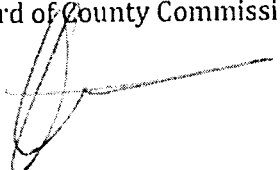


August 24, 2011

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

FROM: Carlos A. Migoya  
President & CEO 

SUBJECT: Feasibility Report of JMH Operating Freestanding Provider

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Pursuant to Resolution R-364-11 Jackson Health System (JHS) analyzed whether federal revenues could be increased by a transition from our current system of using a single provider number for the entire system to the use of individual provider numbers for each hospital.

As you know, the federal government considers data about each facility when setting reimbursement rates, primarily for Medicare and Medicaid but also for graduate medical education, indirect medical education and disproportionate share issues. For that reason, the question of whether to treat JHS as a single provider is important.

When JHS acquired Jackson South Community Hospital in 2001, an analysis concluded that merging the facilities under a single provider number allowed the system to benefit from a higher total reimbursement, largely because the filed cost reports that included Jackson Memorial Hospital (JMH) was much higher. When the system later acquired Parkway, now known as Jackson North Medical Center, also it, too, was included under this consolidated provider number.

In 2008, Deloitte Consulting conducted a fresh review to determine which structure was more beneficial. That analysis affirmed the prior decision that the inclusion of all three hospital locations under a single provider number yields higher revenue.

This month, our internal reimbursement staff completed another analysis that again found the same results. Dividing the facilities among three provider numbers would decrease JHS' total reimbursement by approximately \$3 million in the first year. As such, we recommend that Jackson retain a single provider number.

Thank for suggesting this latest analysis; it was timely and appropriate to revisit this question, and we will continue to review this structure on an annual basis with the filing of our cost reports.