

*M*ilwaukee Health Services, Inc. Est. 1989

Your Health is Our Business

*Dr. Martin Luther King –
Heritage Health Center*

Isaac Coggs Health Center

Behavioral Health Services Center

North Division Health Center

Oral Health Clinic

To the Honorable Common Council
Committee on Judiciary and Legislation
City of Milwaukee
Room 205 City Hall

February 3, 2002

Dear Committee Members:

Please note attached correspondence to me from Mr. Robert E. Linder, a financial consultant and one of the remaining Interim Management Team Members, who has worked very hard over the past several month's to reconstruct and clarify Milwaukee Health Services (MHSI) financial disposition. Mr. Linder has a wealth of experience in community and other health care entities, and is quite experienced in cost reporting and settlement methodologies.

MHSI would like to respectfully submit this information to you as part of the official record as pertinent to today's deliberations.

Sincerely Yours,


C.C. Henderson
President/CEO

Milwaukee Health Services, Inc. Est. 1989

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C.C. Henderson
President/CEO
Milwaukee Health Services, Inc.
2555 Martin Luther King Drive
Milwaukee, Wisconsin 53202

February 2, 2002

Dear Mr. Henderson:

As requested please find summary of outcomes and recommended action plan related to my and Albert Barnett's meeting with representatives from the Bersch Accounting firm.

In general the meeting held between representatives of Bersch Accounting Firm and Milwaukee Health Service, Inc. (MHSI) on February 1, 2002 relating to the Medicare Waiver Program and other issues was very productive. As a result of the meeting the tone of the Bersch representatives appeared to shift drastically from negative, as stated in their recent letters issued to the City's Comptrollers Office dated January 24 and 28, 2002, to one of understanding.

The requested meeting was as of a result of a previous meeting held on January 17, 2002 with the City of Milwaukee Controllers Office. At that time it was agreed for both parties to meet after updated Medicare Utilization information could be obtained from HCFA relating to Medicare Waiver patient service activities. I believe the City requested such information on January 18, 2002 and received an updated report back from HCFA on or around January 24, 2002. Regardless, Milwaukee Health Services received the information on January 31, 2002 and promptly requested a meeting with the Bersch representatives on February 1, 2002.

The Bersch representatives were provided by MHSI a detailed presentation supporting the Agencies position relating to the overall amount Due to MHSI for services provided to the Medicare Waiver Patients. The total due MHSI of \$1,491,813 is comprised of

\$923,641 due from HCFA and \$568,163 due from the City. The amount due from the city represents total withholds of \$880,814 less net amounts due for 96/97 of \$312,651.

The total amount due by year is summarized as follows:

Due To/(From) MHSI:

1996/97	\$ (312,651)
1998	\$ 268,569
1999	\$ 549,337
2000	\$ 835,134
2001	\$ <u>151,424</u>
TOTAL	\$1,491,813

The information provided was by year and included current up-to-date Medicare waiver utilization as of January 2002 for the years 1998 and 1999, as well as, utilization as of March 2001 for the year 2000.

After review and discussion the Bersch representatives agreed that from the MSHI view point the amount due, from the Medicare Waiver Program, of approximately 1.5 million was reasonable. They also agreed that the methodology used and information applied would support the agency eventually receiving these funds. It should be noted that MHSI auditors Goldstein Golup and Kessler LLP, a national accounting firm specializing in health care facilities, has also reviewed and agreed to the overall amount due.

It was further agreed that the main difference of the Due To/From was one of timing and application of different cost ratios. Namely, the City's balance is a result of utilization and ratios that are not current. Whereas, on the other hand, MHSI calculations reflect the most recent utilization data, as well as, cost ratio's reflected in Coleman's and Williams submitted audit reports for the years 1998 and 1999, and their draft audit report for 2000.

In specific terms, there was of a joint opinion that MHSI would have a 1998 final cost settlement due of \$268,569 vs. the City's position of an amount owed of \$547,476 or a favorable adjustment of \$816,045.

Likewise, there was a joint opinion that 1999 could very well result in MHSI being due an additional \$549,337 (\$244,834 from HCFA and 304,503 from the City). Again this number compares to the City's position of \$220,631 due from MHSI. The resulting difference is another favorable adjustment of \$769,968.

The consensus relating to the year 2000 was that Medicare Waiver Accepted Charges were in agreement but that some cost ratio's were higher than those used by the City. For our part, MHSI applied ratios from the recently audited cost report from Coleman and Williams as compared to ratios applied by the City from previous years. In any case, it must be noted that two specific components of MHSI calculations related to Pharmacy

and Primary Care costs. These two components amount to \$2,071,932 versus total payments made to the City of \$1,924,720. Considering that the ratios applied are consistent with prior years and based on current audited numbers it is clear that overall an amount due MHSI will be forth coming. In addition the City has withheld payments in the net amount of \$424,897. Overall MHSI estimates that HCFA owes \$410,237 and the City \$424,897 as it relates to the Waiver Program.

At the conclusion of the lengthy meeting a Bersch representative asked " How Can We Help?" In response, three distinct issues where raised:

- That the City acknowledges that MHSI applied updated information and followed HCFA practices. That HCFA and the City, in fact, owe MHSI a very substantial sum relating to the Medicare Waiver Program for reimbursement of incurred cost.
- That the delay in the current system of reimbursing costs (approximately \$1.5) is directly related to impeding MHSI ability to meet on going costs, as well as repayment of outstanding debt.
- That some sort of agreement be made which allows the City to have a reasonable reserve that acknowledges the inclusion of unpaid accepted charges due from HCFA, and yet at the same time provide MHSI with necessary working capital.

The process and procedure followed by MHSI and expected amounts due from the Medicare Waiver Program are well grounded and supported by industry practices in arriving at cost based settlements between providers and third party insurers, such as Medicare and Medicaid. To this end MHSI should, considering the significant funds outstanding, request from the City the following for consideration:

- If there is still any significant disagreement as to the amounts illustrated and due to MHSI that both the City and MHSI jointly request of HCFA to intercede either by way of a field audit, or at least clarify the process that dictates how tentative payments are calculated.
- Request from HCFA to prepare a final settlement for both 1998 and 1999. However not to do so until the following information is verified and forwarded to HCFA namely:

Process corrected Total and Medicare Primary Care Visits for 1998/99

Correct Gross Charges related to Podiatry for 1998

Correct Medicare Pharmacy Charges for 1998

Break out EKG and Nutrition Gross Charges and Costs for 1999.

(All of the above information has been forwarded to the City Waiver Program except for EKG and Nutrition information.)

- Any HCFA payment relating to the year 1998 should not be subject to a City withhold.
- Current funds withheld for year 1999 of \$304,503 should be applied against outstanding balances due the City for 97/98 in amount of \$312,651 leaving an unapplied balance of \$8,148.
- Any additional payments from HCFA for 1999 should not be subject to City withhold.
- Apply \$ 8,148 of year 2000 City withholds of \$424,887 to remainder of 96/97 balances.
- Release \$216,739 (\$424,887-\$8,148-\$200,000) of remaining year 2000 withhold to MHSI leaving a \$200,000 reserve.
- Additional payments for 2000 should be subject to withhold of 15% versus 25%.
- File costs reports for 2000 and request final settlement by 6/01/02.
- Review 2000 cost report and apply ratios on a timely basis to determine possible Due To/From HCFA. If a due from HCFA is indicated, release all withholds related to 2000.
- Release \$51,424 of the current 2001 withhold to MHSI leaving \$100,000 as a reserve. Continue to withhold any other payments for year 2001 at a 15% rate.
- Review filed Cost reports for year 2001, when available and apply ratios on a timely basis to determine possible Due To/From HCFA. If a due from HCFA is indicated, release a portion of withholds based on amount of estimated settlement.
- Withhold 2002 at 15%.

Other issues and materials provided to the Bersch representatives included five-year budget model with one-year details, which was used as the basis for MHSI 330 grant application. It was explained that this information had been prepared at the request of the Federal Government and was being held until their review and approval. The approval from the Federal for MHSI budget year effective 2/1/02 has been received. It was explained that the interim transition team was funded by the Bureau of Primary Care along with substantial emergency operational funds (in excess of \$500,000) and as such any recovery plan would require Federal review and approval.

The Bersch representatives were advised that MHSI is currently in the process of resubmitting Medicaid costs reports and is hopeful that any liability, if any, will be significantly less than \$2,000,000

As to a time table of paying off debt it was expressed that the Medicare Waiver differences needed to be first worked out and that a significant influx of funds owed MHSI would greatly impact any future action plan. The Bersch representatives acknowledged that seeking discounts from vendors without operating cash to make deals was rather difficult. It was also stated that one particular vendor whom expressed a willingness to provide a significant discount of the amounts due them was waiting to see what support the City was willing to provide.

Issues and possible discounts related to rent were not discussed with the Bersch representatives.

Please find attached the four summary pages of the presentation provided Bersch. If you need the detailed support pages please let me know. I would like to discuss with you in detail the above at your earliest convenience.

Best Regards,



Bob Linder
Finance Consultant
MHSI

ANALYSIS OF DUE TO/FROM MEDICARE WAIVER PROGRAM
MHSI FOR THE YEAR 1996 - 2001

ANALYSIS INCLUDES WAIVER UTILIZATION AS OF JANUARY 2002

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1998

SERVICE TYPE:	ACCEPTED CHARGES	RATIO	ALLOWABLE COST	DUE TO/FROM MHSI
EKG	\$ 20,042 (1)	0.9704 (3)	\$ 19,449	
LABORATORY	\$ 435,156 (1)	1.0566 (3)	\$ 459,786	
PHARMACY	\$ 2,069,316 (1)	1.0574 (3)	\$ 2,188,095	
PODIATRY	\$ 284,090 (1)	0.3583 (4)	\$ 101,789	
PSYCH	\$ 52,625 (1)	1.1368 (3)	\$ 59,824	
RADIOLOGY	\$ 89,879 (1)	1.6313 (3)	\$ 146,620	
NUTRITION	\$ 26,548 (1)	0.9605 (3)	\$ 25,499	
PRIMARY CARE VISITS	15,200 (2)	84.69 (3)	\$ 1,287,288	
TOTAL REIMBURSABLE COST			\$ 4,288,350	
PAYMENTS TO CITY and HEALTH CENTER			\$ 4,019,781 (5)	\$ 268,569

(1) As per utilization information provided CMS January 2002

(2) As per utilization information provided CMS January 2002

(3) As per Audited Cost Report (Coleman Williams) revised September, 2001

(4) Adjusted to reflect Revised Charges of \$342,214 vs Reported Cost of \$122,609

(5) Per Bersch Report of June 12, 2000 \$4,105,220 ?

ANALYSIS OF DUE TO/FROM MEDICARE WAIVER PROGRAM
MHSI FOR THE YEAR 1996 - 2001

ANALYSIS INCLUDES WAIVER UTILIZATION AS OF JANUARY 2002

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1999

SERVICE TYPE:	ACCEPTED CHARGES	RATIO	ALLOWABLE COST	DUE TO/FROM MHSI
EKG	0 (6)		\$ -	
LABORATORY	303235 (8)	0.9439 (9)	\$ 286,224	
PHARMACY	1347199 (8)	1.2012 (9)	\$ 1,618,255	
PODIATRY	222202 (8)	0.8173 (9)	\$ 181,606	
PSYCH	26915 (8)	1.4716 (9)	\$ 39,608	
RADIOLOGY	68653 (8)	1.4145 (9)	\$ 97,110	
NUTRITION	0 (7)		\$ -	
PRIMARY CARE VISITS	8360	86.15 (10)	\$ 720,214	
CO-PAY			\$ 131,678	
TOTAL REIMBURSABLE COST			\$ 2,811,338	
PAYMENTS TO CITY			\$ 2,566,504 (11)	\$ 244,834
WITHHOLD			\$ 16,953	\$ 16,953
			\$ 287,550	<u>\$ 287,550</u>
PAYMENTS TO HEALTH CENTER			\$ 2,262,001	\$ 549,337

(6) Accepted Charges of \$11,326 included with Radiology of \$57,327

(7) Accepted Charges of \$25,185 included with Podiatry of \$197,749

(8) As per utilization information provided CMS January 2002

(9) Per audited cost report (Coleman Williams) revised April 30, 2001

(10) Based on revised total PCare Visits 20,312 see letter dated 1/25/02

Numbers (6), (7) and (10) see correspondence Dated 1/23/02

(11) Per Bersh Report \$2,269,082 June 12, 2000

ANALYSIS OF DUE TO/FROM MEDICARE WAIVER PROGRAM
MHSI FOR THE YEAR 1996 - 2001

ANALYSIS INCLUDES WAIVER UTILIZATION AS OF MARCH 2001

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2000

SERVICE TYPE:	ACCEPTED CHARGES	RATIO	ALLOWABLE COST	DUE TO/FROM MHSI
EKG	\$ -	(13)	(14) \$ -	
LABORATORY	\$ 109,347	(12)	1.6975 (14) \$ -	185,617
PHARMACY	\$ 1,325,953	(12)	1.1946 (14) \$	1,583,983
PODIATRY	\$ 100,050	(12)	1.1646 (14) \$	116,518
PSYCH	\$ 2,119	(12)	1.0943 (14) \$	2,319
RADIOLOGY	\$ 26,504	(12)	1.8962 (14) \$	50,257
NUTRITION	\$ 8,411	(12)	2.518 (14) \$	21,179
 PRIMARY CARE VISITS	 5,869	 (12)	 83.14 (15) \$	 487,949
 LESS CO-PAY			 \$	 112,864
 TOTAL REIMBURSABLE COST			 \$	 2,334,957
 PAYMENTS TO CITY			 \$	 1,924,720
				\$ 410,237
 PAYMENT MADE TO HEALTH CENTER			 \$	 (55,386)
				\$ (55,386)
 LESS WITHHOLD			 \$	 480,283
				\$ 480,283
 PAYMENTS TO HEALTH CENTER			 \$	 1,499,823
				\$ 835,134

(12) Per letter dated April 11, 2001

(13) EKG accepted Charges of \$3,250 added to Radiology of \$23,254

(14) Per Cost report Reviewed by Coleman Williams

(15) Per revised total PCare visits of 18,719 see letter 1/25/02

: Medicare Charges Reported in submitted Cost Report December 10, 2001

EKG	\$ 3,400	
LABORATORY	\$ 115,202	
PHARMACY	\$ 1,292,576	
PODIATRY	\$ 136,317	
PSYCH	\$ 63,899	
RADIOLOGY	\$ 29,309	
NUTRITION	\$ 11,850	
PRIMARY CARE VISITS	10,017	Revised 8,025

ANALYSIS OF DUE TO/FROM MEDICARE WAIVER PROGRAM
MHSI FOR THE YEAR 1996 - 2001

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1996/1997	\$	(326,376)
	\$	<u>13,725</u>

TOTAL DUE TO/FROM MHSI	\$	1,340,390
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2001

Additional payment received health center	\$	(26,492)
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WITHHOLDS	\$	177,916
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TOTAL DUE TO MHSI	\$	1,491,814
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FROM CMS	1998	\$	268,569	
	1999	\$	244,834	
	2000	\$	<u>410,237</u>	\$ 923,641

FROM CITY	1999	\$	16,953	
	1999	\$	287,550	
	2000	\$	424,887	
	1996	\$	(326,376)	
	1997	\$	13,725	
	2001	\$	<u>151,424</u>	\$ 568,163