



Memorandum



Miami-Dade County Office of the Inspector General
A State of Florida Commission on Law Enforcement Accredited Agency
19 West Flagler Street ♦ Suite 220 ♦ Miami, Florida 33130
Phone: (305) 375-1946 ♦ Fax: (305) 579-2656
Visit our website at: www.miamidadeig.org

To: Hon. Joe A. Martinez, Chair
And Members, Board of County Commissioners

John Copeland III, Chair, Miami-Dade County Public Health Trust (PHT)
And Members, PHT Board of Trustees

Dr. Eneida Roldan, M.D.
President and CEO, Jackson Health System

From: Christopher Mazzella, Inspector General

Date: February 7, 2011

Subject: OIG Comments on the PHT's Status Report on the OIG Audit
Recommendations Related to the Management Agreement Between the
Public Health Trust of Miami-Dade County and Foundation Health
Services, Inc., Ref. IG09-98, and OIG Assessment of the PHT's Proposed
Reorganizational Plan for International Health Services

INTRODUCTION

By way of this memorandum, the Office of the Inspector General (OIG) provides our comments to the Public Health Trust/Jackson Health System's (collectively "PHT") response to our audit of the Management and Services Agreement between the PHT and Foundation Health Services, Inc.¹ (FHS) (The PHT's response, dated January 21, 2011, is attached as **Attachment 1**.) This memorandum also provides our assessment of the PHT's reorganization plan for International Health Services, which is scheduled for discussion by the Public Safety & Healthcare Administration (PSHA) Committee for its meeting on February 8, 2011.

By way of background, after the publication of the OIG's audit report, the Board of County Commissioners (BCC) directed that the PHT terminate its service agreement with FHS, which was to expire on February 1, 2011. Because of the need for additional time to wind down activities with FHS, the PHT asked the BCC to grant it a one-month extension to terminate its relationship with FHS. The extension was granted. In its request for the extension, the PHT advised that it was working on creating a new IRS tax-exempt 501(c)(3) organization to operate the PHT's International Health Services

¹ That final audit report, IG09-98, issued on October 28, 2010, can be viewed on the OIG's website at www.miamidadeig.org/reports10/IG09.98FinalReport.pdf.

Division. This new approach is stated in the resolution that the PHT is proposing for the aforementioned February 8th meeting of the PSHA Committee.² (**Attachment 2**) The OIG has been asked by the Chair of PSHA Committee to provide our assessment of the PHT's proposed reorganizational plan for International Health Services.

Over the past three months, the PHT has taken various actions to provide financial oversight over FHS in light of the OIG's reported adverse findings. The PHT has dispatched senior management to review FHS expenditures and financial statements, including FHS' cash balances and remaining monetary obligations. It also formed an Ad Hoc Committee for International Health Services (Ad Hoc IHS Committee) to address the BCC's directive that the PHT terminate its arrangement with FHS and to analyze and recommend a policy approach and solution for the operations of the International Health Services Division. The resulting recommendation, endorsed by the PHT Trust Board, is the plan, as outlined in the proposed resolution, to create a new not-for-profit corporation to operate the PHT's International Health Services Division. The detailed reorganization plan, which was not included in the agenda item for the proposed resolution, is attached to this memorandum as **Attachment 3**.

PART I: OIG EVALUATION OF THE PHT'S RESPONSE TO THE AUDIT RECOMMENDATIONS

First, we recommended that the PHT reevaluate its entire arrangement with FHS and consider in-sourcing and out-sourcing options for both the International Services Division and concierge and hospitality services. We specifically requested that the PHT consider non-monetary considerations, such as accountability and transparency.

The PHT's response stated that the Ad Hoc IHS Committee recommended the creation of a new, not-for-profit entity to take over the activities that were performed by FHS and that the new entity will acquire all assets and liabilities except for those related to the Interim CEO/Consultant.³

The OIG finds this response to be non-responsive. OIG staff monitored every PHT meeting on this subject (Ad Hoc IHS Committee, Executive Committee, and full PHT Trust Board meetings.) We note that during those meetings, there was never any substantive discussion on evaluating in-sourcing and out-sourcing options. It was pre-supposed that a not-for-profit entity would operate the program. Not surprisingly, even after the BCC directed that the PHT terminate its arrangement with FHS, the Ad Hoc IHS Committee first proposed that it continue with FHS (albeit an FHS that was no longer associated with its parent organization, JMF). Only after the OIG and the County Attorney's Office expressed reservations that the proposed plan did not comply with the

² See Agenda Item 2A of the February 8, 2011 PSHA Committee meeting, also found as Legislative File No. 110239.

³ This individual is Rolando Rodriguez, who serves as the CEO/President of FHS through a consulting services agreement.

BCC's directive, did the PHT propose forming a new, not-for-profit company. However, nowhere in these discussions were concierge and hospitality services evaluated, and the PHT's response does not explain if the proposed new company will also provide concierge and hospitality services.

Recommendation 2a recommended that if the PHT were to outsource the operation of the International Health Services Division and/or concierge and hospitality services that it competitively acquire these services through an open Request for Qualifications and/or Proposals process.

The PHT responded that "all contracts for goods and services in excess of \$50,000 for the new company will be competitively bid." The OIG's recommendation was that if "outsourcing" was deemed to be the best alternative for those services, it should be openly procured. The creation of a new not-for-profit company does not satisfy this recommendation. Nevertheless, the OIG believes that the \$50,000 threshold is still too high for "competitive bidding" for the procurement of goods and services. The OIG believes that the PHT's response clearly missed the point of the recommendation that outsourcing be competitively acquired.

Recommendation 2b recommended that the agreement be based upon the reimbursement of approved budgeted operating expenses at the actual cost of such expenses. The PHT's response states that "all accounting and expenditure policies will be handled on a reimbursement methodology."

Recommendation 2c recommended that the procurement of equipment and consultant services adhere to public procurement standards, including the need to competitively acquire goods and services through price competition or other evaluative processes. The PHT refers to its response in 2a. The OIG is still concerned that the \$50,000 threshold may be too high.

Recommendation 3 involved returning any unrestricted cash balances from FHS back to the PHT. The OIG is generally satisfied with the PHT's response, except for a current liability buried in the "Cash Roll Forward" schedule referenced in the PHT's response.⁴ This concern will be discussed in Part II of this memorandum.

Lastly, with regard to Recommendation 4, the OIG is encouraged by PHT's response that "Expenditure standards consistent with the expenditure of public funds will be integrated into the policies and procedures of the new company."

⁴ The PHT's response provides: "Attached please find an updated cash roll forward schedule." However, no schedule was attached. Instead, the Reorganization Plan includes a "Cash Roll Forward" on page 24.

PART II: OIG OBSERVATIONS AND COMMENTS ON THE PHT'S PROPOSED REORGANIZATION PLAN FOR INTERNATIONAL HEALTH SERVICES INVOLVING THE CREATION OF A NEW, NOT-FOR-PROFIT COMPANY

As earlier mentioned, the OIG was requested by the Chair of the PSHA Committee to assess the proposed resolution set for discussion Tuesday, February 8th. Our observations and comments are grouped under the following areas of concern: in-sourcing considerations; Florida Sunshine Law; compliance with federal laws; international entertainment; bonus payouts; and corporate governance, and are set forth in the remainder of this memorandum.

1. In-sourcing Considerations: Operating the International Health Services Division internally, similar to the operations of the JHS Transplant Center.

At present, International Health Services is a division of JHS, although it has been outsourced to FHS, and FHS has been operating it under contract for the past several years. What may have started out as a contractual arrangement to provide international marketing services has evolved into a 60-person complement⁵ (34 of which provide concierge and hospitality services) that operates the entire JHS division.

OIG staff attended all of the Ad Hoc IHS Committee meetings. Noticeably absent was a discussion about returning these services in-house and what staffing levels would be required to operate the division. On page 13 of the Reorganization Plan, the PHT makes three arguments against restoring International Health Services as a staffed division. The PHT argues:

- Strategies would become subject to the Sunshine laws and trade secrets would be exposed;
- JHS would have to assume all employee benefits; and,
- Upon making the program a department of JHS all employee liabilities would be due immediately (see employee liabilities in appendix).

The first argument is without merit, as will be discussed in the next section. The second argument is weak since the PHT presently funds the employee benefits for those individuals employed by FHS. The more thorough discussion should have included what is the monetary difference in those employee benefits, and whether staffing efficiencies can be achieved to reduce payroll costs. Last, the PHT's argument is off-base, as its current proposal to create a new not-for-profit company will likely trigger the same payout of employee liabilities contemplated in the referenced appendix.

During our audit fieldwork of verifying FHS performance, we came across information relating to international transplant patients processed by the PHT's

⁵ Staffing figures are as of June 2010 as reported in the OIG Audit on page 12.

Transplant Center.⁶ Of relevance to the current discussion, we learned that the JHS Transplant Center has a staff of eleven, including one Finance Coordinator, five Associates, one Clinical Care Coordinator, and four Clinical Staff (1 pre-op, 2 post-op, and 1 for authorization). Moreover, we learned that facilitation of the patient's admission is through the Holtz Center and financial clearance of the patient is directly conducted by JHS Transplant Center staff. The medical assessment is conducted by the University of Miami (UM) medical team. FHS assists with air ambulance for international transplant patients and also provides some concierge service, although we were advised that UM primarily provides it. Lastly, case management services are provided through JHS.

Given the similarities of services provided, coupled with the fact that FHS has historically taken credit for international transplant patients,⁸ we believe that in-sourcing options should be reconsidered.

2. Florida Sunshine: Public Records Law and Open Meeting Considerations

The PHT, whether by individual Board members, collectively, and/or by PHT management, have made statements about the need for secrecy. As illustrated in one of its arguments above: "strategies would become subject to the Sunshine laws and trade secrets would be exposed."⁹

Apparently, there may be some misunderstanding at the PHT regarding the applicability of Florida public records laws. The PHT is reminded that similar to FHS, if this new company is created by a public entity, funded entirely by the public entity, to provide services to the public entity, then records created by the company are subject to the public records laws.¹⁰ An analysis related to this issue was previously sent to FHS, with copy to the PHT CEO, on November 22, 2010, wherein we stated:¹¹

FHS' records are public records and must be disclosed upon request. Florida Public Records law extends to private entities that operate on behalf of any public agency. §119.011(2), Fla. Stat. Multiple factors recognized by Florida

⁶ The Miami Transplant Institute (MTI) is a joint program between UM and the PHT/JHS. Additional information may be found at <http://www.miamitransplant.org>.

⁸ The issue of FHS taking credit for international transplant patients and including these figures in its performance reporting will be addressed in the next OIG audit report.

⁹ Attachment 3, Reorganization Plan, Page 11

¹⁰ The new entity, as proposed, would be one step closer to the public entity than FHS. While FHS is a wholly-owned subsidiary of JMF, which itself was created by the PHT, the new entity would be created by the PHT directly and with express authorization of the BCC.

¹¹ The OIG had requested copies of civil settlements in two employee termination lawsuits. The agreements were to be kept confidential by way of protective order. Upon our contention that the documents were subject to Florida public records law, we were provided with the requested documents.

courts dictate that FHS is subject to Public Records Law. These include FHS' creation, funding, purpose, and exclusivity, among others. See News and Sun-Sentinel Company v. Schwab, Twitty & Hanser Architectural Group, 596 So.2d 1029 (Fla. 1992); Dade Aviation Consultants v. Knight-Ridder, 800 So.2d 302 (Fla. 3d DCA 2001); B&S Utilities, Inc. v. Baskerville-Donovan, Inc., 998 So.2d 17 (Fla.1st DCA 2008).

Specifically, FHS was created by Jackson Memorial Foundation, the charitable arm of the Miami-Dade County Public Health Trust (PHT), with PHT involvement. FHS is 100% funded through public dollars via an annual operating budget, similar to how other public agencies are funded. By FHS's own admission, the annual budget is constructed with public agency involvement and based on the annual goals established by the public agency. Further, FHS' Articles of Incorporation clearly state that the purpose of FHS is "to be organized and operated exclusively for the benefit of, to perform the functions of and to carry out the purposes of ...Jackson Memorial Hospital..." The Articles of Incorporation also prohibit FHS from conducting business for any organization other than the public entity.

We contend that the PHT executive leadership is incorrect in its belief that the proposed not-for-profit entity would be shielded from the Florida Public Records Law. In addition, while, at the same time, the OIG does not opine on the applicability of the Florida open meetings law to such meetings of the new not-for-profit Board, we would surely expect that the PHT's funding be conditioned on having its meetings in the Sunshine, audio-recorded, and with the keeping of minutes.

3. Ensuring Compliance with Federal Law

Our audit of miscellaneous expenditures found over \$32,000 in legal fees paid that were related, or likely related, to international marketing, affiliation agreements and medical ambassadorships and their compliance with federal fraud and abuse laws, such as the Stark Law, Health Care Anti-Kickback Law, and the Foreign Corrupt Practices Act. The PHT, even though it proposes outsourcing the International Health Services operation to a not-for-profit, must ensure that its contracted entity comply with federal laws.

4. International Entertainment Considerations

The OIG has been concerned with the importance placed by the PHT on the ability to "wine and dine" abroad. On December 17, 2010, in an article entitled "Jackson eyes UM to tap global market," the Miami Herald reported that:

Several board members were concerned about whether an in-house marketing campaign could spend government money on wining and dining. "You have to entertain, especially in Latin America and Central America. How do you manage that process in a way that meets public scrutiny?" asked Robin Reiter-Faragalli.

Several members suggested the best way would be to give the money to a nonprofit entity.

As the Ad Hoc IHS Committee considered and made its recommendation on the international marketing program, the Miami Herald, on January 13, 2011, further reported in an article entitled "Jackson Health System to form nonprofit to take over international marketing" that:

Trust members said they decided to put the marketing into a nonprofit entity, rather than simply make it a department of Jackson, because marketing often requires "wining and dining" that might not be easily permitted by government regulations on expense accounts.

As an extension of the previous discussion regarding federal laws, we caution the PHT that it needs to ensure that it, and/or any of its contracted entities, has strict protocols on client entertainment. This is especially of concern because as FHS alluded to in its response to the OIG Draft Audit Report, "It is a normal business practice of FHS to host dinner meetings with visiting dignitaries, international clients, **international government officials such as ministers**, and others who are a major part of the business success for FHS."¹² (Emphasis added by OIG.)

The OIG has, on more than one occasion, pointed to the Port of Miami (POM) and the fact that its executives, County employees, often travel internationally to meet with some of the largest shipping companies in the world. Undoubtedly, client entertainment, i.e. dining, is involved. We have suggested that the PHT contact POM and find out how it handles the reimbursement of expenses associated with client entertainment. As of Friday, February 4, we were advised by POM officials that they have not been contacted.

5. The PHT has included a \$27,890 bonus payout for the FHS CEO/President in its "Cash Roll Forward" projections.

The PHT's proposed resolution has three parts. The second part involves transferring the assets and liabilities of FHS—except for those liabilities related to Rolando Rodriguez acting as CEO of FHS during the time period of October 1, 2006 to January 31, 2011—to the proposed new not-for-profit.

On page 24 of its Reorganization Plan, the PHT provides a document entitled "Cash Roll Forward." This schedule prepared by PHT, lists cash receipts and disbursements for fiscal year 2006-07 to current, reflecting a project \$-0- cash balance, at termination of the agreement. The last column shows cash disbursements for the period January 1, 2011 to January 15, 2011. Cash disbursements are shown for four categories: Development Expenditures, Employment Expenditures, Vendor Contracts Due at Dissolution, and Employee's Earned Benefits Payout at Dissolution. Our review

¹² FHS Response to OIG Draft Audit Report, October 15, 2010, Page 12

of the reorganization plan led us to question the last two categories. We requested from the PHT the details behind each of these categories.

Cash Disbursements

Vendor Contracts due at Dissolution ¹³	\$85,000
Employee's Earned Benefits Payout at Dissolution	\$146,000

As it relates to "Employee's Earned Benefits Payout," we were provided with a list of individuals (the names were blacked out), and their hourly rates and the amounts of accrued vacation owing to them. Also listed were pending bonuses. In total, the list showed \$94,454 for accrued vacation payouts¹⁴ and \$51,440 for bonus payouts. We re-contacted the PHT to get the names of the individuals that were blacked-out.

The non-redacted details showed a pending bonus in the amount of \$27,890 for Rolando Rodriguez. The PHT tried to explain to us that this bonus is authorized in Mr. Rodriguez's contract and that it is separate and apart from the \$52,000 termination bonus that sparked much controversy. While the OIG is well aware of the difference, we frankly cannot understand how this discretionary bonus made its way through the PHT review process and why it was not expressly disclosed in the Reorganization Plan submitted to the BCC.

The contract between Foundation Health Services, Inc. and Rolando Rodriguez provides:

Article 3.1 Monthly Rate. During the term of this Agreement, FHS will compensate Consultant at a rate of four thousand three hundred seventy-five (\$4,375) dollars per month, to be paid monthly ("Monthly Retainer"). **FHS may pay discretionary performance bonuses to Consultant. Such bonuses will be paid at the reasonable discretion of FHS and Consultant agrees and understands that the payment of such bonuses is within FHS's discretion, and is in no way guaranteed.** (Emphasis added by OIG.)

The OIG is concerned that if the BCC should accept the PHT's Reorganization Plan, which includes the "Cash Roll Forward" projection, such action might be interpreted as tacit approval for the payment of the bonus.

¹³ Despite repeated requests to the PHT for the detailed back-up supporting this expenditure category, the OIG has yet to receive anything. Thus, we cannot comment on the propriety of any vendor payouts.

¹⁴ The OIG observed that the value of one employee's accrued vacation balance was calculated at an hourly rate of \$118.11. The actual employee's hourly rate is \$18.11. Thus, the total value of employee accrued vacation is overstated by \$5,452. While this amount has not been paid and was merely a projected amount, the OIG is concerned that it may speak to the level of due care used in the preparation and review of financial data. Following repeated questioning by the OIG, FHS eventually acknowledged and corrected this error.

6. The proposed corporate governance structure for the new not-for-profit corporation should be modified to increase accountability of International Health Services operations.

As proposed in its Reorganization Plan (beginning on page 12), the new company would begin with an interim Board of Directors consisting of the JHS President/CEO, JHS Chief Transition Officer, and the PHT Ad Hoc IHS Committee Chairperson. Thereafter, a permanent Board will consist of seven or more directors, with the majority of the directors selected by the PHT, and one PHT Board Member will be one of the members of the new not-for-profit board. The new corporate governing board will be held to the same standards as the PHT, including conflict of interest standards.

Listed corporate board duties include: collaborate in the development and preparation of the annual budget; develop and oversee execution of a strategic marketing and services plan; develop and maintain a hospitality and patient access function that serves both international and domestic patients¹⁴; and adopt personnel policies within the PHT's personnel policies.

The PHT, itself, will retain responsibility and authority for perhaps the most important function—to hire the Executive Director of the new not-for-profit corporation. The PHT will also establish the personnel policies—which are then “adopted” by the Corporate Board

The OIG believe that this mixed approach being presently proposed will only blur the lines of authority, responsibility, and, ultimately, accountability. Authority and responsibility for managing the International Health Services Division, if not internally, should not be partly handed over to another volunteer board. If the board members of the new not-for-profit company are going to be held to the same standards of the PHT Board, then why have another board made up of different people? After all, the PHT Board will make the appointments to the new board and the PHT, itself, retains the authority to hire the Executive Director (a position which during this transition phase, is being filled by JHS personnel).

If it is decided that the operation of the International Health Services Division will befall to a PHT-created not-for-profit company, then we suggest that the PHT retain control of the new company's governance. In other words, similar to various community

¹⁴ Another OIG observation involves concierge and hospitality services. No rationale for bundling or maintaining hospitality and concierge services with the international marketing program has been offered. In retrospect, we note that hospitality and concierge services were originally conceived as fee-based services to be utilized by international patients and their families. However, the fee-based approach was abandoned and the services became fully-funded by the PHT. The services were extended to all JHS patients; however, in reality, because the service is housed within the International Program, international patients have remained the focus. As reported in our audit, the staffing complement for concierge and hospitality services stood at 34 individuals in June 2010.

the board of the CRA, we suggest that PHT board members form the Board of the new company. Our suggestions are to:

- Make the Ad Hoc IHS Committee a permanent committee, and then having the IHS Committee members serving as the board members of the new not-for-profit company.
- Include the JHS President/CEO, JHS Chief Financial Officer, and the JHS Chief Medical Officer, by virtue of their positions, as members or ex-officio members of the new not-for-profit company's Board.

We believe that by making the new board one and the same with the PHT International Health Services Committee accountability of the actions taken by the new not-for-profit company will be significantly increased. It will ensure that no one member of the not-for-profit Board, i.e. the Chair, may authorize compensation bonuses, etc. without the knowledge of the other Board members. It will also ensure that the PHT will not be left in the dark to changes to the new company's by-laws. In fact, the PHT, as a whole or through its IHS Committee, must approve any by-law changes.¹⁶ It also adds a new level of transparency as these Board meetings will likely to take place concomitant with other PHT meetings and will take place in publicly accessible meeting areas. It will also strengthen financial and performance reporting, as the performance data will be directly reported on an on-going basis to those members selected and appointed to govern the PHT and its medical facilities.

The OIG appreciates the opportunity to provide our assessment.

cc: Hon. Carlos Alvarez, Mayor
George M. Burgess, County Manager
Alina Hudak, Assistant County Manager
Eugene Shy, Assistant County Attorney
Ted Shaw, JHS Chief Transition Officer

¹⁶ Recently during an Ad Hoc IHS Committee meeting, it was brought to the PHT's attention that JMF had revised its by-laws several years ago to include the University of Miami Miller School of Medicine as also being a beneficiary of its charitable services. This change to the by-laws was neither authorized by the PHT nor known by any of the PHT members who attended.



Eneida O. Roldan, MD, MPH, MBA
President & CEO

Executive Office
Jackson Health System
1611 N.W. 12th Avenue
(305) 585-6754

MEMORANDUM

TO: Christopher Mazzella, Esq. C.I.G.
Inspector General, Miami Dade County

FROM: Eneida O. Roldan, MD, MPH, MBA
President and CEO

DATE: January 21, 2011

A handwritten signature in black ink, appearing to read "Eneida O. Roldan", is written over the "FROM:" line of the memorandum.

Jackson Health System administration and the Public Health Trust Board of Trustees strongly support the dignified mission of the Office of the Inspector General (OIG). The core values of the Jackson Health System (JHS) are predicated on transparency, ethics and strong moral commitment to the Miami-Dade County community. We are appreciative of the collaboration that we have in place that will continue to support our unwavering pledge to the citizens of Miami-Dade County.

The Jackson Health System is in receipt of the Final Report of your audit of the "Management and Services Agreement between the Public Health Trust of Miami-Dade County and Foundation Health Services," dated October 28, 2010.

Upon review of the report, the Jackson Health System would like to reiterate its support of the international program and our desire to continue to pursue international market share. Clearly, this is an important program to the Jackson Health System and to the county as this book of business supports the healthcare mission of JHS, employment opportunities, enhances tax revenues and supports downstream industries.

JHS recognized and agrees with the need for improved controls and expenditure systems. In pursuit of improved transparency and accountability, the PHT immediately implemented enhanced financial oversight. Eneida O. Roldan, M.D. president and Chief Executive Officer and John H. Copeland III, chairman of the PHT Board of Trustees appointed Ted Shaw, JHS chief transition officer and Mark Knight, JHS executive vice president and CFO, to conduct

heightened fiscal oversight of Foundation Health Services, Inc. They will continue to review and authorize any financial transactions greater than \$25.

At its meeting of November 16, 2010, the Miami-Dade Board of County Commissioners (BCC) approved Resolution 1136-10, which among other things, directed the PHT to terminate its agreement with Foundation Health Services, Inc., upon expiration of the current contract on February 1, 2011.

On December 14, 2010, Chairman Copeland appointed a Public Health Trust Ad Hoc Committee for International Health Services, chaired by PHT member Ernesto de la Fé and staffed with four additional members - Jorge L. Arrizurieta, Abraham A. Galbut, Stephen S. Nuell and Mark C. Rogers, M.D. - to convene for the purposes of reviewing and recommending a new operational model that would comply with the BCC's mandate.

The ad hoc group met on three consecutive days, beginning December 20, 2010. The Executive Committee recommended the establishment of a new entity to assume those services currently provided by FHS.

On December 28, 2010, a special meeting of the executive committee of the PHT convened to hear the recommendation. After much discussion, the executive committee passed a motion requesting that the matter be returned to the Ad Hoc Committee for International Health Services for further discussion and additional information.

On January 7, 2011, the Ad Hoc Committee for International Health Services reconvened and formalized the recommendation to create a "new company" not-for-profit/501c(3) that will become the operator for the international health business line. The transaction would include the purchase of all assets and liabilities excluding those related to the consultant acting as CEO. This would be Phase I of the process.

On January 11, 2011, the PHT Executive Committee passed a resolution to seek BCC approval to move forward with the implementation process for the new company, Jackson Memorial International (JMI). This process will include the concurrent implementation of Phases I and II. Phase II will consist of extensive analysis and strategic business planning efforts.

The Ad Hoc Committee further seeks to enforce effective financial controls and implement public expenditures policies through protocols that require accountability and transparency. The OIG recommendations put forth in the October 28th, 2010, "Audit of the Management Service Agreement between FHS and PHT," will be integrated into the policies, procedures and operational protocols of the new business model.

It has been the purpose of the Ad Hoc Committee for International Health Services to evaluate alternative business models that will incorporate best in class practices as well as further integration with our academic and community partners. Some of those alternatives being evaluated include:

- Public/Private Partnership structure
- New leadership options
- Business models to improve financial output

- Opportunities to generate increased revenue
- Operational structures that lend themselves to competitive advantage
- Bidding of all contracts

Response to Recommendations:

The OIG makes the following recommendations:

Recommendation #1:

We recommend that the PHT/JHS reevaluate the entire arrangement between it and FHS for the operation and management of the Jackson Memorial Hospital International Program and for the provision of hospitality and concierge services. This review should reevaluate the PHT/JHS need and desire to outsource both or either of these operations, and the efficiencies to be achieved by the PHT/JHS to manage its own programs directly. Non-monetary considerations, such as accountability and transparency, should also be taken into account in this, or in any consideration regarding the expenditure of public funds.

Response:

The Ad Hoc Committee for International Health Services has put forth a recommendation to proceed with the dissolution of FHS and the creation of a new, not-for-profit entity to operate international health services. This entity will acquire all assets and liabilities except for those related to the Interim CEO/ Consultant. This recommendation will go the Miami-Dade Board of County Commissioners for approval. A new board of directors will govern this entity and leadership will implement policies and procedures that are aligned with county fiscal and operational guidelines.

Recommendation #2:

Should the PHT/JHS conclude that it desires to outsource the management and operation of some or all of the International Program, and/or some, or all of the hospitality and concierge services, the OIG recommends that it consider the following:

a. That the program services be competitively acquired through an open Request for Qualifications (RFQ) and/or Request for Proposals (RFP) process.

All contracts for goods and services in excess of \$50,000 for the new company will be competitively bid.

b. That the agreement be based upon the reimbursement of approved budgeted operating expenses at the actual cost of such expenses, e.g. wages, salaries, payroll taxes, and insurance; office supplies, office equipment and equipment rentals; direct marketing and advertisement placement costs; pre-approved travel expenses, etc.

All accounting and expenditure policies will be handled on a reimbursement methodology, except where travel requirements of the international location demand cash advances. All cash advances will be approved in advance by the chief executive. All reimbursements require documentation as to business purpose, who attended, what venue the expense was incurred for and a detailed receipt demonstrating what was purchased. All expenditures of public funds will be subject to the appropriate use of public funds and will be in accordance with adopted policies. Any expenditure for alcohol or other non-qualified purposes will be subject to reasonableness

and appropriate business purpose documentation and will be funded from monies raised from non-public sources. All such expenditures will be subject to scrutiny by JHS internal audit and the review by the OIG.

c. That the procurement of equipment and consultant services adhere to public procurement standards, including the need to competitively acquire goods and services through price competition or other evaluative processes.

Response:

All procurement of equipment and consultant services will adhere to procurement policies (see a. above).

Recommendation #3:

The PHT/JHS should require FHS to return the current unrestricted cash balance (which was approximately \$2.2 million ending September 30, 2009).

Response:

The PHT has managed the payments to FHS so as to cause a spend down of the cash balance reflected for September 30, 2009. Attached please find an updated cash roll forward schedule. Payments to be made to the new company will be limited to working capital advances to fund monthly operations. Payments made to the new company will be based on an approved detail budget and will be limited to costs incurred in accordance with the budget and management approvals.

Recommendation #4

Because the international program and hospitality and concierge services are two programs funded by taxpayer dollars, the Miami-Dade County Board of County Commissioners may want to condition the PHT's assignment of its funds to the service provider (FHS) based on a cost reimbursement methodology. The BCC may also want to consider the imposition of reasonable expenditure standards consistent with the expenditure of public funds.

Response:

At its meeting on November 16, 2010, the BCC approved Resolution 1136-10, which among other things, directed the PHT to terminate its agreement with Foundation Health Services, Inc., upon expiration of the current contract on February 1, 2011. Expenditure standards consistent with the expenditure of public funds will be integrated into the policies and procedures of the new company.

Jackson Health System recognized the need to play a more vigilant role in monitoring and enforcing compliance from our contract holders. Therefore, we have implemented enhanced controls that adhere to those very best business practices to ensure accountability and transparency as we dispense publicly funded dollars. The controls are currently in place and will be included in the policies and procedures of future operational structures. JHS will continue to demand ethical business practices that are demonstrative of our commitment to be good stewards of the public trust.

January 20, 2011, the Board of County Commissioners approved an extension of time to comply with the requirements set forth by Resolution 1136-10 to include, among others, termination of the service relationship with Foundation Health Services (FHS) and a review of FHS related funds and accounts. The approval of this item provides the PHT the authorization necessary to continue operating the very important international health services of Jackson Health System in a structure and format that meets the conditions and approval of the BCC.

During the Board meeting, and followed by a formal memorandum, Chairman Martinez has firmly stated that this approval action did not however imply approval of a plan inclusive of the development of a 501 (c) (3) as the response to a new business model.

The PHT wishes to reiterate that the recommendation for the establishment of such new entity is intended to immediately comply with the Board mandate set forth by Resolution 1136-10, to do no harm by preserving the mission and vision of the valuable International health services department, to dissolve FHS and eliminate liabilities of such, to restructure the leadership component and to prevent additional loss of market share through the implementation of operational models that would disrupt the current standard of practice.

The International Health Services committee produced this recommendation from a series of task force meetings where key stakeholders had an opportunity to contribute and participate. The committee will continue to meet with the support and participation of key academic, County and community stakeholder to operationalize best practice in a mutually agreeable business model. For the time being the new Board, leadership and financial oversight committee will carry out the PHT policies while managing the international health services department without exception.

cc: Public Health Trust Board of Trustees
Honorable Chairman Joe A. Martinez, and Members, Board of County Commissioners
Honorable Carlos Alvarez, Mayor
George Burgess, County Manager
Alina Hudak, Assistant County Manager
Tara Smith
Paula Romo


OIG ATTACHMENT 2



DATE: January 27, 2011

TO: Honorable Jose "Pepe" Diaz
District 12 Commissioner and Chair
Public Safety and Health Care Administration Committee

CC: Alina Hudak, Assistant County Manager
Gene Shy, Assistant County Attorney

FROM: Eneida O. Roldan, MD, MPH, MBA
President & Chief Executive Officer 

SUBJECT: Request to Sponsor and place item on the February 8th
Public Safety and Health Care Administration Committee

I am respectfully requesting your sponsorship and placement of the attached item on the February 8th, Public Safety and Health Care Administration Committee meeting agenda. The item is time sensitive and requires action in order to ensure compliance with the Board of County Commissioners Resolution No.R-1136-10, which directs the Public Health Trust to terminate its agreement with Foundation Health Services, Inc. by March 1, 2011. This item provides the PHT the authorization necessary to continue operating, without interruption, the very important International Health division of Jackson Health System.

Resolution:

RESOLUTION AUTHORIZING THE PUBLIC HEALTH TRUST OF MIAMI-DADE COUNTY ("PHT") TO: (1) INCORPORATE A NEW, PRIVATE, NOT-FOR-PROFIT CORPORATION ABLE TO PROVIDE CERTAIN ADMINISTRATIVE AND MANAGEMENT SERVICES TO THE PHT FOR THE OPERATION OF JACKSON HEALTH SYSTEM'S INTERNATIONAL HEALTH SERVICES DIVISION IN LIEU OF THE FOUNDATION HEALTH SERVICES, INC. ("FHS"); (2) NEGOTIATE WITH FHS AND ITS SOLE OWNER, JACKSON MEMORIAL FOUNDATION, FOR THE TRANSFER INTO THE NEW CORPORATION OF FHS' ASSETS AND LIABILITIES, EXCLUDING ANY LIABILITIES, RELATED TO THE CONSULTANT ACTING AS CEO OF FHS UNDER THE MANAGEMENT SERVICES AGREEMENT DATED OCTOBER 1, 2006 AND DURING THE TIME FRAME OF OCTOBER 1, 2006 AND January 31, 2011.

Thank you for your consideration.

Approved _____ Mayor

Agenda Item No.

Veto _____

Override _____

RESOLUTION NO. _____

RESOLUTION AUTHORIZING THE PUBLIC HEALTH TRUST OF MIAMI-DADE COUNTY ("PHT") TO: (1) INCORPORATE A NEW, PRIVATE, NOT-FOR-PROFIT CORPORATION ABLE TO PROVIDE CERTAIN ADMINISTRATIVE AND MANAGEMENT SERVICES TO THE PHT FOR THE OPERATION OF JACKSON HEALTH SYSTEM'S INTERNATIONAL HEALTH SERVICES DIVISION IN LIEU OF THE FOUNDATION HEALTH SERVICES, INC. ("FHS"); (2) NEGOTIATE WITH FHS AND ITS SOLE OWNER, JACKSON MEMORIAL FOUNDATION, FOR THE TRANSFER INTO THE NEW CORPORATION OF FHS' ASSETS AND LIABILITIES, EXCLUDING ANY LIABILITIES, RELATED TO THE CONSULTANT ACTING AS CEO OF FHS UNDER THE MANAGEMENT SERVICES AGREEMENT DATED OCTOBER 1, 2006 AND DURING THE TIME FRAME OF OCTOBER 1, 2006 AND JANUARY 31, 2011.

WHEREAS, pursuant to Chapter 25A of the Code of Miami-Dade County, Florida (Chapter 25A), the Public Health Trust of Miami-Dade County (the "PHT") was created as an agency and instrumentality of Miami-Dade County responsible for the governance, operation and maintenance of Jackson Memorial Hospital and other Designated Facilities (as such term is defined in Chapter 25A); and

WHEREAS, Jackson Health Systems ("JHS") has an International Health Services Division, which the PHT Board of Trustees has determined to be a vital program for JHS; and

WHEREAS, Foundation Health Service, Inc. ("FHS") had been retained to provide services to JHS' International Health Services Division, pursuant to a Management and Services Agreement dated October 1, 2006 (the "Agreement") and FHS has operated the JMH International Program on behalf of the Trust in performance of that Agreement; and;

WHEREAS, the Agreement, absent an extension, will expire on March 1, 2011; and

WHEREAS, Board of County Commissioners of Miami-Dade County (the "Commission") passed a Resolution No. R1136-10 (the "Resolution"), which requires the PHT to, among other things, terminate its service relationship with FHS by declining to renew the Agreement and allowing such agreement to expire on February 1, 2011, or in the alternative to terminate such Agreement prior to February 1, 2011, if possible; and

WHEREAS, the Resolution also specifically directed, among other things, the PHT to refrain from entering into any new agreements, business dealings, relationships, or arrangements whatsoever with FHS absent express direction by the Commission; and

WHEREAS, following the issuance of the Resolution, the PHT formed an Ad Hoc Committee for International Health Services (the "International Health Services Committee") comprised of five members of the PHT Board of Trustees to analyze and recommend a policy approach and solution for operations of JHS' International Health Services Division; and

WHEREAS, the International Health Services Committee conducted a series of meetings to carefully analyze and consider a policy approach and solution for operations of JHS' International Health Services Division; and

WHEREAS, the International Health Services Committee made a recommendation, which was approved by the Executive Committee of the PHT on January 11, 2011, to be in the best interests of the PHT (the "Proposal"), and which was ratified by the PHT Board of Trustees on January 24, 2011, to: (i) incorporate a new not-for-profit corporation which would be able to provide certain administrative and management services to the PHT for the operation of JHS' International Health Services Division and to accept a transfer of FHS' assets and liabilities, excluding any liabilities related to the Consultant acting as CEO of FHS under the Agreement;

and (ii) have the PHT then enter into a Management and Services Agreement with the new corporation whereby the new corporation would provide certain administrative and management services to JHS' International Health Services Division, in lieu of FHS, as designed by the PHT in such agreement; and

WHEREAS, the PHT understands that the proposal must be brought forth to the Commission so as to obtain express direction by the Commission prior to implementation; and

WHEREAS, on January 20, 2011, the PHT requested from the Commission an extension of time to comply with the Commission's Resolution so that the PHT would have the time necessary to bring forth to the Commission the proposal without interrupting during the interim period the services currently being provided to JHS' International Health Services Division by FHS; and

WHEREAS, on January 20, 2011, the Commission gave the PHT an extension of time, until March 1, 2011, to comply with the Resolution and authorized JHS staff to negotiate with FHS an extension of the Agreement up to but not beyond March 1, 2011; and

WHEREAS, any Extension to the Agreement will therefore expire on March 1, 2011; and

WHEREAS, Jackson Memorial Foundation will not have any agreements, business dealings, relationships or arrangements with the new not-for-profit corporation; and

WHEREAS, the PHT seeks approval from the Commission to: (i) incorporate a new not-for-profit corporation which would be able to provide certain administrative and management services to the PHT for the operation of JHS' International Health Services Division and to accept a transfer of FHS' assets and liabilities, excluding any liabilities related to the Consultant acting as CEO of FHS under the Agreement during the time period of October 1, 2006 and

January 31, 2011 (ii) negotiate with FHS and its sole owner, Jackson Memorial Foundation, for the transfer of FHS' assets and liabilities excluding any liabilities related to the Consultant acting as CEO of FHS during the time period of October 1, 2006 and January 31, 2011 into the new not-for-profit corporation; and (iii) enter into any agreements and execute any documents necessary to effectuate the aforementioned incorporation and transfer from FHS.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF MIAMI-DADE COUNTY, FLORIDA, that this Board hereby authorizes the Public Health Trust of Miami-Dade County to: (i) incorporate a new not-for-profit corporation which would be able to provide certain administrative and management services to the Public Health Trust ("PHT"), in lieu of Foundation Health Services, Inc. ("FHS"), for the operation of Jackson Health System's International Health Services Division and to accept a transfer of FHS' assets and liabilities, excluding any liabilities related to the Consultant acting as CEO of FHS under the Agreement during the time period of October 1, 2006 and January 31, 2011; (ii) negotiate with FHS and its sole owner, Jackson Memorial Foundation, for the transfer of FHS' assets and liabilities excluding any liabilities related to the Consultant acting as CEO of FHS during the time period of October 1, 2006 and January 31, 2011 into the new not-for-profit corporation; and (iii) enter into any agreements and execute any documents necessary to effectuate the aforementioned incorporation and transfer from FHS.

The foregoing resolution was offered by Commissioner _____, who moved
its adoption. The motion was seconded by Commissioner _____ and
upon being put to a vote, the vote was as follows:

:

Joe A. Martinez , Chairman	
Audrey M. Edmonson, Vice-Chairman	
Bruno A. Barreiro	Jose "Pepe" Diaz
Carlos A. Gimenez	Sally A. Heyman
Barbara J. Jordan	Dennis C. Moss
Dorin D. Rolle	Natacha Seijas
Katy Sorenson	Rebeca Sosa
Sen. Javier D. Souto	

The Chairperson thereupon declared the resolution duly passed and adopted this _____,
2011. This resolution shall become effective ten (10) days after the date of its adoption unless
vetoed by the Mayor, and if vetoed, shall become effective only upon an override by this Board.

MIAMI-DADE COUNTY, FLORIDA
BY ITS BOARD OF
COUNTY COMMISSIONERS

HARVEY RUVIN, CLERK

By: _____
Deputy Clerk

Approved by County Attorney as
to form and legal sufficiency. _____


Eneida O. Roldan, M.D., M.P.H., M.B.A.
President and Chief Executive Officer

TO: Honorable Chairman Joe A. Martinez and
Members, Board of County Commissioners

FROM: Eneida O. Roldan, M.D., M.P.H., M.B.A.

DATE: January 28, 2011

SUBJECT: Reorganization Plan
International Health Services at Jackson Health System



As per your request, attached please find our presentation of the "**Reorganization Plan: International Health Services at Jackson Health System**", a comprehensive document outlining our proposed methodology for protecting and expanding international market share.

Your feedback and collaboration in advancing this matter is greatly appreciated. We look forward to addressing any questions that you may have, please do not hesitate to contact me at 305-585-6754.

Thank you.

CC: Honorable Mayor Carlos Alvarez
John Copeland, Chairman, PHT and Members of the Board
George Burgess, Miami-Dade County Manager
Alina Hudak, Assistant County Manager
Eugene Shy, Miami-Dade County Attorney

Attachment:



Reorganization Plan

International Health Services at Jackson Health System

Pursuing Excellence in Global Health Care



International healthcare services is a lucrative niche-market where hospitals in advanced nations leverage advanced, comprehensive, medical capabilities to attract funded citizens from countries whose healthcare systems do not have the appropriate expertise, diagnosis and/or treatment capabilities for intermediate and complex cases. The international market is a fluid environment that offers immeasurable opportunities for Jackson Health System (JHS) and our partners. In order for an international program to be viable and successful, it is imperative that the program be structured in such a way that it functions efficiently, both financially and operationally, while satisfying regulations aligned with the Public Health Trust (PHT). Therefore, the PHT has already begun to implement the recommended and necessary changes, and will continue to take great strides towards improving the international program in order to ensure its global market success in a transparent entity dedicated to superior patient relations.

Our Presence in the International Market

JHS's international health services is branded and recognized in the international market and the Caribbean Basin. Services offered to patients that reside outside of the continental United States include streamlined access to quality care through referral development, marketing, financial clearance, evaluation and treatment, and hospitality.

A Brief History of the Formation of Foundation Health Services, Inc. (FHS):

OIG Report 2003

The formation of FHS came as a result of several events dating back to 2003. In 2003, the Office of the Inspector General (OIG) issued its Final Audit Report for Non-Resident/Non-Emergency Admissions at Jackson Memorial Hospital (JMH). The OIG report examined non-resident/non-emergent admissions to JMH between January 1, 1999 and April 4, 2003. This report revealed that there were several large outstanding balances for international patients treated at JMH. At that time, some international patients were managed by the International Health Center (IHC), operated by the University of Miami (UM); however, not all patients went through the IHC. The OIG report recommended the PHT assume more control of the international patients. As a result of the recommendation from the OIG, the PHT assumed administrative control of the intake and initial screening process for JHS patients of the IHC and developed stronger procedures relating to the ongoing care required by these patients in relation to Policy 195 for the international program. As part of this change, the PHT would not allow elective admissions for patients who have not met their financial commitment for care previously provided. In

addition, the PHT improved the process to more accurately estimate the cost associated with the existing condition and used collection agencies specializing in international collections for those patients who returned to their home countries.

The Formation of FHS

After the OIG report, JHS's Strategic Planning and Business Development Department conducted an internal review of IHC and determined that it should be repositioned both internally and externally. As part of this review, it was also determined that if Jackson Memorial Foundation (JMF) managed the IHC it would be beneficial to both JMH and the University of Miami Medical Group (UMMG) based on its flexibility. As a result of the internal review, JMH decided to assert its ownership over the international program, improve accountability and reinvigorate its strategic value.

In 2004, exploratory discussions between JMH and JMF leadership began. As part of the Project Re-Create II in January 2005, a re-engineering of JMH's international business strategy emerged as a key goal of growing margin for JMH. The business case prepared by KCI Partners, Inc. regarding JMH's international program and its operational relationship with what is now known as FHS identified four key competitive advantages that JMH's international program possesses (i.e., brand recognition, unmatched quality and capabilities, payer support, and location). Additionally, the business case also addressed the rationale for developing the JMH international program and identified the critical factors for success of the international program. During 2005, JMF solicited a \$1 million gift dedicated to launching hospitality/concierge services at JMH for international patients. More specifically, these funds were provided to finance an upscale hospitality center that was to be operated by JMF and fund the initial cost of a hospitality services program.

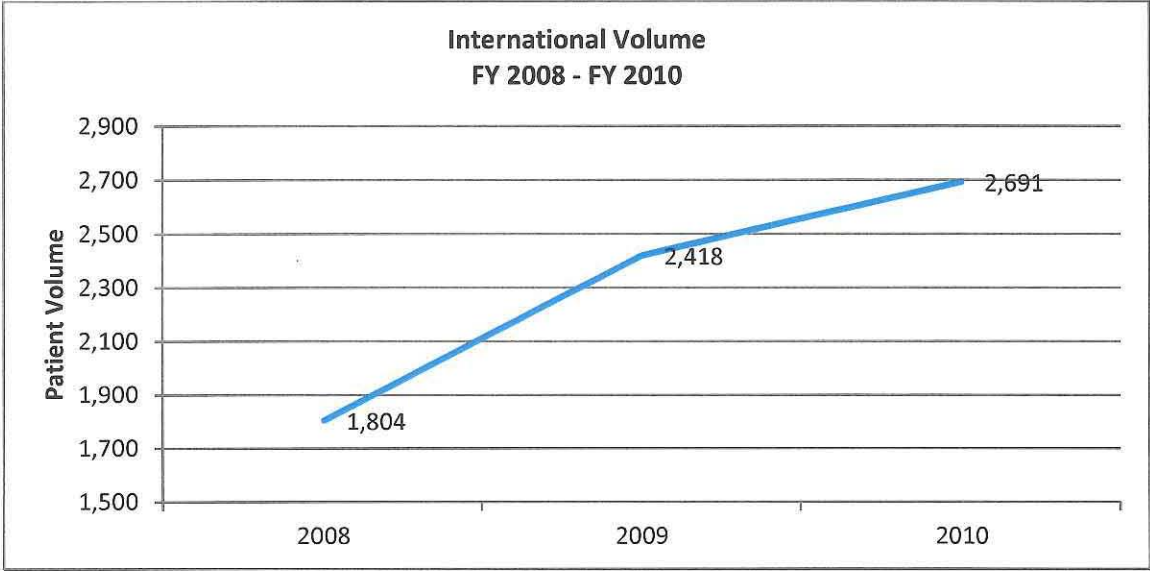
In late June of 2006, the leadership of UM and JMH agreed to overhaul the management, operation, and structure of the international program. Both parties agreed to invite JMF to participate in growing the program through a management services agreement with FHS, an affiliated 501(c)(3) company of the JMF.

Performance: First Years of Operation through October 2010

The first full year of operation for FHS was 2007. During this year, FHS experienced unprecedented success in the international market and the concierge/hospitality services. International gross charges

exceeded the original forecast by over 14%. International patients served by hospitality services exceeded the 2007 forecast by 33% in terms of gross charges and based on high demand, FHS assumed management of JMH's volunteer services. Additionally, in the first year of service, the Bupa Center (a family reception center) was completed at no cost to JMH. At least 23 countries referred patients to FHS and a successful marketing program targeting cruises and maritime industries was developed.

For FY 2008 through FY 2010, the volume of FHS continued to grow from a total of 1,804 patients in FY 2008 to 2,691 in FY 2010, while maintaining a collection rate of at least 45% for each year. Areas of highest volume for inpatient treatment in FY 2010 were the following: General Surgery, Rehabilitation, Orthopedics, Trauma and Oncology.



Prior to fiscal year 2008 the tracking of international patients was not maintained in a comprehensive manner; however, starting with data in FY 2008 a robust system was put into place to determine inpatient and outpatient volume along payer and collection rates by payer. Patients coming through the international program typically have an agreed upon package price or international insurance. FHS has contracted with many international insurance companies based on a percentage of charge methodology. This practice allows for a smooth throughput of patients through FHS and JHS's patient financial services.

Patient Tracking

The process to contact FHS for the transfer of patients has been made relatively easy for international patients and international physicians by a 24/7 on-call phone line (305-355-1212). Upon calling the 24/7 phone line, medical, financial and demographic information related to the patient is collected by the International Coordinator (IC). The communication log is updated and Notice to Admit (NTA) is started as required. As part of this process, benefits/eligibility is verified to ensure proper coverage is available for the case to be transferred. Once the patient is financially cleared by the Executive on Call (EOC), an accepting service is identified based on the medical records received. If the medical information is not sufficient, the Medical Director for the international program is to be contacted. If needed, a conference call is to be facilitated by the IC between the referring physician and possible accepting physician and/or Jackson International's Medical Director to identify proper service.

In the event that the patient to be transferred is not insured, IC is to alert the EOC immediately. The EOC will then analyze the plan of care obtained from the possible accepting service and provide facility quote. The IC will then contact the UM-IHC, who will add on the physician's fees and the total deposit to be collected by UM-IHC.

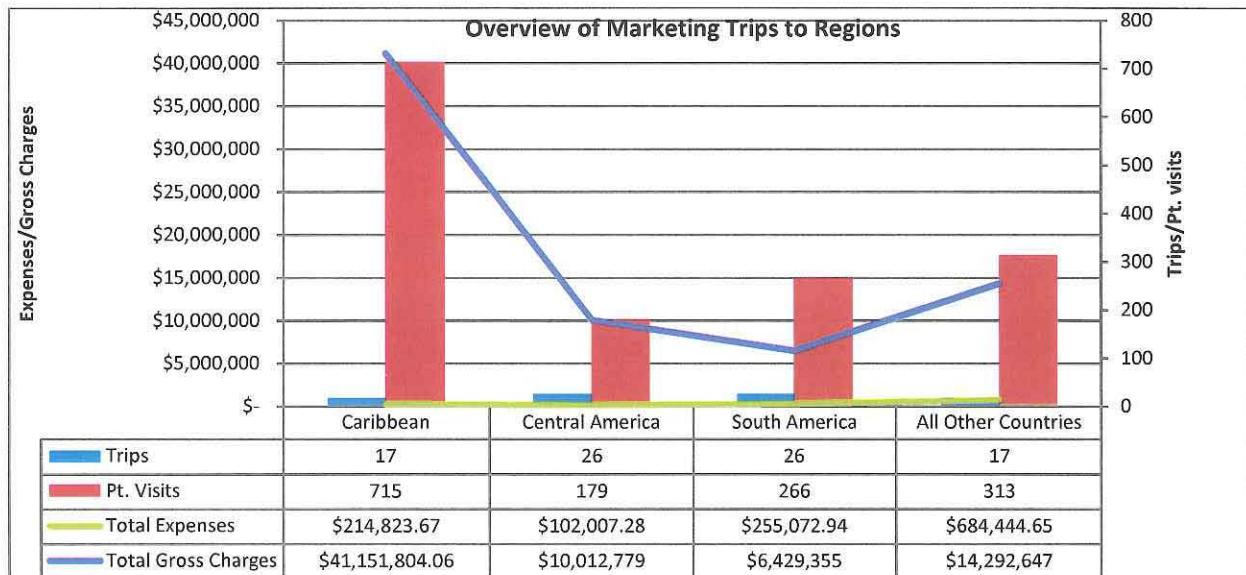
Once the patient is medically accepted, the point of entry is determined by the accepting physician. The IC is responsible for informing Bed Placement, the accepting floor, ER coordinator, Trauma, Resuscitation, Pedi-ER (as the case dictates) and the Hospitality Team. The IC releases the air ambulance in question and maintains close contact with them until the patient's arrival. Close communication is maintained with Hospitality Services that directly admits the patient upon their arrival to JMH. At this time, the NTA is completed and Estimated Time of Arrival (ETA), if necessary, is submitted.

International Case Managers follow up and keep the insurance company informed to ensure timely payments to JMH. The IC interacts and coordinates case management issues with JMH Case Management Manager, Medical Team, Payor, Jackson International Finance, and Operations Manager and assists with the coordination of the discharge planning. Billing and collection of payments is done by JMH and the volume for international patients is tracked by the staff and maintained in a log (see process flow in appendix). Additionally, international patients meeting the criteria and entering through FHS are given a unique code in the patient access system, which allows for these patients to be identified by JHS.

Marketing and Business Development Efforts

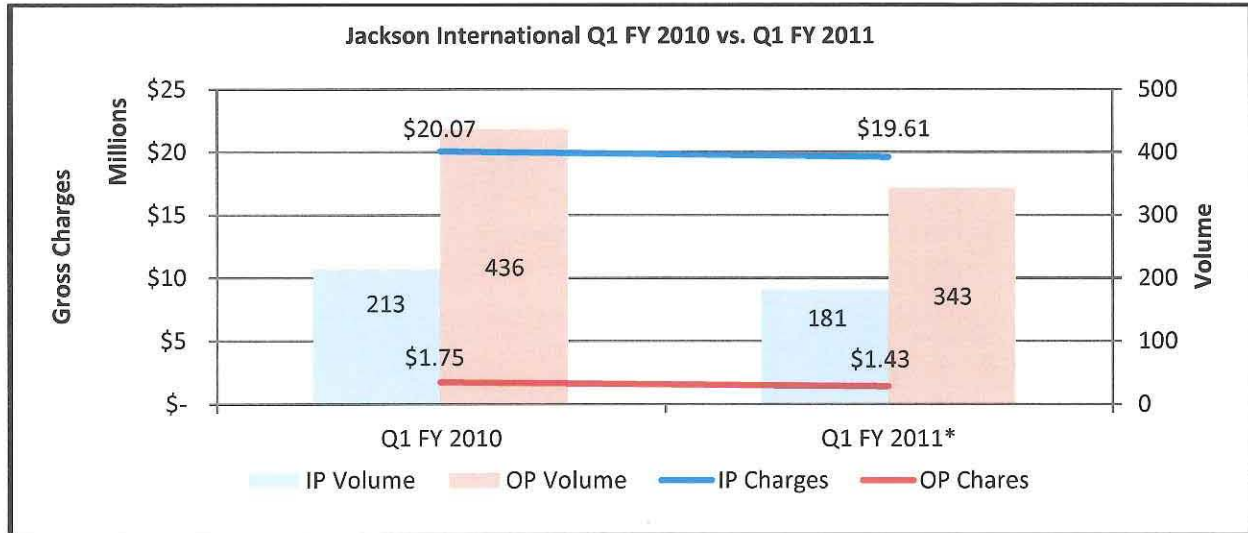
Jackson’s International Program generates international patient referrals for the JHS through a cohesive client development, promotion, and customer service strategy. Three primary markets that are targeted are the following: Caribbean, Central America/Mexico and South America.

Growth was achieved in FY 2010 despite the hospital’s financial crisis, which affected JHS’s reputation in the international market and resulted in reduced patient referrals due to our competitors capitalizing on the bad press. The financial strain that JHS suffered resulted in delays in payments to Jackson International. The Sales and Marketing Team is shortly tenured with less than a year in operation. Requests from the OIG and Commissioners deterred them from focusing on the sales and marketing activities. One whole year without a marketing agency and up until March of 2010, major referral sources from areas such as Cayman Islands had not been visited in the previous two years. The correlation between marketing trips and patient referrals for FY 2010 are reflected in the following chart.



*Initiatives that focus on healthcare industries for all regions directly related to Medical Tourism, Third Party Administrators, Air Ambulances, Travel Insurance, etc.

When compared to the first quarter of FY 2010, the first quarter of FY 2011 shows a slight decline; however, the results of marketing efforts usually have an 18 month cycle/turnaround time. Outpatient visits for the first quarter of FY 2011 actually exceed the outpatient visits of last year for the same time period.



For FY 2011 the marketing and business development department have three models for expanding growth in each of the target markets. Communication and relationships are two integral components that lead to successful international marketing and business development. Business development and marketing efforts include, but are not limited to contracts, conferences, meetings, observerships, affiliations and peer-to-peer workshops. Based on the past trends, there is a correlation between the number of visits to a country and amount of referrals received by JHS. Strong relationships maintained by the marketing and business development team ensure that the current referral streams will continue, while also setting the stage to foster and build potential relationships/referral streams. Communication with business partners is paramount in the international market. To ensure communication is not impacted, the PHT will work diligently to ensure that the transition will be as seamless as possible, as the international market is extremely competitive.

***FY 2011 Market Growth Projections**

Region	2010 Actual Based on ORIGIN of TRANSFER	FY2011 Projections Based on Origin of Transfer					
		Conservative Model		Moderate Model		Aggressive Model	
		Gross Charges	Increase %	Gross Charges	Increase %	Gross Charges	Increase %
Caribbean	60,920,035	65,189,885	7.01%	67,012,038	10.00%	69,375,736	13.88%
Central America	4,842,879	5,182,313	7.01%	5,327,167	10.00%	5,515,070	13.88%
South America	8,290,502	8,871,579	7.01%	9,119,553	10.00%	9,441,224	13.88%
Mexico	3,705,233	3,964,930	7.01%	4,075,756	10.00%	4,219,519	13.88%
Cruise Lines	8,685,918	9,294,709	7.01%	9,554,509	10.00%	9,891,523	13.88%
Other	11,678,075	12,496,584	7.01%	12,845,882	10.00%	13,298,991	13.88%
Total	\$98,122,641	\$105,000,000	7.01%	\$107,934,905	10.00%	\$111,742,064	13.88%

*The projections are equal all across because our strategy is implemented equally across our three target regions.

Source: KCI Partners, Inc.

Note: There is a strategic plan surrounding marketing and business development; however, it is not included in this document since it contains information which could give competition the a competitive edge.

Challenges and Solutions

In October of 2010, OIG issued its final Audit Report of the Management Services Agreement between the Public Health Trust of Miami-Dade County and Foundation Health Services, Inc. The OIG recommended that the PHT/JHS reevaluate its entire arrangement with FHS for the operations and management of the Jackson Memorial International Program and for the provision of hospitality and concierge services. Also included in this recommendation, is the need for the PHT/JHS to reevaluate its need and desire to outsource both or either of these operations and the efficiencies to be achieved by the PHT/JHS to manage its own program directly. OIG findings also addressed misuse of FHS credit cards, lack of internal controls, procurement policies and compliance with asset inventory policy (please see cash roll-forward in the appendix).

Subsequently on November 16, 2010, the Miami-Dade Board of County Commissioners (BCC) passed a resolution directing the PHT to terminate its agreement with FHS and undertake all efforts to determine the amount of money due and owing to the PHT for any unapproved or improper expenditures and to

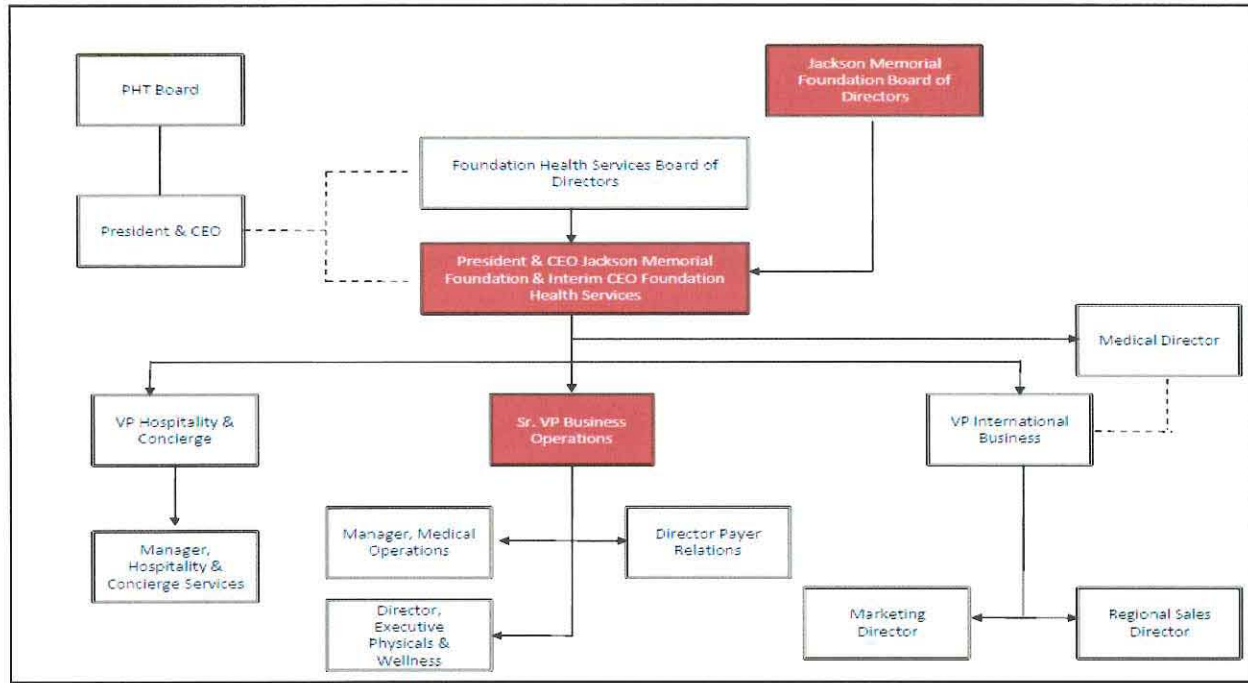
recoup such monies, identify funds, equipment, assets or property due and owing to the PHT and recoup such items and to take all actions necessary to comply with the directives found in the resolution (please see solution in the Increased Fiscal Oversight section).

Based on the extremely valuable recommendations made by the OIG and the resolution from the BCC on November 16, 2010, the interim leadership of FHS has been changed, the PHT and JHS have increased fiscal and managerial oversight to meet the standards which the PHT is held by, created an Ad-Hoc Committee to examine both the international and concierge programs, and FHS will be dissolved by March 1, 2011.

Change in Interim Leadership and Management

JHS's President and CEO Dr. Eneida O. Roldan, along with Mr. Mark Knight, Chief Financial Officer for JHS and Mr. Ted Shaw, Chief Transition Officer for JHS took immediate oversight of FHS and appointed Ms. Barbara Ronda, Corporate Director of Planning and Program Integration as Interim Executive Director over FHS (table of organization can be found on the following page). Simultaneously, the co-management of day-to-day operations for FHS has intermittently been transferred over to the Vice President of Hospitality and Concierge Services and the Vice President of International Business. During this time the new leadership has been running all aspects of FHS, while working very closely with the senior leadership of JHS. Frequent staff meetings have been held in regards to the future of FHS and a clear and comprehensive communication plan has kept the staff abreast of the ongoing changes.

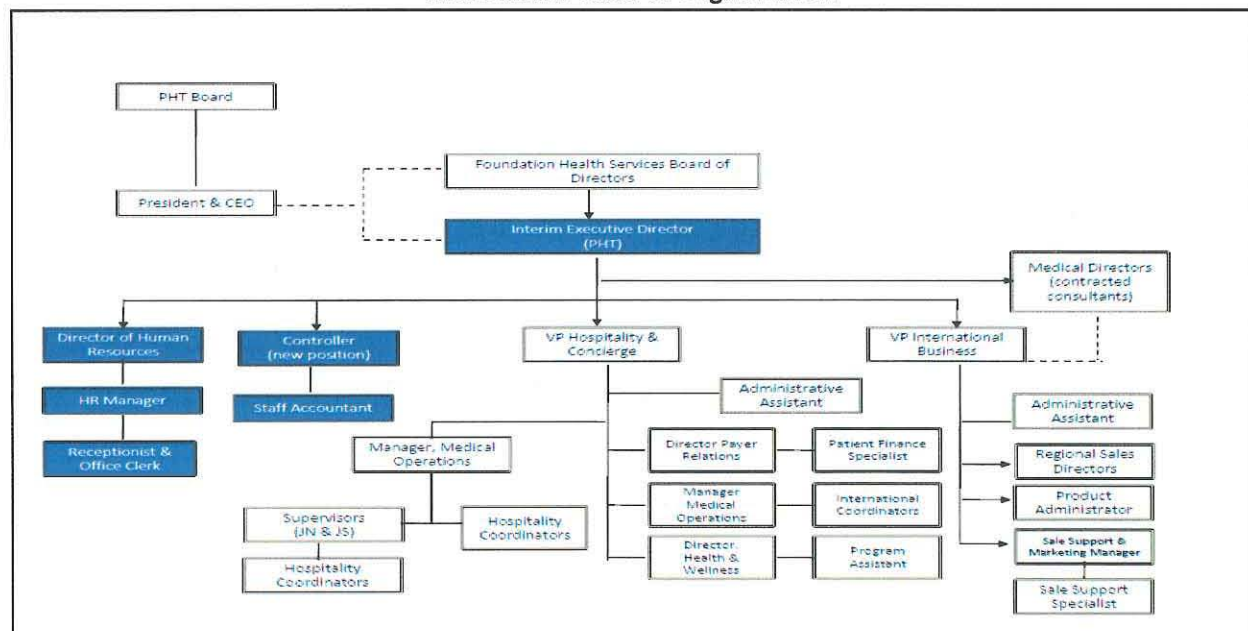
Original Table of Organization for Foundation Health Services



*Area(s) in red indicate positions which have been eliminated from the table of organization



Transitional Table of Organization



*Area(s) in blue indicate positions which have been added

Increased Fiscal Oversight

Mr. Mark Knight, Chief Financial Officer for JHS and Mr. Ted Shaw, Chief Transition Officer for JHS have taken financial oversight of FHS. As part of their fiscal oversight any transaction for FHS greater than \$25 must be reviewed and authorized and all credit card usage is monitored by Mr. Shaw and Mr. Knight. In an effort to go above and beyond, an internal audit was initiated to review the October 2010 credit card receipts for appropriateness and congruent with public spending protocols. This audit was conducted to ensure that FHS is following the same standards that are required by the PHT when handling public funds. Additionally, JHS ceased advancing payments to FHS to allow them to spend down the surplus which had accumulated (see cash roll-forward and budget in appendix).

Ad-Hoc Committee of the PHT

The Chairman of the PHT appointed a PHT Ad-Hoc committee for International Health Services chaired by Ernesto de la Fé and comprised of four additional PHT Board members (Jorge L. Arrizurieta, Abraham A. Galbut, Stephen S. Nuell and Mark C. Rogers, M.D.). This committee decided on a tenet of “no harm done.” The purpose of this committee was to review and recommend a new operational model to comply with the BCC mandate. This group met three consecutive days starting December 20, 2010 and ending December 22, 2010. A recommendation was put forth to the PHT Executive Committee to establish a new entity to assume the role and responsibilities of FHS. On December 28, 2010, a special meeting of the Executive Committee of the PHT convened to hear the recommendation. After much discussion, the members passed a motion requesting that the matter be returned to the Ad-Hoc Committee for International Health Services. The Ad-Hoc Committee for International Health Services reconvened and formalized the recommendation to create a “new company,” a not-for-profit/501(c)(3) that would become the operator for the international health business line. The transaction would be to purchase all assets of FHS for the assumption of FHS liabilities for one dollar, excluding those related to the consultant acting as CEO.

Dissolution of FHS and Exploration of New Operational Models

A multidisciplinary team has been working with the Miami-Dade County Attorney’s Office to dissolve FHS. Checklists regarding tasks which are to be completed for certain key areas such as, human resources, operations and finance have been compiled and all staff members are working together to ensure that all steps are taken to appropriately dissolve FHS, while maintaining continuity of services, relationships and day-to-day operations. Some of the overarching, high level tasks included in

the transition are the following: review of all contracts and shared service agreements, creation and implementation of a communication plan and communication with the bank regarding opening new bank accounts and credit cards. Different models/structures are being evaluated and we are working in conjunction with the County Attorney's Office to ensure all steps for the timely dissolution of FHS are followed. Congruently, preparation is underway for second phase of this transition which will be the day-to-day operations of the newly created company/structure to handle international and concierge business for JHS and our partners.

During the three consecutive days in December on which the Ad-Hoc committee met, several possible business models for the restructuring of the international program were explored and in conjunction with JHS leadership the following three models we identified. The models with potential for JHS were a new 501(c)(3), outsourcing the program to a vendor and making FHS a department of JHS. Below you will find some brief points as to why two of the three models were not viable for JHS.

Outsourcing:

- The portion that could be outsourced is the marketing component, as services could not be outsourced.
- Outsourcing the marketing component would destroy the current relationships with our clients.
- Service would be disrupted as the procurement process to outsource would be rather lengthy.
- The program would be diluted as a marketing company would not focus all their efforts on JHS, as we would not be their only client.
- The program would lose its personal touch.
- The relationship with our academic and community partners would be negatively impacted.

Making the International Program a Department of JHS:

- Strategies would become subject to the Sunshine laws and trade secrets would be exposed
- JHS would have to assume all employee benefits.
- Upon making the program a department of JHS all employee liabilities would be due immediately (see employee liabilities in appendix).

The only viable model which would allow the international program the ability maintain its day-to-day operations without detrimental disruptions is a new 501(c)(3). The 501(c)(3) would allow for a smooth

transition while creating separate bylaws, additional oversight, and a separate governing board which will hold the new company to the same standards as the PHT. In the following section you will find the new corporation's governance structure.

New Corporation Interim Governance Structure

The new corporation will have an interim Board of Directors, which will consist of three members: the JHS President and CEO, Dr. Eneida Roldan, the JHS Chief Transition Officer, Mr. Ted Shaw and the PHT International Ad-Hoc Committee Chair, Mr. Ernesto de la Fe. The initial Board will be responsible for filing the legal incorporating documents, establishing bank relationships, conducting required incorporating business such as, obtaining insurance, and establishing the permanent Board of Directors. Their term is limited to 60 days from the date of incorporation.

Board of Directors Composition

The permanent Board of Directors will consist of seven or more directors, of which a majority of directors will be selected by the PHT. The PHT members will include at least one member of the PHT. Additional Board members will be recommended by the PHT is academic and business partners as appropriate and in accordance with the instructions from the PHT Board of Directors and the BCC. These candidates will complete a comprehensive biographical profile, which will be reviewed against the expectations of the governing board. Selected candidates will be interviewed by the JHS President and CEO, a PHT Board Member and the Chief Medical Officer of the PHT. Any remaining members of the Board must be representatives of the community and will be selected for their expertise in international business, and marketing, finance, and banking or legal affairs.

No Board member may pursue any personal activity that will involve a conflict-of-interest and the officers of the Corporation will be the Chairman, Vice Chairman, Treasurer, and such other officers as may be elected by the Board of Directors.

Election, Term of Office, and Qualifications

Officers other than the Chairman shall be elected by the Board of Directors at its annual meeting (excluding the initial set of officers). Each officer shall hold office until his/her successor is either elected at the next annual meeting of the Board, resignation is effective, removed from office, or deceased. The Chairman of the Board shall be the JHS President and CEO.

Resignations, Removals and Vacancies

Any officer may resign at any time by giving notice in writing to the Chairman. The Chairman may resign at any time by giving notice to the PHT and the Board of Directors of the company. Unless otherwise specified in the notice, the resignation shall be effective upon receipt. Any officer other than the Chairman may be removed for cause, by a two-thirds vote of the Board of Directors at any meeting. The Chairman may be removed for cause upon written notice from the Chairman of the PHT. A vacancy in any office by reason of death, resignation, removal, disqualification, or any other cause may be filled for the unexpired portion of the term in the manner described by these Bylaws for regular election or appointment to such office.

Terms

The terms of all directors shall be for a period not to exceed three years. The initial terms of directors shall be staggered so that the term of approximately one-third of the total seated directors will expire after a year. The directors shall hold office until successors are appointed and have taken office. An officer of the Corporation shall not receive, directly or indirectly, any salary, compensation, or payment from the Corporation, either as such officer or in any other capacity.

Function and Roles

- **Chairman:** The Chairman shall be the principal executive officer of the Corporation and shall have general charge and control of the affairs of the Corporation and general supervision over its officers and agents, subject to the direction of the Board of Directors. The Chairman may sign and execute in the name of the Corporation agreements or other instruments authorized by the Board. The Chairman shall have such other powers and duties as may be incidental to the office, or as assigned to him/her by the Board.
- **Vice Chairman:** At the request of the Chairman or in his/her absence or disability, the Vice Chairman shall perform all the duties of the Chairman and when so acting, shall have all the powers of, and be subject to all restrictions of the Chairman. The Vice Chairman may also sign and execute agreements or other instruments authorized by the Board in the name of the Corporation. The Vice Chairman shall have such other powers and duties as may be assigned to him/her by the Board or the Chairman.

- **Treasurer:** The Treasurer shall be the principal financial officer of the Corporation, shall have the care and custody of all funds of the Corporation, and shall deposit the funds in accordance with instructions of the Board of Directors and the agreement between the PHT and the Corporation. He or she shall receive money paid on account of the Corporation, and shall payout the funds on hand for all bills and other just debts of the Corporation, in accordance with established budget. He or she shall make such reports on the finances of the Corporation to the Board as may be required at any time, and shall perform all other duties coinciding with the office of the Treasurer.

Board of Directors Overall Responsibilities

The Board of Directors shall have the following authority:

1. Collaborate in the development and preparation of the annual operating budget.
2. Develop and oversee execution of a strategic marketing and services plan for the Corporation.
3. Develop and maintain a hospitality and patient access function for the Corporation that serves the international and domestic patients of the Trust and related physicians.
4. Monitor the services being provided by the Corporation to ensure that the needs of the Corporation and are consistent with the committed financial and other resources.
5. Ensure that professional standards are maintained and observed.
6. To adopt and be responsible for operating personnel policies and procedures, including selection and dismissal procedures, salary and benefits scales and employee grievance procedures within the guidelines of the PHT Personnel Policies and Procedures.
7. To ensure that the Corporation is operated in compliance with applicable federal, state, and local laws, rules and regulation.

PHT and Corporation Overall Responsibilities

The PHT will retain authority for the following:

- i. To hire the Executive Director of the Corporation;
- ii. To establish personnel policies and procedures, including selection and dismissal procedures, salary and benefit scales, employee grievance procedures, and equal employment opportunity practices; and

- iii. To develop management and control systems that are in accordance with sound financial management procedures, including the conduct of an independent audit on an annual basis, approval of the annual corporation budget, and long range financial planning.

Conclusion and Next Steps

The PHT has already begun to implement the recommended and necessary changes the OIG and BCC have put forth. In addition to the recommendations that have been identified, the multidisciplinary transition team continues to address key concerns and identify various avenues to improve the international health services offered by JHS. As evidenced in the table titled Potential Business Models, a new 501(c)(3) holds the greatest strengths and opportunities for the international health program based on its ability to meet the needs of the international market place. There are many opportunities for growth in the international market, but JHS must act expeditiously because there is always the threat of our competitors contacting our clients and using our transition to their advantage. Communication with business partners is paramount in the international market. Therefore, the competitors could potentially deteriorate the trusted relationships that we have fostered and built with our clients. Moreover, in order to make sure that communication is not broken with our clients, the PHT will work diligently to ensure that the transition will be as seamless as possible, as the international market is extremely competitive.

In an effort to improve accountability and transparency with the BCC directive, the PHT and JHS leadership have focused their efforts over the past few months on the structure and operation of FHS. The PHT has created an Ad-Hoc Committee with a tenet of “no harm done.” This committee focused solely on international health services, new operational models and the transition of FHS to a new company. JHS leadership has formed a multidisciplinary team comprised of both JHS and FHS leadership to oversee all facets of the transition. This multidisciplinary team terminated the relationship with FHS’s consultant, eliminated relationship with JMF, increased fiscal and managerial oversight (dual approval for any purchase greater than \$25), launched an internal audit, enhanced protocols around the dissemination and spending of public funds, and complying with the dissolution of FHS by March 1, 2011.

Appendices

Timeline

Timeline

1996:

- University of Miami-Jackson Memorial Hospital (UM-JMH) Medical Center established an International Health Center (IHC) program.

2003:

- Miami-Dade County Officer of the Inspector General published a highly critical review of the hospital's international program, accusing it of unexplained fiscal leniency towards international patients and ineffective collections of international patient accounts.

2004:

- Exploratory discussion with JMH and JMF leadership.
- JMH formally requested that the JMF consider taking ownership of the marketing and customer service aspects of the IHC program as soon as practical in calendar year 2005.

2005:

- Solicited a one million dollar gift dedicated to launching hospitality (concierge) services at JMH for International patients.
- August 8, 2005: Engaged strategic planning consulting study titled "Impact of Assuming Management of the JMH International Health Services."
- Approved a pilot project to demonstrate the efficacy of providing personalized hospitality services for domestic and international patients.

2006:

- Approved the launching and development of Foundation Health Services, Inc.; an affiliated company whose mission is to support JMH's improved payer mix initiative.
- First COO for FHS hired by FHS Board of Directors. Individual recruited was the JMH Director of Business Development and Strategic Planning. Purpose of recruitment was to lead FHS and improve the strategic planning and operational integration of the Foundation with JMH.
- Late June 2006: Leadership of the UM and JMH agreed, in principle, to overhaul the management, operation and structure of the international program. Both parties agreed to invite the JMF to participate in the growing of the program through a management services agreement with FHS, an affiliated company of the JMF.
- July 20, 2006:
 - PHT Approved the Business Case For: JMH International and Operational Relationship with Foundation Health Services, Inc.
- October 1, 2006 Management Services Agreement is made and entered into and FHS is functional.

Timeline Continued

2007:

- FHS COO plans company's first strategic retreat on a cruise ship.
- November: \$29 million increase in gross hospital charges between 2005 and 2007, exceeding the original 2007 forecast.
- Bupa Center Constructed.
- 10 Suites in West Tower upgraded.
- At least 23 countries referred patients.
- Developed successful marketing program.
- FHS hosted Second Annual Conference for Healthcare Policy Makers in the Caribbean Basin and Central America.

2008:

- March 2008: First COO for FHS departed.
- April 14, 2008: FHS Program Review.
- November 2008: Executive Vice President hired by FHS.
- December 2008: FHS changes travel policy to not include airline club as a non reimbursable expense.

2009:

- September 2009: Executive Vice President separated from FHS.
- End FY 2009: Concluded with a net surplus of \$3 million due to the hospitals inability to meet scheduled obligations to FHS. Over 38% of the \$2 million held in cash at the FY 2009 was paid by the hospital on September 29, 2009 and the remaining 62% of these \$2 million was collected on August 24, 2009.
- 2009/10 Budget year: \$11.3M had been agreed upon with JHS management for the FHS budget
- JMF's management internal analysis revealed that the Foundation was subsidizing FHS operational, HR and Finance Services and a methodology was established which provided a best estimate of actual cost. Based on 2009 analysis HR's cost are primarily allocated as a percentage of employees in each company.
- December 2009:
 - FHS's Board with the consent of the Foundation Board requested that the current CEO of the Foundation serve as interim director of FHS.
 - \$11.3M originally agreed up by JHS management for the FHS budget was reduced to \$9.7M.
- October 2006 through December 2009: FHS Received \$17, 250,408 in public money.

Timeline Continued

2010:

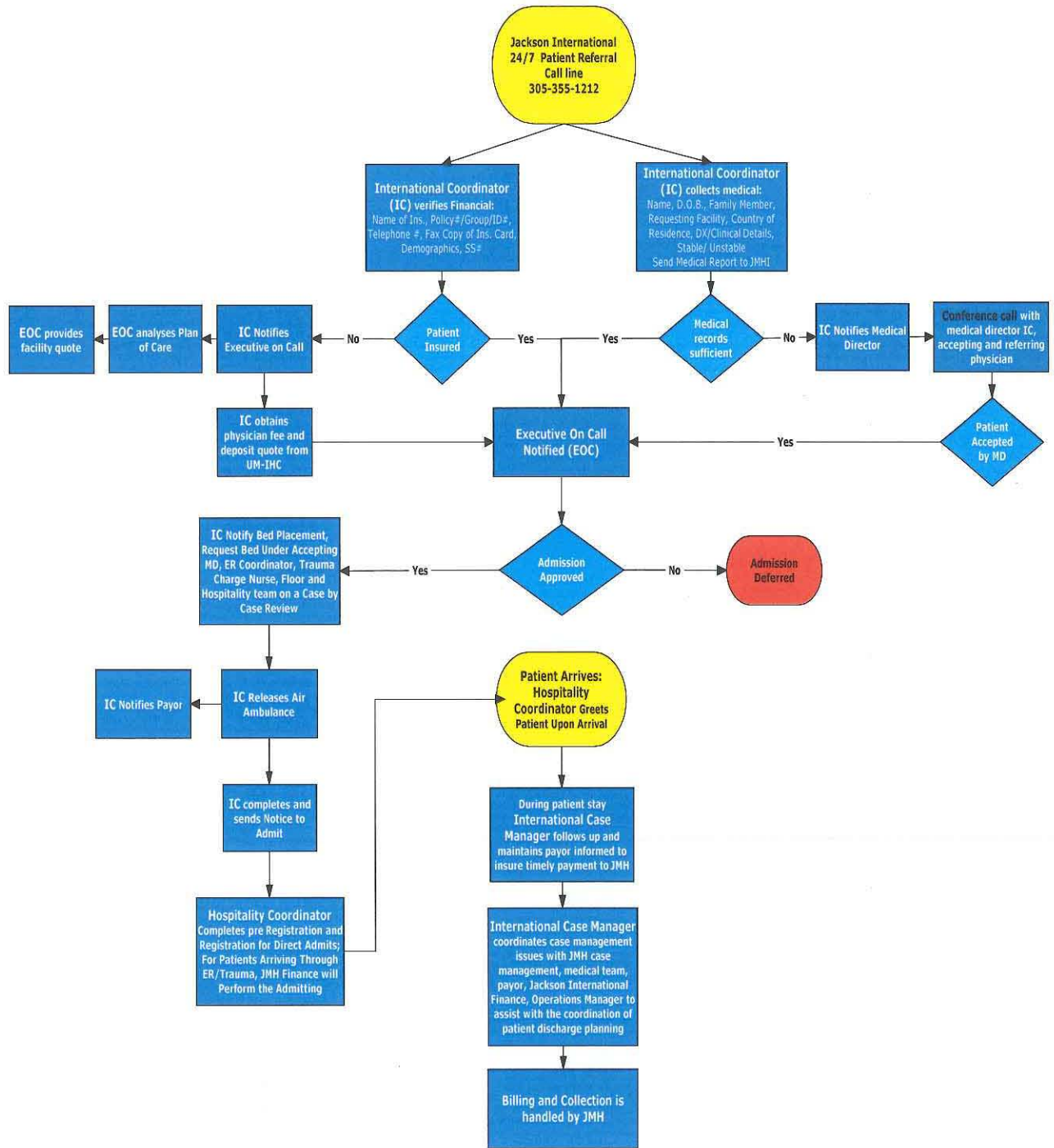
- January 8, 2010: Memo to the PHT Board with background information.
- March 2010:
 - FHS presented 1,454 admissions between FY 2009 and March 2010 (18 months).
 - FHS provided a complete history of the formation of the international patient business, including rationale, business case analysis, how the business would be operated, market strategy and formal agreements to the commission.
- October 4, 2010: OIG's Audit of the management and services agreement between the PHT and FHS from Christopher Mazzella to Rolando Rodriguez.
- October 15, 2010: FHS's response to the OIG's Audit of the management and services agreement between the PHT and FHS from Rolando Rodriguez.
- October 15, 2010: Rolando Rodriguez informs Dr. Eneida O. Roldan of the formal response submitted to the OIG's Audit of the management and services agreement between the PHT and FHS.
- September 16, 2010: Directive issued to the Foundation from Chairwoman Heyman and Commissioners Diaz and Souto.
- October 4, 2010: Preliminary OIG Report provided to FHS and JHS Leadership.
- October 5, 2010: Dr. Eneida Roldan assigns Mr. Mark Knight, Chief Financial Officer for JHS and Mr. Ted Shaw, Chief Transition Officer for JHS financial oversight responsibilities of FHS.
- October 14, 2010: Response provided to BCC Health and Safety Committee.
- October 29, 2010: Written response to Directive Assignment 101822 was provided by Rolando Rodriguez to Alina Tejeda Hudak, Assistant County Manager.
- October 29, 2010: Letter from Mayor Carlos Alvarez to Dr. Eneida Roldan and John Copeland, III regarding the actions reported by the OIG in the recent audit of FHS and its oversight by the PHT.

2011:

- January 7, 2011: Ad Hoc Committee reconvenes and formalizes recommendation to create a new 501(c)(3) that will become the operator of international health services.
- January 11, 2011: Ted Shaw provides BCC with status update advising Chairman Diaz that the PHT would be seeking to waive the international item from Committee on the 1/20/111 BCC agenda to ensure compliance with the 1/31 deadline
- January 18, 2011: Deadline for submitting item for Public Safety & Healthcare Administration Committee to ACM.
- January, 20, 2011: BCC meeting. JHS admin will requested a waiver of extension until March 1, 2011.
- January 25, 2011: Deadline for JHS response to October OIG report
- January 31, 2011: Deadline for compliance with BCC directive

International Process Flow

International Process Flow



Cash Roll-Forward

Cash Roll-Forward

	10/1/2006 to 9/30/2007	10/1/2007 to 9/30/2008	10/1/2008 to 9/30/2009	10/1/2009 to 9/30/2010	10/1/2010 to 12/31/2010	1/1/2011 to 1/15/2011
				UNAUDITED	UNAUDITED	UNAUDITED
Cash on Hand at the Beginning of the Period	\$ -	\$ 1,379,734	\$ 626,420	\$ 2,172,275	\$ 907,508	\$ 705,167
Cash Receipts						
Loan from Jackson Memorial Foundation	750,000					
Jackson Health Systems	3,747,493	3,747,493	8,942,470	5,546,227	167,514	
Interest Income	23,321	30,439	12,950	7,008	884	
Program Income and Miscellaneous Receipts		2,488	72,043	4,000	10,178	
Loan Repayment from Shai Gold, COO		6,000				
Total Cash Receipts	<u>4,520,814</u>	<u>3,786,420</u>	<u>9,027,463</u>	<u>5,557,235</u>	<u>1,686,204</u>	<u>-</u>
Cash Disbursements						
Repayment of Loan to Jackson Memorial Foundation	750,000	(b)				
Loan to Shai Gold, COO	6,000					
Development Expenditures	741,451	1,141,410	2,629,036	1,123,266	352,775	364,167
Employment Expenditures	970,482	2,218,322	3,140,744	4,021,080	1,107,145	110,000
General & Administrative Expenditures	466,256	1,086,399	1,284,975	1,643,344	428,625	
Fixed Asset Acquisitions	206,891	93,603	426,853	34,312		
Vendor Contracts Due at Dissolution						85,000
Employee's Earned Benefits Payout at Dissolution						146,000
Total Cash Disbursements	<u>3,141,080</u>	<u>4,539,734</u>	<u>7,481,608</u>	<u>6,822,002</u>	<u>1,888,545</u>	<u>705,167</u>
Cash on Hand at the End of the Period	<u>\$ 1,379,734</u>	(a) <u>\$ 626,420</u>	<u>\$ 2,172,275</u>	(d) <u>\$ 907,508</u>	<u>\$ 705,167</u>	<u>\$ -</u> (e)

Financials

Financials

Jackson International

FY 2011 – Revised Budget (Feb.-Sept) 2011

As of 1/7/2010

Expense Type	Budget For Year October 1, 2010-September 30, 2011 (revised annualized)		Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Remaining Budget February to September
	Pay periods	FTE									
Pay periods	26		2	2	2	2	2	3	2	2	
Employment Expenses (current employees only)	FTE										
Business Development & Marketing Salaries	7	\$ 527,800	\$ 40,600	\$ 40,600	\$ 40,600	\$ 40,600	\$ 40,600	\$ 60,900	\$ 40,600	\$ 40,600	\$ 345,100
Medical & Business Operations Salaries	12.5	626,510	48,193	48,193	48,193	48,193	48,193	72,290	48,193	48,193	409,641
Admin	1	37,000	2,846	2,846	2,846	2,846	2,846	4,269	2,846	2,846	24,192
Executive Physical & Wellness Salaries	2	120,294	9,253	9,253	9,253	9,253	9,253	13,880	9,253	9,253	78,654
Int'l Hospitality & Concierge Salaries	15	671,275	51,637	51,637	51,637	51,637	51,637	77,455	51,637	51,637	438,911
Budgeted benefits and related expenses (27.6%)		825,442	63,496	63,496	63,496	63,496	63,496	95,243	63,496	63,496	539,712
Contract Labor (Medical Directors)		350,000	26,923	26,923	26,923	26,923	26,923	40,385	26,923	26,923	228,846
Total Employment Expenses	37.5	3,158,321	242,948	242,948	242,948	242,948	242,948	364,422	242,948	242,948	2,065,056
Development Expenses											
Business Meeting Expenses		12,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	8,000
International Insurance Consult		75,000	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	50,000
Marketing		100,000	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	66,667
Advertising Placement		120,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	80,000
Printing & Production		50,000	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	33,333
Public Relations		40,000	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	26,667
Translation Services		15,000	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	10,000
Physician Portal/ IOS Access		100,000	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	66,667
Promotional Items		60,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	40,000
E-Marketing		100,000	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	66,667
Website Development & Maint		50,000	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	33,333
Conferences- Travel Related/Sponsored		166,000	13,833	13,833	13,833	13,833	13,833	13,833	13,833	13,833	110,667
Conferences, Meetings and Events											
Observerships		10,000	833	833	833	833	833	833	833	833	6,667
Medical Ambassadors		480,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	320,000
Peer to Peer Conference-Carib		180,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	120,000
Travel		289,909	24,159	24,159	24,159	24,159	24,159	24,159	24,159	24,159	193,273
Development Expenses		1,847,909	153,992	153,992	153,992	153,992	153,992	153,992	153,992	153,992	1,231,939
Hospitality											
Guest Incidentals		27,000	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	18,000
Staff Uniforms		13,000	1,083	1,083	1,083	1,083	1,083	1,083	1,083	1,083	8,667
Guests Parking		15,000	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	10,000
Hospitality & Guest Relations		55,000	4,583	4,583	4,583	4,583	4,583	4,583	4,583	4,583	36,667
Total Development & Hospitality Expenses		1,902,909	158,576	158,576	158,576	158,576	158,576	158,576	158,576	158,576	1,268,606
General Operating Expenses											
Centralized Services											
Audit Fees		32,000	2,667	2,667	2,667	2,667	2,667	2,667	2,667	2,667	21,333
Admin Contract Services		50,000	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	33,333
Auto Expense, Parking & Miles		38,600	3,217	3,217	3,217	3,217	3,217	3,217	3,217	3,217	25,733
Bank Charges & ADP Fees		15,000	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	10,000
Misc. Taxes, Dues & Subscript		5,000	417	417	417	417	417	417	417	417	3,333
Insurance - General		55,000	4,583	4,583	4,583	4,583	4,583	4,583	4,583	4,583	36,667
Supplies & Office Expense		35,000	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	23,333
Office Equipment Leases		50,000	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	33,333
Postage & Courier		38,000	3,167	3,167	3,167	3,167	3,167	3,167	3,167	3,167	25,333
Professional Legal & Accounting		140,000	11,667	11,667	11,667	11,667	11,667	11,667	11,667	11,667	93,333
Human Resource Related Expenses		13,000	1,083	1,083	1,083	1,083	1,083	1,083	1,083	1,083	8,667
Employee Incidentals		2,000	167	167	167	167	167	167	167	167	1,333
Repairs & Maintenance		10,000	833	833	833	833	833	833	833	833	6,667
Rent - Occupancy		185,000	15,417	15,417	15,417	15,417	15,417	15,417	15,417	15,417	123,333
IT Development & Maintenance		130,000	10,833	10,833	10,833	10,833	10,833	10,833	10,833	10,833	86,667
Telecommunications		156,400	13,033	13,033	13,033	13,033	13,033	13,033	13,033	13,033	104,267
Temporary Help		5,000	417	417	417	417	417	417	417	417	3,333
Depreciation		105,000	8,750	8,750	8,750	8,750	8,750	8,750	8,750	8,750	70,000
Cleaning & Janitorial		22,500	1,875	1,875	1,875	1,875	1,875	1,875	1,875	1,875	15,000
Total General & Administrative		1,087,500	90,625	90,625	90,625	90,625	90,625	90,625	90,625	90,625	725,000
Overhead to be repalced by PHT		474,826	39,569	39,569	39,569	39,569	39,569	39,569	39,569	39,569	316,551
Domestic Concierge Salaries	16	576,444	48,037	48,037	48,037	48,037	48,037	48,037	48,037	48,037	384,296
Total Expenses		\$ 7,200,000	\$ 579,754	\$ 579,754	\$ 579,754	\$ 579,754	\$ 579,754	\$ 701,228	\$ 579,754	\$ 579,754	\$ 4,759,509
Revenue											
Revenue from PHT											
International		\$ 7,200,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 4,800,000
		\$ 7,200,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 4,800,000

FHS - Employee Benefit Costs

FHS - Employee Benefit Costs

Plan Type	Description of Benefit	Provider	Plan Yr End	Cost p/EE	Est. Annual Cost
Health Insurance	FHS pays full cost of EE HMO & subsidizes cost of dependent coverage	JMH Health Plan	12/31/2011	\$605.81	\$425,954
Dental Insurance	FHS pays full cost of EE DMO	MetLife	12/31/2011	\$14.43	\$9,697
Vision Insurance	Voluntary - employee pays full cost through payroll deduction	Humana	12/31/2011	0	
Supplemental	Voluntary - employee pays full cost through payroll deduction	Allstate	12/31/2011		
Long Term Disability	FHS pays full cost for EE after one year employment	Unum	12/31/2011	varies	\$12,000
401 K	FHS matches up to 4% of employee contribution	Hartford	n/a	only 4 participants	\$12,400
UM Wellness Membership	FHS pays \$15 toward monthly fee; remainder deducted from payroll		mo. to mo.	\$15	\$900
EAP	Employee assistance program available to all employees.	Ceridian	12/31/2011	n/a	\$2,150

Return on Investment (ROI)

Return on Investment (ROI)

JACKSON HEALTH SYSTEM

THREE YEAR FINANCIAL JUSTIFICATION

PRIORITY :	<u>High</u>	CER/CPR NO. :				
PROJECT / EQUIPMENT DESCRIPTION :			FACILITY :	<u>Jackson Memorial International</u>		
			LOCATION :			
TIMEFRAME	3 years					
			YEAR 1	YEAR 2	YEAR 3	3 Year Total
			2008	2009	2010	2008-2010
I. CAPITAL EXPENDITURE						
	Direct cost		4,641,042	9,755,422	7,200,000	21,596,464
			<u>\$ 4,641,042</u>	<u>\$ 9,755,422</u>	<u>\$ 7,200,000</u>	<u>\$ 21,596,464</u>
II. REVENUE						
	I. Gross Revenue		\$ 78,271,154	\$ 92,208,044	\$ 98,122,641	\$ 268,601,839
	NET REVENUE		<u>\$ 37,333,527</u>	<u>\$ 41,563,287</u>	<u>\$ 44,233,686.56</u>	<u>\$ 123,130,501</u>
			47.7%	45.1%	45.1%	45.8%
III. EXPENSES						
	Marginal Costs		15,654,231	18,441,609	19,624,528	53,720,368
	Direct Cost		4,641,042	9,755,422	7,200,000	21,596,464
	Maintenance Contract		0	0	0	0
	Total Direct Cost		<u>\$ 20,295,273</u>	<u>\$ 28,197,031</u>	<u>\$ 26,824,528</u>	<u>\$ 75,316,832</u>
	CONTRIBUTION MARGIN		<u>\$ 17,038,254</u>	<u>\$ 13,366,256</u>	<u>\$ 17,409,158</u>	<u>\$ 47,813,669</u>
	Less Depreciation Expense		<u>36,259</u>	<u>89,869</u>	<u>202,149</u>	<u>328,277</u>
	ESTIMATED ANNUAL NET INCOME		<u>\$ 17,001,995</u>	<u>\$ 13,276,387</u>	<u>\$ 17,207,009</u>	<u>\$ 47,485,392</u>
ESTIMATED ANNUAL UTILIZATION						
	Combined Volume		1,804	2,418	2,691	6,913
	Net Revenue per Case		\$ 20,695	\$ 17,189	\$ 16,438	\$ 17,811
	Direct Cost per Case		\$ 8,678	\$ 7,627	\$ 7,293	\$ 7,771
	Contribution Margin per Case		\$ 9,445	\$ 5,528	\$ 6,469	\$ 6,916
	A DIRECT COST		\$ 4,641,042	\$ 9,755,422	\$ 7,200,000	\$ 21,596,464
	B CASH FLOW		\$ 17,038,254	\$ 13,366,256	\$ 17,409,158	\$ 47,813,669
	C AVG ANNUAL ROI		267.1%	37.0%	141.8%	40.5%

ASSUMPTIONS:

Depreciation is taken from the Statement of Activities for the years ended
Collection rate for FY 2010 is based on FY 2009 collection rate of 45.08%, as FY 2010 collections are still coming in
Combined volume is classified as inpatient and outpatient volume
Direct Cost was obtained from audited financial statement for FY 2008 and FY 2009
Direct Cost for FY 2010 direct is the budgeted amount
Marginal Cost is calculated as 20% of Gross Revenue

High-Level Transition Checklist

High-Level Transition Checklist

Responsible Party						Task	Status
L. Arango	D. Corrales	C. Lang	FHS	JHS Admin.	County Att.		
	X	X				Communication Plan	Completed
	X	X				Contracts and Shared Services	Ongoing
	X					Patient Process Flow	Completed
	X					Bank Accounts & Credit Cards	In Progress
				X		Commissioner Communication Plan	
				X		Meet with County Attorney	Ongoing
		X				Pending Legal Litigation	Completed
X	X	X		X		Knowledge transfer including handoff of materials, files and proprietary information.	Ongoing
	X					Software Assessment and Transfer	
		X				Human Resources and Staffing	In Progress
		X				Information Technology – Server Transfer	
X	X	X	X	X	X	Dissolution of Foundation Health Services, Inc.	In Progress
X	X	X		X	X	Creation of new company	In Progress

Key Personnel Biographies

Key Personnel Biographies

Barbara Ronda

*Corporate Director, Planning and Program Integration
Jackson Health System*

Barbara Ronda joined Jackson Health System in 2006 as Director of Business Development at Jackson South Community Hospital. Ronda then became the Director of Business Development at Jackson Memorial Hospital in 2008, and shortly after was promoted to her current role as Corporate Director of Planning and Program Integration for Jackson Health System. In this role, she leads the development of the annual planning and environmental assessment process while also identifying and assessing strategic concerns. She is also responsible for evaluating business opportunities and formulating strategic recommendations in response to changes in national healthcare. Ronda proactively provides guidance on process, methodology, analysis, recommendations and implementation as part of the strategic planning process for the system.

Prior to joining Jackson, Ronda was the Director of Physician Referral Development at Miami Children's Hospital. Ronda also served as the organization's Manager of Patient Access and Manager of Accounts Receivable. During her tenure at Miami Children's Hospital, Ronda helped develop new service lines that increased revenue by 23% and increased physician referrals by 12%.

Prior to her work with Miami Children's Hospital, Ronda was an administrator at Internal Medicine Consultants of Dade where she improved the mixed reimbursement revenue stream by 200%. She was also a leader in developing the Universal Health Plan. Ronda graduated in 2006 from Barry University with a master's degree in Health Services Administration. She holds a Six Sigma Green Belt.

Key Personnel Biographies Continued

Diamela Corrales

*Vice President of Hospitality and Concierge Services
Foundation Health Services*

Diamela Corrales joined Foundation Health Services (FHS) in 2005 as Vice President of Hospitality and Concierge Services. In this role, she is responsible for enhancing customer satisfaction, providing quality service and patient access while achieving specified volume objectives. During this time, Corrales was also made responsible for Director of Patient Relations at Jackson Memorial Hospital where she successfully provided leadership on planning, directing, coordinating and improving services throughout the hospital.

Prior to joining Jackson, Corrales was the Director of Customer and Platinum Services at BUPA Insurance Company where she was responsible for implementing customer service protocols, policies and procedures within the United States, Latin America and the Caribbean.

Corrales received a Bachelor's of Law degree from the Universidad Catolica del Uruguay. She is an active member of the Miami Chamber of Commerce and Autism Speaks International.

Key Personnel Biographies Continued

Luis Felipe Arango

Vice President of International Business

Jackson Memorial Hospital

Luis Felipe Arango joined Foundation Health Services (FHS) in 2009 as Vice President of International Business. In this role, he is responsible for designing business models and building marketing strategies to support the overall mission of the International Business service line. During this time in this position, he successfully increased growth by 15%.

Prior to joining Jackson, Arango was Director of the Andean Region for Redbridge Networks and Healthcare where he worked with FHS to open markets in Colombia. He also led the planning and business development for the entire region.

Arango received a Master's degree in Insurance Law and a Juris Doctorate from Pontificia Universidad Javeriana in Colombia. Previously he was on the Board of Directors for the Hotel Sheraton in Quito, Ecuador.

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