



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

## MEMORANDUM

A handwritten signature in black ink, appearing to read "Eneida O. Roldan", is written over the right side of the memorandum header.

**TO:** Honorable Mayor Carlos Alvarez  
 Honorable Chairman Dennis C. Moss  
 Members Board of County Commissioners

**DATE:** September 17, 2009

**RE:** Public Health Trust Budget

On August 21, I reported to you that the Public Health Trust (PHT) had successfully reduced its \$168 million projected FY2010 budget gap as of June to a gap of approximately \$90 million. Since that report, we have balanced the budget for FY 2010. On August 24, the PHT Board reviewed a budget update presentation and delegated to the Executive Committee of the PHT the authority to recommend the proposed budget to the County. On August 31, the Executive Committee approved the budget, subject to certain adjustments designed to cap total operating expenses at \$1.9 billion. The attached budget reflects those adjustments for your consideration at the second County budget hearing on September 17. The attached budget also adjusts the capital budget for the PHT to comport with the most recent projections. The major adjustments in the capital budget are to recognize the revenue bond sale that occurred this summer and to reduce the revenue available from funded depreciation. A \$16.3 million reduction in revenues from funded depreciation was necessary to cover a portion of required debt service payments.

The preferred method of balancing the Jackson Health System (JHS) budget would be to increase revenues by increasing the volume of paying patients. However, given the economic outlook for FY 2010, there is a strong likelihood that the demand for indigent care will increase, thereby reducing resources available for paying patients. Therefore, with the exception of a limited group of targeted program growth initiatives incorporated in the Financial Sustainability Plan, it has been determined that other increases in the volume of paying patients is not a viable option to balance the budget and therefore service reductions are inevitable.

As shared in my previous correspondence, the financial situation is, in large part, due to forces beyond our control. The recession has led to an expected \$22 million reduction in sales and property tax support and an increase in the growth of uncompensated care. We continue to work with the State of Florida's Agency for Health Care Administration to resolve a backlog in Medicaid payments. Changes in systems and state procedures primarily related to payments due to the Trust for certain emergent services and undocumented patients have continued to remain unresolved for over a year and has resulted in severe cash constraints on the organization. The current backlogged balance is in excess of \$70 million.

Although there remains much to do, I am pleased to report much progress has already been made through the collective efforts of my leadership team and the employees they serve. For example, when compared to the first six months of the fiscal year, the most recent quarter ended June 30 reflects:

- a reduction of over 100 full-time equivalent positions;
- an average reduction of \$450,000 per month in overtime cost; and
- an average reduction of \$750,000 per month in contractual and purchased services.

Other reductions are being made, and they start at the top. I made the decision to recommend the reduction of executive compensation. Although executive payroll represents less than 1 percent of the total PHT payroll, my proposal as approved by the Board, includes salary reductions and the elimination of leadership allowances and auto allowances. The total reduction in executive payroll, coupled with a leadership restructuring, represents a savings of \$1.0 million, or 10 percent of the total executive salaries. These reductions will be effective the first pay period following County Commission approval of the budget.

In addition to the savings in executive compensation, twenty administrative and managerial positions have been eliminated without an effect on services by redefining job responsibilities, and mid-management allowances will be eliminated. The elimination of these positions and allowances represent a total savings of \$3 million.

In addition, the attached budget incorporates approximately \$75 million of Financial Sustainability Initiatives related to administrative and operational efficiencies and increasing revenues. Based on the level of success of our fiscal year 2009 financial sustainability initiatives a reserve of 20 percent, or approximately \$15 million, has been established to offset the estimated impact of initiatives that may not be fully realized in FY 2010. The budget does not include adjustments resulting from federal healthcare reforms, as it is premature to budget any positive or negative effect of the reforms on the PHT.

In past years, the County has been able to provide additional funding to the PHT to offset service impacts. One way that the County has provided assistance has been to issue bonds to finance capital projects throughout the Jackson Health System. The last of that assistance was the \$45 million in bonds, originally scheduled to be issued in September, 2007, that was finalized this summer. The debt service on those bonds is a County responsibility, but the PHT will work with the County staff during the annual budget process to offset any negative effects on the County budget.

The combined impacts of our recent accomplishments, proposed administrative payroll and staffing adjustments, and Financial Sustainability Initiatives were not sufficient to completely close the budgetary gap alone. The budget has had to absorb pharmaceutical and medical supply inflation, costs associated with growth of indigent care, new expenditures, (such as the debt service on the 2009 Revenue Bonds needed to fund infrastructure projects critical for the operation of our facilities), and contractually required pay and merit increases to salaries. Therefore, the PHT is in the regrettable but unavoidable position of recommending service level changes to balance the budget while complying with our collective bargaining contracts which represent approximately 90 percent of our total payroll and benefit costs. I will continue to work with our collective bargaining units to develop alternatives to mitigate the negative effects in the budget. Those discussions are ongoing.

Above all, Jackson continues to remain committed to our mission of providing comprehensive, high-quality health care services for the citizens of Miami-Dade County. The current list of proposed service reductions are being evaluated in depth by our leadership team to minimize the impact to current and future patients, and are provided at other locations in the community.

A summary of the recommended service reductions and their net affect on the budget includes the following:

- Close the Perdue Medical Center (PMC) and Jackson Memorial Long Term Care Center (JMLTCC) nursing homes; funded patients will be placed into other facilities; the PHT will pay to place indigent patients in appropriate facilities (net savings -- \$9.8 million);
- Restructure the Primary Care and Ambulatory Care Program; among other actions, the restructuring includes the closure of Juanita Mann and North Miami Primary Care Clinics (net savings -- \$6.0 million);
- Outsource Inpatient and Outpatient Corrections Health Services (\$4.9 million);
- Reduce funding level for CHI's Doris Ison and MLK Clinical Campesina to \$5.0 million (net savings -- \$2.5 million);
- Reduce funding levels for other Community Based Organizations (CBOs) to \$250,000 to be allocated by the PHT Board following a selection process (net savings -- \$0.5 million);
- Limit the Care-A-Van Program to participation in outreach activities such as health fairs (net savings -- \$0.4 million); and
- Targeted miscellaneous service reductions as approved by the PHT Board on my recommendation; although recommendations regarding these services are under review, services under consideration include certain procedures at the Chronic Pain Clinic, non-emergency dialysis treatment for which the state has continued to deny coverage under Medicaid, etc.; the recommendations will take into account alternative service availability, patient volumes, and the cost of services (net savings -- \$17.3 million).

It is anticipated that certain of the recommended service adjustments will result in longer wait times as patients seek care at other facilities. To the extent that some patients, possibly because of their inability to pay, have difficulty in locating alternative service sites, treatment may be delayed or omitted. In that case, their conditions could deteriorate and require emergency medical care.

Additionally, the adjustments will impact employees of the PHT. The PHT is committed to minimize the loss of jobs for permanent employees by first reducing the use of temporary and agency personnel, reducing overtime, and placing displaced permanent employees into vacant positions wherever possible. However, it is anticipated that some individuals will lose their employment status with the PHT.

The recommended service reductions as well as those under consideration will be aligned with our academic partners. The budget reflects existing service adjustments that have been implemented by the University of Miami throughout the current year in response to reduced funding levels of the Annual Operating Agreement (AOA). The University of Miami has indicated that additional service reductions will result if funding in the AOA is reduced further. In addition, discussions are ongoing with the University of Miami related to a planned reduction in the size of the Graduate Medical Education (GME) teaching program.

This summer, I directed staff to prepare a comprehensive profitability analysis of all service lines provided in conjunction with the University of Miami. At my request a summit will be scheduled later this fall between both institutions' governing bodies and leadership to discuss the outcomes of this analysis. The Mayor and Chair of the County Commission will also be invited. The objective of the summit is to define the mission, priorities, and future working relationship to ensure the long term financial viability of both institutions.

Although the relationship is in its infancy, leadership of Florida International University and the Public Health Trust at Jackson North Medical Center has already begun aligning the institutions' strategic plans, priorities and core missions.

The PHT cannot afford to incur significant losses each fiscal year and face a continuing erosion of available cash. At the same time, we must have a financially stable operation in order to identify the seed money needed to fund programs that will, in the long run, increase funded volume, revenues and available services. Although we are a public institution with a mission to provide services to the residents of Miami Dade County regardless of their ability to pay, to do so we must remain financial viable.

Overall, the community must decide the priorities and level of care it wants from the Jackson Health System. If the community wants us to maintain services, we must find additional public funding to supplement the revenues we can raise from current revenue sources and increased paying patient volumes.

cc. John Copeland, Chair, and Members of the Public Health Trust  
George Burgess, County Manager  
Jennifer Glazer-Moon, Director of Office of Strategic Business Management

