



Office of the Comptroller
May 3, 2002

W. Martin Morics, C.P.A.
Comptroller

John M. Egan, C.P.A.
Deputy Comptroller

Michael J. Daun
Special Deputy Comptroller

Anita W. Paretti, C.P.A.
Special Deputy Comptroller

Ref: Revenue & Cost Division

Ald. Michael S. D'Amato, Chair
The Honorable Committee on
Judiciary & Legislation
200 E. Wells Street
Milwaukee, WI 53202

Dear Ald. D'Amato:

Re: Milwaukee Health Services, Inc.

At the February 4, 2002 meeting of the Judiciary and Legislation Committee, the status of Milwaukee Health Services, Inc. (MHSI), a provider of service under the Municipal Health Services Program (MHSP), was discussed. At that meeting, it was noted that there was a difference of opinion between the amounts due to or from MHSI as determined by the City's auditors and staff from MHSI. In addition, there were certain cost report years that had not yet been closed out by the Health Care Financing Administration (HCFA) and thus final numbers pertaining to those years were unavailable. Therefore, it was decided by the Committee to hold the matter until more definitive information became available.

Some progress has been made and we can provide your Committee with some more definitive numbers. Due to the efforts of the Health Department and MHSI, HCFA has now closed out the 1998 contract year. Based on this closeout and the total of previous payments made by the City to MHSI, the City, in total, has \$330,558 in cash for the years 1996 through 2000. The reason for this large amount is twofold. First, the new management team at MHSI conducted a review of their records and determined that a number of patient services and visits had never been submitted to HCFA. They, therefore, submitted these to HCFA, which accepted a portion of them as part of the final settlement, thus, providing more revenue to the Agency offsetting the amount previously owed to the City. Secondly, the reimbursement rates in effect prior to HCFA's final closeout for 1998 were lower than those ultimately used in final closeout. Therefore, the City withheld 25% of interim reimbursements to MHSI to adjust for the overpayment. When HCFA's final closeout was received, the rates used were much higher than anticipated, thus, significantly reducing the overpayment.

The 1999, 2000 and 2001 years are still open and subject to adjustment by HCFA which could eliminate the \$331,000. For 1999 and 2000, there remain significant differences between the anticipated final amounts as determined by the City's auditors and staff of MHSI. These differences are shown on the attached schedule together with a breakdown of where the differences occur. The 2001-year is not shown on the attachment since an audit of 2001 activity has not yet occurred.

It should also be noted there remains outstanding a current accounts receivable balance of \$607,140.45 due the City from MHSI. This consists of occupancy, security and cleaning charges, the cost of telephone services and the salary of a receptionist (commonly referred to as rent). The Committee should be informed that should they wish to do so, the agreement with MHSI may be modified to clarify the offset of the \$330,558 against this receivable.

May 3, 2002

In the discussion pertaining to these items, the Committee may wish to consider the following options. Our recommendations follow these options:

1. The City may wish to retain the \$330,558 to cover the risk associated with the final settlement of 1999 and subsequent years, but suspend the withholding of the 25% of interim payments.
2. The City may wish to apply the \$330,558 or a portion thereof against the rent receivable.
3. The City may wish to disburse a portion of the \$330,558 to MHSI and hold the remainder until the final settlement for 1999 and subsequent years is determined.

As noted, the 1998 cost report year's final settlement was positive. Additionally, the efforts made by MHSI to file all potential reimbursable claims for 1999 has already generated a positive cash position. Given these two circumstances, we believe it would be appropriate to disburse approximately \$212,000 to the Agency, reserving \$100,000 against the settlement of open issues and applying approximately \$19,000 toward 2002 retainage for final settlement.

The Agency and the Comptroller's Office have agreed to review the methodology behind the calculation of previous years' rent billings. We will report to the Committee the results of that review. Additionally, interim settlements of prior open cost report years will be addressed on a case by case basis.

For your information, the City has included a provision in all the provider agreements for a 15% retainage on the interim Medicare payments received from HCFA. Due to the fact that the City is currently withholding 25% of MHSI interim payments, this provision was not implemented for MHSI. The 15% withhold will be implemented beginning with 2002 interim payments as noted above.

The above information is provided to the Committee to assist you in your decision making. The Comptroller's Office recommendations as to actions you may wish to take appear appropriate at this time. Should you have further questions, please contact me at extension 2301.

Very truly yours,



W. MARTIN MORICS
Comptroller

WMM:AWP:ANL:jmp

cc: Dr. Seth Foldy, Commissioner of Health
Mrs. Ellen Tangen, City Attorney's Office

Ref: ANL263

**Breakdown of Rent Recievable for MHSI
Through 4th Quarter of 2001**

By Activity:

Occupancy:	\$277,879.00
Security & Custodial:	277,763.41
Receptionist:	33,537.83
Telephones:	17,960.21
Total A/R:	<u>\$607,140.45</u>

By Year & Activity:

1999 Security & Custodial:	\$27,067.42
Receptionist:	4,405.92
Total for 1999:	<u>\$31,473.34</u>

2000 Occupancy:	119,091.00
Security & Custodial:	104,332.00
Receptionist:	13,051.97
Telephones:	7,878.01
Total for 2000:	<u>244,352.98</u>

2001 Occupancy:	158,788.00
Security & Custodial:	146,363.99
Receptionist:	16,079.94
Telephones:	\$10,082.20
Total for 2001:	<u>331,314.13</u>
Total Rent Receivable:	<u>\$607,140.45</u>

**Reconciliation of City Accounting Records
Vs. MHSI Accounting Records**

Due from MHSI Balance Per City	(\$167,832)
Value Variance	222,396
Rate Variance	954,413
Co-Pay Variance	(3,440)
Payment Variance	0
Due to MHSI Balance Per MHSI	<u>\$1,005,538</u>

**Reconciliation of City Accounting Records
Vs. MHSI Accounting Records
Schedule of Variances**

1999

	Accrued Costs Variance	Ratio Variance	Co-Insurance Variance	Total Variance
Radiology	(\$2,523)	(\$1,708)	\$685	(\$3,546)
Lab	(3,776)	(4,056)	4,416	(3,415)
Pharmacy	(207,455)	(191,841)	(451)	(399,747)
Mental Health	0	0	354	354
Podiatry	(515)	(35,069)	1,606	(33,978)
Psychology	(221)	651	0	430
Nutrition	0	15,836	691	16,527
EKG	(445)	10,915	205	10,675
Primary Care	(3,914)	(232,742)	(7,397)	(244,054)
Total	(\$218,849)	(\$438,014)	\$110	(\$656,753)

2000

	Accrued Costs Variance	Ratio Variance	Co-Insurance Variance	Total Variance
Radiology	(\$4,419)	(\$12,767)	\$0	(\$17,186)
Lab	58	(82,404)	0	(82,346)
Pharmacy	0	(192,396)	(0)	(192,395)
Mental Health	0	0	0	0
Podiatry	(0)	(75,898)	0	(75,898)
Psychology	(2,378)	59	0	(2,319)
Nutrition	0	(13,193)	0	(13,193)
EKG	3,132	0	0	3,132
Primary Care	59	(139,800)	3,330	(136,410)
Total	(\$3,547)	(\$516,399)	\$3,330	(\$516,616)

Reconciliation of City Accounting Records
Vs. MHSI Accounting Records

Program Year	MHSI			Identified Differences			Bersch		
	Accrued Costs	Payments to MHSI	Balance Due To/(From)	Accrued Costs	Payments to MHSI		Accrued Costs	Payments to MHSI	Balance Due To/(From)
1996	\$3,161,334	\$3,487,710	(\$326,376)	\$0	\$0		\$3,161,334	\$3,487,710	(\$326,376)
1997	4,358,422	4,344,697	13,725	0	0		4,358,422	4,344,697	13,725
1998	3,980,564	4,105,220	(124,656)	0	0		3,980,564	4,105,220	(124,656)
1999	2,750,968	2,124,087	626,881	656,753	0		2,094,215	2,124,087	(29,872)
2000	2,316,086	1,500,121	815,964	516,616	0		1,799,469	1,500,121	299,348
Total	\$16,567,373	\$15,561,835	\$1,005,538	\$1,173,369	\$0		\$15,394,003	\$15,561,835	(\$167,832)

Services	Approved Charges	Ratio	Co-Insurance	Reimbursable
1999 Radiology	\$57,327	1.4443	\$685	\$82,112
Lab	307,235	0.9571	4,416	289,639
Pharmacy	1,347,199	1.1919	95,715	1,510,011
Mental Health	0	0.0000	354	(354)
Podiatry	197,017	0.5840	1,606	113,452
Psychology	26,915	1.0978	0	29,547
Nutrition	25,185	0.3206	691	7,383
EKG	11,326	0.0000	205	(205)
Primary Care	8,360.00	87.15	9,190.86	719,383
Total				\$2,750,968

Approved Charges are from CMS Report dated 1/19/02
Ratio Used=Cost Report as of 12/31/99 dated 2/22/02, except for the Primary Care ratio, which is from communications between Health Dept. & MHSI.

Approved Charges	Ratio	Co-Insurance	Reimbursable	Ratio Used
\$55,543	1.4145	\$0	\$78,566	1998 C&W
303,235	0.9439	0	286,224	1999 C&W
1,149,529	1.0495	96,166	1,110,265	1998 FYE
0	0.0000	0	0	1999 C&W
195,749	0.4060	0	79,474	1998 FYE
26,718	1.1220	0	29,978	1998 FYE
25,185	0.9494	0	23,911	1999 C&W
10,864	0.9637	0	10,470	1999 C&W
8,294.00	59.31	16,588.00	475,329	1999 C&W
			\$2,094,215	

Approved Charges & Co-Pays are from Tentative Settlement for 1999 dated 11/28/01
Ratio Used=Lessor of 1999 C&W Audited Rate or 1998 FY End
When lessor ratio is zero, substitute other option or default to MHSI figure.

Services	Approved Charges	Ratio	Co-Insurance	Reimbursable
2000 Radiology	\$26,504	1.8962	35.00	50,221.88
Lab	109,347	1.6975	135	185,482
Pharmacy	1,325,953	1.1946	102,057	1,481,926
Mental Health	0	0.0000	41	(41)
Podiatry	100,050	1.1646	62	116,456
Psychology	2,119	1.0943	0	2,319
Nutrition	8,411	2.5180	33	21,146
EKG	0	0.0000	5	(5)
Primary Care	5,869.00	83.13	29,310.00	458,580
Total				\$2,316,085

Approved Charges are based on report provided by Health Dept. dated 4/1/01.
Ratio Used=Cost Report as of 12/31/00 dated 10/10/01, except for Primary Care ratio, which is from communications between Health Dept. & MHSI.

Approved Charges	Ratio	Co-Insurance	Reimbursable	Ratio Used
\$23,380	1.4145	\$35	\$33,036	1999 C&W
109,408	0.9439	135	103,135	1999 C&W
1,325,953	1.0495	102,057	1,289,531	1998 FYE
0	0.0000	41	(41)	1999 C&W
100,050	0.4060	62	40,558	1998 FYE
0	1.1220	0	0	1998 FYE
8,411	0.9494	33	7,952	1999 C&W
3,250	0.9637	5	3,127	1999 C&W
5,870.00	59.31	25,979.75	322,170	1999 C&W
			\$1,799,469	

Approved Charges & Co-Pays are from 2001 Interim Payment dated 4/24/01
Ratio Used=Lessor of 1999 C&W Audited Rate or 1998 FY End
When lessor ratio is zero, substitute other option or default to MHSI figure.

1999
1.4145
0.9439
1.0486
1.0495
0.0000
0.8173
1.4716
0.0000
0.0000
59.31

1998
1.6123
1.0486
1.0495
0.0000
0.4060
1.1220
0.9494
0.9637
82.95

MHSP Health Connection Per City Records (Reduction Allocation)

Scenario: \$287,550 Adj Payment Reduced at 100%

Per Office of the Comptroller (6/3/02)

Description on HCFA Letter	Date of Health Dept. Memo	Amount of Payment per Health Dept. Memo	Program Year	% Withheld	1999		2000		2001		2002		1997 Program Year Closed by HCFA	1998 Program Year Closed by HCFA	1999 Program Year	2000 Program Year	Total Due To (Due From) (A)(B)
					Program Year	Payments to Health Connection	Program Year	Reduction of Payments to Health Connection	Program Year	Payments to Health Connection	Program Year	Reduction of Payments to Health Connection					
Bersach Accounting S.C. Audit as of 12/31/00																	
Interim Reim (1/1/99-2/2/00)	3/8/00	\$67,812	1999	25%		\$16,953											\$67,812
Interim Reim (1/1/99-2/2/00)	3/16/00	109,891	2000	25%	\$50,859		\$82,418	27,473									16,953
Interim Reim (1/1/00-2/2/00)	3/30/00	128,523	2000	25%			94,892	31,631									27,473
Interim Reim (1/1/00-2/2/00)	5/3/00	289,800	2000	25%			217,350	72,450									31,631
Interim Reim (1/1/00-2/2/00)	6/29/00	162,848	2000	25%			122,138	40,712									72,450
Interim Reim (1/1/00-2/2/00)	8/4/00	156,941	2000	25%			117,481	39,160									40,712
Interim Reim (1/1/00-2/2/00)	8/31/00	52,121	2000	25%			39,091	13,030									39,160
Interim Reim (1/1/00-2/2/00)	9/25/00	131,384	2000	25%			98,545	32,849									13,030
Interim Reim (1/1/00-2/2/00)	11/8/00	133,942	2000	25%			100,456	33,486									32,849
Net 1998 & 1997 Program Year Balances																	33,486
Column Totals at 12/31/00		1,230,972			50,859	16,953	872,369	290,791	0	0	0	0	(13,725)	(124,657)	(41,730)	(133,706)	(305,000)
Total Due To (Due From) at 12/31/00																	
Interim Reim (1/1/00-2/2/00)	2/6/01	16,933	2000	25%			12,700	4,233									4,233
Interim Reim (1/1/00-2/2/00)	3/2/01	741,037	2000	25%			565,778	185,259									18,198
Interim Reim (1/1/00-2/2/00)	3/2/01	105,969	2001	25%					\$79,477	\$28,492					41,730	26,492	185,259
Payment to Health Connection-Per Health Dept Memo	3/13/01						65,386	(65,386)	28,492.00	(28,492.00)							26,492
Interim Reim (1/1/01-3/19/01)	3/30/01	3,589	2000	0%			3,589										
Interim Reim (1/1/01-3/19/01)	3/30/01	50,908	2001	0%					50,908								0
Interim Reim (1/1/00-4/23/01)	5/4/01	269	2000	0%			269										0
Interim Reim (1/1/00-4/23/01)	5/4/01	187,872	2001	0%					187,872								0
Interim Reim (1/1/01-5/23/01)	5/3/01	173,343	2001	0%					173,343								0
Interim Reim (1/1/01-5/23/01)	7/6/01	134,547	2001	0%					134,547								0
Interim Reim (1/1/01-7/29/01)	7/30/01	74,707	2001	0%					74,707								0
Interim Reim (1/1/01-8/29/01)	9/7/01	78,861	2001	100%					0	78,861							0
Interim Reim (1/1/01-9/17/01)	10/10/01	44,186	2001	25%					33,147	11,049					8,032		11,049
Interim Reim (1/1/01-10/22/01)	11/5/01	218,910	2001	25%					164,182	54,728					54,728		54,728
Interim Reim (1/1/01-11/19/01)	11/29/01	8,211	2001	25%					6,158	2,053					2,053		2,053
Tentative Settlement (1/1/99-2/31/01)	12/7/01	287,550	1999	100%			287,550								287,550		287,550
Interim Reim (1/1/01-12/17/01)	1/7/02	18,931	2001	25%					14,198	4,733					4,733		4,733
Interim Reim (1/1/01-12/10/02)	2/4/02	118,771	2001	25%					89,628	29,943					29,943		29,943
Interim Reim (1/1/02-12/10/02)	2/4/02	3,929	2002	25%					2,847	982					982		982
Interim Reim (1/1/02-2/15/02) HCFA Estimate	3/25/02		2002	25%					77,021	25,674					25,674		25,674
Interim Reim (1/1/02-3/19/02)	3/25/02	126,217	2002	25%					17,642	5,880					5,880		5,880
Column Totals as of 6/3/02		3,636,762			50,859	304,503	1,500,121	424,897	1,044,860	181,366	87,610	32,588	0	0	287,650	43,009	330,658
Total Due To (Due From) as of 6/3/02																	

(A) Please Note: The Due To (Due From) Totals do not include the payments to Health Connections.

(B) The Total Due To (Due From) does not include Rent Payments Due through the 4th Quarter of 2001 of \$607,140.45.

*Audit prepared by Bersach Accounting, S.C.

File: MRF-MHSPRED(100%)5_3_02



Office of the Comptroller

September 10, 2003

W. Martin Morics, C.P.A.
Comptroller

John M. Tamm, C.P.A.
County Auditor

Michael J. Laska
Finance Director, Comptroller

Anita W. Parnell, C.P.A.
Special Services Director

Ref: Rev & Cost Division

Mr. C.C. Henderson
President/CEO
Milwaukee Health Services, Inc.
2555 North Dr. Martin Luther King Jr. Drive
Milwaukee, WI 53212

Dear Mr. Henderson:

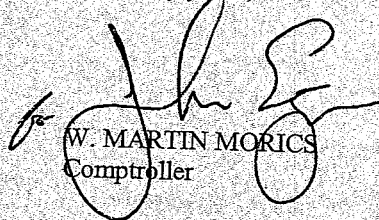
Re: MHSI Meeting

At our meeting of September 9, 2003, there was discussion concerning the amount of occupancy and other operating charges from the City of Milwaukee which Milwaukee Health Services, Inc. (MHSI) had in fact been reimbursed from various Federal sources. Since any forgiveness of the outstanding occupancy and other operating charges would result in the recoupment by the Federal Government of the corresponding charges billed to them, we ask that you provide the following to our office, as soon as possible.

- Our office has not been provided with audited financial statements for the years ended January 31, 2002 or 2003. Please provide these to our office.
- Please provide a detailed listing of revenues received from the Federal Government for the following years: 2000, 2001, 2002 and 2003. The total of these detailed revenues should match that which shows on your certified audit report.
- For the above listed years and for each source of revenue identified, please provide the cost reimbursement percentages and the amount of occupancy and other operating costs charged by MHSI and the amounts received by MHSI from the Federal Government.

It is important that this information be provided so that full and complete information is available to the Common Council when this matter is considered by them.

Very truly yours,



W. MARTIN MORICS
Comptroller

ANL:cjs:MHSIFinancials

CC: Ald. Michael D'Amato, Common Council
Atty. Ellen Tangen, City Attorney's Office
Mr. Bevan Baker, Health Dept.
Ms. Yvette Rowe, Health Dept.

MHSP Health Connection Per City Records (Reduction Allocation)

Scenario: \$287,550 Adj Payment Reduced at 100%

Per Office of the Comptroller (5/3/02)

Description on HCFA Letter	Date of Health Dept. Memo	Amount of Payment per Health Dept. Memo	Program Year	% Withheld	1999		2000		2001		2002		1996		1997		1998		1999		2000		Total Due To (Due From) (A)(B)
					Program Year	Program Year	Program Year	Program Year	Program Year	Program Year	Program Year	Program Year	Program Year	Program Year	Program Year	Program Year	Program Year	Program Year	Program Year	Program Year	Program Year	Program Year	
Berscht Accounting S.C. Audit as of 12/31/00																							
Interim Reim (1/1/99-2/21/00)	3/6/00	\$67,812	1999	25%																			
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Interim Reim (1/1/00-9/15/00)	9/25/00	131,384	2000	25%																			
Interim Reim (1/1/00-10/23/00)	11/8/00	133,842	2000	25%																			
Net 1996 & 1997 Program Year Balances																							
Column Totals at 12/31/00		1,230,972																					
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Interim Reim (1/1/00-2/20/01)	2/6/01	16,933	2000	25%																			
Interim Reim (1/1/00-2/20/01)	3/2/01	741,037	2000	25%																			
Interim Reim (1/1/00-2/20/01)	3/2/01	105,969	2001	25%																			
Payment to Health Connection- Per Health Dept Memo	3/13/01																						
Interim Reim (1/1/01-3/19/01)	3/30/01	3,589	2000	0%																			
Interim Reim (1/1/01-3/19/01)	3/30/01	50,908	2001	0%																			
Interim Reim (1/1/00-4/23/01)	5/4/01	299	2000	0%																			
Interim Reim (1/1/00-4/23/01)	5/4/01	197,872	2001	0%																			
Interim Reim (1/1/01-5/22/01)	5/31/01	173,343	2001	0%																			
Interim Reim (1/1/01-6/18/01)	7/6/01	134,547	2001	0%																			
Interim Reim (1/1/01-7/23/01)	7/30/01	74,707	2001	0%																			
Interim Reim (1/1/01-8/20/01)	9/7/01	78,861	2001	100%																			
Interim Reim (1/1/01-9/17/01)	10/10/01	44,196	2001	25%																			
Interim Reim (1/1/01-10/22/01)	11/5/01	218,910	2001	25%																			
Interim Reim (1/1/01-11/19/01)	11/29/01	8,211	2001	25%																			
Tentative Settlement (1/1/99-12/31/01)	12/7/01	287,550	1999	100%																			
Interim Reim (1/1/01-12/17/01)	1/7/02	18,931	2001	25%																			
Interim Reim (1/1/01-12/10/02)	2/4/02	119,771	2001	25%																			
Interim Reim (1/1/02-1/21/02)	2/4/02	3,929	2002	25%																			
Interim Reim (1/1/02-2/15/02) HCFA Estimate	3/25/02		2002	25%																			
Interim Reim (1/1/02-3/18/02)	3/25/02	126,217	2002	25%																			
Column Totals as of 5/3/02		3,636,752																					
Total Due To (Due From) as of 5/3/02																							
(A) Please Note: The Due to (Due From) Totals do not include the payments to Health Connections.																							
(B) The Total Due to (Due From) does not include Rent Payments Due through the 4th Quarter of 2001 at \$607,140.45.																							
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