

**Board of County Commissioners
December 2, 2014 Meeting
Research Notes**

Item No.	Research Notes
Add-On	Resolution waiving Administrative Rules for Economic Development Fund Project 124 of Building Better Communities General Obligation Bond Program and approving allocation of \$5,000,000.00 from Project 124 to Larkin Health Science Education Campus to fund certain economic development projects.
Notes	<p><u>Background</u></p> <p>The developer, Larkin Community Hospital, has had prior legal issues.</p> <ul style="list-style-type: none"> RESOLUTION SUPPORTING LARKIN HEALTH SCIENCES UNIVERSITY CAMPUS FOR A STATE OF FLORIDA BROWNFIELD REDEVELOPMENT BONUS REFUND PURSUANT TO FLORIDA STATUTES § 288.107 WHILE OPTING OUT OF THE LOCAL MATCH AND FURTHER PROVIDING FOR AN EFFECTIVE DATE (Regulatory and Economic Resources) – (Adopted by BCC Passed 11 – 0) <p><u>Track Record/Monitor</u></p> <p>The proposed project involves the construction and operation of multiple buildings for a Health Sciences University totaling 250,000 new square feet located within the Naranja Community Redevelopment Area. The State will pay the incentive and verify that all conditions have been met.</p> <p>The applicant has had a history of past legal issues which have currently been resolved. On June 30, 2004, the Department of Justice filed a civil lawsuit against Larkin Community Hospital (the developer) and its owners (S.D. Fla. No. 04-CIV-21579) stemming from allegations made from 1997-1999. Dr. Jack J. Michel, the current President and Chairman of the Board, had 20 percent ownership in the hospital but was not on the Board of Directors at the time. The primary allegation was that in 1997 while Dr. James H. Desnick had controlling ownership, Larkin Community Hospital and/or Dr. Desnick and his associates paid kickbacks to doctors who referred patients. Dr. Michel was named in this allegation. The second allegation was that referrals from Assisted Living Facilities (that were jointly owned by Dr. Michel and Morris Esformes) from 1998-1999 were in violation of the False Claims Act because certain patients did not meet the criteria for medical treatment. Dr. Michel was also named in this allegation. Dr. Michel and Larkin Community Hospital denied these allegations and considered them to be completely unfounded and without merit. Dr. Desnick, who was no longer a shareholder of Larkin Community Hospital at the time of the settlement, offered to contribute \$5,000,000 towards a settlement. Mr. Esformes offered to sell his 45% interest to Dr. Michel if Dr. Michel covered the remaining funds necessary to obtain a successful settlement. In 2006, Dr. Michel acquired 100 percent ownership of the hospital and a successful resolution to the settlement. He negotiated a Settlement Agreement to dismiss this case with prejudice in exchange for a \$15,400,000 payment.</p> <p>As part of the settlement, the Civil Division and the Department of Justice represented that they did not have any further investigations pending against the defendants. The settlement agreement was executed on November 20, 2006.</p> <p>The hospital and Dr. Michel entered into a five year Integrity Agreement with the Office of the Inspector General as part of the 2006 settlement. This agreement was satisfactorily concluded in 2012 and neither Dr. Michel nor Larkin Community Hospital has any remaining obligations pertaining to the Integrity Agreement. Both the hospital and Dr. Michel are in good standing with the Medicare program and have an exclusive agreement to provide services to the Department of Justice, Division of Immigration Customs Enforcement, Federal Detention Center, and the Federal Correctional Institution.”</p> <p><u>Analysis</u></p> <p>According to the South Florida Business Journal on March 8, 2013, the owner of the Larkin Hospital, Dr. Jack Michel was quoted as saying:</p> <ul style="list-style-type: none"> “Larkin Community Hospital has launched an ambitious plan to build medical and pharmacy schools near Homestead... The hospital would own the land and lease it to a new nonprofit university, to ensure that students can apply for favorable student aid.” <p>According to the Mayor’s memo of November 24, 2014, the school would be a for-profit university:</p> <ul style="list-style-type: none"> “Larkin Health Science Campus (LHSC), LLC proposes development of a for-profit university of health sciences focused on graduate schools (an osteopathic medical school, a school of pharmacy, a school of nursing and a school of dentistry). The educational campus will also contain a charter high school for the life sciences, and the proposed development includes student housing and ancillary uses typically found on a university campus. This development is aligned with the Life Sciences target industry and is consistent with the One Community One Goal initiative. The university projects 600 graduates per year from 2-year and 4-year programs when all programs are in operation, and the average annual enrollment is projected at 2000 students when all programs are in operation. LHSC plans to employ 245 faculty, administrative and support staff at full operations. The private investment to construct four university buildings, a charter high school for life sciences and ancillary use buildings for administrative offices, student center, fitness center, student housing, professional services for the public, and public parking buildings, is estimated at \$215 million. The development of the campus will require public road construction and improvements, as well as utilities (water, sewers, electricity).”

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	<p><u>Conclusion</u></p> <ul style="list-style-type: none"> • “The applicant has had a history of past legal issues which have currently been resolved.” • “The State of Florida created the Brownfield Redevelopment Bonus Refund Program as codified in Section 288.1 07 of the Florida Statutes... Under Florida Statute 288.107 Larkin Health Sciences University Campus is eligible to apply for the Brownfield Bonus to help offset cost spent to date to investigate and address legacy environmental issues associated with the property and their potential impact on redevelopment.” • According to “Fred Lippman, chancellor of the Health Professions Division at Nova Southeastern University, which is the medical school partner for Larkin’s residency programs: “We have more than enough medical schools in the state of Florida at the present time, and we are trying to work together as sister schools to provide for enough clinical rotations. The toughest part of starting a medical school is finding capacity at local hospitals for clinical rotations in the final two years of medical school.” • According to “Linda Quick, president of the South Florida Hospital and Healthcare Association: “With many existing medical schools run by highly regarded institutions struggling for every dime and grant, it would be extraordinarily difficult for a small, stand-alone hospital to run a medical school. It would be a challenge to attract faculty to Naranja because academic physicians often want to conduct research or see patients, as well.” <p><u>Additional Information- Larkin Hospital chronology of events</u></p> <ul style="list-style-type: none"> • 1998 Dr. Jack Michel purchased Larkin Community Hospital from Dr. James Desnick. • 2004 Federal prosecutors accuse Michel, Desnick and others at Larkin Community Hospital of using “an astonishing array of kickbacks and interconnected seniors living facilities to bring elderly patients who frequently had little or nothing wrong with them.” • 2006 Dr. Michel, Dr. Desnick and others agreed to pay \$15.4 million to settle federal health care fraud claims. The settlement (page 15) mentions that the original claim was over \$33 million. • 2008 federal jury in Miami convicted Dr. Ana Caos of medicare fraud and sentenced her to three years of supervised release and payment of \$294,614. Caos practiced at Larkin Community Hospital. • June 15, 2010 BCC approved an amended R-668-10 which is a policy for the use of Economic Development Funds. In 2004 voters approved a BBC GOB Program to allocate \$90 million towards an Economic Development Fund. The Fund would reimburse a private capital investment up to 100 per cent of public infrastructure costs per project, but subject to a maximum cap of \$15 million and a minimum amount of \$10 million. • March 5, 2013 BCC approved R-170-13 which supports “the approval of Larkin Health Sciences University Campus for a State of Florida Brownfield Redevelopment Bonus Refund and request that the State waive the required County match”. According to the Mayor’s memorandum the project “will create 150 new jobs in primarily District 9.” Pre-approved applicants receive tax refunds of up to \$2,500 for each new job created. In addition, the Mayor’s memorandum further stated that “the hospital and Dr. Michel entered into a five year Integrity Agreement with the Office of the Inspector General as part of the 2006 settlement. This agreement was satisfactorily concluded in 2012 and neither Dr. Michel nor Larkin Community Hospital has any remaining obligations pertaining to the Integrity Agreement. Both the hospital and Dr. Michel are in good standing with the Medicare program and have an exclusive agreement to provide services to the Department of Justice, Division of Immigration Customs Enforcement, Federal Detention Center, and the Federal Correctional Institution.” • 2013 Dr. Christopher Wayne was arrested at Larkin Community Hospital on Medicare Fraud Charges. In June 2014 Wayne was sentenced to more than six years in prison. • South Miami, Florida, December 6, 2013 - Larkin Community Hospital (LCH), one of Florida’s twelve statutory teaching hospitals and the largest osteopathic teaching hospital in the nation, was named Top Urban Hospital by The Leapfrog Group. The Top Hospitals award is widely recognized as the nation’s most competitive hospital quality awards. • November 5, 2014, A recommendation for the BCC to allocate \$5,000,000.00 of funding from the Building Better Communities General Obligation Bond (BBC GOB) Program, Economic Development Fund Project 124 to the Larkin Health Science Campus, LLC project. Item was deferred. • November 24, 2014 The item was carried over to the December 2, 2014 BCC meeting.