



**State of Delaware Department of  
Health and Social Services  
Division of Medicaid and  
Medical Assistance**

**Independent Accountants' Report  
on Assertions on Compliance with  
Specified Requirements Applicable  
to the Disproportionate Share  
Hospital Payments Program**

For the period July 1, 2011 to June 30, 2012

Issued: June 9, 2014



State of Delaware Department of Health and Social Services  
Division of Medicaid and Medical Assistance  
Independent Accountants' Report on  
Assertions on Compliance with  
Specified Requirements Applicable to the  
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") for the period from July 1, 2011 to June 30, 2012, 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, recipient hospitals have 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, a hospital that is an Institute for Mental Disease must have 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 the hospitals comply with the hospital-specific DSH payment limits for each hospital.
- 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 the hospitals 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 by the hospitals.



- The estimate of the hospital-specific DSH limit has been calculated in accordance with Section 1923(d)(5) of the Social Security Act.

The Program's management is responsible for complying with these Requirements. Our responsibility is to express an opinion on management's assertions about the hospitals' 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 the Program'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 referred to above is in compliance with the Requirements in all material respects for the period July 1, 2011 to June 30, 2012.

The Disproportionate Share Report for the year ended June 30, 2012 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 April 30, 2014, on our consideration of the Program's internal control over financial reporting and our tests of their 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 the Delaware Psychiatric Center, the Board of Directors and management of St. Francis Hospital, 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 public record and its distribution is not limited.

BDO USA, LLP

Wilmington, Delaware  
April 30, 2014

## 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, 2012

	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
St. Francis Hospital	\$ 7,875,207	24.74%	33.45%	(1)	\$ 2,622,895	\$ 21,056,741	\$ -	\$ 23,679,636	\$ 25,292,900	\$ 1,613,264	\$ 113,752	\$ -	\$ 6,375,695	\$ 6,261,943	\$ 7,875,207	\$ 7,000,000
Institutes for Mental Disease																
Delaware Psychiatric Center	\$ 27,192,487	59.12%	92.66%	(2)	\$ 10,518	\$ -	\$ -	\$ 10,518	\$ 19,495,177	\$ 19,484,659	\$ 428,212	\$ -	\$ 11,146,910	\$ 10,718,698	\$ 30,203,357	\$ 3,059,506
Out-of-District DSH Hospitals																
None																

- (1) State defined DSH Qualification Criteria, Acute General Care Hospitals
- Comply with requirements of Social Security Act Section 1923 (d) and (b)
  - Is a not-for-profit hospital categorized as an acute care general hospital
  - Has an inpatient facility located within an incorporated city in Delaware with a population >50,000 and provides obstetric services at that facility to the general population
  - Is an enrolled provider with all participating DE Medicaid/CHIP managed care organizations
  - Has a low income utilization rate > 15%.
- (2) State defined DSH Qualification Criteria, Institutes for Mental Disease
- Comply with requirements of Social Security Act Section 1923 (d) and (b)
  - Is a public psychiatric hospital (owned or operated by an agency of DE state government)
  - Has service revenue attributable to public funds (excluding Medicare and Medicaid), bad debts, or free care of >60%



## **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 Department of Health and Social Services  
Division of Medicaid and  
Medical Assistance  
Lewis Building  
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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") for the period from July 1, 2011 to June 30, 2012, 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 the Program 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 the Program'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 Program's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Program'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 the Program's financial reports are free of material misstatement, we performed tests of their 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*.

We noted certain matters that we reported to management of the Program in a separate letter dated April 30, 2014.

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 the Delaware Psychiatric Center, the Board of Directors and management of St. Francis Hospital, 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

April 30, 2014

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

Schedule of Findings and Responses

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*June 30, 2012*

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CURRENT YEAR CONDITIONS

NONE