

**State of Delaware Department of  
Health and Social Services  
Division of Medicaid and  
Medical Assistance  
Independent Accountants' Report  
on Delaware Psychiatric Center's  
Assertions on Compliance with  
Specified Requirements Applicable  
to the Disproportionate Share  
Hospital Payments Program**

For the period July 1, 2010 to June 30, 2011

Issued: September 30, 2013

The report accompanying these financial statements was issued  
By BDO USA, LLP, a Delaware limited liability partnership and  
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State of Delaware Department of Health and Social Services  
Division of Medicaid and Medical Assistance  
Independent Accountants' Report on Delaware  
Psychiatric Center's Assertions on Compliance with  
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Disproportionate Share Hospital Payments Program

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## Independent Accountants' Report

State of Delaware Department of Health and Social Services  
Division of Medicaid and Medical Assistance  
Lewis Building  
Herman Holloway Campus  
1901 N. DuPont Highway  
New Castle, DE 19720

We have examined management's assertion that the State of Delaware, Department of Health and Social Services, Division of Medicaid and Medical Assistance, Disproportionate Share Hospital Payments Program (the "Program") of Delaware Psychiatric Center ("DPC") for the period from July 1, 2010 to June 30, 2011, complies with the six verifications required by the Code of Federal Regulations - 42 CFR, Parts 447 and 455 and met the requirements of the State of Delaware's Medicaid State Plan Section 4.19A (the "Requirements"). The Requirements are as follows:

- If applicable, DPC has at least two obstetricians who have staff privileges at the hospital and who have agreed to provide obstetric services to individuals who are entitled to medical assistance for such services under such State plan. In addition, DPC has a Medicaid inpatient utilization rate (as defined under Social Security Act Section 1923(b)) of not less than 1 percent.
- The Disproportionate Share Hospital ("DSH") payments made to DPC comply with the hospital-specific DSH payment limit.
- Only uncompensated care costs of furnishing inpatient and outpatient hospital services to Medicaid eligible individuals, less the amount paid by the State under the non-disproportionate share hospital payment provisions of the State Plan, and individuals with no third party coverage, less the amount of payments made by these patients, have been included in the calculation of the hospital-specific disproportionate share payment limit, as described in Section 1923(g)(1)(A) of the Social Security Act.
- For purposes of the hospital-specific limit calculation, any Medicaid payments (including regular Medicaid fee-for-service rate payments, supplemental/enhanced Medicaid payments, and Medicaid managed care organization payments) received by DPC for furnishing inpatient hospital and outpatient hospital services to Medicaid eligible individuals, which are in excess of the Medicaid incurred costs for such services, have been applied against the uncompensated care costs of furnishing inpatient hospital and outpatient hospital services to individuals with no source of third party coverage for such services.
- Any information and records of all of its inpatient and outpatient hospital specific costs under the Medicaid program; claimed expenditures under the Medicaid program; uninsured inpatient and outpatient hospital service costs in determining payment adjustments; and any payments made on behalf of the uninsured from payment adjustments have been separately documented and retained.
- The estimate of the hospital-specific DSH limit has been calculated in accordance with Section 1923(d)(5) of the Social Security Act.



Management of the Program is responsible for complying with these Requirements. Our responsibility is to express an opinion on management's assertions about DPC's compliance based on our examination. Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and with *Government Auditing Standards*, issued by the Comptroller General of the United States of America, and accordingly, included examining, on a test basis, evidence supporting compliance with the Requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on DPC's compliance with specified Requirements.

In our opinion, the State of Delaware, Department of Health and Social Services, Division of Medicaid and Medical Assistance, Disproportionate Share Hospital Payments Program of Delaware Psychiatric Center referred to above is in compliance with the Requirements in all material respects for the period July 1, 2010 to June 30, 2011.

The Disproportionate Share Report for the year ended June 30, 2011 on page 5 is presented for purposes of additional analysis and is not a required part of the examination report. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not examine the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we also issued our report dated September 20, 2013, on our consideration of DPC's internal control over financial reporting 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 Office of Auditor of Accounts of the State of Delaware, the Department of Health and Social Services of the State of Delaware and the Board of Directors and management of DPC, Office of the Governor, Office of the Comptroller General, Office of the Attorney General, Office of Management and Budget, Office of the State Treasurer, and the Department of Finance. However, under 29 Del. C. Section 10002, this report is public record and its distribution is not limited.

BDO USA, LLP

Wilmington, Delaware  
September 20, 2013

## Supplemental Material

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STATE OF DELAWARE  
DEPARTMENT OF HEALTH AND SOCIAL SERVICES  
DIVISION OF MEDICAID AND MEDICAL ASSISTANCE  
ANNUAL DISPROPORTIONATE SHARE HOSPITAL REPORT  
YEAR ENDED JUNE 30, 2011

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Hospital Name	Estimated Hospital-Specific DSH Limit	Medicaid IP Utilization Rate	Low-Income Utilization Rate	Defined DSH Qualification Criteria	Regular IP/OP Medicaid FFS Basic Rate Payments	IP/OP Medicaid MCO Payments	Supplemental/Enhanced IP/OP Medicaid Payments	Total Medicaid IP/OP Payments	Total Cost of Care - Medicaid IP/OP Services	Total Medicaid Uncompensated Care	Uninsured IP/OP Revenue	Total Applicable Section 1011 Payments	Total cost of IP/OP Care for the Uninsured	Total Uninsured IP/OP Uncompensated Care Cost	Total Annual Uncompensated Care Costs	Disproportionate Share Hospital Payments
None																
Institutes for Mental Disease																
Delaware Psychiatric Center	\$ 29,528,035	58.09%	94.37%	(1)	\$ 17,183	\$ -	\$ -	\$ 17,183	\$ 20,283,573	\$ 20,266,390	\$ 532,599	\$ -	\$ 13,057,954	\$ 12,525,355	\$ 32,791,745	\$ 2,990,737
Out-of-District DSH Hospitals																
None																

(1) State defined DSH criteria:  
- Comply with requirements of Social Security Act Section 1923 (d) and (b)  
- Sixty percent or more of service revenue is attributable to public funds (excluding Medicare and Medicaid), bad debts, or free care.



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## Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Examination Performed in Accordance With *Government Auditing Standards*

State of Delaware  
Office of Auditor of Accounts  
Department of Health & Social Services  
Division of Social Services Medicaid  
Dover, Delaware

We have examined management's assertion that the State of Delaware, Department of Health and Social Services, Division of Medicaid and Medical Assistance, Disproportionate Share Hospital Payments Program (the "Program") of Delaware Psychiatric Center ("DPC") for the period from July 1, 2010 to June 30, 2011, complies with the six verifications required by the Code of Federal Regulations - 42 CFR, Parts 447 and 455 and met the requirements of the State of Delaware's Medicaid State Plan Section 4.19A (the "Requirements"). We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants 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

Management of DPC is responsible for establishing and maintaining effective internal control over financial reporting relative to the Program reporting requirements. In planning and performing our examination, we considered DPC'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 DPC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of DPC'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 will not be prevented, or detected and corrected on a timely basis.

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 DPC's financial reporting was 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Office of Auditor of Accounts of the State of Delaware, the Department of Health and Social Services of the State of Delaware, the Board of Directors and management of DPC, Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of Management and Budget, Office of the State Treasurer, and the Department of Finance. However, under 29 Del. C., Section 10002, this report is available to the public and its distribution is not limited.

BDO USA, LLP

September 20, 2013

State of Delaware, Department of Health and Social Services, Division  
of Medicaid and Medical Assistance, Disproportionate Share Hospital  
Payments Program of Delaware Psychiatric Center

Schedule of Findings and Responses

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*June 30, 2011*

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**CURRENT YEAR CONDITIONS**

NONE