UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 9450 / September 13, 2013

ADMINISTRATIVE PROCEEDING
File No. 3-15472

In the Matter of **PUBLIC HEALTH TRUST OF MIAMI-DADE COUNTY, FLORIDA** **Respondent.**	**ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 ("Securities Act") against the Public Health Trust of Miami-Dade County, Florida ("Respondent" or "PHT").

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the "Offer") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Making Findings, and Imposing a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

SUMMARY

1. This matter involves misrepresentations and omissions in an $83 million municipal bond offering in August 2009 (the "Bonds") conducted on behalf of the PHT, which significantly misstated PHT's revenues and misrepresented that PHT's financial statements were prepared according to generally accepted accounting principles ("GAAP"). The Bonds were issued by Miami-Dade County, Florida, ("the County") for the benefit of PHT, a quasi-governmental entity that operates the County's public hospital system known as the Jackson Health System ("Jackson").

2. In the August 18, 2009 Official Statement describing the offering ("Official Statement"), PHT made material misrepresentations and omissions regarding PHT's current and future revenue. The Official Statement represented that PHT's projected non-operating loss for full fiscal year 2009 ending September 30, 2009 would be $56 million. Several months after the Bonds were sold, PHT's external auditors discovered problems with the patient accounts receivable valuation resulting in a large adjustment to net income. PHT ultimately reported a non-operating loss of $244 million for 2009, or more than four times what had been projected in the Official Statement. PHT also misrepresented the projected loss in the Official Statement as an "operating" loss rather than an "non-operating" loss, which are materially different concepts that in 2008 differed by $453 million. PHT lacked a reasonable basis for its $56 million loss projection.

3. PHT also misrepresented unaudited information in the Official Statement. The Official Statement purported to show tabular income statement information for the eight month period that ended May 31, 2009. However, the tables setting forth this partial-year information were materially misleading in that they actually contained information only through April 30, 2009, a seven month period, rather than the eight month time period as represented in the tables. This resulted in the material misrepresentation of the partial year information, including the non-operating loss to date.

4. PHT also failed to properly account for an adverse arbitration award involving patient accounts receivable in the 2008 audited financial statements appended to the Official Statement. That December 2008 arbitration award required PHT to pay $3.9 million in cash to a third-party receivables company (the "TPRC") as well as transfer to the TPRC of $360 million face amount of existing accounts receivable and $250 million face amount of future accounts receivable. Accordingly, PHT misrepresented that its 2008 audited financial statements were prepared in accordance with generally accepted accounting principles ("GAAP").

5. By engaging in this conduct discussed above and more fully below, PHT violated Sections 17(a)(2) and 17(a)(3) of the Securities Act.

RESPONDENT

6. **The Public Health Trust of Miami-Dade County, Florida**, is a quasi-governmental agency that operates the public health system in the County pursuant to ordinance and Florida state law. PHT contracts with the County to provide medical care to indigent patients

and other services. At the time relevant to the conduct described in this Order, PHT was governed by a 17 member board of trustees (including two County Commissioners) that were appointed by a nominating council for three year terms. Since May 2011 PHT has been governed by a temporary 7 member Fiscal Recovery Board.

FACTS

A. PHT's Relationship With The County

7. PHT was created as a separate legal entity in 1973 pursuant to a Florida statute and County ordinance to operate and manage the public health system in the County. The primary hospital within the health system is Jackson Memorial Hospital, one of the largest medical centers in the United States. There are also more than a dozen other clinics and medical facilities under PHT's purview.

8. PHT's principal source of revenue consists of charges for patient services, generally paid by commercial insurers, Medicaid, and Medicare. Due to the large number of indigent patients treated by the health system and other unfunded mandates, PHT's patient revenue falls far short of expenses. For 2007 and 2008, the two fiscal years prior to the bond issue, PHT had operating losses of $424 million and $427 million, respectively.

9. The County contributes non-operating revenues to PHT to offset the operating losses in several ways. Since 1991, the County has levied a voter approved 0.5% sales tax to be used for the operation, maintenance, and administration of PHT's hospitals and clinics. The County also makes state-mandated appropriations to PHT and makes voluntary contributions in years that extra funds are available, although it has represented that PHT should not expect voluntary contributions in the foreseeable future. For 2007 and 2008, the sales tax revenue and other County contributions represented nearly 20% of the PHT's combined total operating and non-operating revenues.

B. 2009 Bond Offering

10. In early 2009, PHT began discussions with the County about a new bond issue. The County was the issuer of the Bonds, which are not general obligations of the County and are to be repaid solely from PHT's revenues. The proceeds of the new issue were to be used for capital improvements in the public hospitals operated by PHT. The County offered the Bonds to the public on or about August 18, 2009.

11. The County's payment of the debt service on the Bonds is secured by a pledge of PHT's "gross revenues," which are defined as all revenues and other monies received by PHT, including both operating and non-operating revenues. Pursuant to the ordinance authorizing the Bonds, PHT covenanted to charge appropriate rates for patient services such that net revenue equals at least 110% of the debt service requirement (the "Rate Covenant").

12. Pursuant to a Memorandum of Understanding between the County and PHT, the County makes monthly deposits of a portion of the sales tax revenue into a debt service fund in an amount sufficient to cover the debt service prior to any of the sales tax revenue being used for hospital operational expenses. While the sales tax produced sufficient revenue to cover the debt service, as noted in the Official Statement, there is no guarantee that the sales tax will remain in effect through the term of these Bonds.

C. PHT's Worsening Financial Situation

13. PHT was aware of indications prior to the sale of the Bonds that its financial condition was deteriorating. On October 1, 2008, the first day of PHT's 2009 fiscal year, PHT implemented a new billing system to handle patient accounts and billing. During the implementation, PHT failed to issue many bills for months due to problems with coding and billing functions, and many bills that were issued ended up being returned due to errors, causing further delays to PHT's receipt of funds. As a result, PHT's patient accounts receivable began to rise and cash receipts began to decline.

14. PHT's cash position became troubling in early 2009, around the same time the Bonds were first contemplated. The term "days cash on hand" ("DCOH") as used in PHT's financial reporting refers to how many days PHT would be able to pay bills based on existing available funds. In fiscal years 2007 and 2008 the average DCOH was approximately 42 days. For the eight months ended May 31, 2009, PHT's DCOH averaged 20.9 days, less than half of the previous years' average. These amounts were disclosed in the Official Statement.

15. The rising level of patient accounts receivable and declining cash on hand caused concern among PHT trustees and executive management. PHT's former Controller began questioning the amount of accounts receivable and collection rates reported that were used to calculate PHT's revenue figures. Initially, the Controller and other PHT managers believed that the rising accounts receivable and declining cash on hand were due to the widespread billing delays caused by implementation of the new billing system.

16. During the summer of 2009, the Controller had a number of meetings with the director of the revenue cycle department and the head of the budgeting department, neither of whom reported to him, in order to determine the cause of the rising accounts receivable. They performed various analyses and generated several reports on PHT's revenue and patient accounts receivable, with inconsistent results. Nearly all of the analyses showed that the amount of accounts receivable on the books was too high, although at least one showed they were too low. It was not until November 2009, after the audit for the fiscal year ended September 30, 2009, had commenced and after the Bonds had been issued, that the Controller concluded that a downward adjustment to accounts receivable would be required.

17. The audited financial statements in March 2010 included an adjustment to accounts receivable, and therefore revenue, in excess of $180 million. The auditor found material weaknesses in PHT's internal controls that caused an overstatement of accounts receivable. For example, the auditor found the new billing system applied inaccurate higher collection rates to the

gross patient charges and captured patient charges for services that were not reimbursable by insurers. The auditor further noted that PHT's system did not discover PHT was treating more patients with lower potential for collection than in prior years.

D. Preparation of the Official Statement

18. During the summer of 2009, the same time the Controller was looking into the billing and accounts receivable issues, the bond working group was preparing initial drafts of the Official Statement. The bond working group responsible for preparation of the Official Statement consisted of, among others, PHT's former Controller and the former CFO, members of the County's finance department, members of the County Attorney's office, bond counsel, disclosure counsel, underwriters, and a financial advisor.

1. Projected Financial Information

19. The Controller was primarily responsible for providing the contents of Appendix A which contained financial information about PHT, including PHT's unaudited financial statements with partial year information through May 31, 2009. This partial information included tables that were intended to show income statement information for the eight month period that ended May 31, 2009. However the tables were materially misleading in that they actually contained information only through April 30, 2009, while the relevant column heading stated that the information was as of May 31, 2009. This resulted in the misreporting of a number of income statement items. For example, the loss from operations through May 31st, although reported as negative $255 million, was actually negative $290 million.

20. The Controller and the CFO attended a meeting of the bond working group in July 2009, at which time they informed the working group that the billing problems affecting PHT's then current cash collection rate would likely lead to an inability to meet the rate covenant requirement that PHT's net revenue must equal at least 110% of debt service. To address this deficiency in the bond documents, disclosure counsel subsequently added language to the Official Statement stating that PHT's management believed the rate covenant would likely not be met. The new disclosure language also listed factors causing the inability to meet the rate covenant requirements, including a decline in revenue from the 0.5% sales tax due to economic conditions, an increase in indigent patient care, and an absence of voluntary contributions from the County. While the Official Statement attributed the decline in cash flow, in part, to the problems with the new billing system, it did not connect the problems with the new system to the failure to meet the rate covenant.

21. Disclosure counsel also modified Appendix A to include PHT's internal projections showing it would suffer a loss of $56 million for fiscal year 2009. This number was generated by the budget department using stale cash collection numbers in the midst of known problems with the new billing system. Moreover, by virtue of the lack of adequate communication among departments, the budget department was not updating its collection rates in a timely fashion. In short, PHT lacked a reasonable basis for its loss projection, making this statement materially misleading.

2. Arbitration Award

22. In December 2006, PHT sold to the TPRC approximately $1.8 billion face value of patient accounts receivable. Most, if not all, of these accounts receivable were "self-pay" accounts (patients with no insurance) with discharge dates between 1998 and 2005 for which PHT was not going to spend further resources in collecting and had purportedly written off.

23. Soon after the sale, the TPRC disputed the quality of the accounts receivable that were sold, leading to the TPRC's filing of a lawsuit against PHT in December 2007 for breach of contract. The TPRC allegedly discovered that some of the accounts receivable were uncollectible for various reasons, including that patients had filed for bankruptcy, or the patients had already paid the their bills or were deceased. There were also instances in which patients made payments directly to PHT for accounts that had been sold to TPRC and those payments were not remitted to TPRC.

24. In September 2008, the parties agreed to arbitrate all claims asserted in the lawsuit. TPRC prevailed on its claims and the arbitrator signed an award in TPRC's favor in December 2008. The award required:

- Immediate payment by PHT to the TPRC of $3.9 million;
- Immediate transfer of $360 million face amount of self-pay accounts receivable; and
- Future transfer of approximately $250 million face amount of self-pay accounts receivable over a 24 month period.

The potential value of the accounts receivable transferred under the arbitration award was greater than the original accounts receivable sold to the TPRC because they were recent and the award required that no collection efforts be made by PHT prior to transfer.

25. PHT had historically valued self –pay accounts receivable at 2% to 5% of their face amount. However, PHT wrote the transferred accounts receivable off completely at the time of transfer without any analysis to determine the value of the replacement accounts awarded to TPRC pursuant to the arbitration award. Under the relevant accounting standards, PHT was required to perform such an analysis as part of its evaluation of whether to accrue an expense related to the arbitration award or to disclose the arbitration award in the notes to its financial statements. As a result of PHT's failure to perform the analysis, it failed to properly account for the arbitration award in its 2008 audited financial statements, which were included in the Official Statement.

E. Misrepresentations and Omissions in the Official Statement

26. The Official Statement for the 2009 bond issue contained material misrepresentations concerning PHT's projected loss for fiscal year 2009 and the purported eight month partial year information. The Official Statement also included 2008 audited financial statements in which PHT failed to properly account for the adverse arbitration award and,

therefore, PHT misrepresented that its 2008 audited financial statements were prepared in accordance with GAAP.

1. The Projected Loss for Fiscal Year 2009

27. Appendix A to the Official Statement contained unaudited financial information and made revenue projections for fiscal year 2009. That appendix stated: "Internal projections for the Trust indicate that in the absence of corrective action, the Trust could experience an operating loss of $56 million for the current fiscal year and $168 million for the following year."

28. PHT lacked a reasonable basis to support its projected $56 million non-operating loss for the fiscal year 2009 contained in the Official Statement. PHT based the projection on stale cash collection rates and, due to lack of communications between departments, failed to timely identify the overstated accounts receivable, causing the Official Statement to be inaccurate. Additionally, the Official Statement misrepresented the projected non-operating loss as an operating loss, materially different concepts that in 2008 differed by $453 million.

29. Moreover, the tables in Appendix A to the Official Statement containing partial year information were materially misleading in that they actually contained information only through April 30, 2009, while the relevant column heading stated that the information was as of May 31, 2009. Consequently, the loss from operations through May 31st, although reported as negative $255 million, was actually negative $290 million.

2. PHT Misrepresented its Compliance with GAAP

30. In the Official Statement for the Bonds, PHT misrepresented that its 2008 audited financial statements were prepared in accordance with GAAP. PHT did not comply with GAAP by failing to properly account for the arbitration award in the financial statements.

31. Despite the fact that PHT wrote-off the value of the accounts receivable completely when PHT transferred them to the TPRC, the $610 million face amount of replacement accounts had sufficient value such that PHT should have conducted an evaluation. PHT performed no analysis on the value of the accounts transferred to determine whether to accrue an expense related to the arbitration award or to disclose the arbitration award in the notes to its financial statements as required by the relevant accounting standards.

LEGAL DISCUSSION

32. Municipal securities represent an important part of the financial markets available to investors. Although the County was the issuer of the Bonds, the relevant information contained in the Official Statement was that of PHT and was provided by PHT employees. PHT had an obligation to ensure that financial information contained in its disclosure documents provided to issuers is not materially misleading. Proper disclosure allows investors to understand and evaluate the financial health of the state or local municipality in which they invest.

33. PHT, which provided the financial information set forth in the Official Statement, is subject to the antifraud provisions of the federal securities laws, including Section 17(a) of the Securities Act. Section 17(a)(2) of the Securities Act makes it unlawful "in the offer or sale of any securities … to obtain money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading." Section 17(a)(3) of the Securities Act makes it unlawful "to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser." A fact is material if there is a substantial likelihood that its disclosure would be considered significant by a reasonable investor. Basic Inc. v. Levinson, 485 U.S. 224, 231-32 (1988); TSC Industries, Inc. v. Northway, Inc., 426 U.S. 438, 449 (1976); In the Matter of the City of Miami Florida, et al., 79 S.E.C. Docket 2580, 2003 WL 1412636, Release Nos 33-8213, 34-47552 (March 21, 2003). Violations of Sections 17(a)(2) and (3) may be established by showing negligence. SEC v. Hughes Capital Corp., 124 F.3d 449, 453-54 (3d Cir. 1997); SEC v. Steadman, 967 F.2d 636, 643 n.5 (D.C. Cir. 1992); In the Matter of the State of New Jersey, Securities Act Release No. 33-9135, Admin. Proc. File No. 3-14009 (August 18, 2010).

VIOLATIONS

34. As a result of the negligent conduct described above, PHT violated Sections 17(a)(2) and 17(a)(3) of the Securities Act. Specifically, PHT lacked a reasonable basis for the $56 million loss projection for fiscal year 2009 in the Official Statement, and made material misrepresentations concerning its eight month partial year figures. PHT also materially misrepresented that its 2008 financial statements were prepared in accordance with GAAP because it failed to properly account for the patient accounts receivable required to be transferred pursuant to the arbitration award as described above. These misrepresentations and omissions were material because they were important to investors in evaluating whether to purchase Bonds through this municipal securities offering, and constitute violations of Section 17(a)(2) of the Securities Act.

35. PHT also violated Section 17(a)(3) of the Securities Act by engaging in a course of conduct or business practice that operated as a fraud or deceit upon purchasers of the Bonds. PHT failed to apply accurate collection rates to the calculation of patient revenue and accounts receivable in its new billing system, resulting in an overstatement of accounts receivable and an inaccurate projected loss in the Official Statement. Additionally, PHT failed to ensure that liabilities related to litigation claims were accurately disclosed in its financial statements.

PHT'S REMEDIAL EFFORTS

36. In determining to accept the Offer, the Commission considered the cooperation afforded the Commission staff and the remedial acts taken by PHT, including the hiring of outside consultants after the 2009 audit results were announced and a restructuring of the PHT board to focus on regaining financial health.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in PHT's Offer.

Accordingly, pursuant to Section 8A of the Securities Act, it is hereby ORDERED that:

The Public Health Trust of Miami-Dade County, Florida shall cease and desist from committing or causing any violations and any future violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act.

By the Commission.

Elizabeth M. Murphy
Secretary