

METROPOLITAN HEALTH NETWORKS INC
Form 8-K
April 16, 2003

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 14, 2003

METROPOLITAN HEALTH NETWORKS, INC.

(Exact name of registrant as specified in its charter)

Florida

(State or other jurisdiction
or incorporation)

333-5884-A

(Commission File
Number)

65-0635748

(IRS Employer
Identification No.)

250 Australian Avenue South, Suite 400, West Palm Beach, Florida 33401

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code (561) 805-8500

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

The Company's consolidated financial statements and related notes have been corrected to reflect restatements to 2001 and 2000 medical costs for certain capitation payments (expenses) that were made directly by the HMO to doctors under its management but were excluded from medical costs during those years in error. The effect on the balance sheet at December 31, 2001, is to decrease accounts receivable and stockholder's equity by approximately \$1,983,000. The effect on 2000 income before taxes and net income amounts previously reported is to decrease income before taxes and net income by approximately \$605,000. The effect on 2000 earnings per share is to decrease basic and diluted earnings per share by \$0.03, and \$0.03 respectively. The effect on 2001 income before taxes and net income amounts previously reported is to decrease those amounts by approximately \$1,378,000. The effect on 2001 basic earnings per share and diluted earnings per share is to decrease those amounts by \$0.06.

The errors were the result of missing data on certain HMO reports, and were made by an outside HMO accounting expert hired by Company on a regular basis for the single purpose of gathering, processing and summarizing HMO data for use by the Company in preparing financial statements. The consultant's summary schedules form the basis for recordation of certain medical revenues and expenses by the Company.

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Since the expansion of its PSN operations in 2000, management has relied on the outside consultant to analyze its HMO revenues, expenses and accounts receivable on a quarterly and annual basis, based on reports he receives from the HMO. During 2002, management, while continuing to utilize his services, began placing less reliance on the consultant, instead further developing certain internal procedures to analyze HMO results.

| | <u>Q2 2000</u> | <u>Q3 2000</u> | <u>Q4 2000</u> | <u>Q1 2001</u> | <u>Q2 2001</u> | <u>Q3 2001</u> | <u>Q4 2001</u> | <u>Q1 2002</u> |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|-------------------|
| Medical costs, as reported | 26,944,578 | 24,629,578 | 29,626,818 | 25,589,600 | 25,795,961 | 27,252,555 | 34,283,191 | 29,099,903 |
| Effect of restatement | <u>111,026</u> | <u>145,715</u> | <u>348,677</u> | <u>346,436</u> | <u>342,576</u> | <u>347,132</u> | <u>341,851</u> | <u>347,715</u> |
| Medical costs, restated | <u>27,055,604</u> | <u>24,775,411</u> | <u>29,975,495</u> | <u>25,936,036</u> | <u>26,138,537</u> | <u>27,599,687</u> | <u>34,625,042</u> | <u>29,447,618</u> |
| Income before discontinued operations, as reported | 350,482 | 4,141,145 | 377,824 | 1,325,721 | 1,993,073 | 1,434,352 | (3,121,344) | 841,381 |
| Effect of restatement | <u>(111,026)</u> | <u>(145,715)</u> | <u>(348,677)</u> | <u>(346,436)</u> | <u>(342,576)</u> | <u>(347,132)</u> | <u>(341,851)</u> | <u>(347,715)</u> |
| Income before discontinued operations, restated | <u>239,456</u> | <u>3,995,430</u> | <u>29,147</u> | <u>979,285</u> | <u>1,650,497</u> | <u>1,087,220</u> | <u>(3,463,195)</u> | <u>493,666</u> |
| Income before income taxes, as reported | 350,482 | 4,141,145 | 283,113 | 1,190,732 | 1,829,943 | 1,390,512 | (3,338,606) | 799,578 |
| Effect of restatement | <u>(111,026)</u> | <u>(145,715)</u> | <u>(348,677)</u> | <u>(346,436)</u> | <u>(342,576)</u> | <u>(347,132)</u> | <u>(341,851)</u> | <u>(347,715)</u> |
| Income before income taxes, restated | <u>239,456</u> | <u>3,995,430</u> | <u>(65,564)</u> | <u>844,296</u> | <u>1,487,367</u> | <u>1,043,380</u> | <u>(3,680,457)</u> | <u>451,863</u> |

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| | | | | | | | | |
|-------------------------|------------------|------------------|------------------|------------------|------------------|------------------|--------------------|------------------|
| Net income, as reported | 350,482 | 4,141,145 | 283,113 | 1,190,732 | 1,829,943 | 1,326,685 | (3,338,606) | 799,578 |
| Effect of restatement | <u>(111,026)</u> | <u>(145,715)</u> | <u>(348,677)</u> | <u>(346,436)</u> | <u>(342,576)</u> | <u>(347,132)</u> | <u>(341,851)</u> | <u>(347,715)</u> |
| Net income, restated | <u>239,456</u> | <u>3,995,430</u> | <u>(65,564)</u> | <u>844,296</u> | <u>1,487,367</u> | <u>979,553</u> | <u>(3,680,457)</u> | <u>451,863</u> |

| | | | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Earnings per share, basic, as reported | 0.02 | 0.23 | 0.01 | 0.05 | 0.07 | 0.05 | (0.12) | 0.03 |
| Effect of restatement | <u>(0.01)</u> | <u>(0.01)</u> | <u>(0.01)</u> | <u>(0.01)</u> | <u>(0.01)</u> | <u>(0.01)</u> | <u>(0.01)</u> | <u>(0.01)</u> |
| Earnings per share, basic, restated | <u>0.01</u> | <u>0.22</u> | <u>-</u> | <u>0.04</u> | <u>0.06</u> | <u>0.04</u> | <u>(0.13)</u> | <u>0.02</u> |

| | | | | | | | | |
|--|-------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Earnings per share, diluted, as reported | 0.01 | 0.20 | 0.01 | 0.05 | 0.06 | 0.04 | (0.12) | 0.03 |
| Effect of restatement | <u>-</u> | <u>(0.01)</u> | <u>(0.01)</u> | <u>(0.02)</u> | <u>(0.01)</u> | <u>(0.01)</u> | <u>(0.01)</u> | <u>(0.02)</u> |
| Earnings per share, diluted, restated | <u>0.01</u> | <u>0.19</u> | <u>-</u> | <u>0.03</u> | <u>0.05</u> | <u>0.03</u> | <u>(0.13)</u> | <u>0.01</u> |

| | | | | | | | | |
|-----------------------|-----------------------|------------------------|-----------------------|-----------------------|-----------------------|------------------------|-----------------------|--------------|
| As of | As of | As of | As of | As of | As of | As of | As of | As of |
| <u>6/30/00</u> | <u>9/30/00</u> | <u>12/31/00</u> | <u>3/31/01</u> | <u>6/30/01</u> | <u>9/30/01</u> | <u>12/31/01</u> | <u>3/31/02</u> | |

| | | | | | | | | |
|----------------------------------|------------------|------------------|------------------|------------------|--------------------|--------------------|--------------------|--------------------|
| Accounts receivable, as reported | 4,992,418 | 6,960,693 | 7,170,480 | 9,001,239 | 10,507,168 | 13,382,946 | 13,362,782 | 16,709,790 |
| Effect of restatement | <u>(111,026)</u> | <u>(256,741)</u> | <u>(605,418)</u> | <u>(951,854)</u> | <u>(1,294,430)</u> | <u>(1,641,562)</u> | <u>(1,983,413)</u> | <u>(2,331,128)</u> |
| | <u>4,881,392</u> | <u>6,703,952</u> | <u>6,565,062</u> | <u>8,049,385</u> | <u>9,212,738</u> | <u>11,741,384</u> | <u>11,379,369</u> | <u>14,378,662</u> |

Accounts
receivable,
restated

| | | | | | | | | |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Retained earnings, as reported | (22,788,798) | (18,647,651) | (18,584,540) | (17,393,808) | (15,563,864) | (14,237,179) | (17,575,786) | (16,776,208) |
| Effect of restatement | <u>(111,026)</u> | <u>(256,741)</u> | <u>(605,418)</u> | <u>(951,854)</u> | <u>(1,294,430)</u> | <u>(1,641,562)</u> | <u>(1,983,413)</u> | <u>(2,331,128)</u> |
| Retained earnings, restated | <u>(22,899,824)</u> | <u>(18,904,392)</u> | <u>(19,189,958)</u> | <u>(18,345,662)</u> | <u>(16,858,294)</u> | <u>(15,878,741)</u> | <u>(19,559,199)</u> | <u>(19,107,336)</u> |

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, Metropolitan Health Networks, Inc. has caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

METROPOLITAN HEALTH NETWORKS, INC.

/s/ Michael M. Earley

Michael M. Earley

President & CEO

Dated: April 16, 2003