



Legislation Text

File #: 16-00107, **Version:** 2

Ordinance No. 16-37 amending Ordinance No. 15-86 (2016 Appropriation Ordinance) for a Supplemental Appropriation to the Memorial Health System Enterprise Fund in the Amount of \$5,264,000 to Pay Costs Related to Third Party Payor Audits and to Transfer Monies to the Colorado Springs Health Foundation

Presenter:

Kara Skinner, Chief Financial Officer

Summary:

The attached ordinance is to increase the 2016 Memorial Health System Enterprise Fund budget and to appropriate monies in the amount of \$5,264,000 to pay costs related to third-party payor audits and to transfer monies to the Colorado Springs Health Foundation (CSHF). The source of funds is a transfer from UCH-MHS received by the City in February 2016.

According to the lease, Schedule 3.6.8 Obligations and Liabilities Related to Third-Party Payors, the Parties agreed to reconcile UCH-MHS net actual receivables received and liabilities paid out to the amount accrued in the Memorial Health System financial statements on the effective date of the lease. UCH-MHS and the city met and agreed on the first reconciliation.

The net result was an amount due to the City of approximately \$5,264,000. Of the \$5,264,000, \$298,000 will be paid to a contract audit firm that assisted MHS with audits of a number of third-party cost reports that resulted in positive settlements. The balance of \$4,966,000 will be transferred to the Colorado Springs Health Foundation.

As some third-party cost reports remain open, UCH-MHS and the City will again reconcile when a number of those have finally settled.

Previous Council Action:

On October 1, 2012, the City of Colorado Springs executed the Memorial Health System (MHS) Operating Lease Agreement and the Integration and Affiliation Agreement by and among the City of Colorado Springs, University of Colorado Health, Poudre Valley Health Care, Inc., and UCH-MHS.

City Council authorized and directed that such funds and monies from the lease be placed into an appropriate segregated account and shall be spent only to satisfy obligations specifically provided for in the agreements. Funds remaining after satisfying the obligations shall be transferred directly into the City controlled non-profit foundation, Colorado Springs Health Foundation, as provided for under IRS Sections 501(c)(3) and 509(a) and authorized by City Council and the Mayor pursuant to Resolution No. 89-12.

On September 23, 2014, City Council approved Resolution No. 92-14 approving revisions to the Articles of Incorporation, and Bylaws of the CSHF and approving the investment and grant making policies developed by the Board of Trustees of the CSHF.

On September 23, 2014, the City and the Public Employees' Retirement Association executed a settlement agreement resolving pending litigation. Escrow funds were released pursuant to this agreement and residual funds were sent to the CSHF on October 3, 2014. City Council approved Resolution No. 99-14 which authorized the transfer of \$10 million from the MHS Enterprise Fund to CSHF.

On November 10, 2015, City Council approved Resolution No. 109-15 approving the Memorial Health System/Colorado Springs Health Foundation Funds Management Agreement. The agreement provides greater clarity as to how lease proceeds will be transferred to the CSHF and how the CSHF will invest funds.

On November 25, 2015, City Council approved the original 2016 Budget per Ordinance No. 15-86, which included the appropriation of funds for the Memorial Health System Enterprise Fund.

On January 12, 2016, City Council approved Ordinance No. 15-101 for a supplemental appropriation to the MHS Enterprise Fund in the amount of \$1,345,000 to transfer the revenue sharing payment received by the City to the CSHF.

Background:

N/A

Financial Implications:

The City received a transfer of approximately \$5,264,000 from UCH-MHS. Of that, \$298,000 will be paid to a contract audit firm that assisted MHS with audits of a number of third-party cost reports that resulted in positive settlements. The balance of \$4,966,000 will be transferred to the Colorado Springs Health Foundation.

Board/Commission Recommendation:

N/A

Stakeholder Process:

N/A

Alternatives:

N/A

Proposed Motion:

Move approval of the Ordinance Amending Ordinance No. 15-86 (2016 Appropriation Ordinance) for a Supplemental Appropriation to the Memorial Health System Enterprise Fund in the Amount of \$5,264,000 to Pay Costs Related to Third-Party Payor Audits and to Transfer Monies to the Colorado Springs Health Foundation.

Ordinance Amending Ordinance No. 15-86 (2016 Appropriation Ordinance) for a Supplemental Appropriation to the Memorial Health System Enterprise Fund in the Amount of \$5,264,000 to Pay

Costs Related to Third-Party Payor Audits and to Transfer Monies to the Colorado Springs Health Foundation