



**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, 2016 to June 30, 2016



**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**

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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, 2015 to June 30, 2016, 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.

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, 2015 to June 30, 2016.

The Disproportionate Share Report for the period ended June 30, 2016 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, 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, 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

July 7, 2020

## Supplementary 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, 2016

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	\$ 11,227,748	34.81%	43.16%	(1)	\$ 3,479,725	\$ 29,622,175	\$ -	\$ 33,101,900	\$ 38,898,864	\$ 5,796,964	\$ -	\$ 130,739	\$ 5,561,523	\$ 5,430,784	\$ 11,227,748	\$ 8,581,249	1295738896	08-0003	\$ 131,909,414
<b>Institutes for Mental Disease</b>																			
Delaware Psychiatric Center, as filed	\$ 23,953,382	21.71%	95.90%	(2)	\$ 386	\$ -	\$ -	\$ 386	\$ 6,093,609	\$ 6,093,223	\$ 174,114	\$ -	\$ 20,695,374	\$ 20,521,260	\$ 26,614,483	\$ 3,246,828	1356482970	08-4001	\$ 40,467,601
Delaware Psychiatric Center, as adjusted (3)	\$ 23,844,141	21.71%	95.90%	(2)	\$ 386	\$ -	\$ -	\$ 386	\$ 6,147,682	\$ 6,147,296	\$ 174,114	\$ -	\$ 20,519,922	\$ 20,345,808	\$ 26,493,490	\$ 3,246,828	1356482970	08-4001	\$ 40,467,601
<b>Out-of-District DSH Hospitals</b>																			
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) Please see Finding 16-001



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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, 2015 to June 30, 2016, 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.

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. 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 was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 16-001 that we consider to be significant deficiencies.



### **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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### **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, 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

Wilmington, DE

July 7, 2020

**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, 2016*

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**CURRENT YEAR CONDITIONS**

**CONDITION 16-001**

**Condition:** During testing of patient eligibility for the Delaware Psychiatric Center (“DPC”), we noted that one patient was listed twice on the census documentation.

**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 one patient that was counted twice. DPC management researched the error, and determined it was due to the manner in which the report was generated.

**Effect:** The resulting difference was a decrease in total bed days from 38,883 as originally reported to 38,541 as corrected. This caused a decrease in the Disproportionate Share Limit of \$109,242, from \$23,953,382 to \$23,844,141. 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:** Facility management has updated the instructions as to how to generate the report. In addition, they are manually reviewing the reports on a monthly basis to ensure that the error will not be repeated.

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**PRIOR 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.

**CURRENT STATUS OF PRIOR YEAR CONDITION**

The results of our testing over census for the current year resulted in no exceptions related to patients who were not present at the facility during the period.

\* \* \* \* \*

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

CURRENT STATUS OF PRIOR YEAR CONDITION

MBH neither filed nor received a DSH payment for the year ended June 30, 2016 as they were not eligible.

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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.

CURRENT STATUS OF PRIOR YEAR CONDITION

The results of our testing over payroll resulted in no exceptions related to the overtime calculation of pay rates.

\* \* \* \* \*