

**HEALTH DISCIPLINE  
PROSPECTIVE NEW CLIENT RISK ASSESSMENT FORM – Page 1**

**Prospective Client Name:** Halifax Health

**Lead Consultant:** Art Wilmes

**Principal:** Art Wilmes

**Type of Client Entity**

Governmental/public (Type: \_\_\_\_\_)

☐ Yes ☐ No

Core business is risk-taking (Type: \_\_\_\_\_)

☐ Yes ☐ No

Stock company or other for-profit:

Publicly traded (Stock exchange listing: \_\_\_\_\_)

☐ Yes ☐ No

Subsidiary (Parent: \_\_\_\_\_)

☐ Yes ☐ No

Other (Description: \_\_\_\_\_)

☐ Yes ☐ No

Non-profit or other (Type: NFP hospital system)

☐ Yes ☐ No

**Screening and Risk Assessment Questions**

- (a) Is there evidence of a questionable background or history associated with either the owners (for stock companies, other than publicly traded corporations) or the management/trustees? This includes criminal or other questionable backgrounds, association with prior bankruptcies, history of being sued in connection with business / financial practices, or lack of experience or competence in the field.

☐ NA<sup>(1)</sup> ☒ No ☐ Other

- (b) Financial stability and capitalization:

☐ NA<sup>(2)</sup> ☒ No ☐ Other

- Existing entity: Has the company been financially unstable, does it currently operate with inadequate capital/surplus, or can it otherwise be reasonably expected to face a precarious financial position?
- Start-up: Is the company inadequately capitalized or can it otherwise be reasonably expected to face a precarious financial position?

- (c) Is the entity currently, or has it been within the past five years, under court or regulatory oversight?

☐ NA<sup>(2)</sup> ☒ No ☐ Other

- (d) If the work involves an actuarial statement of opinion for a regulatory filing, did the previous actuary depart either voluntarily or involuntarily?

☒ NA<sup>(3)</sup> ☐ No ☐ Other

- (e) Is there a history of suing professionals or evidence of litigiousness, based on the information obtained through client screening or conflict checking?

☒ No ☐ Other

- (1) Mark "NA" only if the prospective client is a governmental / public entity.  
(2) Mark "NA" only if the core business of the prospective client is *not* risk-taking.  
(3) Mark "NA" only if work does not involve an actuarial statement of opinion for a regulatory filing.

**FORWARD COPY OF SIGNED FORM TO CORPORATE LEGAL STAFF**

(include copy of terms and conditions, if a "Conditioned Acceptance")

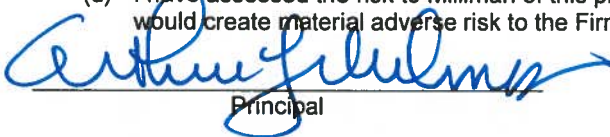
**HEALTH DISCIPLINE**  
**PROSPECTIVE NEW CLIENT RISK ASSESSMENT FORM – Page 2**

**Prospective Client Name:**

**Client Risk Assessment Statement**

1. **Standard Acceptance** – I have undertaken a risk assessment of this prospective new client, and affirm that:

- (a) Client screening has been completed by Milliman corporate staff, no material adverse findings are present, and the screening results are documented in the files;
- (b) Answers to Screening and Risk Assessment Questions (a) – (e) on Page 1 are all "NA" or "No";
- (c) Sufficient information to make this risk assessment has been assembled and is documented in the files; and
- (d) I have assessed the risk to Milliman of this prospective client, and I am not aware of any factors that would create material adverse risk to the Firm.

  
Principal

July 13, 2014

Date

2. **Non-Acceptance** – I have undertaken a risk assessment of this prospective new client, and based on those results have declined or chosen not to pursue an engagement.

\_\_\_\_\_  
Principal

\_\_\_\_\_  
Date

3. **Conditioned Acceptance** – I have undertaken a risk assessment of this prospective new client, and affirm that:

- (a) Client screening has been completed by Milliman corporate staff, the screening results have been provided to the Health Practice Director, and they are documented in the files;
- (b) A comprehensive written explanation addressing each of the Screening and Risk Assessment Questions (a) – (e) for which the answer is "Other" has been provided to the Health Practice Director and is documented in the files;
- (c) Sufficient information to make this risk assessment has been assembled, such material has been provided to the Health Practice Director, and it is documented in the files;
- (d) The prospective client is willing to accept all standard provisions of Milliman's CSA (or alternative wording and provisions acceptable to the Health Practice Director and either the Chief Risk Officer or the ERC or Board, whichever is appropriate, under the circumstances of a "qualified acceptance");
- (e) I have assessed the risk to Milliman of this prospective client, recognize that certain adverse risk factors are or may be present, and believe that they can be adequately managed; and
- (f) I have received written permission from the Health Practice Director to accept the client, with accompanying terms and conditions for undertaking any engagement (copy to be attached).

\_\_\_\_\_  
Principal

\_\_\_\_\_  
Date

**From:** [Art Wilmes](#)  
**To:** [Susan Simonson](#); [Ross McCampbell](#)  
**Subject:** Fwd: HALIFAX HEALTH SCREEN RESULTS  
**Date:** Sunday, July 13, 2014 2:43:30 PM  
**Attachments:** [Advanced Scoring Report HALIFAX HEALTH CARE SYSTEMS, INC..12072014164036.pdf](#)

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Sent from my Verizon Wireless 4G LTE smartphone

----- Original message -----

**From:** sharepoint@milliman.com  
**Date:** 07/13/2014 3:49 AM (GMT-05:00)  
**To:** Art Wilmes  
**Cc:** Brandy Wilson, "Chelo Gable (Contractor)"  
**Subject:** HALIFAX HEALTH SCREEN RESULTS

This is to inform you that your client screening request has been completed by Chelo Gable (Contractor)

#### **Halifax Health**

**Request Date:** 07-03-2014  
**Requestor:** Art Wilmes  
**Discipline:** Health  
**Company Name:** Halifax Health  
**On High Risk Client List? :** No  
**A.M. Best Rating :** N/A  
**Moody's Rating :** N/A  
**D&B Credit Score Class :** 3 (Moderate risk of severe payment delinquency over the next 12 months.)  
**D&B Financial Stress Class :** 3 (Moderate risk of severe financial stress, such as bankruptcy, over the next 12 months.)  
**WorldCheck Rating :** N/A;  
**Ownership :**

Halifax Health (HH), a/k/a Halifax Community Health System, operates as a community hospital. It offers services in the areas of cardiology, orthopedics, neurosciences, oncology, pediatric emergency, neonatal intensive care, pediatric intensive care, heart care, and child and adolescent behavioral services. Halifax Community Health System was formerly known as Halifax Medical Center and changed its name to Halifax Community Health System in 2007. The company was founded in 1928 and is based in Daytona Beach, Florida

#### **Officers :**

I profiled the officers named below using the LexisNexis database as well as online news resources. I find no compelling evidence that either individual named below have been involved in litigation, professional misconduct, or criminal activity. Please note that my research is inconclusive due to the commonness of the officers' names in the criminal records, although I found no reason to believe that either officer has been involved in criminal activity. For the sake of expediency, I have included the link to the following individuals' biographies:

- **President and CEO:** Jeff Feasel – Mr. Feasel's biography can be accessed here: <http://www.halifaxhealth.org/jeff-feasel>
- **Senior Vice President and Chief Revenue Officer:** Arvin Lewis Sr. - Mr. Lewis' biography can be accessed here: <http://www.halifaxhealth.org/arvin-lewis>

### **Prior Health Risk Assessment :**

N/A

### **Noteworthy News :**

A scan of local and national newspapers, news wires, trade journals, transcripts and Internet search engines discovered some adverse news concerning a very recent multi-million dollar settlement in a whistleblower lawsuit that accused Halifax Health of overcharging Medicare:

- **July 2014:** Halifax Health has reached a tentative \$1 million settlement in a whistleblower lawsuit accusing the public hospital system of overcharging Medicare, according to court documents unsealed Friday. That amount is far below the \$72.5 million the whistleblower's attorneys had calculated in potential damages. Hospital officials declined to comment Friday because the agreement hasn't been finalized. If approved by the Halifax Health Board of Commissioners, the agreement will resolve a five-year-long, fiercely fought legal battle. Elin Baklid-Kunz, director of physician services, filed the suit in federal court in Orlando in 2009, accusing the hospital of ignoring fraud. Another part of the case was settled in March for \$85 million. Halifax Health has also spent more than \$24 million on its legal defense, and a federal magistrate judge ordered Halifax Health to pay an additional \$5.4 million for the whistleblower's attorneys' fees in May. (Source: *The Daytona Beach News Journal*, 11 July 2014, accessible here: <http://www.news-journalonline.com/article/20140711/NEWS/140719820>)
- **March 2014:** Halifax Health Medical Center is coughing up millions of dollars to settle a lawsuit that one of its workers filed in 2009. In an agreement filed Monday in Orlando, HHMC will pay the U.S. Department of Justice \$85 million dollars within 10 days and operate under a corporate integrity agreement for 5 years to end part of a lawsuit claiming hospital officials broke a federal law aimed at curbing Medicare abuse. Elin Baklid-Kunz – HHMC's Director of Physician Services – accused the hospital of signing doctors to illegal contracts and billing the federal government for procedures that weren't medically necessary. This settlement comes after a judge ruled that HHMC violated the Stark Law when paying oncologists for their work. That federal law says hospitals can't pay doctors based on referrals and volume. HHMC officials say their settlement is not an admission that they fraudulently filed Medicare claims to the government and that they are not admitting any liability other than Stark Law violations. (Source: *newsdaytonabeach.com*, 3 March 2014, accessible here: <http://newsdaytonabeach.com/halifax-medical-center-paying-85-million-dollars-to-settle-lawsuit/>)

### **Litigation History :**

Screening for litigation using news sources, Internet search engines, and LexisNexis' state and federal cases database and dockets, found only a moderate number of lawsuits which name HH as a party. The most significant case being the whistleblower suit, *United States ex rel. Elin Baklid-Kunz v. Halifax Hosp. Med. Ctr.* (described above) which HH settled for more than \$85 million. I found no evidence of HH having sued one of its advisors.

### **Comments :**

At the managerial level, the screened officers appear to have relevant experience and have not been named in adverse litigation, insofar as my research indicates. At the entity level, I found news coverage concerning a recent whistleblower suit that after all is said and done, will have cost HH over \$100 million to settle. It may be too early to determine how this will affect the financial stability of our prospective client, but one

might expect it to have a significant impact. As for financial ratings, Dun & Bradstreet gives HH a credit score class of "3," and a financial stress class of "3," ratings indicative of a moderately stable company with a moderate risk of slow payment. The attached report indicates that 5.80% of firms with this classification paid one or more bills severely delinquent. HH has 167 payment experiences and 4 suits recorded. I will leave it to your discretion as to whether a retainer is warranted. In conclusion, it does not appear that continuing to do business with HH would pose an undue risk to Milliman. Please let me know if there is anything else that I can do to be of help.

Chelo

NOTE: Please do not reply to this automated notice.



Decide with Confidence

**HALIFAX HEALTH CARE SYSTEMS, INC.**

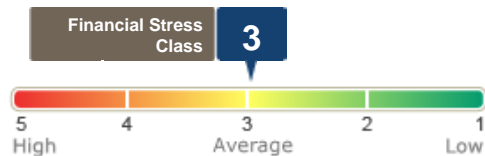
D-U-N-S® 01-052-3041 Headquarters Phone 386 254-4000  
 Mailing PO BOX 2830 303 North Clyde Morris  
 Address Daytona Blvd,  
 Beach, FL Daytona Beach, FL 32114  
 32120 Website:  
 www.halifaxhealth.org

**Advanced Scoring Report**

Purchase Date: 07/12/2014  
 Last Update Date: 04/16/2014  
 Attention: legal

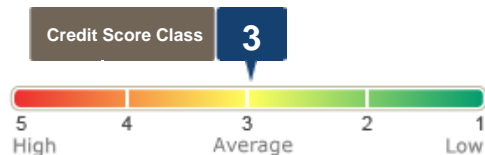
**Executive Summary****Company Info**

Year Started	1928	Employees Here	1,950 at this location
Control Year	1928	Working Capital	\$248,859,000
CEO	JEFF FEASEL, CEO	Net Worth	\$470,822,000
Employees	4,800	As of 09/30/2012	

**Predictive Analytics****Financial Stress Class**

The Financial Stress Class of 3 for this company shows that firms with this class had a failure rate of 0.24% (24 per 10,000).

Financial Stress Class	3
Financial Stress Score	1,498
Highest Risk	1,001
Lowest Risk	1,875

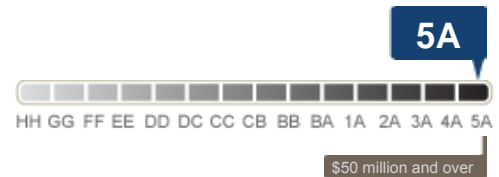
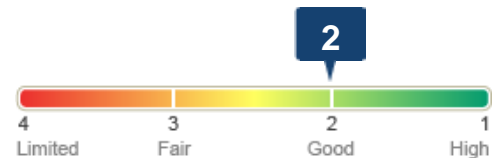
**Credit Score Class**

The Credit Score class of 3 for this company shows that 5.80% of firms with this classification paid one or more bills severely delinquent.

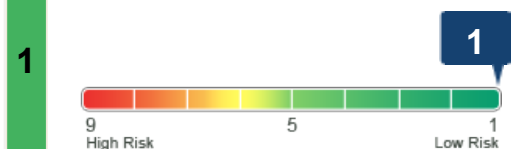
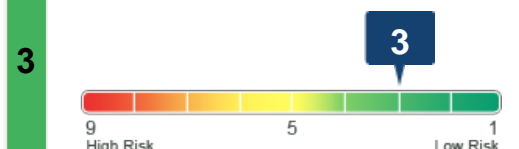
Credit Score Class	3
Credit Score	487
Highest Risk	101
Lowest Risk	670

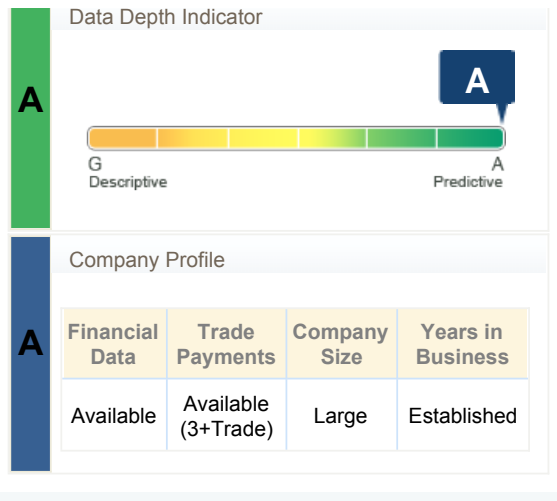
**D&B Rating**

D&amp;B Rating

**5A2****Financial Strength****Composite Credit Appraisal****D&B Viability Rating**

D&amp;B Viability Rating

**1 3 A A****Viability Score****Portfolio Comparison**



## Business Information

### Business Summary

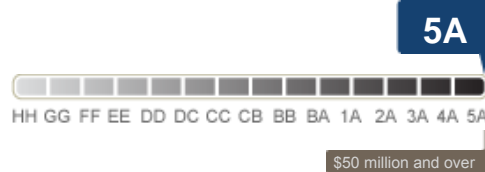
Branch & Division	YES
Financing	SECURED
Financial Condition	GOOD
SIC	8062 General hospital, medical doctor's office, psychiatric hospital
NAICS	622110 General Medical and Surgical Hospitals
History Status	CLEAR

### Credit Capacity Summary

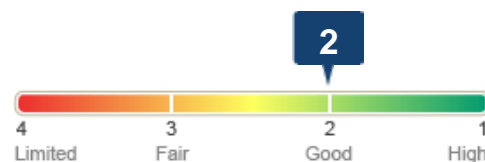
#### D&B Rating

**5A2**

#### Financial Strength



#### Composite Credit Appraisal

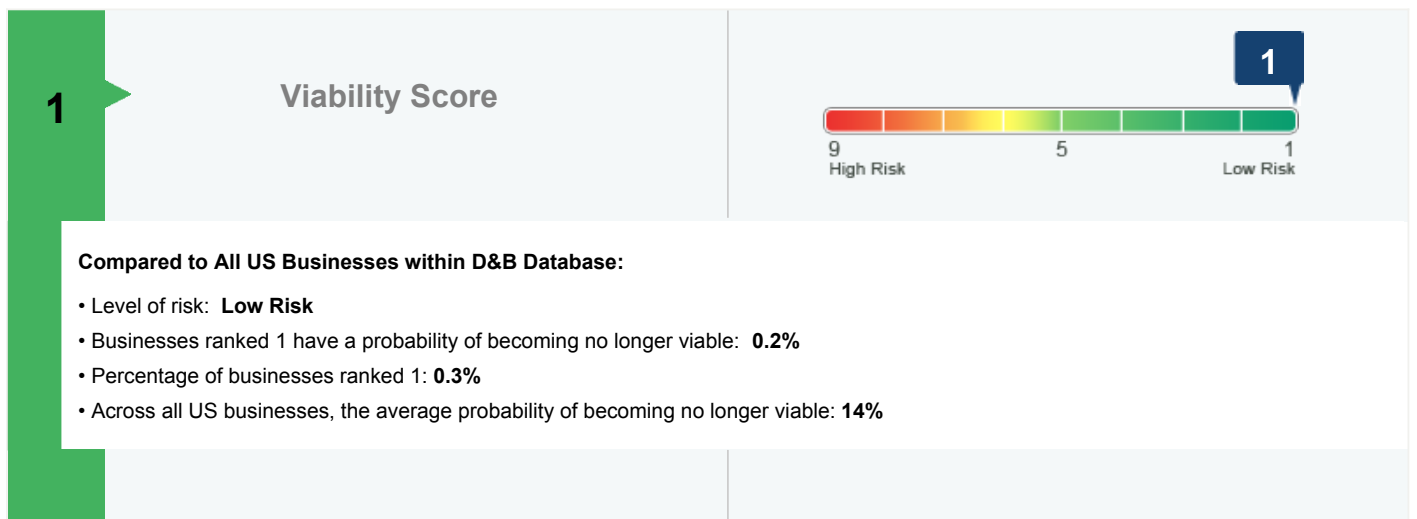


Prior D&B Rating	5A2
Rating Date	02/14/2012

Payment Activity (based on 161 experiences)	USD
Average High Credit	\$41,657
Highest Credit	900,000
Total Highest Credit	5,680,700

## D&B Viability Rating

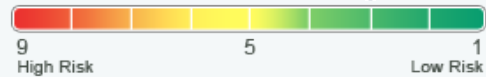
The D&B Viability Rating uses D&B's proprietary analytics to compare the most predictive business risk indicators and deliver a highly reliable assessment of the probability that a company will no longer be in business within the next 12 months.





3

## Portfolio Comparison



## Compared to all Businesses within the same MODEL SEGMENT:

Model Segment: **Available Financial Data**

- Level of risk: **Low Risk**
- Businesses ranked 3 within this model segment have a probability of becoming no longer viable: **0.2%**
- Percentage of businesses ranked 3 within this model segment: **15%**
- Within this model segment, the average probability of becoming no longer viable: **0.6%**

A

## Data Depth Indicator



## Data Depth Indicator Details:

- ✓ Rich Firmographics
- ✓ Extensive Commercial Trading Activity
- ✓ Comprehensive Financial Attributes

A

## Company Profile

Financial Data	Trade Payments	Company Size	Years in Business
Available	Available (3+Trade)	Large	Established

## Company Profile Details:

- Financial Data: **Available**
- Trade Payments: **Available** (3+Trade)
- Business Size: **Large** (Employees:50+ or Sales: \$500K+)
- Years in Business: **Established** (5+)

## Industry Data

SIC		NAICS	
Code	Description	Code	Description
80629903	Hospital, medical school affiliated with residency	622110	General Medical and Surgical Hospitals
80110200	Medical centers	621112	Offices of Physicians, Mental Health Specialists
80630000	Psychiatric hospitals	622210	Psychiatric and Substance Abuse Hospitals

## Indicators

## Public Filings Summary

The following data includes both open and closed filings found in D&amp;B's database on this company

Record Type	No. of Records
Judgment	0
Lien	0

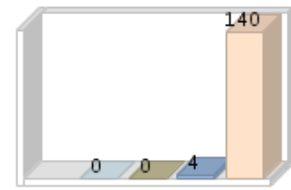
## Public Filings





Decide with Confidence

Suit	4
UCC	140



Bankruptcy Judgment Lien Suit UCC

## Commercial Credit Score

### Summary

Credit Score Class



### Incidence of Delinquent Payment

Among Companies with This Class	5.80%
Average Compared to All Businesses	10.20%
Credit Score Percentile	37
Credit Score	487
Number of Payment Experiences	161

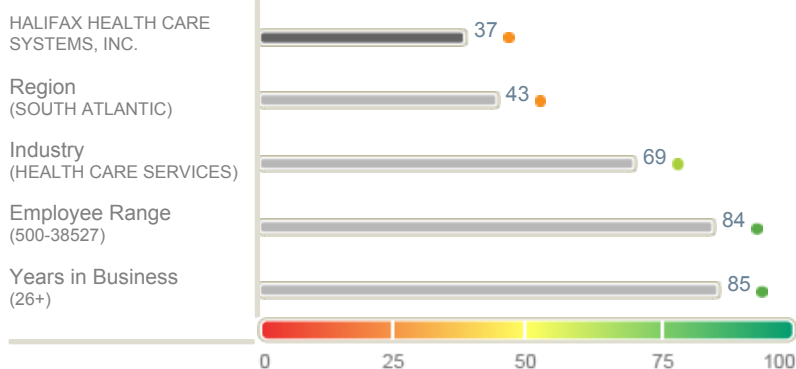
### Key Factors

- Proportion of past due balances to total amount owing
- Proportion of slow payments in recent months
- Higher risk industry based on delinquency rates for this industry
- Increase in proportion of delinquent payments in recent payment experiences
- Evidence of open suits
- Financial ratios

### Notes:

- The Credit Score Class indicates that this firm shares some of the same business and payment characteristics of other companies with this classification. It does not mean the firm will necessarily experience delinquency.
- The Incidence of Delinquent Payment is the percentage of companies with this classification that were reported 91 days past due or more by creditors. The calculation of this value is based on D&B's trade payment database.
- The Credit Score Percentile reflects the relative ranking of a firm among all scorable companies in D&B's file.
- The Credit Score offers a more precise measure of the level of risk than the Class and Percentile. It is especially helpful to customers using a scorecard approach to determining overall business performance.

### Credit Score Percentile Norms Comparison



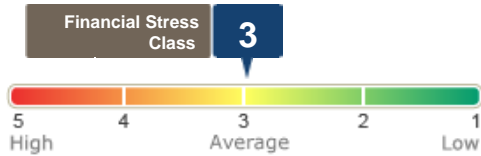
- Higher risk than other companies in the same region.
- Higher risk than other companies in the same industry.
- Higher risk than other companies in the same employee size range.
- Higher risk than other companies with a comparable number of years in business.



## Financial Stress Score

### Summary

#### Financial Stress Class



### Financial Stress Score Percentile

Financial Stress National Percentile	61
Financial Stress Score	1498
Probability of Failure with This Score	0.24%
Failure per 10K	24/10,000
Average Failure Rate within D&B database	0.48%
Failure per 10K	48/10,000
Number of Payment Experiences	161

### Key Factors

- High proportion of past due balances to total amount owing.
- Low proportion of satisfactory payment experiences to total payment experiences.
- UCC Filings reported.
- High proportion of slow payment experiences to total number of payment experiences.
- High number of inquiries to D&B over last 12 months.

### Notes:

- The Financial Stress Class indicates that this firm shares some of the same business and financial characteristics of other companies with this classification. It does not mean the firm will necessarily experience financial stress.
- The probability of failure shows the percentage of firms in a given percentile that discontinue operations with loss to creditors. The average probability of failure is based on businesses in D&B's database and is provided for comparative purposes.
- The Financial Stress National Percentile reflects the relative ranking of a company among all scorable companies in D&B's file.
- The Financial Stress Score offers a more precise measure of the level of risk than the Class and Percentile. It is especially helpful to customers using a scorecard approach to determining overall business performance.

### Financial Stress Percentile Comparison

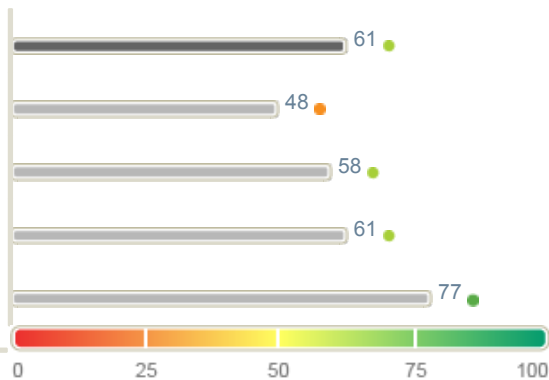
HALIFAX HEALTH CARE  
SYSTEMS, INC.

Region  
(South Atlantic)

Industry  
(Health Care Services)

Employee Range  
(500+)

Years in Business  
(26+)



- Lower risk than other companies in the same region.
- Lower risk than other companies in the same industry.
- Similar risk compared to other companies in the same employee size range.
- Higher risk than other companies with a comparable number of years in business.