled Patient Days		40,933		
	Adjustments to Medicaid Patient Days		1	
Medicaid Super Skilled Patient Days		-		
	Adjustments to Medicaid Super Skilled Patient Days		-	
Medicare Patient Days		2,503		
	Adjustments to Medicare Patient Days		(15)	
Private Pay Patient Days		3,046		
	Adjustments to Private Pay Patient Days		9	
Medicare/Private Pay Hospice Patient Days		3,259		
	Adjustments to Medicare/Private Pay Hospice Patient Days		-	
Other Patient Days		6,487		
	Adjustments to Other Patient Days		(1)	
Total Patient Days		56,228	(6)	56,222
Minimum Occupancy				56,502

Regal Heights Healthcare and Rehabilitation Center Schedule of Adjustments to the Nursing Wage Survey for the Fiscal Year Ending June 30, 2022				
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	\$ 4,019	\$ -	\$ 4,019
	Director of Nursing - Total Hours	76.0	-	76.0
	Assistant Director of Nursing - Number Paid	1	-	1
	Assistant Director of Nursing - Total Payroll	\$ 354	\$ -	\$ 354
	Assistant Director of Nursing - Total Hours	8.0	-	8.0
	Registered Nurses - Number Paid	3	-	3
	Registered Nurses - Total Payroll	\$ 8,167	\$ -	\$ 8,167
	Registered Nurses - Total Hours	189.0	-	189.0
	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	12	-	12
	Registered Nurses - Total Payroll	\$ 36,794	\$ -	\$ 36,794
	Registered Nurses - Total Hours	860.7	-	860.7
	Licensed Practical Nurses - Number Paid	28	-	28
	Licensed Practical Nurses - Total Payroll	\$ 75,129	\$ -	\$ 75,129
	Licensed Practical Nurses - Total Hours	2,008.3	-	2,008.3
	Nurse Aides - Number Paid	50	-	50
	Nurse Aides - Total Payroll	\$ 90,429	\$ -	\$ 90,429
	Nurse Aides - Total Hours	3,881.7	-	3,881.7

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 Regal Heights Healthcare and 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, 2022, and have issued our report thereon dated December 1, 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
December 1, 2025

Regal Heights Healthcare and Rehabilitation Center
Schedule of Findings for the Fiscal Year Ended June 30, 2022

Findings and Responses

Finding 22-01 Adjustment Number(s) Impacted: 1, 2, 4, and 5

Condition: The provider grouped patient billable costs, pharmacy consulting, and administrative contract 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. Patient billable costs are to be grouped to the ancillary cost center, pharmacy consulting expenses are to be grouped to the secondary cost center, and administrative contract expenses are to be grouped to the administrative and routine cost center.

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

Effect: Management did not properly group expense, resulting in a compliance finding. The calculated reimbursement rates submitted on the cost report for the administrative and routine and ancillary cost centers are understated, while the primary, secondary, and capital cost centers are overstated.

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

Management's Response: Management does not agree with adjustment #2. To the best of our knowledge, we are not able to bill and get paid from Medicaid for this.

Auditor's Response: Per Provider Reimbursement Manual 15-1, Chapter 22, Section 2203.2, the direct ancillary service (CPAP) and the associated cost to deliver the ancillary service should be classified as ancillary expense. We believe the ancillary classification is appropriate based on the vendor description from the general ledger detail.

Finding 22-02 Adjustment Number(s) Impacted: 3 and 9

Condition: The provider included non-allowable legal fees and submitted an allowable expense twice on the cost report.

Criteria: Provider Reimbursement Manual 15-1, Chapter 21, Section 2102.3 states that costs not related to patient care are costs which are not appropriate or necessary and proper in developing and maintaining the operation of patient care facilities and activities.

Provider Reimbursement Manual 15-1, Chapter 23, Section 2304 states that cost information as developed by the provider must be current, accurate, and sufficient detail to support payments made for services rendered to beneficiaries.

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

Effect: Management did not properly address non-allowable legal fees related to state audits and duplicated property tax 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 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 finding.

Finding 22-03 Adjustment Number(s) Impacted: 6

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 agrees with the finding.

Finding 22-04 Adjustment Number(s) Impacted: 7

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

Criteria: Provider Reimbursement Manual 15-1, Chapter 21, Section 2144.7 states that some accounting systems are not designed to accumulate on a departmentalized or 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: The provider did not include verified salaries when calculating the employee benefits allocation.

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, and administrative and routine cost centers are overstated while the ancillary cost center is understated.

Recommendation: Management should utilize accurate components in their calculation when allocating fringe benefits on the State of Delaware Medicaid Cost Report.

Management's Response: Management agrees with the finding.

Finding 22-05 Adjustment Number(s) Impacted: 8

Condition: The provider improperly adjusted related party property expense on the cost report.

Criteria: Provider Reimbursement Manual 15-1, Chapter 10, Section 1011.5 states that a provider may lease a facility from a related organization within the meaning of the principles of reimbursement. In such case, the rent paid to the lessor by the provider is not allowable as cost. The provider, however, would include in its cost the costs of ownership of the facility. Generally, these would be costs such as depreciation, interest on the mortgage, real estate taxes, and other expenses attributable to the leased facility. The effect is to treat the facility as though it were owned by the provider.

Cause: The provider did not appropriately adjust for related party property expense.

Effect: Management did not properly adjust for related party property expense, resulting in a compliance finding. The calculated reimbursement rate submitted on the cost report for the capital cost center is understated.

Recommendation: Management should utilize accurate components in their calculation when adjusting for related party property expense on the State of Delaware Medicaid Cost Report.

Management's Response: Management agrees with the finding.

Finding 22-06 Adjustment Number(s) Impacted: 10

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 2150.2 states that home office cost directly related to those services performed for individual providers which relate to patient care, plus an appropriate share of indirect costs (overhead, rent, administrative salaries, etc.) are allowable to the extent they are reasonable.

Cause: The home office expense allocation did not include finalized home office expense information.

Effect: Management did not include finalized home office expense information, resulting in a compliance finding. The calculated reimbursement rate submitted on the cost report for the administrative and routine cost center is overstated.

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

Management's Response: Management agrees with the finding.

Finding 22-07 Schedule of Adjustments to Patient Days

Condition: Verified patient days do not match the total submitted on the cost report. Classification variances between Medicaid, Medicare, Private Pay, 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 5A should reflect total Medicaid Non-Super Skilled patient days, Line A should reflect total Medicare patient days, Line B should reflect total Private Pay patient days, and Line D should reflect Other 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 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 agrees with the finding.