



**PIKE CREEK HEALTHCARE
SERVICES, LLC.**

**Examination Report
Medicaid Cost Report
and Nursing Wage Survey**

June 30, 2011

Issued: August 7, 2013

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



PIKE CREEK HEALTHCARE SERVICES, LLC.

Contents

Independent Accountants' Report	2-3
Schedule of Adjustments to the Statement of Reimbursement Cost for Skilled and Intermediate Intermediate Care Nursing Facilities - Title XIX and the Nursing Wage Survey	4-7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Examination of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	8-9
Schedule of Findings and Responses	10



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Independent Accountants' Report

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 assertions that Pike Creek Healthcare Services, LLC. (the "Facility") has complied with federal requirements (42 CFR 447.253 and 483 Subpart B) and state requirements (Title XIX Delaware Medicaid State Plan, Attachment 4.19D), as applicable, relative to the Facility'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 ("Statement" and "Survey", respectively) for the fiscal year ended June 30, 2011. The Facility's management is responsible for the assertions. Our responsibility is to express an opinion on the assertions based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and United States Government Accountability Office, *Government Auditing Standards* and, accordingly, included examining, on a test basis, evidence supporting management's assertions and performing such other tests as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, except for the items listed as adjustments on the accompanying Schedule of Adjustments on pages 4-7, management's assertions referred to above are fairly stated, in all material respects, based on the federal requirements (42 CFR 447.253 and 483 Subpart B) and state requirements (Title XIX Delaware Medicaid State Plan, Attachment 4.19D).

In accordance with *Government Auditing Standards*, we also issued our report dated June 30, 2013, on our consideration of the Facility's internal control over reporting for the Statement 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 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 Facility, 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

June 30, 2013

Pike Creek Healthcare Services, LLC.

Schedule of Adjustments to the Statement of Reimbursement Cost for Skilled and Intermediate
Care Nursing Facilities - Title XIX and the Nursing Wage Survey

Year ended June 30, 2011

Description	Page	Line	As Filed Amounts	Examination Adjustments		Adjusted Amounts	Adjusted Cost Per Day	Note Ref.
				No.	Amount			
<u>PART I - COST REPORT TRIAL BALANCE AND ADJUSTMENTS</u>								
<i>Primary Patient Care Costs (lines 1-5)</i>								
Nursing Staff Salaries								
Agency Costs	2	1a	\$ -	\$ -	\$ -			
Staff Nurse	2	1b	3,790,248	1	320,934	3,772,982		H-1
				2	(338,200)			H-2
			<u>3,790,248</u>		<u>(17,266)</u>	<u>3,772,982</u>		
Nursing Staff Benefits	2	2	806,117	1	68,257	802,445		H-1
				2	(71,929)			H-2
Nursing Training Salaries	2	3	196,726	1	16,658	195,830		H-1
				2	(17,554)			H-2
Other	2	4	<u>29,060</u>	1	<u>(29,060)</u>	<u>-</u>		J-1
Subtotal - Primary Patient Care Costs	2	5	4,822,151		(50,894)	4,771,257	\$ 135.50	
<i>Secondary Patient Care Costs (lines 6-14)</i>								
Clinical Consultants	2	6	150,719	1	(12,399)	138,320		H-1
Social Services	2	7	102,951	1	(8,469)	94,482		H-2
Employee Benefits	2	8	20,906	1	(1,720)	19,186		H-3
Raw Food	2	9	318,000	1	(26,160)	291,840		H-4
Medical Supplies	2	10	275,255	1	82,292	328,134		H-1
				2	(29,413)			H-2
Pharmacy	2	11	74,989	1	(6,169)	68,820		H-1
Other - Allowable Ancillary	2	12	<u>-</u>		<u>-</u>	<u>-</u>		
Subtotal - Secondary Patient Care Costs	2	14	942,820		(2,038)	940,782	26.72	
<i>Support Service Costs (lines 15-22)</i>								
Dietary	2	15	440,627	1	(36,247)	404,380		H-1
Operation and Maintenance of Facility	2	16	438,086	1	124,673	516,465		H-1
				2	(46,294)			H-2
Housekeeping	2	17	231,720	1	(19,062)	212,658		H-1
Laundry & Linen	2	18	153,275	1	(12,609)	140,666		H-1
Patient Recreation	2	19	152,599	1	(12,553)	140,046		H-1
Employee Benefits	2	20	56,088	1	(4,614)	51,474		H-1
Other	2	21	<u>-</u>		<u>-</u>	<u>-</u>		
Subtotal - Support Service Costs	2	22	1,472,395		(6,706)	1,465,689	41.62	

Pike Creek Healthcare Services, LLC.

Schedule of Adjustments to the Statement of Reimbursement Cost for Skilled and Intermediate Care Nursing Facilities - Title XIX and the Nursing Wage Survey, continued

Year ended June 30, 2011

<u>Description</u>	<u>Page</u>	<u>Line</u>	<u>As Filed Amounts</u>	<u>Examination Adjustments</u>		<u>Adjusted Amounts</u>	<u>Adjusted Cost Per Day</u>	<u>Note Ref.</u>
				<u>No.</u>	<u>Amount</u>			
<i>Administrative & Routine Costs (lines 23-32)</i>								
Owner/Executive Director Salary	2	23	136,151	1	(11,200)	124,951		H-1
Medical and Nursing Director Salary	2	24	621,037	1	(51,089)	569,948		H-1
Other Administrative Salaries	2	25	389,948	1	(32,078)	357,870		H-1
Employee Benefits	2	26	202,649	1	(16,671)	185,978		H-1
Medical Records	2	27	-		-	-		
Training	2	28	-		-	-		
Interest - Working Capital	2	29	-		-	-		
Home Office - Admin	3	30	713,829	1	(58,722)	655,107		H-1
Other	3	31	574,083	1	223,343	731,827		H-1
				2	(65,599)			
Subtotal - Administrative & Routine Costs	3	32	2,637,697		(12,016)	2,625,681	74.57	
<i>Capital Costs (lines 33-39)</i>								
Lease Costs	3	33	99,720	1	(8,203)	91,517		H-1
Interest - Mortgage	3	34	565,143	1	(46,491)	518,652		H-1
Property Taxes	3	35	97,548	1	(8,025)	89,523		H-1
Depreciation	3	36	690,728	1	255,754	990,377		E-1
				2	132,670			H-1
				3	(88,775)			H-2
Home Office Capital	3	37	55,425	1	(4,559)	50,866		H-1
Other	3	38	58,279	1	(4,794)	53,485		H-1
Subtotal - Capital Costs	3	39	1,566,843		227,577	1,794,420	50.96	
SUBTOTAL (lines 1-39)	3	40	11,441,906		155,923	11,597,829	329.35	

Pike Creek Healthcare Services, LLC.

Schedule of Adjustments to the Statement of Reimbursement Cost for Skilled and Intermediate Care Nursing Facilities - Title XIX and the Nursing Wage Survey, continued

Year ended June 30, 2011

<u>Description</u>	<u>Page</u>	<u>Line</u>	<u>As Filed Amounts</u>	<u>Examination Adjustments</u>		<u>Adjusted Amounts</u>	<u>Adjusted Cost Per Day</u>	<u>Note Ref.</u>
				<u>No.</u>	<u>Amount</u>			
<i>Ancillary Costs - (lines 41-49)</i>								
Laboratory	3	41	52,358	1	(4,307)	48,051		H-1
X-Rays	3	42	61,178	1	(5,033)	56,145		H-1
Physical Therapy	3	43	920,279	1	370,235	1,184,352		H-1
				2	(106,162)			H-2
Occupational Therapy	3	44	915,928	1	(75,347)	840,581		H-1
Speech Therapy	3	45	150,396	1	(12,372)	138,024		H-1
Pharmacy (Rx)	3	46	999,634	1	(82,233)	917,401		H-1
Oxygen	3	47	-		-	-		
Non Allowable Expenses	3	48	-		-	-		
Subtotal - Ancillary Costs	3	49	3,099,773		84,781	3,184,554	90.44	
<i>Other Costs - (lines 50-52)</i>								
Gift, Beauty Shop, etc.	3	50	3,184	1	(262)	2,922		H-1
Util. Review	3	51	-		-	-		
Subtotal - Other Costs	3	52	3,184		(262)	2,922	0.08	
TOTAL COSTS	3	53	\$ 14,544,863		\$ 240,442	\$ 14,785,305	\$ 419.87	

PART II - COST REPORT PATIENT DAYS

Total beds	6	3	111		-	111		
Total bed days available	6	4	40,515		-	40,515		
Medicaid Patient Days	6	5A	17,763	1	25	17,788		K-1
Medicare Patient Days	6	5B	14,476	1	164	14,640		K-1
Private Pay Patient Days	6	5C	1,255	1	81	1,336		K-1
Other Patient Days	6	5D	2,092	1	(643)	1,449		K-1
90% minimum census threshold	6		36,464		-	36,464		
Total census days	6	5E	35,586	1	(373)	35,213		K-1

Pike Creek Healthcare Services, LLC.

Schedule of Adjustments to the Statement of Reimbursement Cost for Skilled and Intermediate Care Nursing Facilities - Title XIX and the Nursing Wage Survey, continued

Year ended June 30, 2011

Description	Page	Line	As Filed Amounts	Examination Adjustments		Adjusted Amounts	Adjusted Cost Per Day	Note Ref.
				No.	Amount			
<u>PART III - NURSING WAGE SURVEY</u>								
<i>II. Staff Nurse Information</i>								
RNs - Total Hours	9	B	1,141	1	65	1,206		NWS-1
CNAs - Total Hours	9	B	4,291	1	161	4,452		NWS-1

PART IV - DETAILED EXPLANATION OF ADJUSTMENTS

- J-1 *To remove ambulance fees, which are reimbursed separately and not an allowable cost.*
- E-1 *To adjust depreciation expense, which was originally calculated using federal tax methods, to straight-line depreciation allowable on the Cost Report.*
- H-1 *To adjust allocation for superskilled indirect costs. The allocation for superskilled indirect costs between cost centers changed due to the adjustments made to Depreciation and Other Primary Costs. This entry reverses the original entry recorded by provider.*
- H-2 *To record adjusted allocation for superskilled indirect costs. This entry records the corrected allocation after all adjustments, and breaks out the allocation between line items instead of by cost center.*
- K-1 *To adjust patient bed days reported to agree to supporting documentation.*
- NWS-1 *To adjust Nursing Wage Survey to agree to supporting documentation. Staff Nurse RN's and Staff Nurse CNA's Total Hours did not include non-productive time, including sick, vacation, and Bailer time. Per the cost report instructions, these hours should be included on the report.*



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Independent Accountants' 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
Department of Health & Social Services
Division of Social Services Medicaid
Dover, Delaware

We have examined management's assertions that Pike Creek Healthcare Services, LLC. (the "Facility") has complied with federal requirements (42 CFR 447.253 and 483 Subpart B) and state requirements (Title XIX Delaware Medicaid State Plan, Attachment 4.19D), as applicable, relative to the Facility'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 ("Statement" and "Survey", respectively) for the fiscal year ended June 30, 2011, and have issued our report thereon dated June 30, 2013, which was qualified due to the required adjustments reported in the Schedule of Adjustments accompanying it. 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 Facility is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our examination, we considered the Facility'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 Facility's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Facility'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 Statement and/or Survey 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 Facility's Statement 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 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 Facility in a separate letter dated June 30, 2013.

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 Facility, 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

June 30, 2013

PIKE CREEK HEALTHCARE SERVICES, LLC
Schedule of Findings and Responses

June 30, 2011

CURRENT YEAR CONDITIONS

NONE