FY2020 Proposed Preliminary Budget and Financial Forecast

Dr. Jay Shannon, CEO
Ekerete Akpan, CFO
September 13, 2019
Uncompensated Care = Bad Debt + Charity Care
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.

Uncompensated Care *

Data from more than 5,000 hospitals throughout the US

* Uncompensated Care = Bad Debt + Charity Care.
** 2014 marks the Affordable Care Act Medicaid expansion.
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
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.
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 ≤200% Federal Poverty Level.

WBEZ 91.5
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

Direct Access Cost

* Program started in late 2017.
** Projections based on current trends.
Charity Care in Cook County

<table>
<thead>
<tr>
<th></th>
<th>2013 Charity Care (Pre-ACA)</th>
<th>2017 Charity Care</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Hospitals in Cook County</td>
<td>$690M</td>
<td>$554M</td>
</tr>
<tr>
<td>Stroger and Provident</td>
<td>$257M</td>
<td>$273M</td>
</tr>
</tbody>
</table>

*Source: IDPH Hospital Profiles 2013, 2017*
FY2019 Accomplishments
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
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
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 and Projection

<table>
<thead>
<tr>
<th>Visit Type</th>
<th>Monthly Average</th>
<th>Monthly Projection</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surgical Cases</td>
<td>FY 2018: 1,265</td>
<td>FY 2019*: 1,214</td>
<td>FY 2020: 1,320</td>
</tr>
<tr>
<td>Emergency Visits</td>
<td>FY 2018: 12,544</td>
<td>FY 2019*: 12,361</td>
<td>FY 2020: 13,105 **</td>
</tr>
<tr>
<td>Primary Care Visits</td>
<td>FY 2018: 18,127</td>
<td>FY 2019*: 19,756</td>
<td>FY 2020: 20,508</td>
</tr>
<tr>
<td>Specialty Care Visits</td>
<td>FY 2018: 27,595</td>
<td>FY 2019*: 28,586</td>
<td>FY 2020: 29,691</td>
</tr>
<tr>
<td>Deliveries</td>
<td>FY 2018: 82</td>
<td>FY 2019*: 85</td>
<td>FY 2020: 90</td>
</tr>
</tbody>
</table>

*based on first 7 months of FY 2019

**ED visit growth is driven by Provident ambulance runs
## FY2019-FY2020 Budget (in Millions)

<table>
<thead>
<tr>
<th></th>
<th>FY2019 Adjusted Appropriation*</th>
<th>FY2019 Projected Year End</th>
<th>FY2020 Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$2,690</td>
<td>$2,629</td>
<td>$2,824</td>
</tr>
<tr>
<td>Expenses</td>
<td>$2,690</td>
<td>$2,629</td>
<td>$2,824</td>
</tr>
<tr>
<td>Net Surplus/(Deficit)</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

*Assumes projected adjustments for CountyCare based on higher than expected membership*
## FY2020 Proposed CountyCare Financial Summary

*(in millions)*

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

NOTE: Some numbers are rounded to nearest million for display purposes and could result in small arithmetical differences.  
ACA – Affordable Care Act, FHP – Family Health Program, SPD – Seniors and Persons with Disabilities, MLTSS – Medicaid and Long Term Services and Supports, LTSS - Long Term Services and Supports, IMD – Institution for Mental Disease
FY2020 Proposed External Revenue by Source (in millions)

- Patient Fees: 1,752
- BIPA: 132
- DSH: 513
- CountyCare: 173*
- Others: 16

* Revenue from CountyCare members served at CCH facilities

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

DSH: Disproportionate Share Hospital Payments
BIPA: Benefits Improvement and Protection Act Payments
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

*Proposed FY2020*
CCH Uncompensated Care*
(in $millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Charity Care Cost</th>
<th>Bad Debt Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2013</td>
<td>252</td>
<td>284</td>
</tr>
<tr>
<td>FY2014</td>
<td>174</td>
<td>140</td>
</tr>
<tr>
<td>FY2015</td>
<td>266</td>
<td>139</td>
</tr>
<tr>
<td>FY2016</td>
<td>281</td>
<td>157</td>
</tr>
<tr>
<td>FY2017</td>
<td>273</td>
<td>200</td>
</tr>
<tr>
<td>FY2018</td>
<td>348</td>
<td>154</td>
</tr>
<tr>
<td>FY2019</td>
<td>377</td>
<td>167</td>
</tr>
<tr>
<td>FY2020</td>
<td>409</td>
<td>181</td>
</tr>
</tbody>
</table>

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

NOTE: Some numbers are rounded to nearest million for display purposes and could result in small arithmetical differences.
CCH Charity Care at Cost (in millions)

**Projections based on current trends.**
System Payor Mix By Visit as of June 2019

Uncompensated Care = 44%

- Medicare: 21%
- CountyCare: 17%
- All Medicaid: 33%
- Medicare Managed Care: 16%
- Charity Care: 16%
- Self Pay: 12%
- Commercial: 6%
- Medicaid: 5%
- Other: 5%

All Medicaid = 33%
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)**

<table>
<thead>
<tr>
<th><strong>Revenues</strong></th>
<th>FY 2020 Proposed</th>
<th>FY 2021 Projected</th>
<th>FY 2022 Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>CCH NPSR*</td>
<td>$2,741</td>
<td>$2,799</td>
<td>$2,737</td>
</tr>
<tr>
<td><strong>Cook County Allocation</strong> (For correctional health services and Cook County Department of Public Health)</td>
<td>$115</td>
<td>$115</td>
<td>$115</td>
</tr>
<tr>
<td><strong>County Allocation to CCH Pension Contribution</strong></td>
<td>$110</td>
<td>$110</td>
<td>$110</td>
</tr>
<tr>
<td><strong>Total Available Funds</strong></td>
<td>$2,966</td>
<td>$2,944</td>
<td>$2,962</td>
</tr>
</tbody>
</table>

| **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)** | $(80) | $(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) |

*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.
## FY2020 – 2022 Revenue Projections (in millions)

<table>
<thead>
<tr>
<th></th>
<th>FY2020</th>
<th>FY2021</th>
<th>FY2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>CCH Net Patient Revenue *</td>
<td>513</td>
<td>471</td>
<td>471</td>
</tr>
<tr>
<td>BIPA - Benefits Improvement and Protection Act of 2000</td>
<td>132</td>
<td>132</td>
<td>132</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>16</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>DSH - Disproportionate Share Hospital</td>
<td>157</td>
<td>157</td>
<td>157</td>
</tr>
<tr>
<td>Capitation Revenue</td>
<td>1,749</td>
<td>1,766</td>
<td>1,784</td>
</tr>
<tr>
<td>Internal Capture County Care (clinical services to CountyCare members)</td>
<td>173</td>
<td>175</td>
<td>176</td>
</tr>
</tbody>
</table>

*NOTE: Net Patient Service Revenue*
### Full Time Equivalent Position Count

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ambulatory Services</td>
<td>849</td>
<td>402</td>
<td>-447</td>
<td>-53%</td>
</tr>
<tr>
<td>Correctional Health Services</td>
<td>696</td>
<td>636</td>
<td>-60</td>
<td>-9%</td>
</tr>
<tr>
<td>CountyCare and Integrated Care</td>
<td>495</td>
<td>403</td>
<td>-92</td>
<td>-19%</td>
</tr>
<tr>
<td>Health Administration</td>
<td>361</td>
<td>320</td>
<td>-41</td>
<td>-11%</td>
</tr>
<tr>
<td>Hospital-Based Services</td>
<td>4,737</td>
<td>4,717</td>
<td>-20</td>
<td>0%</td>
</tr>
<tr>
<td>Public Health Services</td>
<td>102</td>
<td>123</td>
<td>21</td>
<td>21%</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>7,239</strong></td>
<td><strong>6,601</strong></td>
<td><strong>-638</strong></td>
<td><strong>-8.8%</strong></td>
</tr>
</tbody>
</table>

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

Projected FY2019 vs. FY2018

- Dec 1000
- Jan 1000
- Feb 1000
- Mar 1000
- Apr 1000
- May 1000
- Jun 1000
- Jul 1000
- Aug 1000
- Sep 1000
- Oct 1000
- Nov 1000

- Projected FY2019
- FY2018
Emergency Room Visit Trend

Projected FY2019 vs. FY2018
Primary Care Provider Visit Trend

Projected FY2019
FY2018
Specialty Care Provider Visits

Projected FY2019
FY2018
Total Deliveries Trend

- Projected Fy2019
- Fy2018