

LRB-RESEARCH AND ANALYSIS SECTION

PUBLIC SAFETY COMMITTEE

ITEM 9, FILE # 070515

JULY 19, 2007

RICHARD L. WITHERS

File # 070515 is a resolution authorizing the cancellation of receivables from the Milwaukee Health Services, Inc. (MHSI).

Background

1. The United States Health Care Finance Administration Centers for Medicaid and Medicare provided funding to the Milwaukee Health Services Program (MHSP) under a waiver program that has now ended.
2. The MHSP provided funding for health services offered at the Isaac Coggs Health Center by organizations that included MHSI, a former tenant.
3. The MHSI owes an outstanding debt to the City in the amount of \$365,520.48 for occupancy and maintenance services from February of 2002 through March of 2003. These services included security, reception and office cleaning among others.
4. Council File # 031612, a resolution adopted April 13, 2004, provided for the original balance of debt owed the City by MHSI in the amount of \$392,587 to be treated as a no interest debt payable to the city in amounts equal to 10% of any surplus of \$500,000 or more of income realized by MHSI in any fiscal year.

Discussion

1. Payments made to the City by MHSI through 2005 have reduced the debt owed by MHSI to \$365,520.48.
2. Assuming that the amounts of future payments by MHSI would be comparable to those made in the past, it would take MHSI a minimum of 20 years to extinguish its debt.
3. An offer has been made by MHSI to pay 30% of the current liability, an amount of \$109,656, in settlement of the debt.
4. The current language of the resolution at File # 070515 (Substitute 1) authorizes acceptance of the offer by MHSI, and provides that the remaining balance in the amount of \$255,864.48 be written-off against amounts in the MHSP Program Income Account.
5. It is projected that, even contemplating the adoption of File # 070514 authorizing cancellation of receivables from the Sight Center and writing-off the Sight Center

receivables against the MHSP Program Income Account, the Account will not be exhausted.

6. Negotiations have continued between the Health Department and MHSI, and MHSI may agree to amend its offer, based upon new surplus information for fiscal year 2006-2007, increasing the proposed settlement by an amount of up to \$85,000 to a total amount of up to \$194,656. The Health Department may therefore offer a substitute or amended resolution for consideration by the Public Safety Committee or by the Finance and Personnel Committee.

Fiscal Impact

1. This resolution, as currently written, will result in writing-off up to \$255,864.48 of receivables against amounts in the MHSP Program Income Account.

Prepared by: Richard L. Withers, X8532
LRB-Research and Analysis Section
July 17, 2007

Cc: Marianne Walsh
W. Martin Morics
Claudia Orugbani
James Bauer
Bevan Baker
Vivian Chen
Yvette Rowe