



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

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

For the period July 1, 2014 to June 30, 2015

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

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Independent Accountant's 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, 2014 to June 30, 2015, 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 facilities have at least two obstetricians who have staff privileges at the facility 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 facility 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 facilities 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 the facilities 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 ("UCC") 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 the facilities' 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.

Our examination disclosed a material misstatement related to the calculation of the Medicaid eligible individuals by the Delaware Psychiatric Center ("DPC"). The report used to calculate the Medicaid Inpatient Days by DPC contained patients that were not present at the facility during the time period covered by the report. DPC management was unable to determine the cause of this error and manually reconstructed the report at our request. The corrected report resulted in a decrease in Medicaid bed days from 15,663 as originally reported to 6,994. This caused a decrease in the utilization rate from 46.69% as reported to 25.63%, and a decrease in UCC from \$24.9 million to \$19.4 million. As the adjusted amount of UCC was still greater than the amount received, no adjustment was proposed.

In our opinion, except for the material misstatement described in the preceding paragraph relating to the Delaware Psychiatric Center, 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, 2014 to June 30, 2015.

The Disproportionate Share Report for the year ended June 30, 2015 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, December 20, 2017, on our consideration of the Program'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 Delaware Psychiatric Center, the Board of Directors and management of Saint Francis Hospital, the Board of Directors and management of MeadowWood Behavioral Health Systems, 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
December 20, 2017

STATE OF DELAWARE
DEPARTMENT OF HEALTH AND SOCIAL SERVICES
DIVISION OF MEDICAID AND MEDICAL ASSISTANCE
ANNUAL DISPROPORTIONATE SHARE HOSPITAL REPORT
YEAR ENDED JUNE 30, 2015

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
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	Medicaid Provider Number	Medicare Provider Number	Total Hospital Cost
St. Francis Hospital	\$ 9,622,432	29.28%	46.46%	(1)	\$ 2,084,043	\$ 28,962,607	\$ -	\$ 31,046,650	\$ 32,895,418	\$ 1,848,768	\$ 147,507	\$ -	\$ 7,921,171	\$ 7,773,664	\$ 9,622,432	\$ 8,403,630	1295738896	08-0003	\$ 128,160,974
Institutes for Mental Disease																			
Delaware Psychiatric Center, as filed	\$ 22,396,639	46.69%	95.59%	(2)	\$ 1,405	\$ -	\$ -	\$ 1,405	\$ 15,125,173	\$ 15,123,768	\$ 191,171	\$ -	\$ 9,951,153	\$ 9,759,982	\$ 24,883,749	\$ 3,231,754	1356482970	08-4001	\$ 39,204,935
Delaware Psychiatric Center, as adjusted (4)	\$ 17,459,739	25.63%	95.59%	(2)	\$ 1,405	\$ -	\$ -	\$ 1,405	\$ 6,752,680	\$ 6,751,275	\$ 191,171	\$ -	\$ 12,838,202	\$ 12,647,031	\$ 19,398,306	\$ 3,231,754	1356482970	08-4001	\$ 39,204,935
Meadowood Behavioral Health System (5)	\$ -	27.87%	32.98%	(2)	\$ 280,425	\$ 4,403,659	\$ -	\$ 4,684,084	\$ 3,811,055	\$ (873,029)	\$ 1,767,805	\$ -	\$ 1,583,519	\$ (184,286)	\$ (1,057,315)	\$ 10,000	(3)	(3)	\$ 17,365,295
Out-of-District DSH Hospitals																			
None																			

- (1) State defined Disproportionate Share Hospital 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 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 Disproportionate Share Hospital 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%
- (3) Not provided by facility.
- (4) Please see Finding 15-001.
- (5) Payment returned by facility. Please see Finding 15-002

Supplementary Material



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Independent Accountant's 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
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, 2014 to June 30, 2015, 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

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and responses to be material weaknesses: 15-001.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies: 15-002.

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 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 15-003.

We noted certain matters that we reported to management of the related facilities in separate letters dated December 20, 2017.

Management's Response to Findings

Management's response to the findings identified in our examination are described in the accompanying schedule of findings and responses. The Program's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on them.

Purpose of this Report

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 Delaware Psychiatric Center, the Board of Directors and management of Saint Francis Hospital, Board of Directors and management of MeadowWood Behavioral Health, 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

December 20, 2017

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

June 30, 2015

CURRENT YEAR CONDITIONS

CONDITION 15-001

Condition: During testing of patient eligibility for the Delaware Psychiatric Center (“DPC”), we noted that the report used to calculate the Medicaid Inpatient Days contained patients that were not present at the facility during the time period covered by the report.

Criteria: 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, should be 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.

Cause: The report used by DPC to calculate Medicaid Inpatient Days contained patients that were not present at the facility during the time period covered by the report. DPC management was unable to determine the cause of this error, and manually reconstructed the report at our request.

Effect: The resulting difference was a decrease in Medicaid bed days from 15,663 as originally reported to 6,994 as corrected. This caused a decrease in the utilization rate from 46.69% as reported to 25.63%, and a decrease in UCC from \$24.9 million to \$19.4 million. As the adjusted amount of UCC was still greater than the amount received, no adjustment was proposed.

Suggestion: Facility management should ensure that all data used to prepare the report is accurate and appropriate.

Management’s

Response: None provided.

* * * * *

CONDITION 15-002

Condition: During our examination of the report filed by Meadowood Behavioral Health Systems ("MBH"), it was noted that the reported amounts resulted in a negative UCC, meaning all of the costs incurred by the facility were compensated in some form. MBH erroneously received a \$10,000 DSH payment, which was the minimum amount for an Institute of Mental Disease ("IMD") to receive under the guidance, for which they were not eligible.

Criteria: 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, should be 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.

Cause: There were no costs incurred by MBH that qualified as uncompensated costs.

Effect: MBH received a payment for \$10,000 for which they were not eligible. Upon our discovery of this error, MBH returned the payment to the Program. As the amount paid to MBH was clearly trivial to the Program as a whole, it is not deemed to be a material weakness for the Program.

Suggestion: Program management should institute controls whereby filed reports are recalculated and reviewed to determine whether the facilities are eligible for any type of DSH payment prior to issuing those payments.

Management's
Response: None provided

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CONDITION 15-003:

Condition: During testing of payroll and employee records at the Delaware Psychiatric Center ("DPC"), seventeen out of sixty items selected for testing had both overtime and shift differential hours. For these seventeen items, the overtime rate was not calculated in accordance with the Fair Labor Standards Act ("FLSA").

Criteria: Overtime pay for non-exempt employees is to be computed in accordance with the FLSA. Under the FLSA, overtime pay is determined by multiplying the employee's "straight time of pay" by all overtime hours worked PLUS one-half of the employee's "hourly regular rate of pay" times all overtime hours worked (5 CFR part 551).

The "hourly regular rate of pay" is calculated by dividing the total amount of pay earned, including shift differentials, by the total number of hours worked.

Cause: DPC did not use the prescribed method when calculating overtime pay. DPC calculated overtime pay by multiplying the employee's "straight time of pay" by 1.5, adding the related shift differential, and then multiplying by overtime hours worked. This was not detected and corrected by Program management.

Effect: The amount of payroll tested was \$61,761, and overtime paid for the seventeen items was \$6,395. Had DPC calculated overtime under the FLSA guidelines, overtime pay would have been \$6,765, or a difference of \$370 (0.6% and 5.9% of payroll tested and overtime tested, respectively). The difference is clearly trivial, and as the amount paid was properly reported on the submitted report, no adjustment was proposed.

Suggestion: Program management should review the payroll processes and procedures for the Facilities under the Program and ensure they are in compliance with all federal and state regulations.

Management's

Response: None provided.

PRIOR YEAR CONDITIONS

CONDITION 14-001:

Condition: During testing of payroll and employee records at the Delaware Psychiatric Center ("DPC"), fifteen out of sixty items selected for testing had both overtime and shift differential hours. For these fifteen items, the overtime rate was not calculated in accordance with the Fair Labor Standards Act ("FLSA").

Criteria: Overtime pay for non-exempt employees is to be computed in accordance with the FLSA. Under the FLSA, overtime pay is determined by multiplying the employee's "straight time of pay" by all overtime hours worked PLUS one-half of the employee's "hourly regular rate of pay" times all overtime hours worked (5 CFR part 551).

The "hourly regular rate of pay" is calculated by dividing the total amount of pay earned, including shift differentials, by the total number of hours worked.

Cause: DPC did not use the prescribed method when calculating overtime pay. DPC calculated overtime pay by multiplying the employee's "straight time of pay" by 1.5, adding the related shift differential, and then multiplying by overtime hours worked. This was not detected and corrected by Program management.

Effect: The amount of payroll tested was \$80,073, and overtime paid for the fifteen items was \$6,294. Had DPC calculated overtime under the FLSA guidelines, overtime pay would have been \$5,910, or a difference of \$384 (0.5% and 6.1% of payroll tested and overtime tested, respectively). The difference is clearly trivial, and as the amount paid was properly reported on the submitted report, no adjustment was proposed.

For the period under examination, DPC paid an overtime rate greater than what would have been calculated under the FLSA for those items tested. However, the risk is present that using a calculation other than the prescribed guidance could result in a lower rate of pay and DPC would not be in compliance with the FLSA.

Suggestion: Program management should review the payroll processes and procedures for the Facilities under the Program and ensure they are in compliance with all federal and state regulations.

Management's
Response: No response provided.

CURRENT STATUS OF PRIOR YEAR CONDITION

This condition has not been corrected as of June 30, 2015. See current year Condition 15-003.

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CONDITION 14-002

Condition: MeadowWood Behavioral Health ("MBH") was unable to provide adequate support for samples selected related to payroll and expenditure testing.

Criteria: CMS-2198-F, "General DSH Audit and Reporting Protocol", requires that Disproportionate Share Hospitals provide the state with specific cost and revenue data, including backup documentation, which an independent auditor may use to examine the required report. In addition, the facilities need to continue to provide information to the state that is required to determine DSH qualifications.

Cause: MBH did not keep adequate records supporting the cost and revenue data provided to the state.

Effect: The facility was unable to substantiate the amounts reported on the Disproportionate Share Hospital Payments Program Report submitted to the state. There was no way to adequately support the uncompensated care costs reported. Consequently, BDO was unable to determine if the uncompensated costs were appropriately reported. The facility is deemed to be out of compliance with the reporting guidance and requirements.

The amount of DSH Payments received by MBH was \$10,000, out of a total of \$11,638,966 or less than 0.1%. The amount paid to MBH was clearly trivial to the Program as a whole, consequently, it is not deemed to be a significant compliance finding for the Program.

Suggestion: Program management should consider requesting repayment of the amount paid to MBH.

Management's

Response: No response provided.

CURRENT STATUS OF PRIOR YEAR CONDITION

The condition has not been corrected as of June 30, 2015. There is no related current year finding reported as the monies received for the year ended June 30, 2015 were returned to the Program (see Condition 15-002), consequently the records of the facility were not included in our examination testing procedures for the current year. As there were no procedures performed over the current year records, we are unable to comment as to whether there would be a similar condition in the current year.

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