CCH Financial Update – April 30, 2020 FYTD

Andrea Gibson

Interim Chief Business Officer

June 2020

COOK COUNTY HEALTH

Executive Summary

- Cook County Health (CCH) financial results for the five months ended April 30, 2020 are behind budget by $30.2M
  - Primary issues are expenses, COVID-19 pandemic response costs, and loss of revenue due to reduced charges from fewer non-emergency surgeries and routine appointments
  - Government support payments have supplemented the loss of “reimbursable” patient activity – $18.2M year to date from the CARES Act
  - Patient activity began to decline in March, and charges continue to be 40% lower than normal
- Key Finance accomplishments since our last meeting include:
  - Completion of RSM financial statement audit
  - Accessing Federal and State financial support for the COVID-19 pandemic
- Key current Finance initiatives include:
  - Forecasting and planning in anticipation of FY21 budget submission
  - Implementation of revenue cycle operational improvements

Financial Results – April 30, 2020 FYTD

(Dollars in 000s)	FY20 Actual	FY20 Budget	Variance	%	FY19 Actual
Revenue					
Net Patient Service Revenue (1)	$196,167	$244,914	($48,747)	(19.9%)	$199,363
Government Support (2)	$202,543	$163,207	$39,336	24.1%	$143,555
CountyCare Capitation Revenue	$767,371	$728,846	$38,525	52.9%	$734,610
Other	$2,442	$5,208	($2,766)	(53.1%)	$2,057
CountyCare Elimination (1)	($76,045)	($71,993)	($4,052)	(5.6%)	($77,089)
Total Revenue	$1,092,478	**$1,066,130**	**$22,296**	**2.1%**	**$1,002,497**
Operating Expenses					
Salaries & Benefits	$281,389	$274,045	($7,344)	(2.7%)	$275,072
Overtime	$20,365	$12,705	($7,660)	(60.3%)	$19,197
Pension / OPEB	$46,376	$45,803	($573)	(1.3%)	$45,803
Supplies & Pharmaceuticals	$61,196	$54,613	($6,583)	(12.6%)	$46,160
Purchased Services & Other	$129,274	$111,548	($17,726)	(15.9%)	$103,489
Medical Claims Expense (1)	$720,837	$702,884	($17,953)	(2.5%	$697,820
Insurance	$13,277	$15,325	$2,048	13.4%	$11,118
Depreciation & Amortization	$14,233	$14,460	$227	1.6%	$14,460
Utilities	$5,355	$5,545	$190	3.4%	$8,614
CountyCare Elimination (1)	($76,045)	($71,993)	$4,052	5.6%	($77,089)
Total Expenses	**$1,216,257**	**$1,164,935**	**($51,322)**	**(4.4%)**	**$1,144,644**
Operating Margin	**($123,779)**	**($94,753)**	**($29,026)**	**(30.6%)**	**($142,147)**
Non-Operating Revenue	**$80,944**	**$82,094**	**($1,150)**	**(1.4%)**	**$82,529**
Net Income (Loss)	**($42,835)**	**($12,659)**	**($30,176)**	**(138.4%)**	**($59,618)**

Commentary

- Net Patient Service Revenue is below budget as "reimbursable patient activity" is below budget due primarily to the slowdown in patient activity caused by the COVID-19 pandemic
- FY20 Government Support Revenue includes $18.2M in Coronavirus Aid, Relief & Economic Security Act support received in April to help compensate for the decline in patient activity
- Expense management, particularly considering the falling patient volumes due to the COVID-19 pandemic, is a critical priority
  - RFP recently released around strategic cost reduction for non-labor services to address Purchased Services & Other expense budget variance
- Several key initiatives underway at CountyCare to contribute to performance

Notes:

(1) CountyCare Elimination represents the elimination of intercompany activity – Patient Service Revenue and Medical Claims Expense – for CountyCare patients receiving care at Cook County Health

(2) Government Support includes $32.2M of Graduate Medical Education payments that were budgeted in Patient Service Revenue

(3) Source: CCH unaudited April 30, 2020 and 2019 financial statements and FY20 budget

COOK COUNTY HEALTH

Operating Results – April 30, 2020 FYTD

(Dollars in 000s)	FY20 Actual (3)	FY19 Actual (3)	Variance	%
CCH Health Providers & Bureau of Health (1)	($43,618)	($52,540)	$8,922	17.0%
Public Health Department	($4,886)	($3,703)	($1,183)	(31.9%)
Correctional Health (2)	($34,055)	($36,376)	$2,321	6.4%
CountyCare	$5,157	($3,725)	$8,882	238.4%

Notes:

(1) CCH Health Providers include Stroger, Provident, Ambulatory & Community Health Network, Oak Forest Health Center and CORE

(2) Correctional Health includes Cermak Health and the Juvenile Temporary Detention Center

(3) Operating results exclude Pension and OPEB

(4) Source: CCH unaudited April 30, 2020 and 2019 financial statements

Commentary

- Operating results substantially consistent with prior year except for CCH Health Providers and CountyCare
- Despite the onset of the COVID-19 pandemic, CCH Health Providers and Bureau of Health's FY20 operating performance has improved over FY19 operating performance primarily as a result of increased government funding (DSH and CARES Stimulus Revenue of $28.6M). In addition no GME had been recorded in FY19 as of April.
- Despite CountyCare enrollment being behind budget, operating results are above budget as enrollment has been in higher rate groups than anticipated

CCH Health Providers Revenue – April 30, 2020 FYTD

Revenue Composition

(Dollars in 000s)	FY20 Actual	FY20 Budget	Variance	%	FY19 Actual
Net Patient Service Revenue	$196,167	$244,914	($48,747)	(19.9%)	$199,363
Government Support (Recurring):					
Graduate Medical Education (1)	$32,206	$0	$32,206	N/A	$0
Disproportionate Share Payments ("DSH")	$73,760	$65,292	$8,468	13.0%	$65,292
Benefits Improvement and Protection Act Payments ("BIPA")	$55,125	$55,125	$0	0.0%	$55,141
Provident Access Payments	$21,382	$42,790	($21,408)	(50.0%)	$23,122
Recurring Government Support	$182,473	$163,207	$19,266	11.8%	$143,555
Government Support (Non-Recurring):					
CARES Stimulus Revenue	$18,200	$0	$18,200	N/A	$0
Enhanced FMAP DSH	$1,870	$0	$1,870	N/A	$0
Non-Recurring Government Support	$20,070	$0	$20,070	N/A	$0
Other Revenue	$2,003	$3,260	($1,257)	(38.5%)	$1,521
Total Revenue	$400,713	$411,381	($10,668)	(2.6%)	$344,439

Notes:

(1) Graduate Medical Education ("GME") presented separately from Net Patient Revenue as the State of Illinois now pays GME separately from Medicaid Patient Service Revenue. GME and Net Patient Service Revenue should be combined for the purpose of comparison to budget.

(2) Source: CCH unaudited April 30, 2020 and 2019 financial statements and FY20 budget

Commentary

- Net Patient Service Revenue is below budget as patient charges have declined from a high of $150.4M in January to $79.3M in April as a result of reduced patient activity caused by the COVID-19 pandemic
- DSH will be above budget in FY20 as CCH was awarded $24.8M of supplemental DSH and CCH is receiving enhanced FMAP
- $18.2M in CARES Stimulus Revenue received through April
- Provident Access Revenue is below plan because of the State's delay in implementation of their new payment approach

CCH Health Providers & Bureau Expenses – April 30, 2020 FYTD

(Dollars in 000s)	FY20 Actual	FY20 Budget	Variance	%	FY19 Actual
Salaries & Benefits	$239,268	$214,434	($24,834)	(11.6%)	$239,118
Overtime	$17,395	$10,295	($7,100)	(69.0%)	$16,285
Supplies & Pharmaceuticals	$57,745	$50,150	($7,595)	(15.1%)	$43,205
Purchased Services & Other	$90,704	$70,172	($20,532)	(29.3%)	$68,271
Insurance	$13,277	$15,325	$2,048	13.4%	$10,936
Depreciation	$10,330	$9,504	($826)	(8.7%)	$10,551
Utilities	$5,338	$5,459	$121	2.2%	$8,614
Total Expenses (1)	**$434,057**	**$375,339**	**($58,718)**	**(15.6%)**	**$396,980**

Commentary

- FY20 operating expenses are above budget due to patient volumes being higher than budget plus the spending required to respond to the COVID-19 pandemic
- Operating expenses have increased 9.3% over FY19 while volumes are essentially consistent with last year
- COVID-19 pandemic spending has primarily impacted Overtime and Purchased Services & Other

Note:

(1) Operating expenses exclude Pension & OPEB as they are not allocated to the CCH entities
(2) Source: CCH unaudited April 30, 2020 and 2019 financial statements and FY20 budget

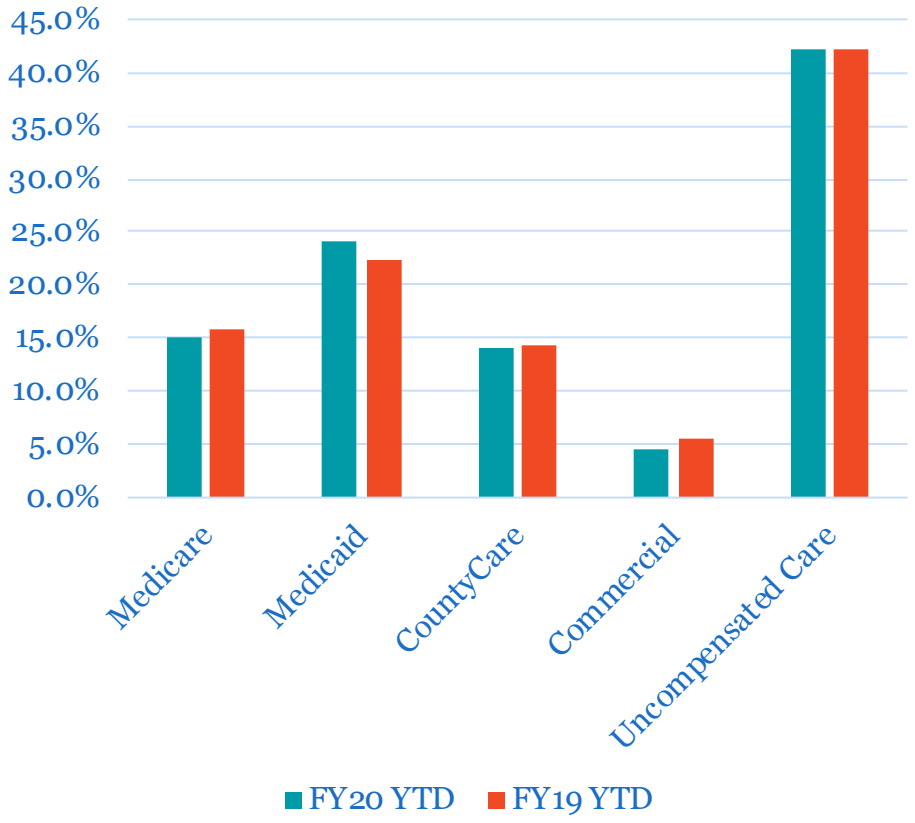
CCH Key Financial Initiatives

- Key CCH initiatives to strengthen financial performance include the following
  - Re-starting domestic spend initiatives
    - Single-source surgeries
    - Pharmacy/internal prescribing
    - Denial review
  - Revenue initiatives
    - Maximizing Federal Revenue loss reimbursement
    - Artificial Intelligence
  - Expense initiatives
    - Contract adjustments/renegotiations
    - Reimbursement for COVID-19 related expenses
    - Managing vacancies – hiring has slowed

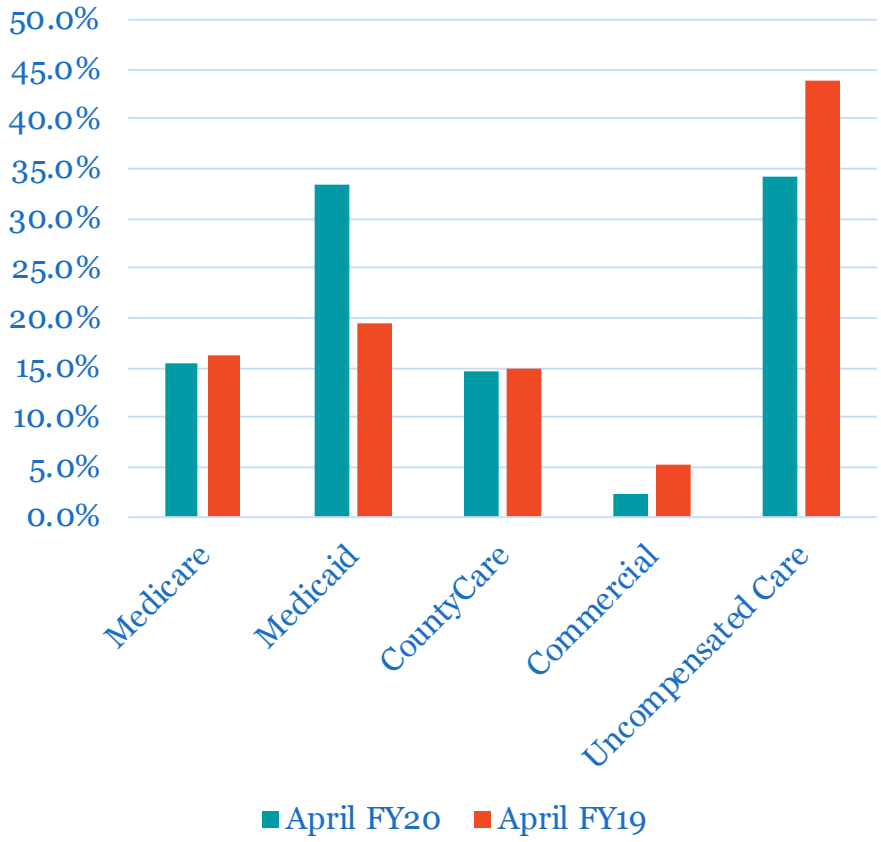
CCH Health Providers Revenue – April 30, 2020 FYTD

Payer Mix Analysis

April FYTD



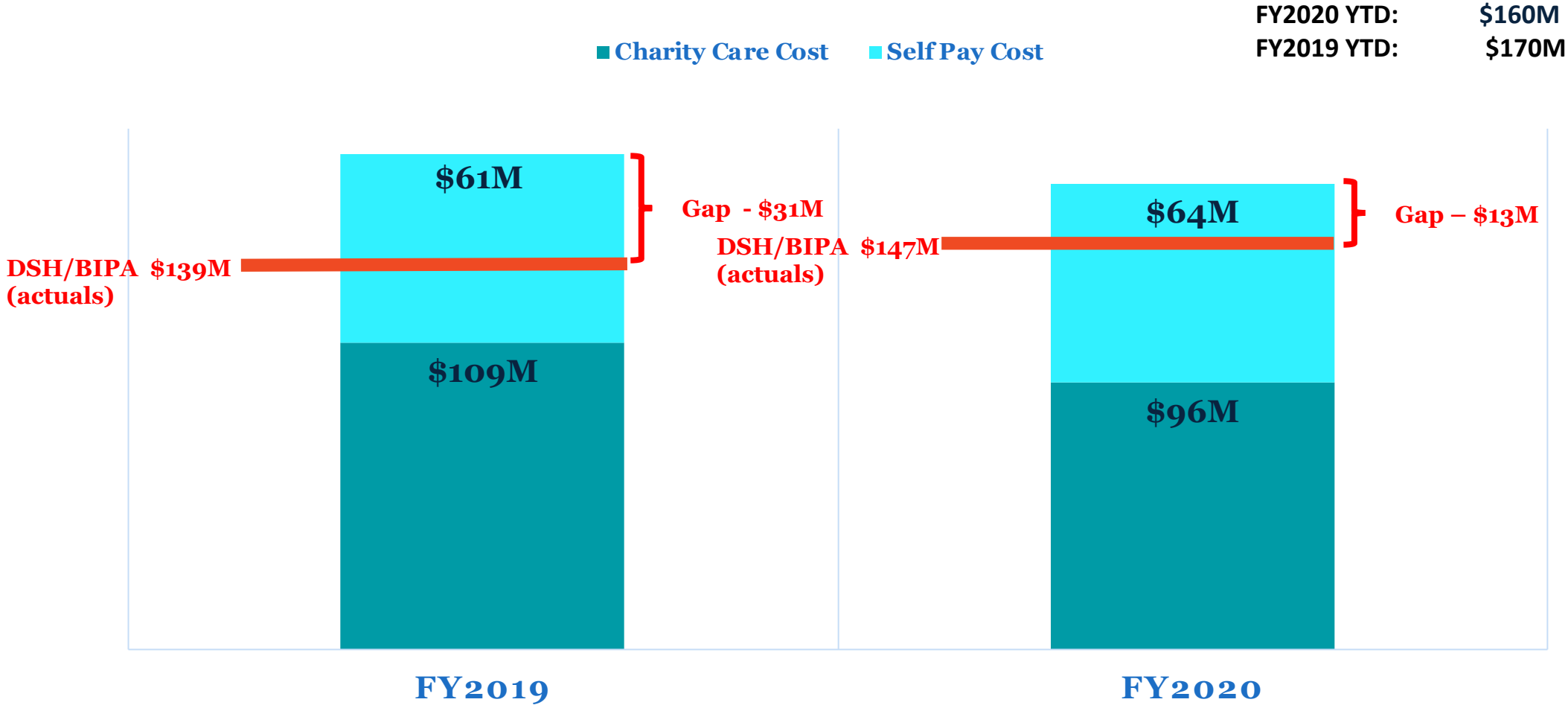
April



COOK COUNTY HEALTH

FYTD April 2020 – Uncompensated Care Cost vs. Funding

FY2020 YTD: $160M
FY2019 YTD: $170M



Source: Unaudited Financials Charge Reports , FY2020 Cook County /CCH Budget Book
DSH: Disproportionate Share Hospital Payments (Medicare & Medicaid) -**$220M/Year**
BIPA: Benefits Improvement and Protection Act Payments-**$132.3M/Year**

COOK COUNTY HEALTH

CCH Health Providers Revenue – April 30, 2020 FYTD

Revenue Operating Indicators

Revenue Cycle Metrics	Average FYTD 2020	April 2020	CCH Target	Industry Target *	Average FYTD 2019
Average Days in Accounts Receivable	91	96	60-65	40	98
Discharged Not Final Billed Days	9	9	5	7	10
Claims Initial Denials Percentage	20%	19%	10%	3%	22%

Definitions:
Average Days in Accounts Receivable: Total accounts receivable divided by average daily revenue
Discharged Not Final Billed Days: Average number of days after discharge before claim is submitted
Claims Initial Denials Percentage: Percentage of claims denied initially compared to total claims submitted

* **Source:** HFMA Key Hospital Statistics and Ratio Margins from Cerner

CountyCare Financial Results – April 30, 2020 FYTD

(Dollars in 000s except PMPM amounts)	FY20 Actual	FY20 Budget	Variance	%	FY19 Actual
Capitation Revenue	**$767,371**	**$728,846**	**$38,525**	**52.9%**	**$734,610**
Operating Expenses					
Clinical - CCH	$76,045	$71,993	($4,025)	(5.6%)	$77,089
Clinical - External	$644,792	$630,891	($13,901)	(2.2%)	$625,946
Administrative	$41,377	$28,572	($12,805)	(144.8%)	$35,300
Total Expenses	**$762,214**	**$731,456**	**($30,758)**	**(42.0%)**	**$738,335**
Operating Gain (Loss)	**$5,157**	**($2,610)**	**$7,767**	**297.5%**	**($3,725)**
Activity Levels					
Member Months	1,605,524	1,630,170	(24,646)	(1.5%)	1,609,155
CCH CountyCare Member Months	171,712	N/A	N/A	N/A	224,342
CCH % of CountyCare Member Months	10.7%	N/A	N/A	N/A	13.9%
Operating Indicators					
Revenue Per Member Per Month (PMPM)	$478	$447	$31	6.9%	$457
Clinical Cost PMPM	$449	$431	($18)	(4.2%)	$437
Medical Loss Ratio (1)	93.9%	96.4%	2.5%	(2.6%)	95.7%
Administrative Cost Ratio (2)	5.3%	3.9%	(1.4%)	(35.9%)	4.3%

Notes:
(1) Medical Loss Ratio is a measure of the percentage of premium that a health plan spends on medical claims
(2) Excludes amortization related to intangible asset that was recorded in connection with the acquisition of the Family Health Network membership

Commentary

- FY20 Capitation Revenue is above budget due to HFS eligibility retro adjustments and the addition of the Special Needs Children population
- While total member months are under budget, there has been an increase in membership for the month of April and membership is expected to continue to increase due to increasing Medicaid enrollment as a result of the COVID-19 induced growth in unemployment
- CountyCare's reimbursement to CCH is budgeted at $72.0M and is currently above budget at $76.0M.
- Operating expenses are currently above budget, reflecting the addition of the Special Needs Children population and higher than expected claims costs. However, a decline in claims volume due to COVID-19 is anticipated through May

CountyCare Financial Initiatives

- Key CountyCare initiatives to strengthen financial performance include the following
  - Domestic spend initiatives
    - Single-source surgeries strategy to be resumed as CCH re-opens surgical services
    - Pharmacy/internal prescribing
  - Revenue initiatives
    - On-going discussions with HFS regarding revenue reconciliation and 2020 rates
    - SSI/SSDI initiatives to move members to higher paying rate cells
  - Expense initiatives
    - Provider contract adjustments
    - Pharmacy quantity limits and pharmacy coordination of benefits
    - Additional shared risk agreements
    - Reductions to care management costs
  - Absorbing additional members due to COVID-19 impact

Covid-19 Financial Impact through May, 2020

- Altered operations and service offering began on March 16
  - Significant volume/patient revenue decline:
    - Charges Per Calendar Day:

	Dec 1 - Mar 15	Mar 16 - May 31	Change	% Change
Charges/Day	4,811,082	3,284,904	(1,526,178)	-32%

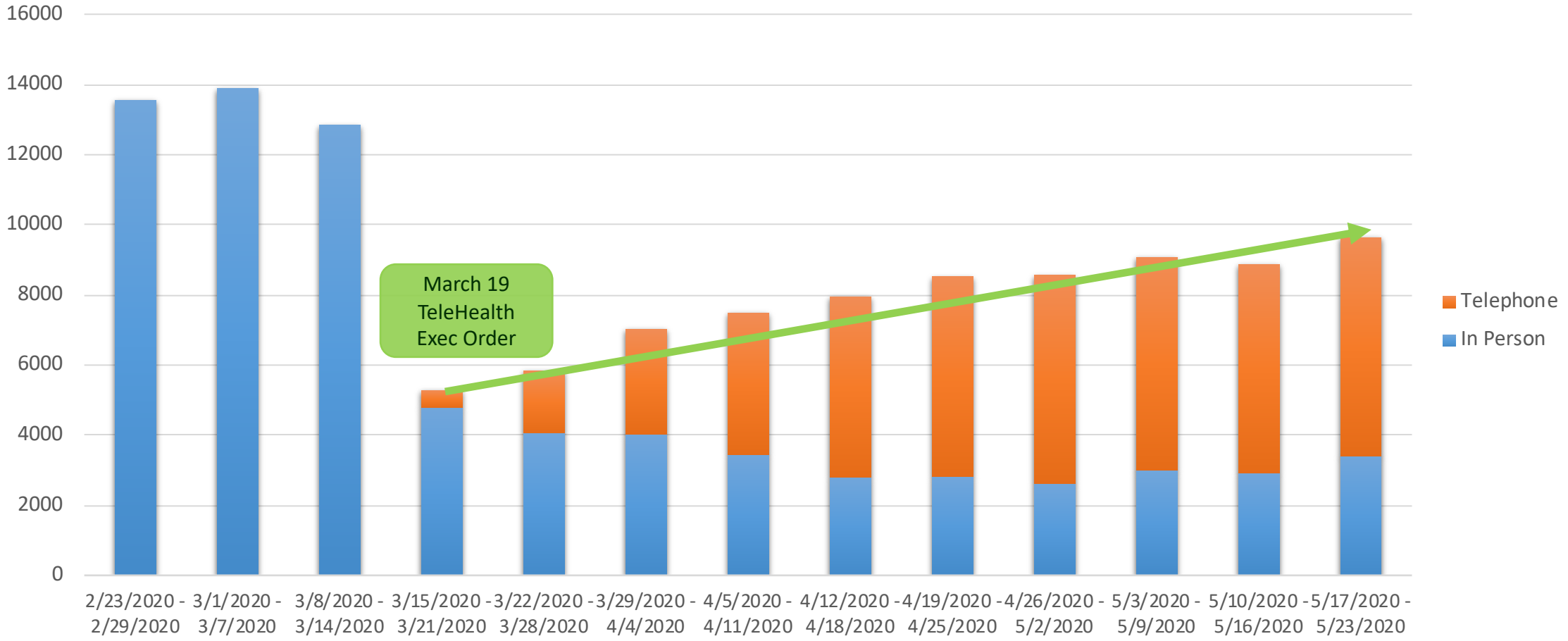
    - Net Patient Revenue Loss:

	March	April	May	Cummulative
Net Patient Service Revenue	31,000,509	19,524,573	23,354,890	73,879,973
Net patient Service Revenue - Budget	45,485,312	49,649,192	45,485,312	140,619,816
Impact	(14,484,803)	(30,124,619)	(22,130,422)	(66,739,843)

  - Increased costs – Projected $18 to $32M in supplies/equipment and premium labor costs
- County Care utilization has also dropped significantly
  - Reduction in claims/costs, Future implications of deferred care and rate adjustments
- Additional funding:
  - CARES Target Funding - $59M
  - CARES General Funding - $18M
  - CARES Medicare Advance - $28M
  - DSH/BIPA Enhanced FMAP – $34.8M
  - Crisis Grant – $.09M
  - Contact Tracing Grant – $40.8M
  - CARES Safety Net Distribution - $44M (rcv'd June)

COVID-19 Telehealth Implementation

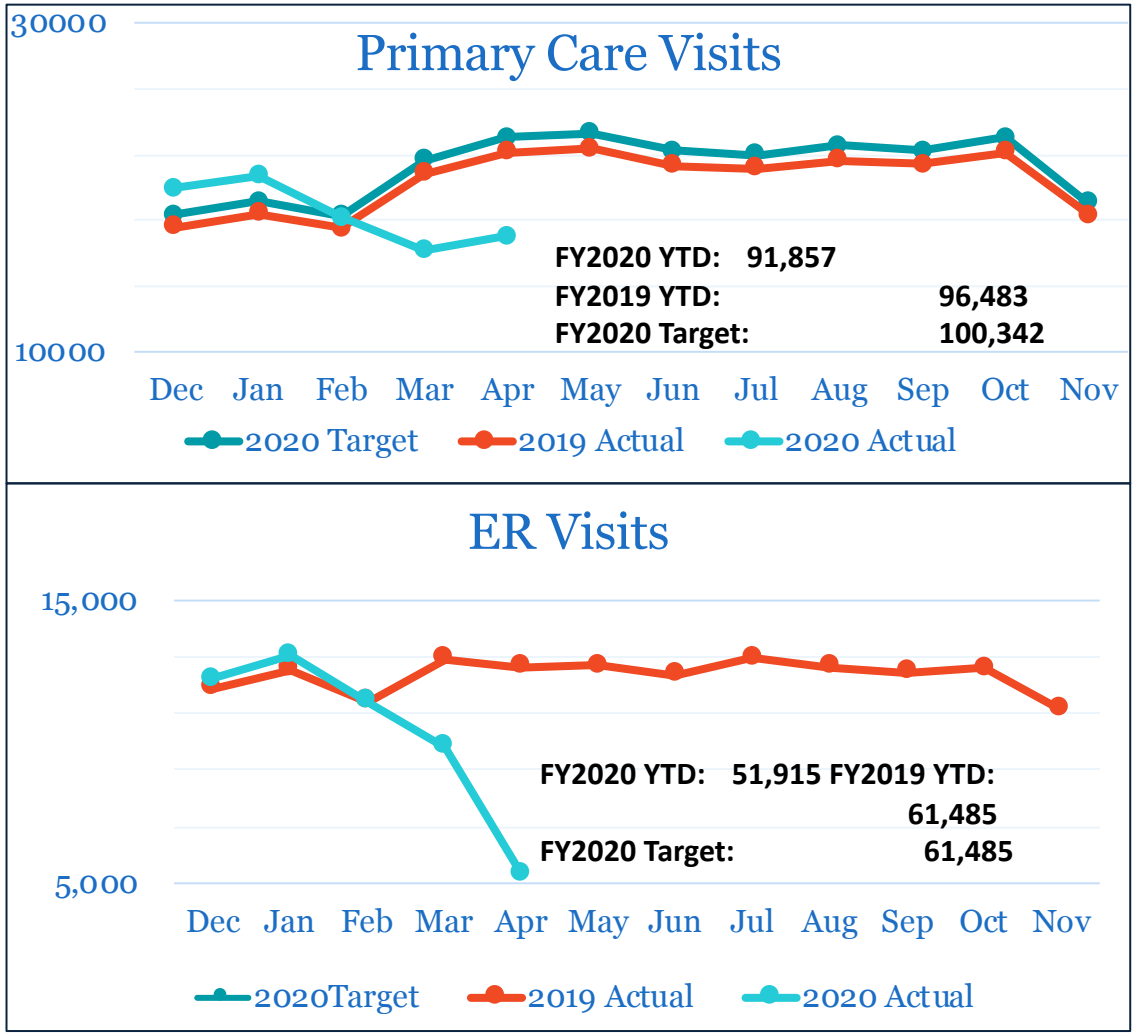
44,335 telephone visits have been completed through ACHN

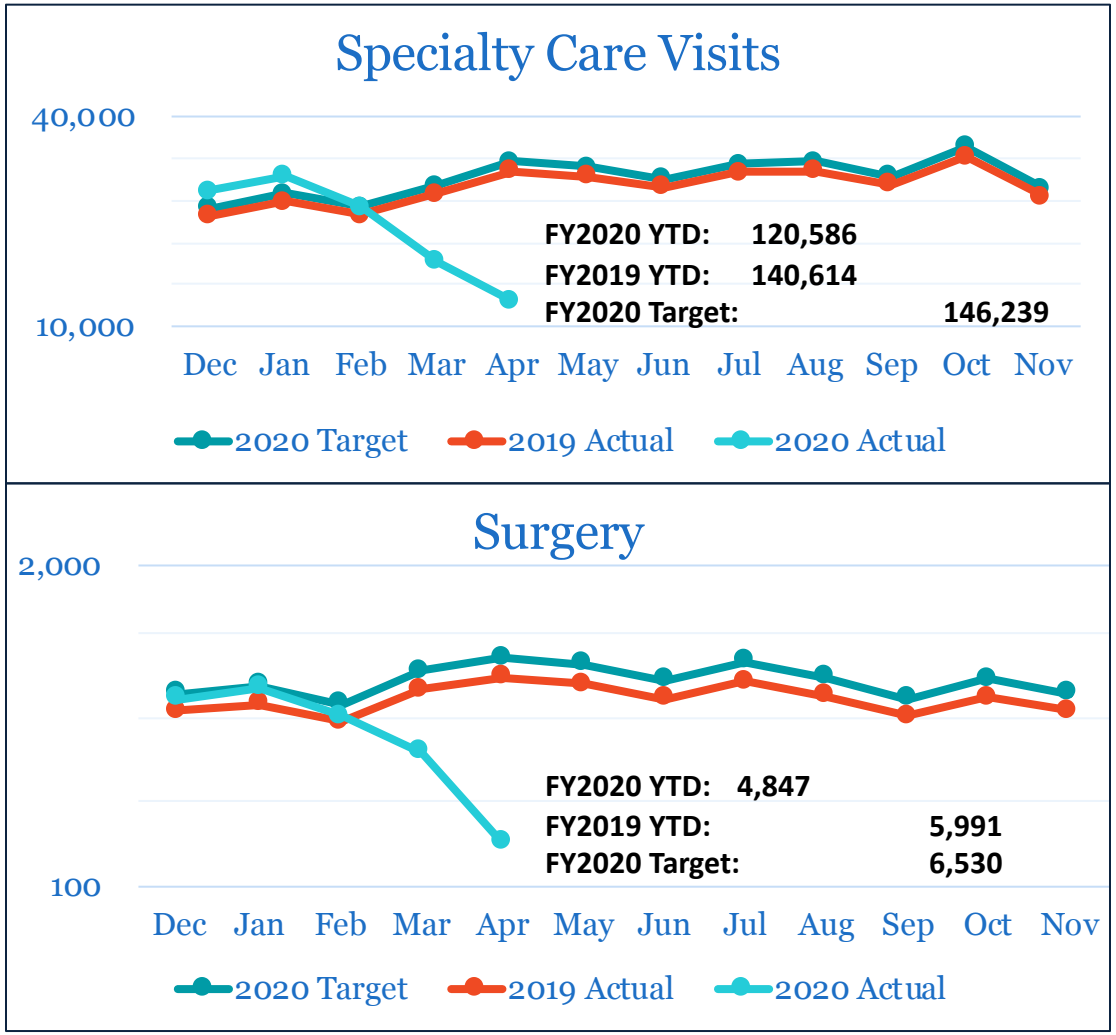


COOK COUNTY HEALTH

*Source: Cerner COVID-19 Orders Mar 1,2020-May 23, 2020

Patient Activity Indicators – April 2020

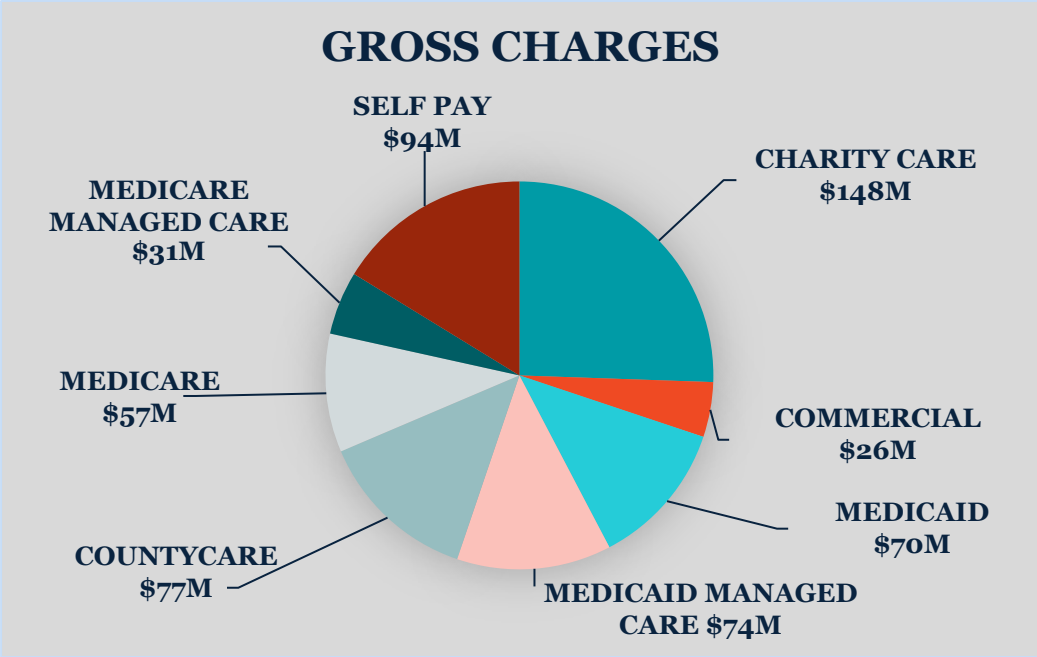




Appendix

COOK COUNTY HEALTH

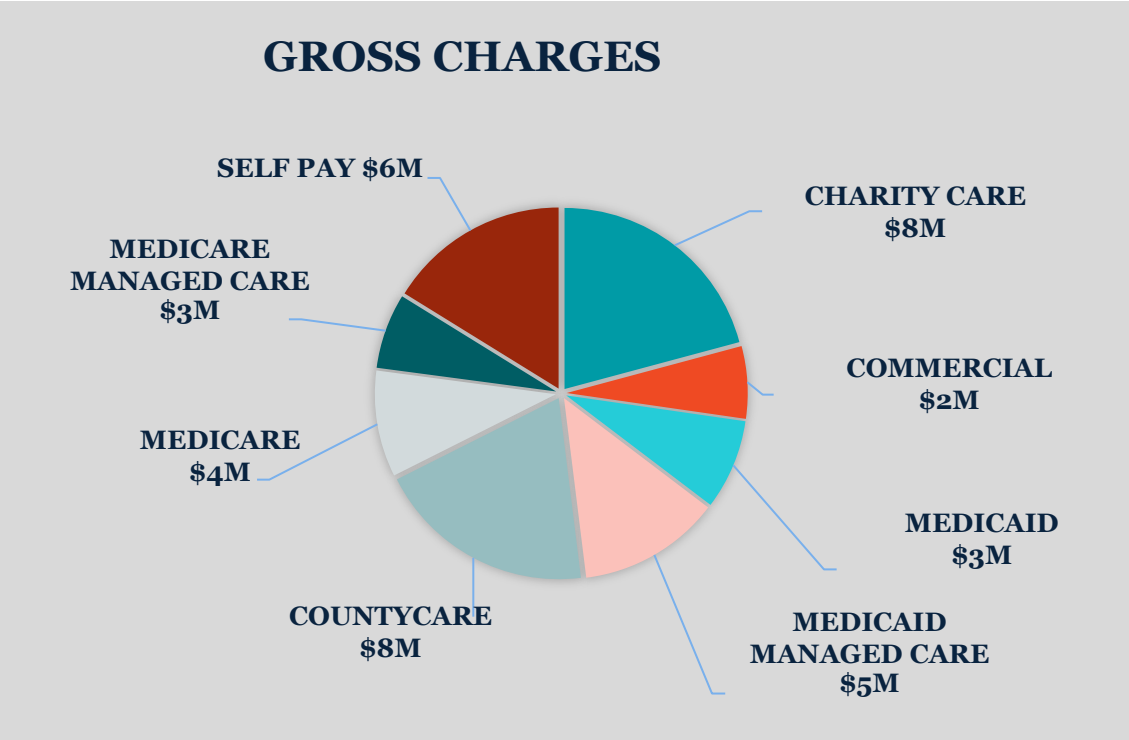
Stroger Operations Overview – Five Months Ended April 30, 2020



Inpatient/Observation-FYTD				
Measure	**FY2020**	**FYTD Target**	**FY2019**	**Percent from Target**
Inpatient Discharges	5,806	5,864	5,459	-1%
- Long Stay Admissions	1,239	1,188	1,173	4%
- One Day Admissions	336	332	317	1%
Inpatient Days	29,662	28,784	28,950	3%
Observation Discharges	2,902	3,428	3,479	-15%
Observation Days (Observation Discharge)	5,650	6,264	6,848	-10%
Avg LOS (Inpatient Discharge)	5.7	---	5.9	---
Average Daily Census (Inpatient & Observation)	289.4	295	295.9	-2%
Surgical Cases (all patient types)	3,800	4,332	3,731	-12%
Endoscopy Cases (all patient types)	---	---	---	---
Radiology Tests	13,621	---	14,215	---
Deliveries	316	360	324	-12%
Emergency- FYTD				
Measure	**FY2020**	**FYTD Target**	**FY2019**	**Percent from Target**
Emergency Visits (includes LWBS & Trauma)	36,914	39,525	39,106	-7%
Adult Emergency Visits	30,324	33,420	32,526	-9%
Peds Emergency Visits	2,538	2,288	2,342	11%
Trauma Visits	1,831	2,237	2,060	-18%
LWBS	2,221	1,580	2,178	41%
Radiology Tests	31,182	---	14,215	---
Outpatient Clinic- FYTD				
Measure	**FY2020**	**FYTD Target**	**FY2019**	**Percent from Target**
Total Provider Visits	93,452	100,716	104,233	-7%
Specialty/Diagnostic/Procedure Provider Visits				
Hospital - Based	5,653	6,248	6,778	-10%
Specialty Care	40,169	43,647	40,945	-8%
Oral Health	1,979	---	n/a	---
Professional Building	29,280	32,431	40,945	-10%
Total	**77,081**	**82,327**	**88,668**	-6%
Primary Care Provider Visits				
GMC	16,371	18,389	15,565	-11%
Total	**16,371**	**18,389**	**15,565**	-11%
Procedures & Ancillary Services- FYTD				
Measure	**FY2020**	**FYTD Target**	**FY2019**	**Percent from Target**
Endoscopy Cases (all patient types)	2,503	---	2,833	---
Dialysis Treatments (all patient types)	1,877	---	2,177	---
Infusion Center Visits	5,303	---	4,310	---
Minor Procedure (Clinic F) Visits	1,033	---	1,035	---
PT/OT Volume (all patient types)	20,144	---	17,618	---

Source: Charge Report & Business Intelligence

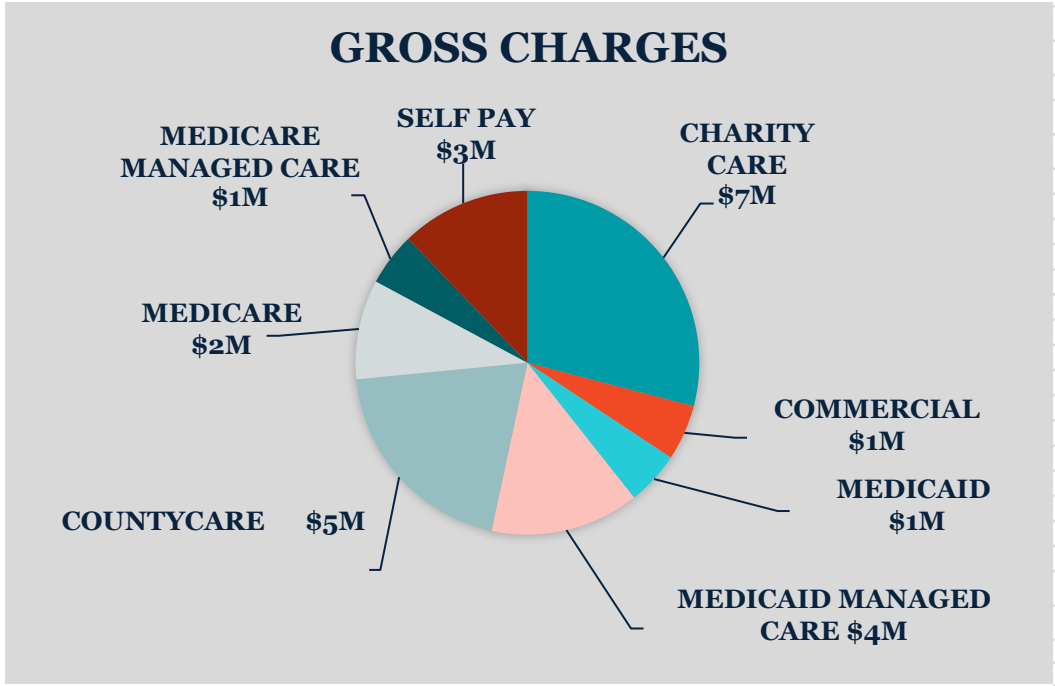
Provident Operations Overview – Five Months Ended April 30, 2020



Inpatient/Observation-FYTD				
Measure	FY2020	FYTD Target	FY2019	Percent from Target
Inpatient Discharges	189	196	185	-4%
- Long Stay Admissions	29	40	28	-28%
- One Day Admissions	7	12	18	-42%
Inpatient Days	1,152	1,000	869	15%
Observation Discharges	235	208	218	13%
Observation Days (Observation Discharge)	614	412	424	49%
Avg LOS (Inpatient Discharge)	8.1	5.5	4.5	47%
Average Daily Census (Inpatient & Observatic	14.5	12	10.7	19%
Surgical Cases	691	796	925	-13%
Radiology Tests	144	---	107	---
Emergency- FYTD				
Measure	FY2020	FYTD Target	FY2019	Percent from Target
Emergency Visits (including LWBS)	9,659	10,048	9,739	-4%
Adult Emergency Visits	8,226	9,129	8,592	-10%
Peds Emergency Visits	568	507	484	12%
LWBS	865	412	663	110%
Radiology Tests	5,226	---	5,233	---
Outpatient Clinic- FYTD				
Measure	FY2020	FYTD Target	FY2019	Percent from Target
Total Registrations	27,099	30,664	28,635	-12%
Amb of Prov - Specialty/Diagnostic/Procedure Provider	447	554	573	-19%
Sengstacke - Specialty/Diagnostic/Procedure Provider	10,716	12,571	11,327	-15%
Sengstacke Primary	5,738	5,882	6,015	-2%
Sengstacke Primary Peds	40	305	315	-87%
Radiology Tests	3062	---	3274	---
Procedures & Ancillary Services- FYTD				
Measure	FY2020	FYTD Target	FY2019	Percent from Target
PT/OT Volume (all patient types)	2,521	---	2,729	---

Source: Charge Report & Business Intelligence

ACHN Operations Overview – Five Months Ended April 30, 2020



Summary- FYTD				
Measure	FY2020	FYTD Target	FY2019	Percent From Target
Total Provider Visits	73,473	82,593	77,974	-5.0%
Primary Provider Visits- FYTD				
Measure	FY2020	FYTD Target	FY2019	Percent From Target
Arlington Heights (AR)/Vista (VH)	4,264	4069	3,844	4.8%
Austin (AH)	4,769	4521	3,797	5.5%
Child Advocacy	94	176	192	-46.6%
Care	4,623	5565	4,331	-16.9%
Cottage Grove (CG)	3,228	3139	3,132	2.8%
Englewood (EH)	4,067	4203	4,593	-3.2%
Logan Square (LS)	4,346	4130	4,665	5.2%
Morton East (ME)	348	347	308	0.3%
Near South (NS)	4,487	4704	4,715	-4.6%
North Riverside (NR) / Cicero (CH)	4,001	4308	3,475	-7.1%
OFHC (OF)	3,652	4985	4,782	-26.7%
Prieto (PH)	5,446	4265	5,826	27.7%
Robbins (RH)	3,985	3480	3,412	14.5%
Stroger Pedr	1,420	1480	1,409	-4.1%
Woodlawn (WH)	3,825	3216	3,526	18.9%
Total Primary Care Provider Vi	**52,555**	**52,588**	**52,007**	-0.1%
Specialty/Diagnostic/Procedure Provider Visits- FYTD				
Measure	FY2020	FYTD Target	FY2019	Percent From Target
Austin (AH) Behavioral Health	1,618	1,861	1,630	-13.0%
Austin (AH) OBGYN	165	153	133	7.8%
North Riverside (NR) Fam Plan (Grant)(I	93	104	102	-10.3%
North Riverside (NR) OB Gyne (NR)	123	179	165	-31.4%
Care Specialty	2,709	3,300	3,012	-17.9%
Logan Square (LS) OBGYN	161	220	270	-26.8%
Morton East (ME) OBGYN	2	16	26	-87.9%
Morton East (ME) Psych	18	24	24	-24.0%
OFHC (OF)	8,769	10,181	9,075	-13.9%
Oral Health (OH)	2,924	2,778	1,617	5.3%
Specialty Care (SC) OBGYN / RHS	5,409	6,439	5,582	-16.0%
Stroger Pedr Specialty	3,932	4,755	4,331	-17.3%
**Total Specialty Care Provider ' **	**25,923**	**30,010**	**25,967**	-13.6%
Procedures & Ancillary Services- FYTD				
Measure	FY2020	FYTD Target	FY2019	Percent From Target
OFHC PT/OT Volume	2,338	---	2,678	---
Partnerships- FYTD				
Measure	FY2020	FYTD Target	FY2019	Percent From Target
CDPH	5,937	4,440	---	33.7%
Sieglo Health Center (CCHHS	118	142	154	-16.9%

Source: Charge Report & Business Intelligence