



**BOARD OF COUNTY COMMISSIONERS  
OFFICE OF THE COMMISSION AUDITOR**

**M E M O R A N D U M**

**TO:** Honorable Chairman Dennis C. Moss

**FROM:** Charles Anderson  
Commission Auditor

A handwritten signature in black ink, appearing to read "Charles Anderson", is written over the printed name and title.

**DATE:** March 15, 2010

**SUBJECT: Jackson South Community Hospital Income Statement Analysis**

As your office requested, we have reviewed the Jackson South Community Hospital (JSCH) income statements for the nine years ended September 30, 2001 through September 30, 2009, as received from your office. In this memorandum, we report on data that came to our attention through our independent analysis, and we list questions that we forwarded to the Public Health Trust/Jackson Health System (PHT/JHS) Office of Internal Audit, which is the office through which the PHT/JHS Finance Division requested that we coordinate our inquiries. We have appended as an Attachment, a "Summary of the Statements of Revenue and Expenses" that we prepared to facilitate year-over-year comparisons of the JSCH income statements for the years in our analysis.

Generally accepted government auditing standards require us to note that we have not audited the information in the JSCH income statements, and therefore we offer no opinion on it. However, other auditors have audited the PHT/JHS annual financial statements for these fiscal years.

Although the specifics behind the deteriorating financial condition cannot be gleaned from a cursory review of the financial information offered by these statements, some things are readily apparent.

- "Salaries and Related Costs" increased 48% in two years, from \$37,792,186 in FY 2001-02 to \$56,057,216 in FY 2003-04, which was the first year JSCH showed a loss (\$4,202,484.) In the same period, total operating revenues increased only 35%.
- The statements received do not reflect a "Provision for Doubtful Accounts" for FY 2002-03. It is unclear why, but based on the trend at that time, it could have hovered in the neighborhood of \$16,000,000.

- JSCH had a “Loss from Operations” totaling \$54,439,312 for the nine years ended September 30, 2009 without including the missing “Provision for Doubtful Accounts” for FY 2002-03. Thus, the actual nine year loss would have to be calculated after including such provision.
- “Provisions for Charity Care” totaled \$243,915,804 for the nine years ended September 30, 2009. This amount represents approximately 10% of the “Gross Patient Service Revenue” for that period of time.
- “Gross Patient Service Revenue” and “Net Patient Service Revenue” peaked during FY 2005-06 and remained relatively stable at that level going forward.

We addressed the following observations and corresponding questions to PHT/JHS.

1. Salaries jumped from \$37,792,186 in FY 2001-02 to \$56,057,216 in FY 2003-04, the first year JSCH shows a loss of (\$4,202,484.)
  - Can you explain this rise in salaries?
2. The statements received do not reflect a “Provision for Doubtful Accounts” for FY 2002-03.
  - What was the JSCH “Provision for Doubtful Accounts” for FY 2002-03?
3. The “Net Patient Revenue Adjustment” for FY 2008-09 was \$10,034,074.
  - What does this number represent, and why is it absent from all the other years?
4. JSCH had a “Loss from Operations” of (\$54,439,312) for the nine years ended September 30, 2009 without including the missing “Provision for Doubtful Accounts” for FY 2002-03. The operating losses begin in FY 2003-04 and fluctuate up and down until the FY 2008-09 operating loss of (\$18,110,729), which represents 33% of the accumulated loss excluding the missing “Provision for Doubtful Accounts” for FY 2002-03.
  - Can you explain why the operating losses fluctuate up and down? What happened in FY 2008-09 to account for such large loss?
5. The amount of “Provisions for Charity Care” was \$243,915,804 for the nine years ended September 30, 2009. This amount represents approximately 10% of the Gross Patient Service Revenue for the same period of time.
  - Is this percentage amount in line with the rest of Jackson?
6. “Net Patient Service Revenue” peaked during FY 2004-05 and remained stable at that level going forward. Gross Patient Service Revenue peaked during FY 2005-06 and remained stable at approximately that level going forward.
  - Why did “Net Patient Service Revenue” peak a year before “Gross Patient Service Revenue”? Why did JSCH’s “Gross Patient Service Revenue” go from \$191,443,124 in FY 2001-02 to \$353,942,582 in FY 2005-06 and then stop growing?

Attachment: Jackson South Community Hospital, Summary of the Statements of Revenue and Expenses, Years ended September 30, 2001 through September 30, 2009

Jackson South Community Hospital  
 Summary of the Statements of Revenue and Expenses  
 Years ended September 30, 2001 through September 30, 2009

	FY (Note 1) 2000 - 2001	FY 2001 - 2002	FY 2002 - 2003	FY 2003 - 2004	FY 2004 - 2005	FY 2005 - 2006	FY 2006 - 2007	FY 2007 - 2008	FY 2008 - 2009	Total 2001-2009	Change	
											FY 2001-02 to 2003-04	FY 2001-02 to 2008-09
<b>Patient Service Revenue:</b>												
Inpatient Services	33,687,284	144,858,592	163,542,629	197,544,306	224,649,501	259,410,620	244,063,785	232,973,865	240,859,249	1,741,589,831	36%	66%
Ambulatory Services	12,171,909	46,584,531	54,591,583	64,318,025	84,402,116	94,531,962	107,727,567	112,571,875	111,632,452	688,532,020	38%	<b>140%</b>
<b>Gross Patient Service Revenue</b>	<b>45,859,193</b>	<b>191,443,124</b>	<b>218,134,212</b>	<b>261,862,331</b>	<b>309,051,617</b>	<b>353,942,582</b>	<b>351,791,352</b>	<b>345,545,741</b>	<b>352,491,702</b>	<b>2,430,121,854</b>	<b>37%</b>	<b>84%</b>
<b>Deductions from Revenue:</b>												
<b>Contractual Adjustments:</b>												
Commercial Ins. / H.M.O.	12,097,142	51,504,393	56,213,583	64,796,305	91,071,288	114,272,711	122,509,699	113,505,904	102,890,526	728,861,551	26%	<b>100%</b>
Medicare	5,226,614	21,888,101	26,250,526	38,258,623	42,123,250	50,263,706	52,197,098	50,210,555	41,058,928	327,477,401	75%	88%
Medicaid	8,559,613	14,093,604	21,239,281	22,434,823	25,616,566	38,585,249	43,225,303	36,862,595	38,345,296	248,962,330	59%	172%
<b>Provisions for Charity Care:</b>												
Entrants		32,014	18,635,419		113,518	244,534	82,960	55,280	26,067	19,189,792	<b>-100%</b>	-19%
Miscellaneous	1,574,645	24,325,729	4,940,921	3,235,653	3,115,947	9,868,108	2,016,747	2,707,832	11,831,357	63,616,939	-87%	-51%
Dade County Charity Care		1,981,743	16,195,860	28,447,442	28,372,853	25,560,769	15,075,030	17,863,732	27,611,644	161,109,073	<b>1335%</b>	<b>1293%</b>
<b>Net Patient Revenue Adjustment</b>										<b>10,034,074</b>		
<b>Total Deductions from Revenue</b>	<b>27,458,016</b>	<b>113,825,587</b>	<b>143,475,590</b>	<b>157,172,849</b>	<b>190,413,425</b>	<b>238,795,081</b>	<b>235,106,840</b>	<b>221,205,900</b>	<b>231,797,893</b>	<b>1,559,251,181</b>	<b>38%</b>	<b>104%</b>
<b>Net Patient Service Revenue</b>	<b>18,401,177</b>	<b>77,617,536</b>	<b>74,658,622</b>	<b>104,689,482</b>	<b>118,638,192</b>	<b>115,147,501</b>	<b>116,684,512</b>	<b>124,339,841</b>	<b>120,693,808</b>	<b>870,870,671</b>	<b>35%</b>	<b>55%</b>
<b>Other Operating Revenue</b>	<b>50,394</b>	<b>215,452</b>	<b>272,968</b>	<b>219,549</b>	<b>2,164,434</b>	<b>3,081,737</b>	<b>3,275,758</b>	<b>3,497,071</b>	<b>3,065,937</b>	<b>15,843,300</b>	<b>2%</b>	<b>1323%</b>
<b>Grant Revenue</b>												
<b>Total Operating Revenue</b>	<b>18,451,571</b>	<b>77,832,988</b>	<b>74,931,590</b>	<b>104,909,032</b>	<b>120,802,627</b>	<b>118,229,239</b>	<b>119,960,270</b>	<b>127,836,912</b>	<b>123,759,746</b>	<b>886,713,975</b>	<b>35%</b>	<b>59%</b>
<b>Patient Services &amp; Other Operating Expenses:</b>												
Salaries and Related Costs	7,287,790	37,792,186	46,750,966	56,057,216	61,869,051	65,313,419	70,441,081	69,034,507	70,451,983	484,998,199	<b>48%</b>	<b>86%</b>
Contractual and Purchased Services	3,344,915	13,739,295	13,489,973	15,518,859	15,194,471	17,600,758	16,837,038	15,700,193	15,884,192	127,309,694	13%	16%
Supplies	2,351,822	9,081,629	9,432,860	12,005,087	11,755,663	12,715,217	12,950,457	13,979,188	14,058,310	98,330,233	32%	55%
Interest												
Provision for Self-Insured Claims	300,000	1,200,000	1,208,750	230,052	1,080,052	621,301	300,000	300,000	275,000	5,515,155	-81%	-77%
Public Medical Assistance Trust Fund assessment	236,497	925,459	1,119,248	1,315,367	1,349,714	1,161,955	1,261,780	1,446,298	1,429,501	10,245,819	42%	<b>54%</b>
Depreciation	487,847	2,117,839	2,447,193	2,543,066	2,637,209	3,163,587	3,727,695	3,908,335	3,559,724	24,592,495	20%	68%
Other operating expenses			329,725	419,450	344,500	294,870	250,040	259,020	214,420	2,112,025		
Provision for doubtful accounts	4,054,118	12,857,058		20,298,292	28,657,283	26,470,781	30,282,938	29,431,832	35,997,343	188,049,645	<b>58%</b>	<b>180%</b>
<b>Total operating expenses</b>	<b>18,062,991</b>	<b>77,713,469</b>	<b>74,778,715</b>	<b>108,387,391</b>	<b>122,887,948</b>	<b>127,341,892</b>	<b>136,051,033</b>	<b>134,059,374</b>	<b>141,870,476</b>	<b>941,153,289</b>	<b>39%</b>	<b>83%</b>
<b>Gain (loss) from operations</b>	<b>388,580</b>	<b>119,519</b>	<b>152,875</b>	<b>(3,478,359)</b>	<b>(2,085,321)</b>	<b>(9,112,653)</b>	<b>(16,090,762)</b>	<b>(6,222,462)</b>	<b>(18,110,729)</b>	<b>(54,439,312)</b>	<b>-3010%</b>	<b>-15253%</b>
<b>Nonoperating Gains and Losses</b>												
Medical Education and Tertiary Care fund												
Interest	3,480		30,079	27,420	133,684	177,217	208,570	110,070	24,299	714,819		
Unrealized Gains and Losses		65,208								65,208	-100%	-100%
Other			(3,101)	(751,545)	(4,036)	(290,879)	450	10,092	(5,528)	(1,044,547)		
Dade County Unrestricted Funds												
Unrestricted Health Care Surtax												
<b>Total Nonoperating Gain Net</b>	<b>3,480</b>	<b>65,208</b>	<b>26,978</b>	<b>(724,124)</b>	<b>129,648</b>	<b>(113,661)</b>	<b>209,020</b>	<b>120,163</b>	<b>18,770</b>	<b>(264,518)</b>	<b>-1210%</b>	<b>-71%</b>
<b>Revenue and Gain in excess of operations and loss</b>	<b>392,061</b>	<b>184,727</b>	<b>179,853</b>	<b>(4,202,484)</b>	<b>(1,955,672)</b>	<b>(9,226,314)</b>	<b>(15,881,742)</b>	<b>(6,102,299)</b>	<b>(18,091,959)</b>	<b>(54,703,829)</b>	<b>-2375%</b>	<b>-9894%</b>
<b>Loss on extraordinary items</b>	<b>1,466,100</b>									<b>1,466,100</b>		
<b>Capital Grants and other contributions:</b>												
<b>Capital contributions - Grants and other</b>												
<b>Revenue and Gain after extraordinary loss</b>	<b>1,858,161</b>	<b>184,727</b>	<b>179,853</b>	<b>(4,202,484)</b>	<b>(1,955,672)</b>	<b>(9,226,314)</b>	<b>(15,881,742)</b>	<b>(6,102,299)</b>	<b>(18,091,959)</b>	<b>(53,237,729)</b>	<b>-2375%</b>	<b>-9894%</b>

Note 1 - PHT/JHS acquired JSCH during FY 2000-01