



Health Department

Tom Barrett
Mayor

Bevan K. Baker, CHE
Commissioner of Health

Administration



Frank P. Zeidler Municipal Building, 841 North Broadway, 3rd Floor, Milwaukee, WI 53202-3653 phone (414) 286-3521 fax (414) 286-5990
web site: www.milwaukee.gov

June 12, 2007

W. Martin Morics
City Comptroller
City Hall
200 E. Wells St., Room 404
Milwaukee, WI 53202

Re: Milwaukee Health Services, Inc. (MHSI)

Dear Mr. Morics:

This letter will acknowledge that the City of Milwaukee Health Department's (MHD) is in receipt of a proposal from Milwaukee Health Services, Inc. (MHSI) regarding a request to proceed with the settlement of their \$365,520 in outstanding occupancy and operating maintenance charges at a rate of 30%, equaling \$109,656.

As you know, the Centers for Medicare/Medicaid Services (CMS) announced the discontinuation of the Municipal Health Services Program (MHSP) last year which has resulted in our activities to close out our program. All subcontractors have vacated the two MHD facilities where MHSP services were provided in December 2006.

The MHD original agreement with MHSI provides a repayment clause to the City of Milwaukee (without interest) only in the event that MHSI shows a surplus in any organizational fiscal year of \$500,000 or more. In that event, 10% of that surplus is to be paid to the City until the remaining balance of the original \$392,587.16 is reduced to zero with the current balance remaining of \$365,520. A payment on 11/3/05 of \$17,066.70 was made towards that balance as a result of the repayment clause and the financial audit statement of MHSI ending January 31, 2005.

Based on these terms, we estimate that it would take a minimum of twenty (20) years to collect and settle this current liability. To this end, I am recommending that the City accept the proposal of 30% payment on this current liability. This would be more than the city could expect to collect given the probability of collection at a reasonable rate over the coming years.

If you have any questions or require additional information do not hesitate to contact me.

Sincerely,

Bevan K. Baker, FACHE
Commissioner of Health