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Milwaukee Health Services, Inc. Est. 1989

November 9, 2001

Your Health is Our Business

Seth L. Foldy, MD
Commissioner of Health
Frank P. Zeidler Municipal Building
841 North Broadway, Room 112
Milwaukee, WI 53202-3653

*Dr. Martin Luther King –
Heritage Health Center*

Isaac Coggs Health Center

Behavioral Health Services Center

North Division Health Center

Oral Health Clinic

Dear Dr. Foldy:

As per the request from our meeting of last week with your office and other representatives from the City, please find attached the following:

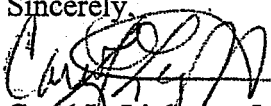
- The Reorganization Plan Narrative for Milwaukee Health Services, Inc. (MHSI)
- MHSI Proposed Organizational Chart
- Projected One Year Budget that includes:
 - Schedule 1 – Summary of Revenues and Expenses
 - Schedule 2 – Patient Services Revenue Generator
 - Schedule 3 – Grants and Other Revenues
 - Schedule 4 – Expense Summary

Also included in the package is the Projected Five Year Plan which includes a *Summary of Revenues and Expenses and Cash Flow*. An Article highlighting information about "Reviving Troubled Health Centers" is included in the package for your review.

If you have questions, or wish to discuss this prior to distributing to other parties, please contact me at 265-2149.

Thank you for your continued support.

Sincerely,


Carol L. Lightsey, Interim CEO

Cc: Representative Spencer Coggs

Attachment

MILWAUKEE HEALTH SERVICES, INC.
2755 North Dr. Martin Luther King, Jr. Drive
Milwaukee, WI 53212

REORGANIZATION PLAN

NARRATIVE:

This Reorganization Plan is presented in two parts. Part I outlines the recommended staffing, funding levels, and service area(s) adjustments for MHSI based on a User Population of approximately 17,000 area residents. This plan reduces staffing from 144.9 to 107.5 resulting in 37.4 layoffs. It also downsizes this organization from a \$13.5 million dollar operation to an \$8.2 million dollar program.

Part II offers suggestions for retiring MHSI's debt of approximately 5-6 million dollars. This plan is recommended in keeping with the Board's objective(s) to reduce cost and improve the efficiency of all operations of the organization while maintaining its mission "to ensure and maintain access to quality comprehensive health services for Milwaukee residents and the medically underserved population in a managed care environment."

Note that under this plan the Board will be reconstituted and the senior administration will be newly recruited.

PART I

Milwaukee Health Services, Inc. currently operates four service sites in three locations. The Corporate office and primary care site located at 2555 North Dr. Martin Luther King, Jr. Drive; the Isaac Coggs Health Center located at 2770 North 5th Street houses primary adult care, HIV Program, and the Behavioral Health Services Center; and the TEaCH Program at the North Division High School.

Services at all sites will continue to be provided as previously offered. However, it is recommended that services at the Isaac Coggs site be consolidated from three (3) floors to two (2) floors as follows:

First Floor:

1. Primary Care
2. Registration/Scheduling
3. Medical Records
4. Case Management
5. X-ray
6. Lab
7. Heart Clinic
8. Patient Information
9. Triage

Second Floor:

1. Human Resources - Rm 206
2. Administration - Rm 206
3. Pharmacy - Rm 220 and 221
4. Billing to Heart Clinic
5. Behavioral Health
6. HIV

This plan relocates pharmacy and billing to the second floor and eliminates any MHSI services on the 2R Floor. Human Resources will be relocated to the 2nd floor from the sub

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2755 North Dr. Martin Luther King, Jr. Drive
Milwaukee, WI 53212

1R floor. These two moves will reduce the amount of space (sq. ft.) required for MHSI services thereby reducing the rental expenses at the Isaac Coggs Site.

The Heart Clinic will be housed and incorporated into the primary care clinic to allow for continuity of care.

An analysis of the current activity at Isaac Coggs reveals high utilization in primary care by the senior citizen population. It also reveals that peak hours of services are primarily between 8:30 a.m. - 1:00 p.m. Therefore, it is recommended that Primary Care services be offered at this site Monday – Friday from 8:30 a.m. – 1:00 p.m. and on Wednesday from 8:30 a.m. – 5:00 p.m. These times will still allow for building capacity (increase in users) in this category.

Further cost saving items recommended via this Reorganization Plan is to outsource Pharmacy (Lease Pharmacy to be serviced in-house) and to outsource Lab Services. X-Ray Services will be conducted at both sites with alternating schedules.

Personnel By Position:

Personnel	Total FTEs	Total FTEs	Variance	
	Current	Reorg		
Positions				
Executive Director	1	1	0	
Chief Operating Officer	1	0	1	
Director of Operations	0	1	(1)	
Medical Director	1	1	0	
Fiscal Officer	1	1	0	
Position Categories - Clinical				
Physicians/Providers	18.65	9.5	9.15	
Dentists	4	2	2	
BHSC Contractual	6	3	3	
Nurse Practitioner/P.A.s	3	3	0	
Nurses	13	8	5	
Lab Technicians	5	3	2	
Medical Assistants	8	8	0	
Dental Support	9	7	2	
X-Ray OSHA	3	1	2	
HIV Program	2	2	0	
Position Categories – Administrative				
Medical Records	9	6	3	
Human Resources	1	2	(1)	
Administrative Support	35.25	32	3.25	
Other	24	19	5	
TOTAL	144.9	107.5	37.4	

*See Attached Draft of Proposed Organization Chart

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BUDGET NARRATIVE:

Personnel –

The total budgeted for salaries under the Reorganization Plan is \$4,157,255 which represents a decrease of \$1,803,246 from the current budget period. Under the Reorg Plan there is a decrease in staff of approximately 37.4 FTEs.

Fringe –

Fringe benefits under the Re-Org Plan are approximately 20% as opposed to the current rate of 22%. The 2% adjustment is due in great part to the institution of employee contributions to the Health Insurance Plan and the elimination of full coverage of a dental plan by MHSI. Further considerations for cost savings around the pension plan are under review.

Travel –

Travel costs are budgeted at \$26,500 which is a \$32,160 reduction in the current budget. This category includes CME for providers, Board and Management Travel, Staff Development and Local Travel.

Equipment –

No equipment costs are budgeted for this Reorganization.

Supplies –

All supplies are based on current and historical costs and the projected productivity levels by service area.

Contractual –

Contractual Services are estimated at \$2,506,000, which is a \$2,306,002 reduction in the current budget. This is due to outsourcing and renegotiations of current contracts at lower rates.

Construction –

(No costs projections are available at this time. However, this is an area where there may be some expenses incurred depending upon the results of long-term planning to be completed by the end of this calendar year.)

Other Costs –

This area's cost reduction from the current budget is approximately \$311,000 which is due to the Reorganization Plan and the reclassification of some items to other categories.

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PART II

The current Accounts Payable records for MHSI lists 156 vendors/accounts that total approximately \$4.7 million. However, the total debt is estimated to be at \$5-6 million which includes the additional funds of nearly \$1 million requested from BPHC for continued operational expenses for MHSI for the last four months of the grant year (October 2001 – January 2002). Also, not included in the debt figure is the possible obligation of a “payback” to Medicaid for overpayment over the past five years. The Medicaid audit is in process; however, a sample conducted by the State of Wisconsin’s Medicaid office “suggests” that overpayment may be attributed to inflated encounters of approximately 25% for the past five years. Based on this, a review and calculation of the past five years was conducted by ACS (financial consultant) which indicate a possible exposure of approximately \$2 million.

MHSI’s A/P lists seven (7) vendors/accounts that exceed \$100,000. These vendors account for over 50% of the debt. They are:

City of Milwaukee	\$524,114 (Med Waiver Pay Back)
	\$406,589 (Rent)
PrimeMed.....	\$759,058
North Milwaukee State Bank	\$717,735
Aurora Health Systems	\$277,736
DynaCare Lab	\$209,544
Wisconsin Department of Commerce.....	\$117,281
Walgreen	\$111,583

Assumptions for retiring the debt are based on the following:

- Refinance MLK Health Center Building. Any funds realized would be used to retire debt.
- Request from City a reduction of rent payback of approximately 75%.
- Request that City rollback rent in future.
- Med Waiver Pay Back to be achieved through accounts receivables on encounters and pharmacy activity now being billed for 1999.
- Re-negotiating outstanding invoices with PrimeMed.....anticipating (at a minimum) a 40% reduction in current A/P amount. Will negotiate a payout plan over the next 3-5 years.
- Requesting a total forgiveness from Aurora Health System or a 50% payback on outstanding amount. (Center delivers only at Sinai which is part of the Aurora Health System)
- Renegotiating with DynaCare Lab for payback of \$.50 on the dollar. Also, will outsource lab services to DynaCare.
- Negotiating with Wisconsin Department of Commerce to reduce debt by 50% based on job creation.

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2755 North Dr. Martin Luther King, Jr. Drive
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- **Renegotiate with Walgreen to reduce debt by 40% based on agreements made between Walgreen and Center in the early 90's for provision of reduced cost of meds for Saturday Clinic patients.**

Negotiations will be held with the remaining vendors to establish a payment plan over the next 3-5 years.

The Center, under its new Reorganization Plan, expects to realize approximately \$108,000* annually. This excess program income will be used to retire debt.

***Note that this amount could be increased to \$308,000 with favorable consideration of our request from the City of Milwaukee.**

ATTACHMENTS

MHSI PROPOSED ORGANIZATIONAL CHART

PROJECTED ONE YEAR BUDGET

Schedule 1 - Summary of Revenues and Expenses

Schedule 2 – Patient Services Revenue Generator

Schedule 3 - Grants and Other Revenues

Schedule 4 – Expense Summary

FIVE YEAR PLAN

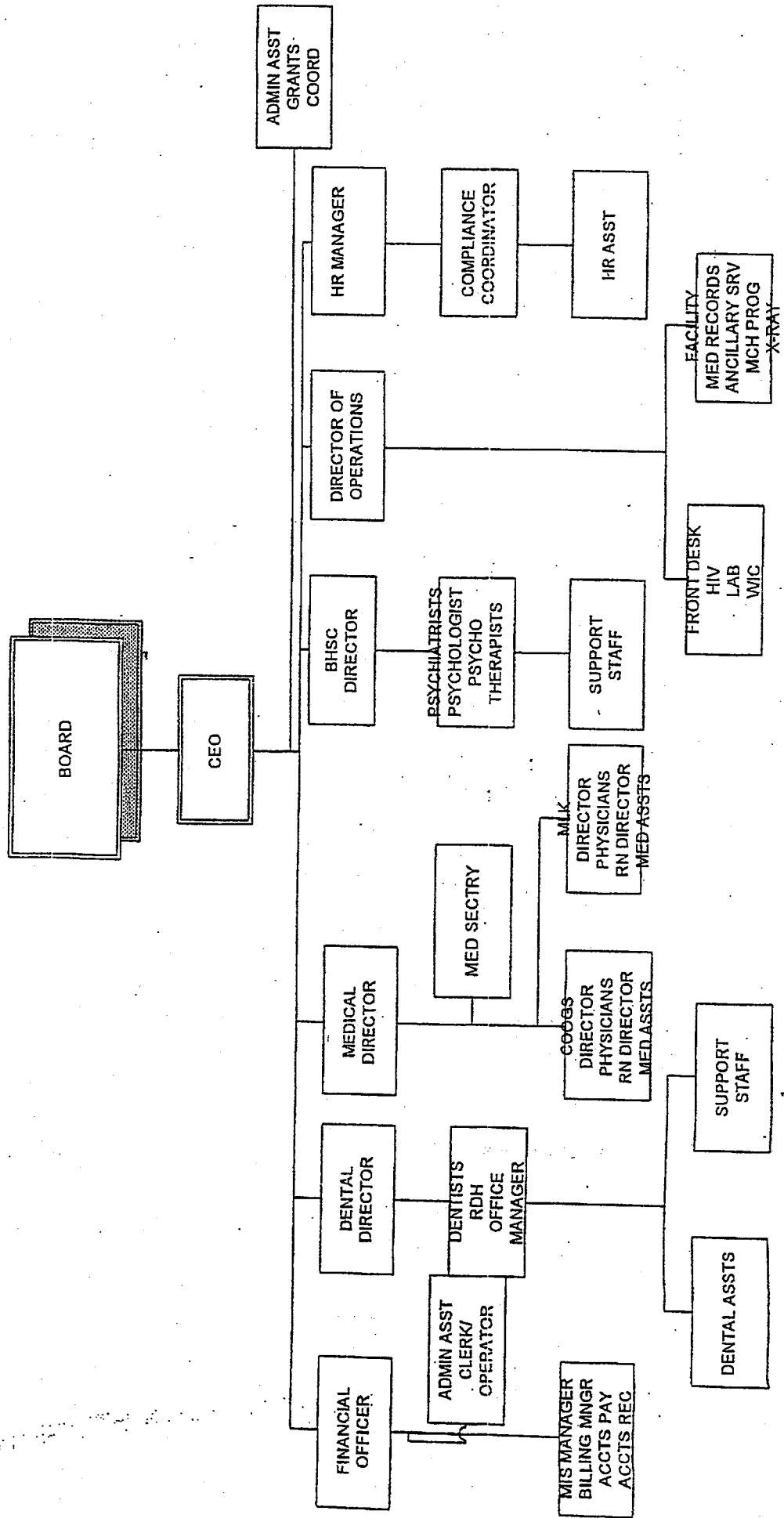
Summary of Revenues and Expenses and Cash Flow

ARTICLE ABOUT REVIVING TROUBLED HEALTH CENTERS

MILWAUKEE HEALTH SERVICES, INC.

ORGANIZATIONAL CHART

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	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	TOTAL	YTD

REVENUES

Patient Service Revenue:	630000	705000	675000	705000	705000	705000	705000	675000	705000	675000	675000	765000	8295000
Gross Visit Services	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross Ancillary Service	630000	705000	675000	705000	705000	705000	705000	675000	705000	675000	675000	765000	8295000
Less Allowances	200,656	224,544	214,989	224,544	214,989	224,544	224,544	214,989	224,544	214,989	214,989	243,654	2,641,973
Net Patient Revenues	429,344	480,456	460,011	480,456	480,456	480,456	480,456	460,011	480,456	460,011	460,011	521,346	5,653,027
Capitation Revenues	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Revenues	249,500	249,500	249,500	249,500	249,500	249,500	249,500	249,500	249,500	249,500	249,500	251,100	2,995,600
Total Revenues	678,844	729,956	709,511	729,956	709,511	729,956	729,956	709,511	729,956	709,511	709,511	772,446	8,648,627

EXPENSES

Operating Expense :	382,814	423,830	410,158	423,830	410,158	423,830	423,830	410,158	423,830	410,158	423,830	423,830	4,990,255
Salaries and Benefits	140,917	140,917	140,917	140,917	140,917	140,917	140,917	140,917	140,917	140,917	140,917	140,917	1,691,000
Contracted Services	54,417	54,417	54,417	54,417	54,417	54,417	54,417	54,417	54,417	54,417	54,417	54,417	653,000
Occupancy Related	79,667	79,667	79,667	79,667	79,667	79,667	79,667	79,667	79,667	79,667	79,667	79,667	956,000
All Other	657,814	698,830	685,158	698,830	685,158	698,830	698,830	685,158	698,830	685,158	698,830	698,830	8,290,255
Total Operating Expense	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	250,000
Deprec/Amortization													
NET REVENUES	196	10,293	3,520	10,293	3,520	10,293	10,293	3,520	10,293	3,520	(10,152)	52,783	108,372

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Addit'l Allow. Uncoll. Acc'ts

[illegible]**Total Allowance**[illegible]

HEALTH CENTER - Net Rev. Generator

Rate Change Est.

FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	AVER.
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Gross	\$ 150
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FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	TOTAL
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(Note: If no visits enter 0 in appro. cell)

[illegible]

Capitation Rev Generator

Number of Covered Lives

[illegible]

Rate Per Number of Lives

Contract 1	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Contract 2	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Contract 3	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Contract 4	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Capitation Revenue Per Contract

[illegible]

GRANTS AND OTHER REVENUES

	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTAL
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SCHEDULE 4

EXPENSE SUMMARY

	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	TOTAL	FTE
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SALARIES:

Medical	149,963	166,031	160,675	166,031	160,675	166,031	166,031	160,675	166,031	160,675	166,031	166,031	1,954,880	46.5
Dental	25,099	27,788	26,892	27,788	26,892	27,788	27,788	26,892	27,788	26,892	27,788	27,788	327,180	8.0
Mental Health	24,212	26,806	25,942	26,806	25,942	26,806	26,806	25,942	26,806	25,942	26,806	26,806	315,622	6.3
Other Health	4,748	5,257	5,088	5,257	5,088	5,257	5,257	5,088	5,257	5,088	5,257	5,257	61,900	2.0
Social Services	6,766	7,491	7,249	7,491	7,249	7,491	7,491	7,249	7,491	7,249	7,491	7,491	88,200	3.0
WIC	13,221	14,638	14,166	14,638	14,166	14,638	14,638	14,166	14,638	14,166	14,638	14,638	172,349	6.0
Medical Records	12,429	13,761	13,317	13,761	13,317	13,761	13,761	13,317	13,761	13,317	13,761	13,761	162,025	7.0
Administration/Finance	71,484	79,143	76,590	79,143	76,590	79,143	79,143	76,590	79,143	76,590	79,143	79,143	931,843	21.5
Facility/Security	10,990	12,167	11,774	12,167	11,774	12,167	12,167	11,774	12,167	11,774	12,167	12,167	143,256	7.0

Total Salaries	318,913	353,082	341,692	353,082	341,692	353,082	353,082	341,692	353,082	341,692	353,082	353,082	4,157,255	107.3
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Fringe Benefits	0.2	63,901	70,748	68,466	70,748	68,466	70,748	68,466	70,748	68,466	70,748	70,748	833,000	
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Total Personnel Costs	382,814	423,830	410,158	423,830	410,158	423,830	423,830	410,158	423,830	410,158	423,830	423,830	4,990,255	
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Contracted Services	140,917	140,917	140,917	140,917	140,917	140,917	140,917	140,917	140,917	140,917	140,917	140,917	1,691,000	
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Facility Related	54,417	54,417	54,417	54,417	54,417	54,417	54,417	54,417	54,417	54,417	54,417	54,417	653,000	
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All Other	79,667	79,667	79,667	79,667	79,667	79,667	79,667	79,667	79,667	79,667	79,667	79,667	956,000	
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Total Expenses	657,814	698,830	685,158	698,830	685,158	698,830	698,830	685,158	698,830	685,158	698,830	698,830	8,290,255	
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REVIVING TROUBLED HEALTH CENTERS

Health centers see new life in light of new leadership

By Michael A. Pinkelman
Staff Writer

Leadership can make or break any organization — whether a family, a school, or an international corporation. Effective leaders are a crucial link, bringing everyone involved together, working toward the same goals, creating the same vision. In the case of health centers, it simply becomes a matter of survival.

Living on the precarious edge of financial solvency, many health centers struggle to stay afloat, searching for funding that will allow them to continue their mission. The board of directors, the executive director, and the staff can each end up with different goals in mind and, as a result, health centers can fail in the most heartbreaking manner.

There are stories about the "almosts" and "could-have-beens" in the community health center program, but for every tale of success, there is an underlying fear of insurmountable challenge. These are two stories about health centers on the verge of collapse, that, through leadership intervention,

creative resolution, and the will to continue to serve uninsured and underserved persons, have come out on the other side, to see the light of a new day, a rebirth of spirit, and a stronger commitment to their communities.

SALUD PARA LA GENTE, WATSONVILLE, CA

In December, 1997, Salud para La Gente, Inc., a migrant farm worker health center in Watsonville, California was nearly bankrupt. Financial problems had prompted the clinic to lay off 25 percent of its provider staff and both federal government officials and the state department of health services were preparing to de-fund the operation.

Regional health officials, realizing the possibility of having a large migrant population without access to healthcare, sought a solution. Working in conjunction with Edison Jenson, the Salud board chair, they decided to enlist Arcadio Viveros as executive director. Viveros, a former migrant worker, had worked extensively with

migrant health centers across the state.

"Edison gave me a call to ask if I could help out. I asked him to tell me the good, the bad, and the ugly. So he gave me the whole picture," Viveros said. "The center had a \$1 million operational deficit. There was turmoil between the staff, the board, and the director. There was a lot of chaos." Viveros had seen a great deal of the world of migrant workers whose living situation he compares to that of third world countries, so he felt an obligation to fight for the center.

The situation was grim, according to Viveros. With staff discontent and debt building, he knew that immediate action was necessary and looked at what he felt were the biggest problems: center finances and staff morale — two components that were vital for the re-stabilization of the clinic. "My first objective was to instill a sense of hope in the staff. We needed to not lose sight of our mission. We needed more patients and I needed to build a team of managers that would carry this center forward." Viveros got busy. According to clinic records,

the physicians were below average on the number of patients seen. They were not working as efficiently as they could. By pushing the staff to increase productivity and see more patients, he set precedence for future financial viability through increased patient flow and fees. He hired a new medical director, establishing a position that had been vacant for the previous three years. He felt that would also lead to increased provider productivity and efficiency.

Simultaneously, he began to deal with the debt. His first priority was to address repayment of a looming \$340,000 line of credit due to the bank. "I went to the bank officials and asked them to please forgive the loan. They laughed at me. They thought that I was crazy and said that they are in the business of making money and do not forgive loans," Viveros said. However, after many discussions, his tenacity and persistence paid off. He convinced the bank to forgive two-thirds of the debt as part of the Community Investment Act, enacted to help minority communities strengthen their economies.

Viveros also recruited a much-needed leader for the finance department, as he attributed a substantial portion of the center's problems to fiscal mismanagement. "The financial problems were caused mostly by ineffective management. More money was being spent than was coming in. This pattern had continued for a couple years before it caught up with the center," Viveros explained. A poor financial tracking system and a lack of firm purchasing policies left the center with qualified audit reports — a red flag indicating financial instability.

The clinic's administration provided it's main funding source, the Bureau of Primary Health Care

(BPHC), with a recovery plan, including a list of upgraded financial protocols in an effort to hold on to the center's funding. "We had to prove that things were not the same as yesterday — that with the new staff and management, things were changing," he said. Viveros even renegotiated the center's mortgage, reducing the amount of each payment and saving the center \$250,000 in interest over the life of the loan. In a brief one and a half years, Viveros got the unqualified audit report showing the financial stability he was looking for.

When Viveros took over, Salud para La Gente had a budget of \$2.1 million, a debt of \$1 million, and approximately 29,000 patient visits per year. This year he estimates the budget will be \$5.5 million with 38,000 patient visits. In the past two years, Salud has merged with another local clinic in the community, Clinica Del Valle Del Pajaro, and secured lines of credit totaling \$500,000 through two local banks and opened its first dental operation at its main site.

Viveros attributes much of the success to those around him and support from government agencies. "The lines of communication with our funding agencies have to be maintained and nurtured — that is key. Those individuals and agencies

in government are the center's friends. They are our partners and have as much interest in our success as we do," he said.

ELLA AUSTIN HEALTH CENTER, SAN ANTONIO, TX

Carol Chamberlain, executive director of Barrio Comprehensive Health Care Centers, has seen her share of challenges and, most recently, it came in the form of an ailing health center in San Antonio, Texas — the Ella Austin Health Center. Ella Austin's sickness was one with familiar symptoms: financial instability, dropping patient numbers, and poor management.

The challenges Ella Austin faced were all-encompassing. A series of coincidental and interwoven events, including the departure of the finance director as well as two other members of the accounting staff, contributed to the difficulties, the most significant of which were financial.

A major cause of the center's problems was its computer system. The facility was in the process of testing new software that addressed everything from the financial management to patient information. However, it was not full-featured enough and lacked the depth to give an accurate assessment of the vital clinical, financial, and administrative functions. "The software lacked the flexibility to provide the tracking of information the center needed. They had fiscal management, administrative, clinical and information systems (IS) issues," Chamberlain said.

The organization had received a \$400,000 federal BPHC grant, to provide health services for public housing residents. When the time came for the final report to justify those grant dollars, the computer system was unable to generate accurate reports to quantify the



Steven Powell, M.D. is on staff at Ella Austin Health Center.