

FY2020 Proposed Preliminary Budget and Financial Forecast

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September 13, 2019



COOK COUNTY
HEALTH



**Uncompensated Care =
Bad Debt + Charity Care**



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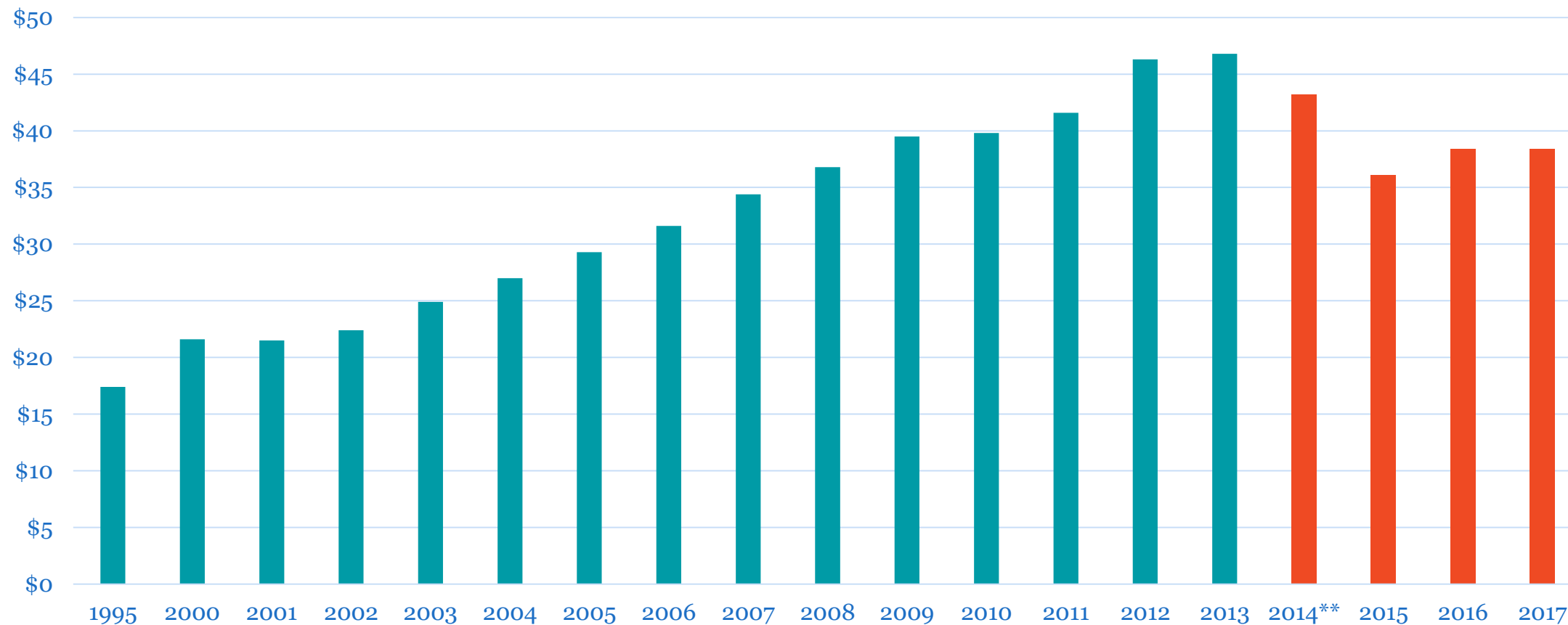
Uncompensated Care Trends in the US

Uncompensated care (bad debt + charity care) costs increased in 2016, for the first time since the 2014 expansion of Medicaid. From 2015 to 2016, uncompensated care costs increased by \$2.3B (6.4%) from \$36.1B to \$38.4B.

Source: American Hospital Association, [Uncompensated Hospital Care Cost Fact Sheet](#), January 2019.

Uncompensated Care *

Data from more than 5,000 hospitals throughout the US



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* Uncompensated Care = **Bad Debt** + Charity Care.

** 2014 marks the Affordable Care Act Medicaid expansion.

Source: American Hospital Association, [Uncompensated Hospital Care Cost Fact Sheet](#), January 2019.

Bad Debt Is On The Rise Throughout the Nation

The hospitals with the most bad debt are part of large safety-net systems in urban areas:

1. Parkland Memorial Hospital, Dallas, Texas
2. Jackson Memorial Hospital, Miami, Florida
3. Grady Memorial Hospital, Atlanta, Georgia
4. UF Health Jacksonville, Jacksonville, Florida
5. John H. Stroger, Jr. Hospital, Chicago, Illinois

Source: [Definitive Healthcare](#)

Bad Debt Is On The Rise Locally



Feel like the hospital is shaking you down over that bill? It probably is.

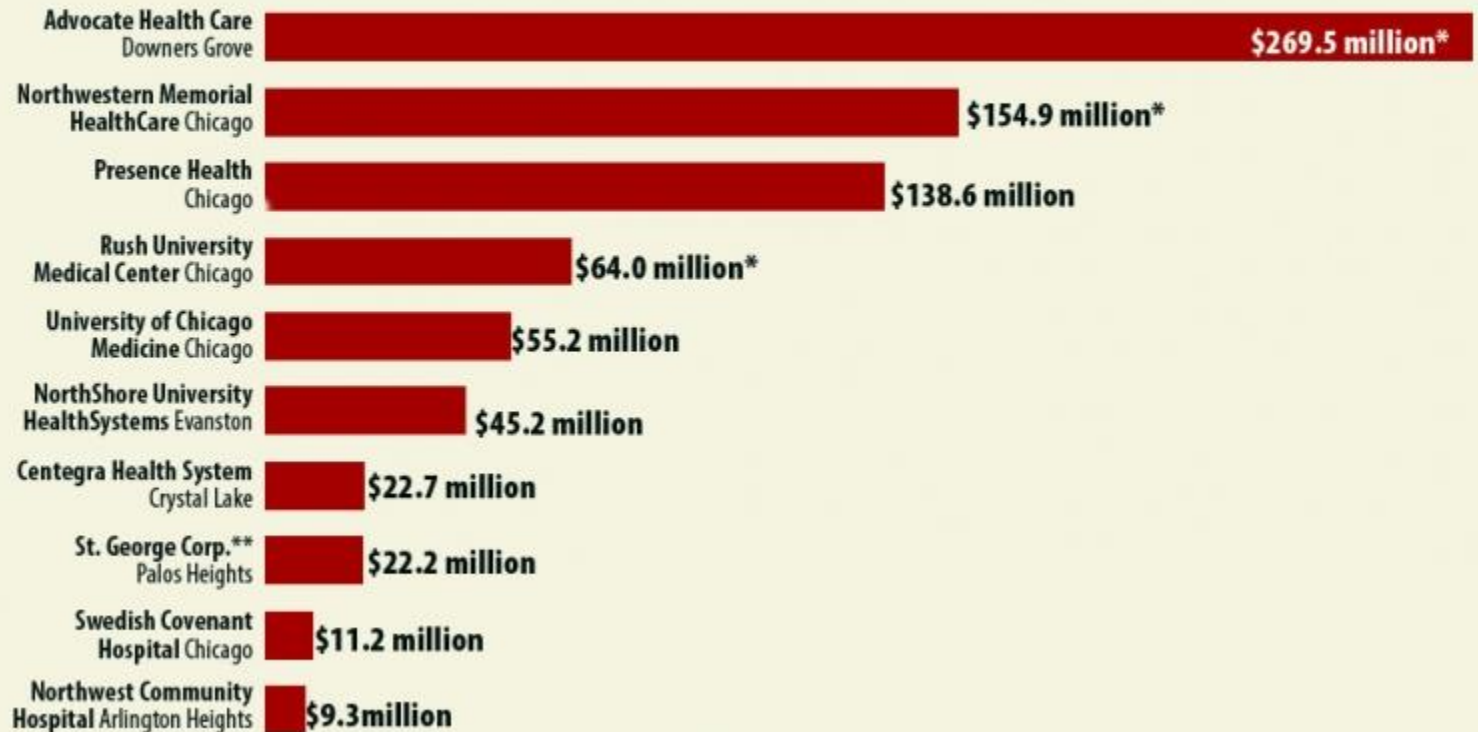
By [Brigid Sweeney](#) March 24, 2017

Even as the number of Americans without health insurance is at a record low, Chicago hospitals are wrestling with a metastasizing problem: bad debt.

BURDENED BY BAD DEBT

At 10 of the largest Chicago-area hospitals and health systems, unpaid bills comprise a significant line item. Experts say patients are struggling to pay costs associated with high-deductible health care plans.

UNCOLLECTIBLE HOSPITAL DEBT Bad debt carried by 10 Chicago-area hospitals and hospital systems. Figures are for fiscal 2015 unless otherwise noted.



Source: Hospital financial statements

*2016 figure

**owner of Palos Community Hospital

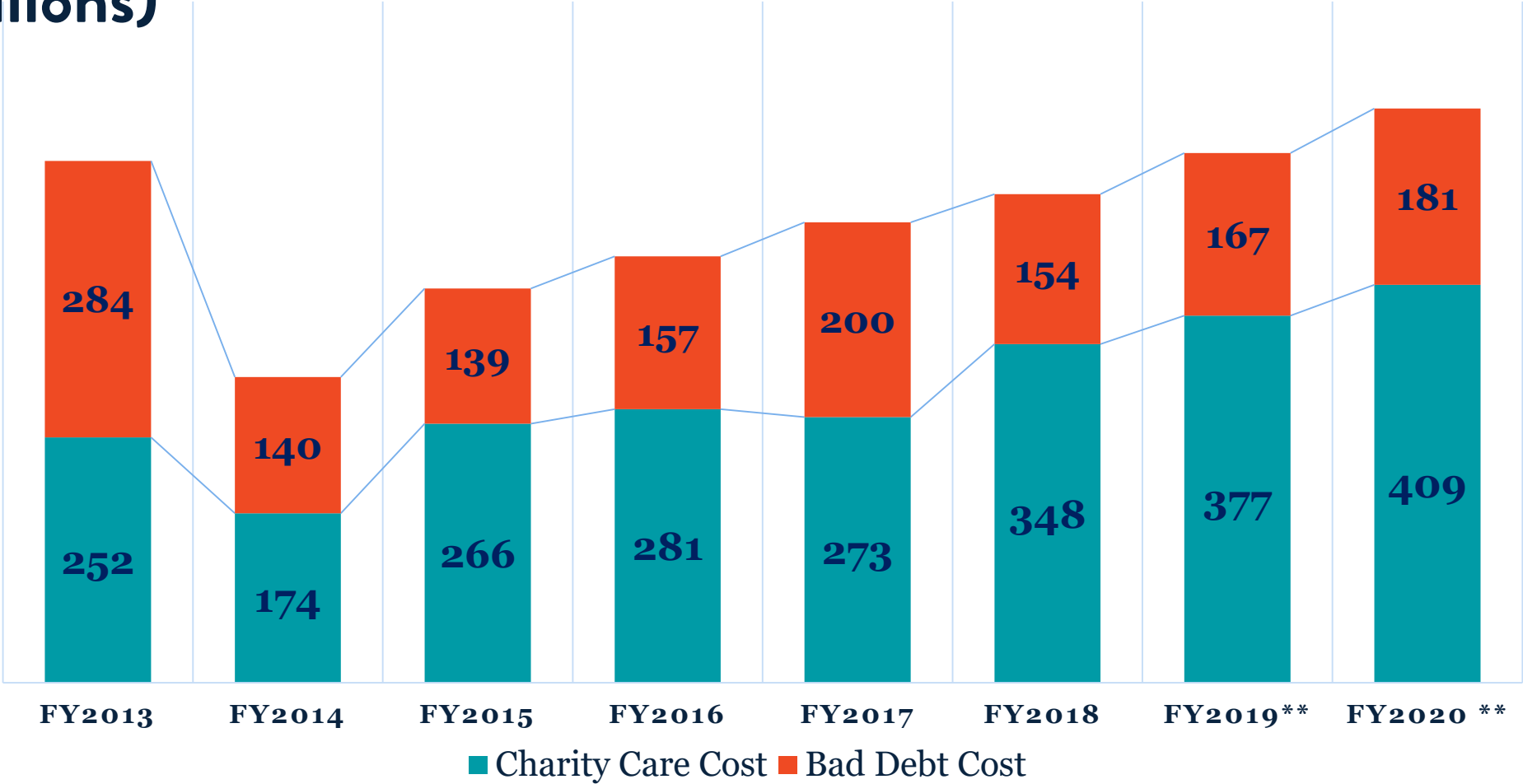
Note: Government-run hospitals not included.



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CCH Uncompensated Care*

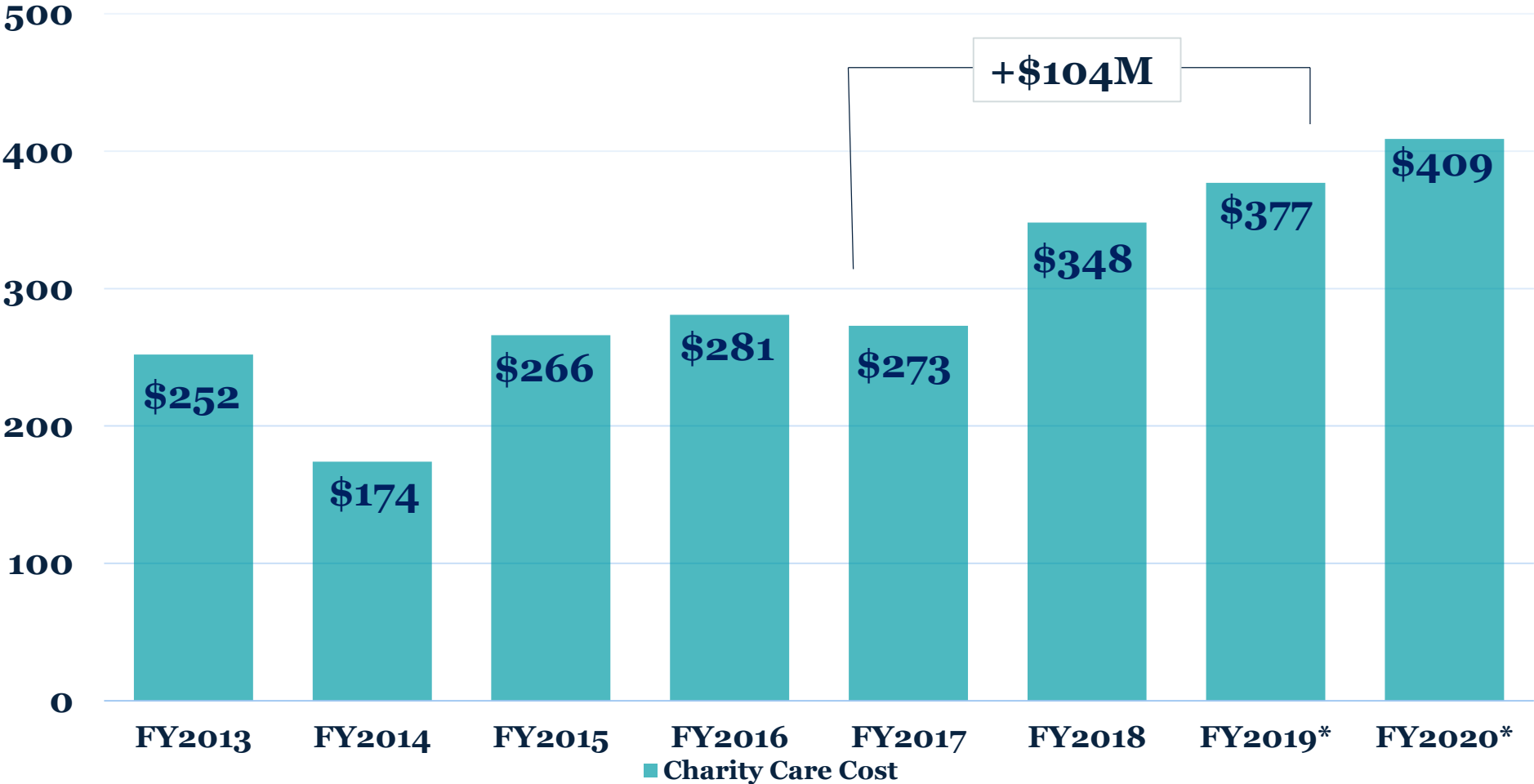
(in \$millions)



* Uncompensated Care is Charity Care + Bad Debt at cost
**FY2019 and FY2020 Projected

CCH Charity Care at Cost

(in millions)



**Projections based on current trends*

New Model for the Uninsured

Direct Access Program Launched in 2017

More than 31,000
individuals are enrolled
in the program;
87% with income \leq 200%
Federal Poverty Level.

WBEZ91.5

Cook County Working On A Managed Health Care Plan For
Uninsured Residents
September 14, 2016

CHICAGO SUN★TIMES

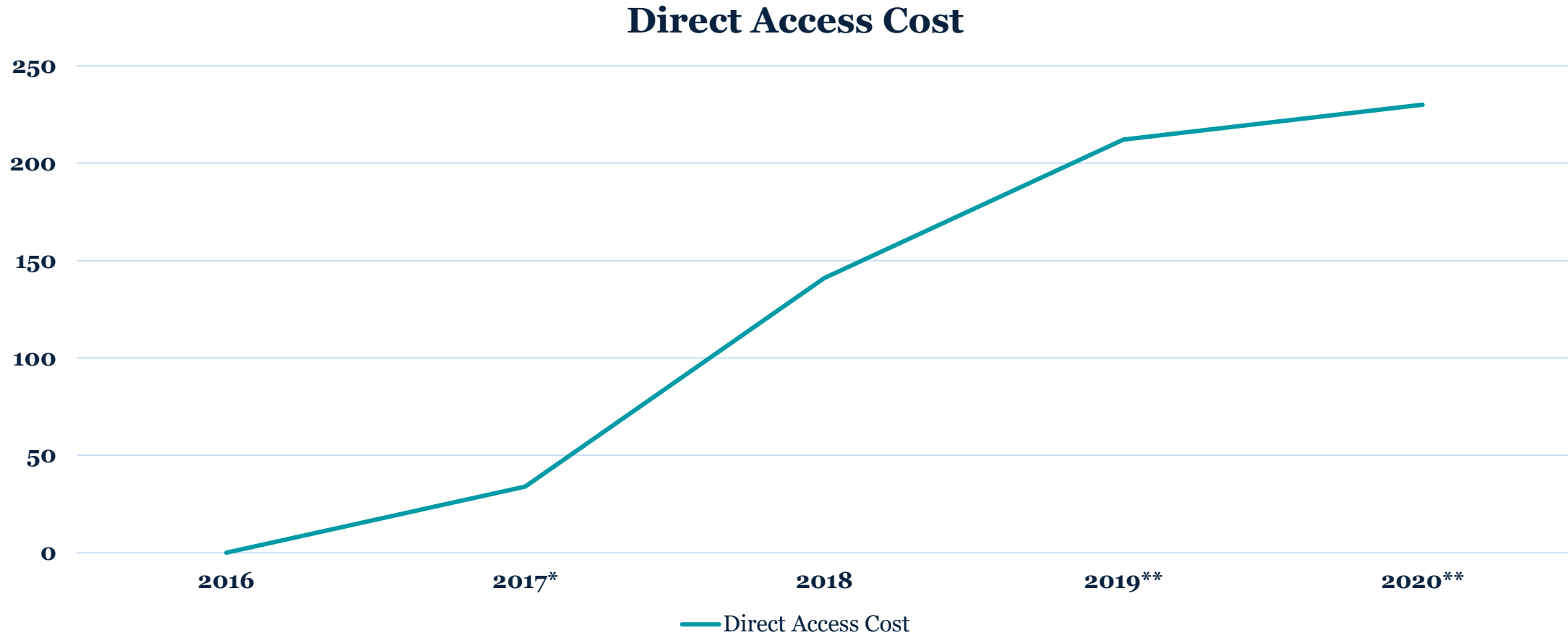
Cook County launches new program for the uninsured
September 14, 2016

Chicago Tribune

Cook County to start program to help uninsured get health care
September 14, 2016

Cost of Direct Access Program (in millions)

All costs absorbed by CCH



Charity Care in Cook County

	2013 Charity Care (Pre-ACA)		2017 Charity Care
All Hospitals in Cook County	\$690M		\$554M
Stroger and Provident	\$257M		\$273M

Source: IDPH Hospital Profiles 2013, 2017

FY2019 Accomplishments



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FY2019 Accomplishments

- 16% increase in primary care visits over FY19 target. Majority of growth due to growth in uninsured demand.
- Provision of an additional \$30M in charity care over budget. Charity Care has grown by more than \$100M in last two years alone.
- Grew CountyCare to be the largest Medicaid managed care plan in the county.
- Cook County Health remains the largest provider of care in the CountyCare network.
- U.S. News and World Report Recognition for heart failure, gastroenterology and neurology at Stroger Hospital.
- Facility modernization milestones achieved with replacement of health center at Arlington Heights with substantial work done at North Riverside (Cicero clinic replacement) and Blue Island (Oak Forest Clinic replacement). Broke ground on the new CCH Belmont-Cragin Health Center.

FY2019 Accomplishments

- National Commission on Correctional Health Care recertification at JTDC.
- Distributed more than 4,000 naloxone (Narcan) kits to at-risk individuals upon discharge from Cook County Jail.
- Awarded more than \$9M in extramural funding to support strategic initiatives in correctional health, behavioral health, housing and maternal child health services.
- Opened Intensive Care Unit at Provident Hospital.
- Hosted Research and Innovation Summits on opioids and housing. Summit on the Justice-Involved population scheduled for September 18, 2019.
- Filed Certificate of Need application with the state of Illinois for the construction of new inpatient and outpatient facility on the Provident campus.
- Continuation of trauma training partnership with US Navy.

FY2019 Accomplishments

- Expansion of Social Determinants of Health initiatives (Housing, Food Insecurity, Opioid-Use Disorders, Justice-Involved).
- Surpassed the distribution of 500,000 pounds of fresh produce at CCH health centers through our partnership with the Greater Chicago Food Depository.
- CCH achieved full implementation of Health Information Exchange (HIE) between Cerner CommonWell and Epic Carequality allowing CCH providers to access patient information at all clinical and hospitals connected to HIE
- Participated in several workforce development programs aimed at exposing young people to careers in healthcare.
- Provided more than 14,000 hours of training to the CCH workforce through 97 classroom sessions and 253 online courses.
- Executed public education and marketing campaigns focused on adolescent health, Sexually Transmitted Infections, Cook County Health and CountyCare.

FY2019 Capital Investments

- Prior to FY2016, Cook County Government provided a separate capital allocation to Cook County Health. In the last four years, Cook County Health has funded millions in overdue capital equipment out of its operating budget.
- CCH continues to substantially invest in new facilities, medical equipment and technology to improve patient safety, quality and experience. In FY2019, CCH has completed procurement processes / actual spend for over \$74M in cost using lease finance mechanism;
 - Combined spend of capital medical equipment purchases - \$56M
 - Information Technology upgrades -\$7M
 - Arlington Heights Community Health Center medical equipment /IT Costs - \$3M
 - Arlington Heights Community Health Center final construction cost - \$5M (including Landlord contribution of \$1M
 - Blue Island and North Riverside Community Health Center construction in progress - \$4M

Operational Realities



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Operational Realities

- Reduced reliance on local taxpayer support. Absorbed growth in Correctional Health & Public Health since 2017.
- Significant growth in demand for Charity Care. Charity care grew by more than \$100M since 2017.
- Salary and benefit increases related to CBAs.
- Like all health systems, CCH is subject to cost increases in pharmaceutical, equipment and supplies.
- Growing patient care revenue has been CCH's only source to fund continued growth in charity care.
- Medicaid application processing at the state level.
- State capitation rates.
- Competing with national brands and private not-for-profits that have considerable resources.
- National, state and local politics and policies.

FY2020 Proposed Budget



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FY 2020 Proposed Budget Summary

The \$2.8B FY2020 budget proposal moves CCH into the first year of the recently approved strategic plan, IMPACT 2023. The FY2020 budget includes:

- \$590M in uncompensated care (\$409M charity care and \$181M in bad debt)
- 6,601 FTEs
- 326,000 CountyCare Members
- No layoffs
- Financing \$20M in capital and medical equipment purchases
- \$11M in extramural funding
- Underlines organizational focus on quality improvements, patient satisfaction and regulatory compliance.
- Continues efforts to build, realign, and integrate clinical and managed care capacity across all care settings.
- Supports organizational capacity to improve clinical documentation, billing, coding, collections and other revenue cycle activities.

FY2020 Proposed Budget

Revenue Drivers

CountyCare membership growth to 326,000. Current membership at 318,000 and trending up since new state administration focus on application processing.

Initiatives in the following areas expected to drive additional revenues:

- Dialysis services at Provident
- Surgery at Provident and Stroger
- New larger community health centers in the community at Blue Island and North Riverside with enhanced services
- Specialist physicians deployed to CCH community health centers
- Restoring Provident Ambulance services
- CountyCare network adjustments

Professional and facility billing improvements

FY2020 Proposed Budget

Expense Drivers

- \$590 M in uncompensated care costs
 - \$409M charity care, \$181M bad debt
- Wage and benefits increases, driven by negotiated changes
- Additional mental health services at the Juvenile Temporary Detention Center
- Pharmacy, medical supplies and equipment inflation
- Increased expenses in CountyCare as membership increases
- Information Technology investments to adapt to industry changes in security and reliability
- Ongoing investments in new revenue cycle billing system
- Continued overhead cost of operating Oak Forest campus

FY 2020 Projected Volume

	Monthly Average		Monthly Projection	Difference
Visit Type	FY 2018	FY 2019*	FY 2020	FY20 v. FY19
Surgical Cases	1,265	1,214	1,320	9%
Emergency Visits	12,544	12,361	13,105 **	6%
Primary Care Visits	18,127	19,756	20,508	4%
Specialty Care Visits	27,595	28,586	29,691	4%
Deliveries	82	85	90	6%

**based on first 7 months of FY 2019*

***ED visit growth is driven by Provident ambulance runs*

FY2019-FY2020 Budget (in Millions)

	FY2019 Adjusted Appropriation*	FY2019 Projected Year End	FY2020 Proposed
Revenues	\$2,690	\$2,629	\$2,824
Expenses	\$2,690	\$2,629	\$2,824
Net Surplus/(Deficit)	\$0	\$0	\$0

**Assumes projected adjustments for CountyCare based on higher than expected membership*

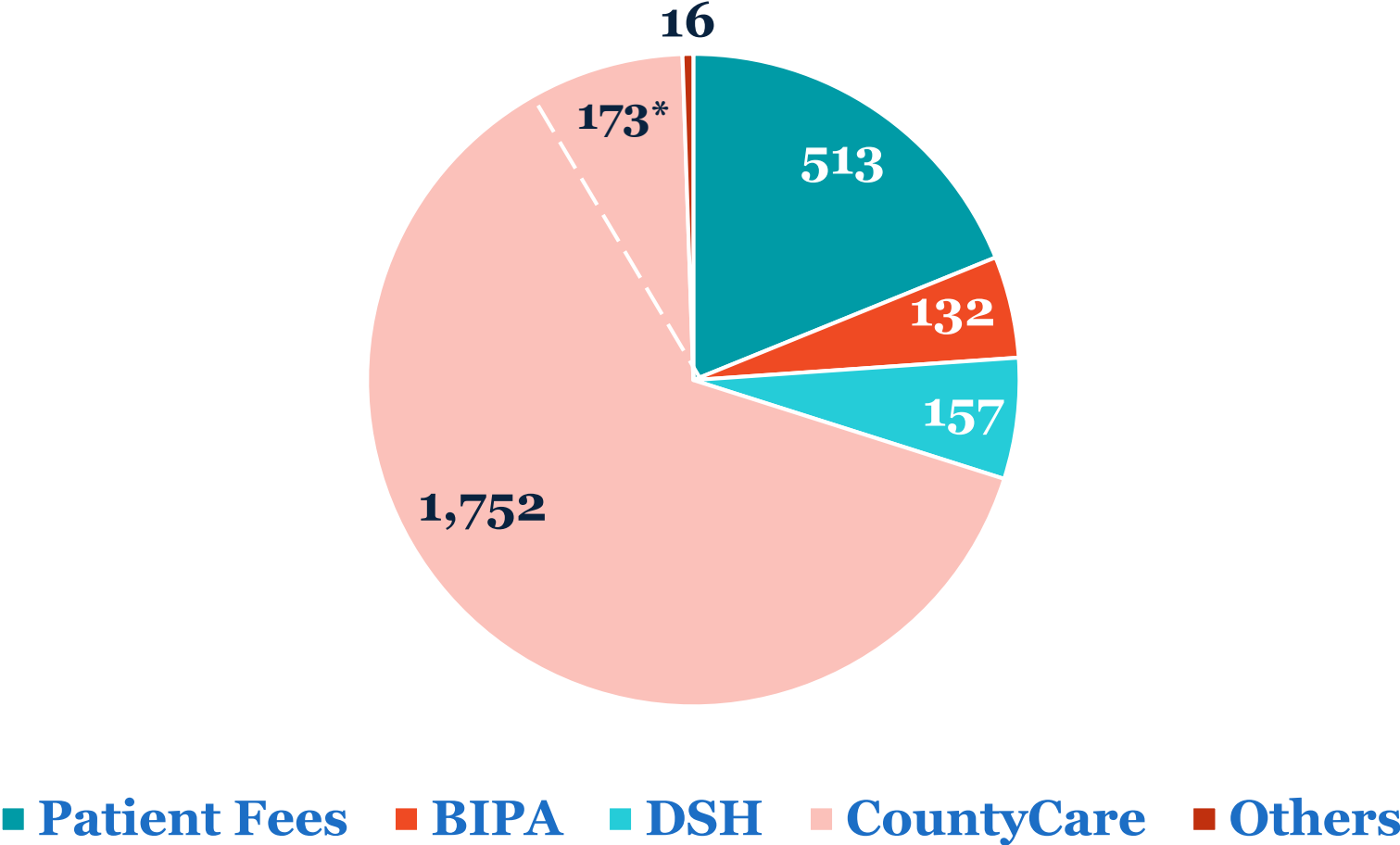
FY2020 Proposed CountyCare Financial Summary

(in millions)

	ACA Adult	FHP	SPD	MLTSS/LTSS/ IMD	TOTAL
Projected 2020 Membership	72,993	216,519	30,350	6,172	326,034
Revenue (in millions)	\$474	\$542	\$567	\$169	\$1,752
Medical Expense (CCH)	71	26	58	19	173
Medical Expense (Network)	391	476	490	146	1,502
Administrative Expense	20	30	19	5	74
Total Expense(in millions)	\$483	\$532	\$567	\$169	\$1,751
Profit/(Loss)	(\$9)	\$10	\$1	\$0	\$1
Total CCH Contribution	\$68	\$30	\$57	\$19	\$173

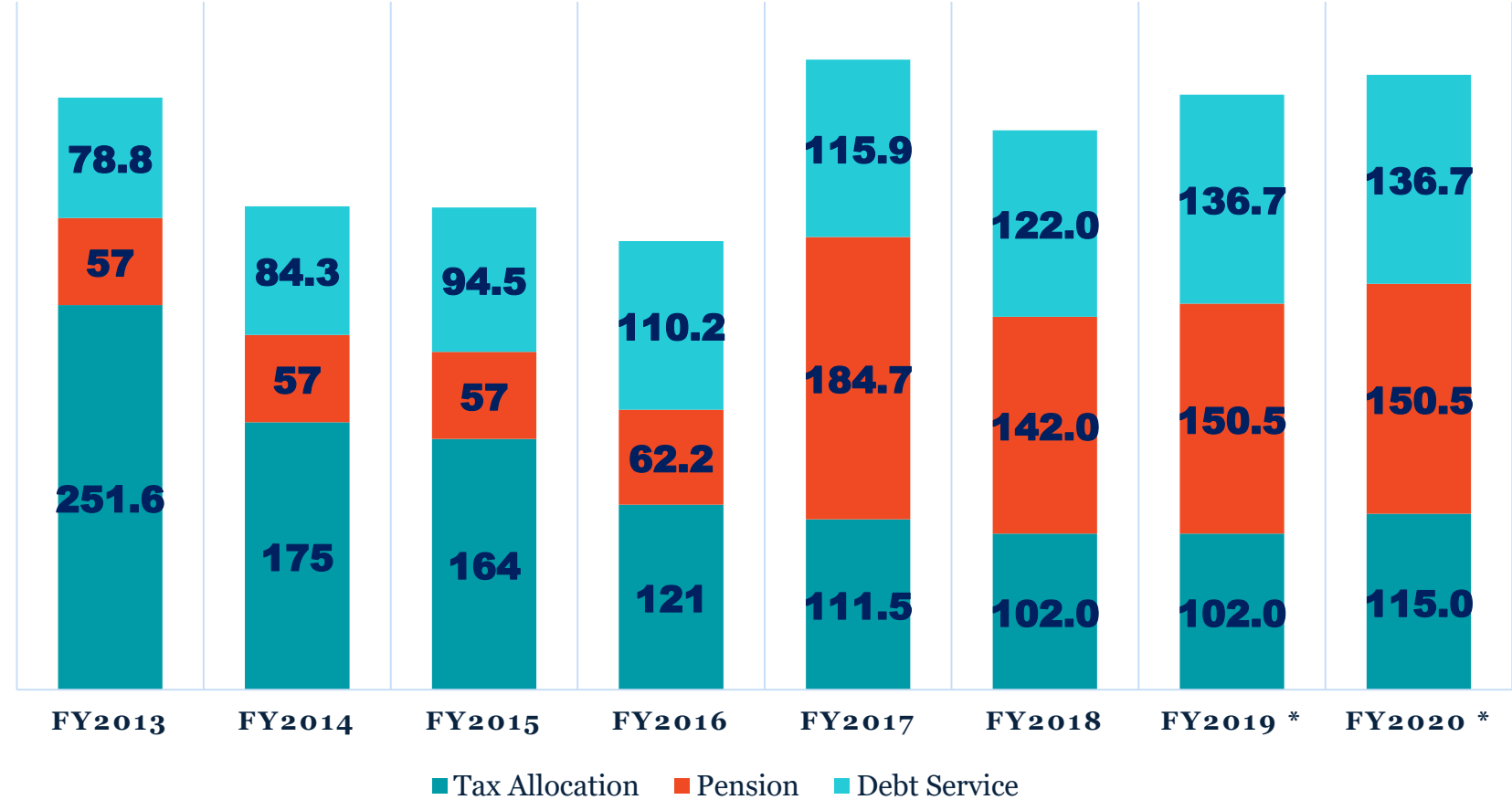


FY2020 Proposed External Revenue by Source (in millions)



DSH: Disproportionate Share Hospital Payments
BIPA: Benefits Improvement and Protection Act Payments
* Revenue from CountyCare members served at CCH facilities

Cook County Pension, Debt Service & Operating Allocation (in \$ millions)

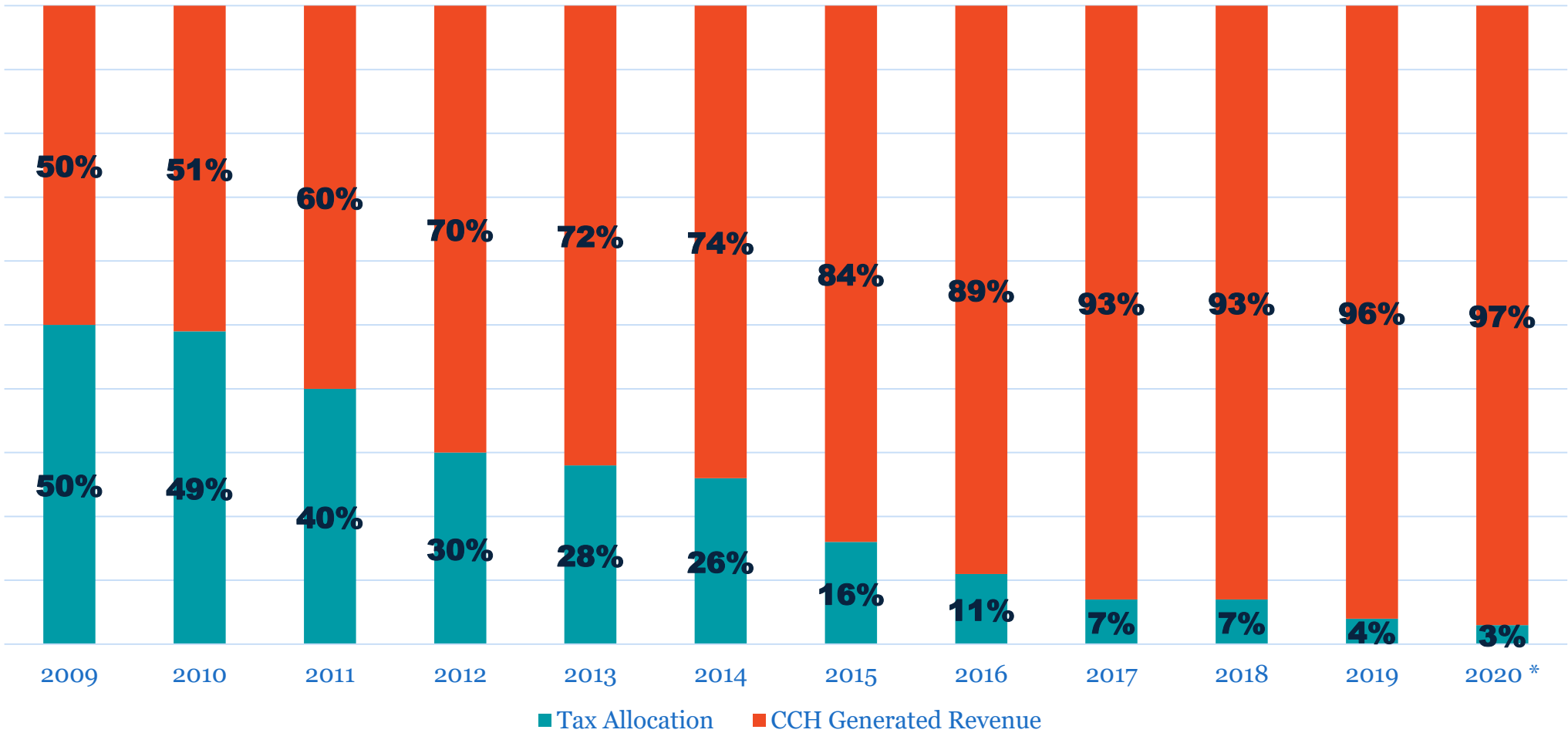


NOTE: The CCH FY2020 budget anticipates a tax allocation of \$115M of which \$32M will go to CCH current pensions, up \$3M from 2019. In 2018 and 2019, CCH directed \$29M from the tax allocation to the pension. This pension contribution effectively reduces the amount directed at operations to \$73M for 2018, 2019 and \$83 for 2020.

*FY2019 & FY2020 Projected

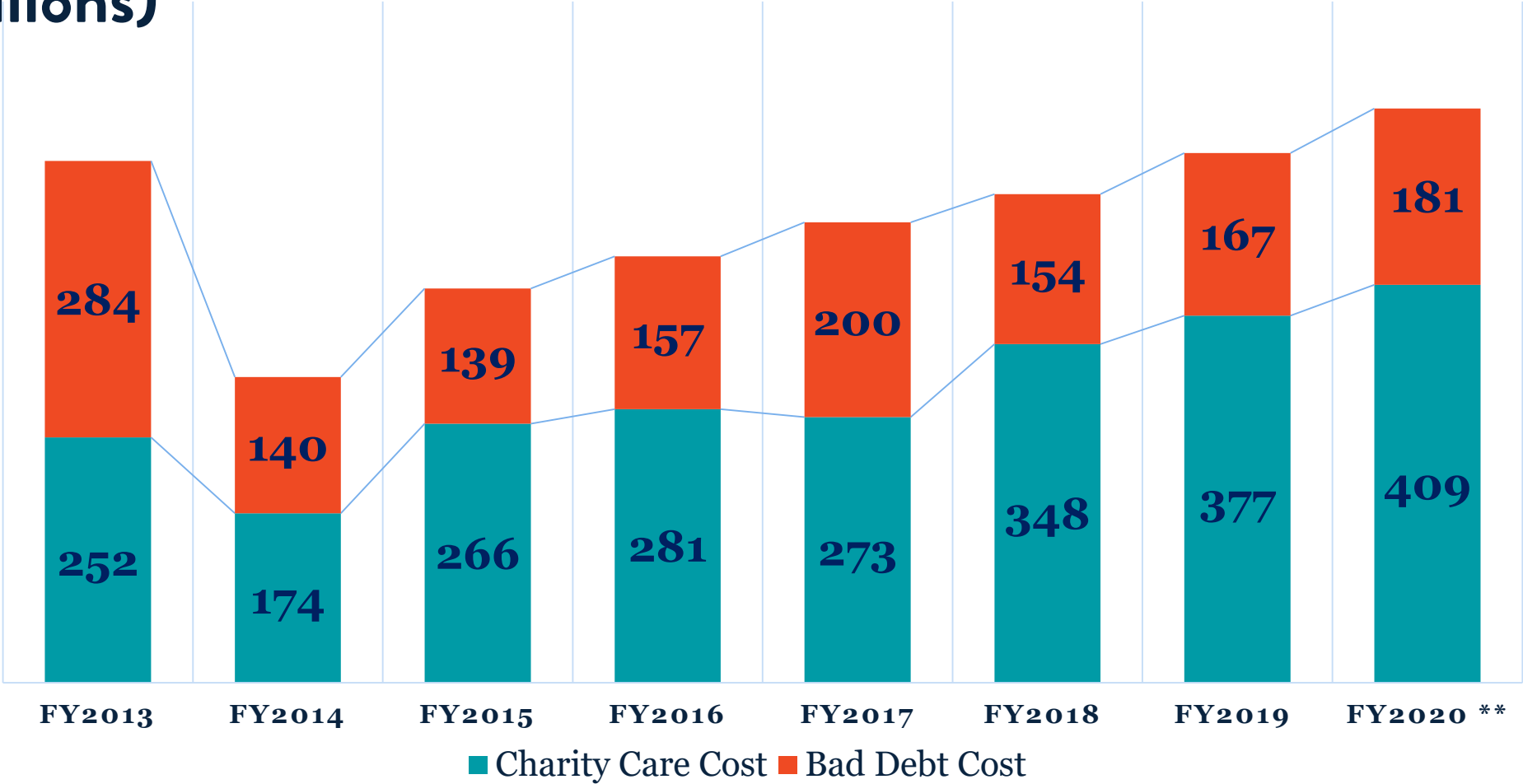
Operating Tax Allocation as a Percentage of CCH Revenue

In FY2020, the Cook County Tax Allocation will Represent less than 5% of CCH's Operating Revenue



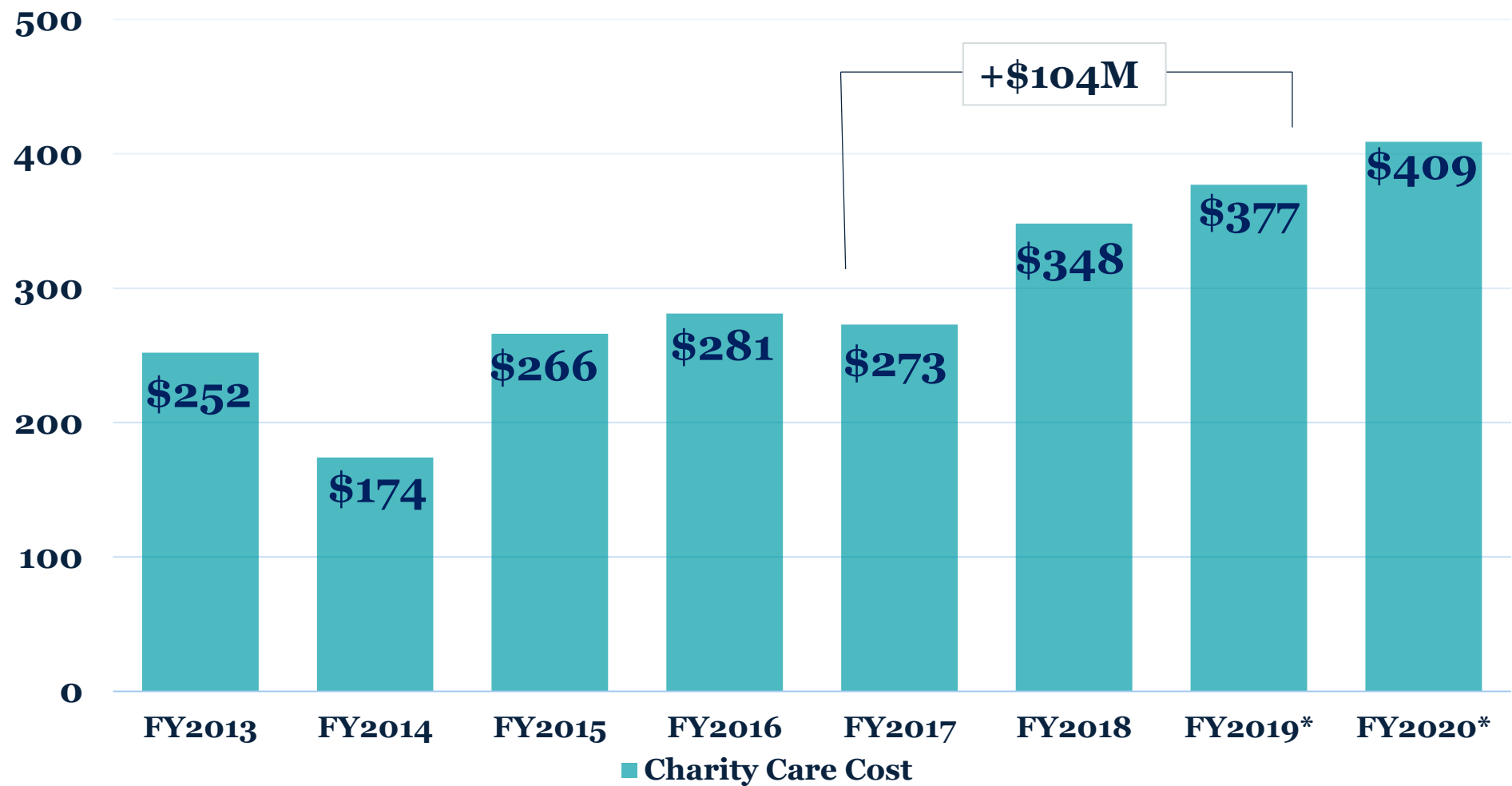
CCH Uncompensated Care*

(in \$millions)

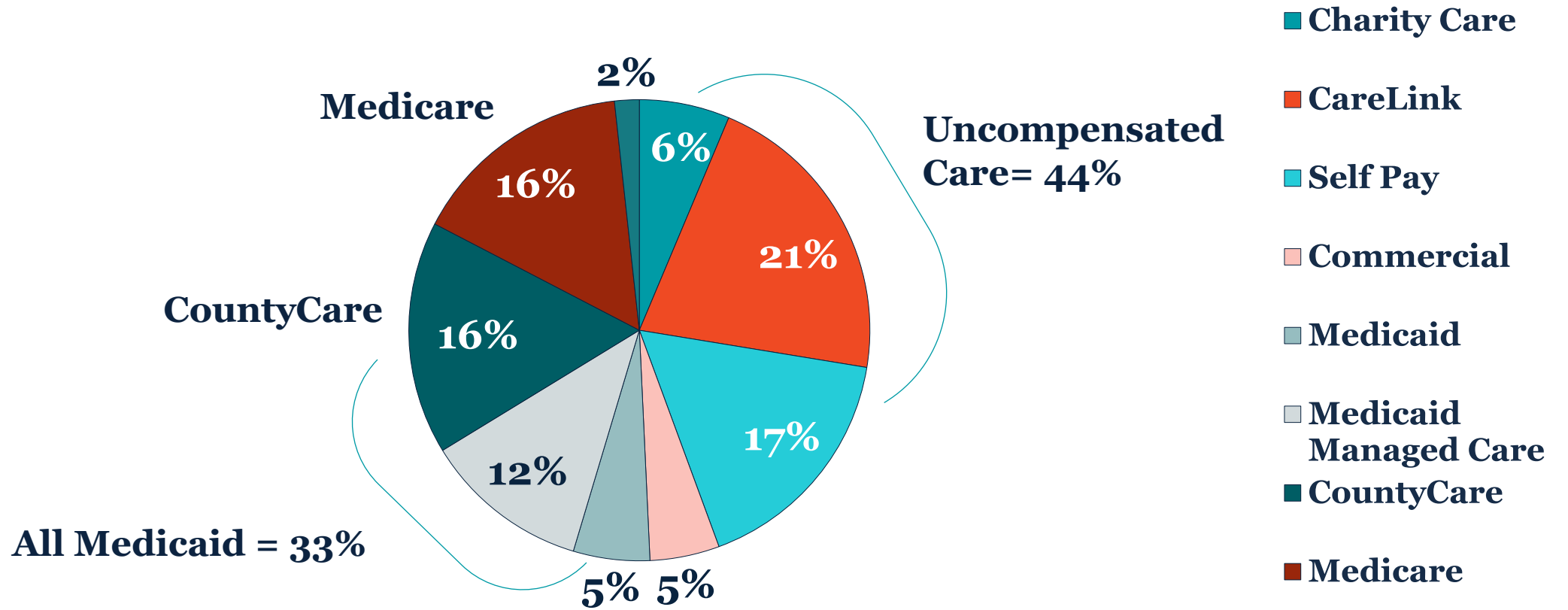


* Uncompensated Care is Charity Care + Bad Debt at cost
**FY2020 Projected

CCH Charity Care at Cost (in millions)



System Payor Mix By Visit as of June 2019



FY2020 Success Factors

The FY2020 budget proposal aligns with the recently approved CCH strategic plan, IMPACT 2023, however, success will depend on:

- The ability to meet the uncompensated care demand. Growth in uncompensated care is unsustainable with current revenues. Public Charge rule may further impact uncompensated care.
- Partnerships with labor, working on efficiencies and process improvements, and patient-centered focus
- Entering into strategic partnerships with other providers to drive volume, expand access and enhance quality
- Stability of state and federal programs including the 340B prescription drug program, Affordable Care Act and Medicaid including DSH (Disproportionate Share Hospital)
- Implementing identified revenue cycle improvements based on best practices
- Modest Medicaid membership growth and stable Medicaid rates
- CountyCare members' use of CCH services
- Adapting to the dynamic larger healthcare environment

FY2020 -2022 Projections



FY2020 – 2022 Forecast (in millions)

*NOTE: NPSR – Net Patient Service Revenue

NOTE: The CCH FY2020 budget anticipates a tax allocation of \$115M of which \$32M will go to CCH current pensions, up \$3M from 2019. This pension contribution effectively reduces the amount directed at operations to \$83M.



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	FY 2020 Proposed	FY 2021 Projected	FY 2022 Projected
Revenues			
CCH NPSR*	\$2,741	\$2,719	\$2,737
Cook County Allocation (For correctional health services and Cook County Department of Public Health)	\$115	\$115	\$115
County Allocation to CCH Pension Contribution	\$110	\$110	\$110
Total Available Funds	\$2,966	\$2,944	\$2,962
Expenses			
Hospital-Based Services	\$865	\$883	\$900
CountyCare	\$1,785	\$1,793	\$1,802
Health Administration	\$53	\$54	\$55
Ambulatory Services	\$120	\$122	\$125
Correctional Health Services	\$97	\$99	\$101
Public Health Services	\$13	\$14	\$14
CCH Contribution to Current Pension Expense	\$33	\$33	\$33
Total Expenditures	\$2,966	\$2,998	\$3,030
Accrual Basis net Surplus / (Deficit)	(\$0)	(\$54)	(\$68)
Budget Submissions/Projection			
Budget Revenues	\$2,824	\$2,801	\$2,819
Budget Expenditures	\$2,824	\$2,854	\$2,866
Cash Basis Net Surplus / (Deficit)	\$0	(\$53)	(\$67)

FY2020 – 2022 Revenue Projections (in millions)

	FY2020	FY2021	FY2022
CCH Net Patient Revenue *	513	471	471
BIPA - Benefits Improvement and Protection Act of 2000	132	132	132
Other Revenues	16	16	16
DSH - Disproportionate Share Hospital	157	157	157
Capitation Revenue	1,749	1,766	1,784
Internal Capture County Care (clinical services to CountyCare members)	173	175	176
	2,741	2,719	2,737

*NOTE: Net Patient Service Revenue

Appendix



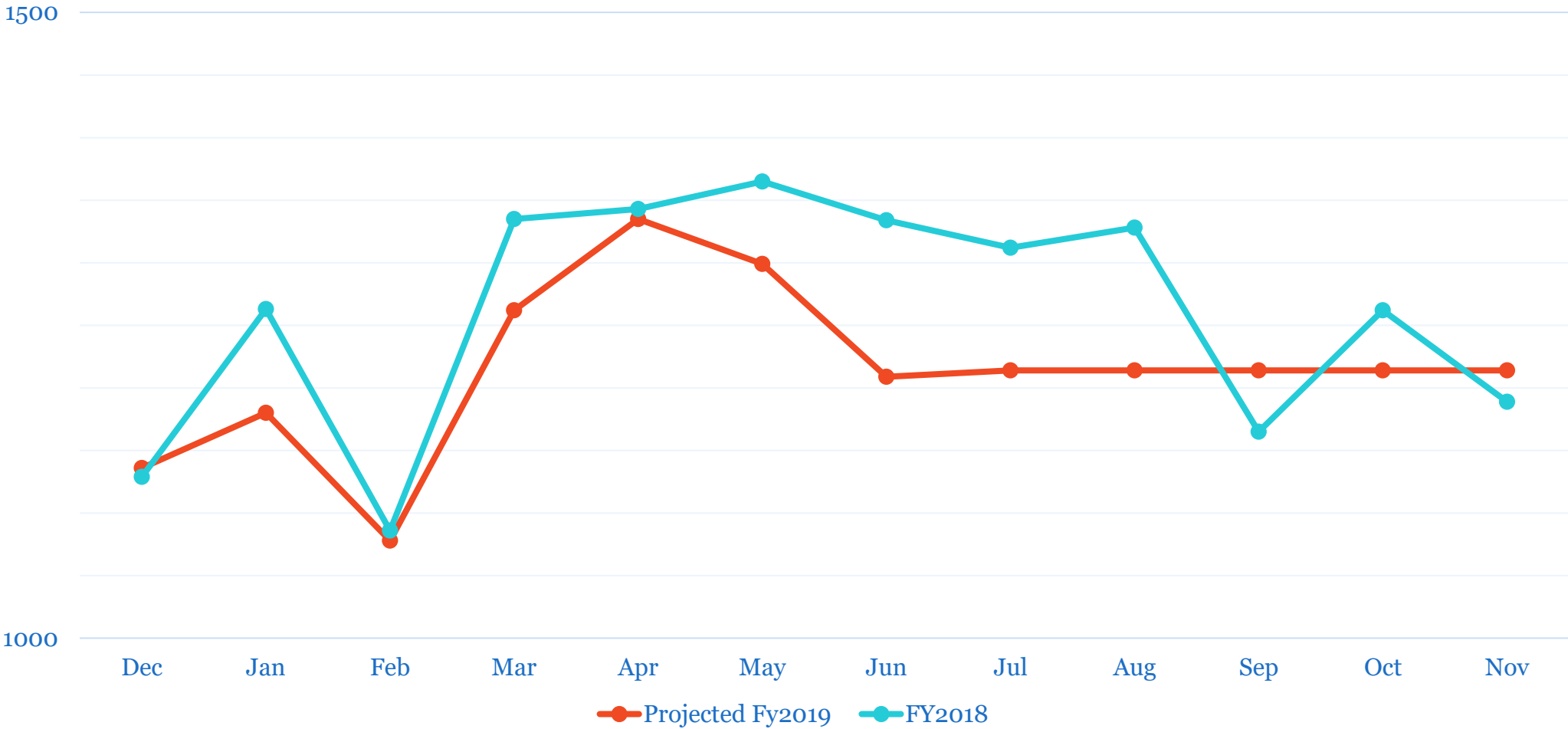
Full Time Equivalent Position Count

	2019 Adopted	2020 Proposed	FY2020 vs FY2019	Percent Change
Ambulatory Services	849	402	-447	-53%
Correctional Health Services	696	636	-60	-9%
CountyCare and Integrated Care	495	403	-92	-19%
Health Administration	361	320	-41	-11%
Hospital-Based Services	4,737	4,717	-20	0%
Public Health Services	102	123	21	21%
Grand Total	7,239	6,601	-638	-8.8%

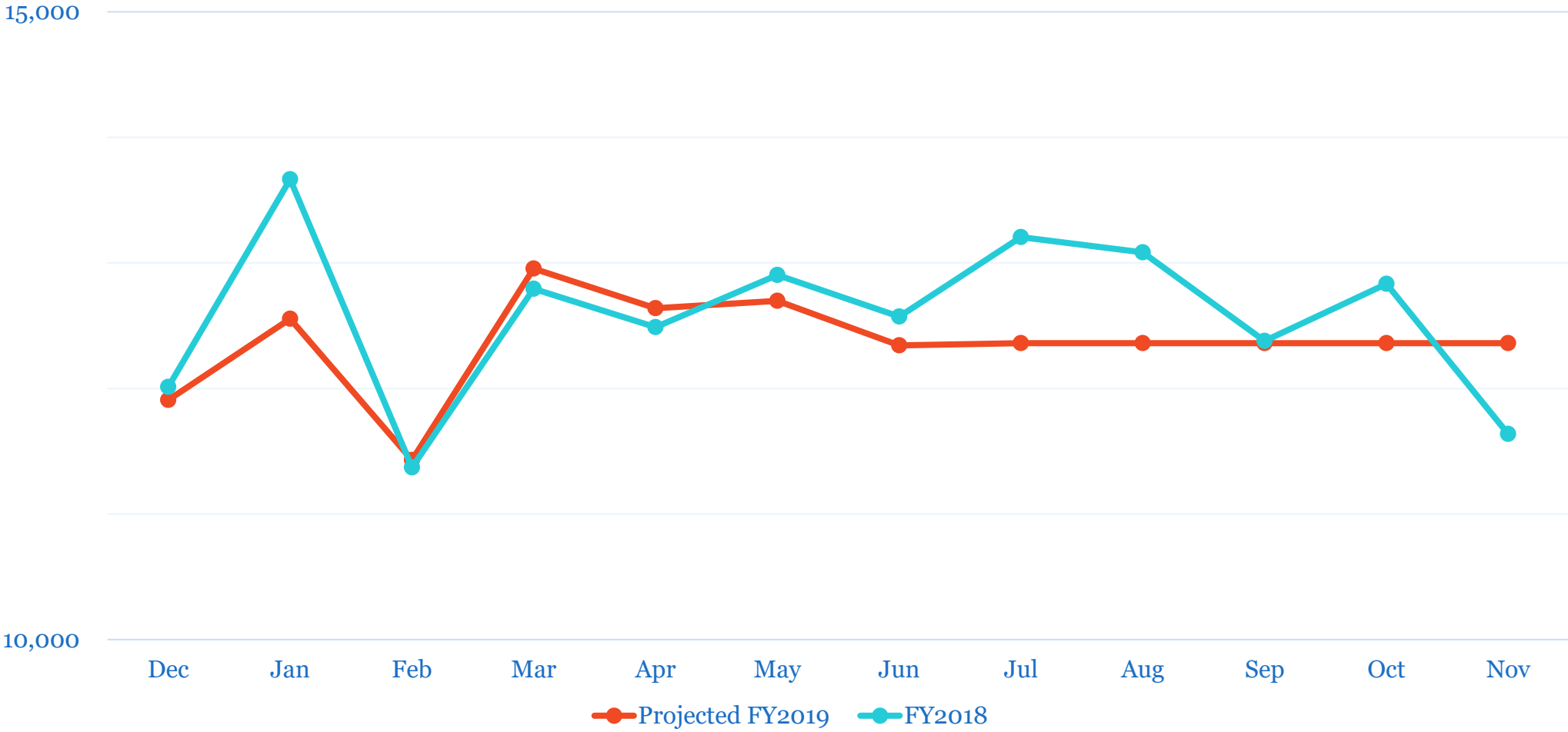
NOTE: Some numbers are rounded for display purposes and could result in small arithmetical differences.



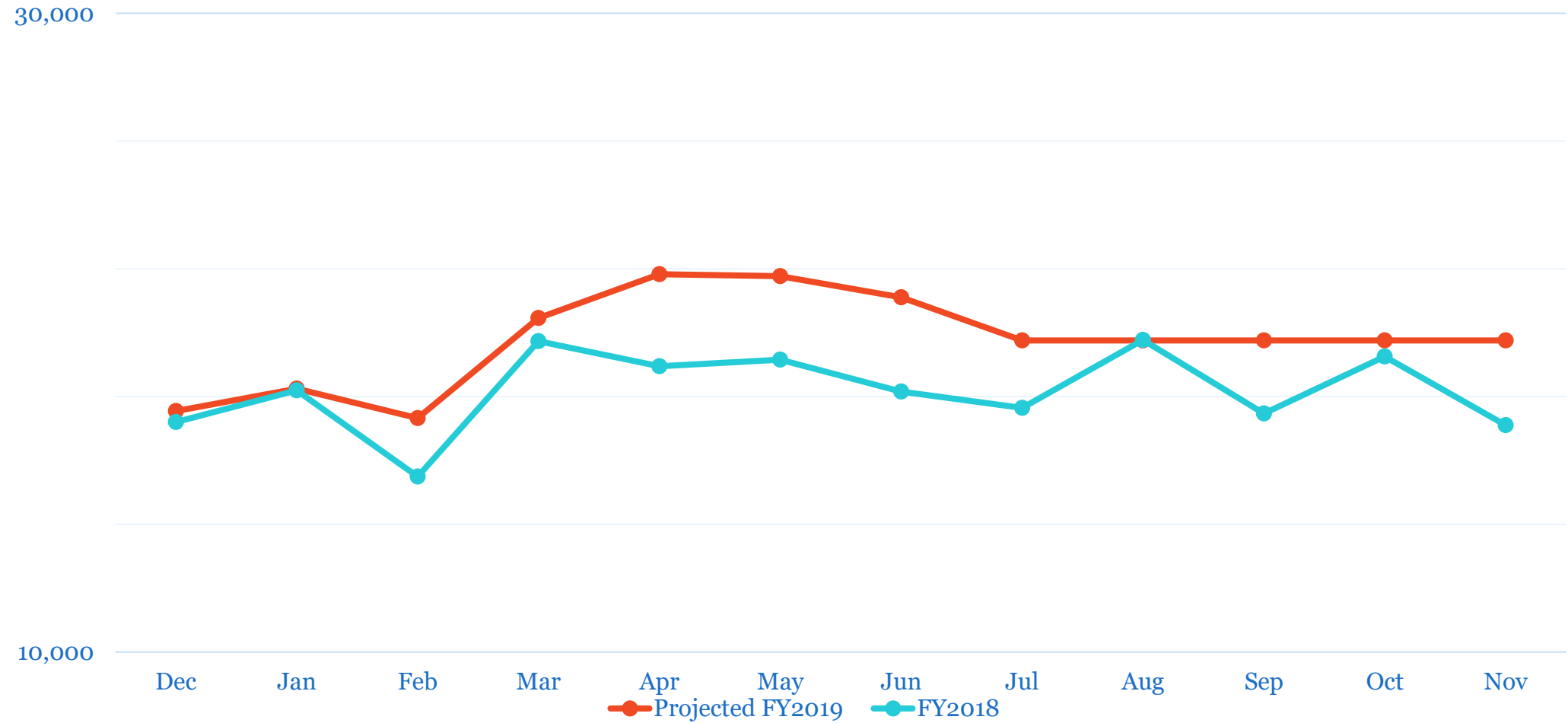
Total Surgical Cases



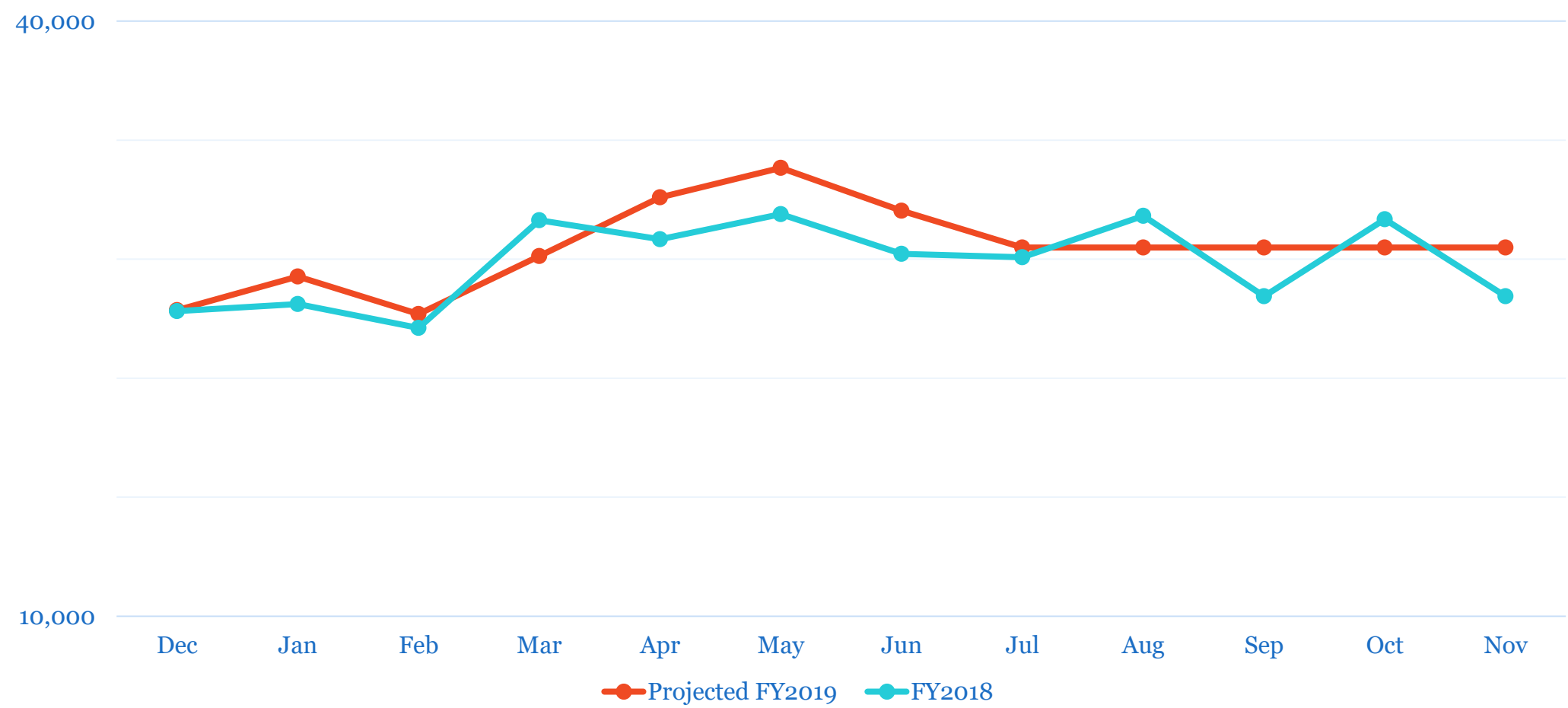
Emergency Room Visit Trend



Primary Care Provider Visit Trend



Specialty Care Provider Visits



Total Deliveries Trend

