

July 24, 2019

Honorable Alma E. Anaya
Cook County Commissioner, 7th District
118 N. Clark Street
Chicago, IL 60602

Dear Commissioner Anaya:

Below please find responses to your questions regarding the June 21, 2019 Office of the Independent Inspector General (OIIG) Report on CountyCare. Please note, we are still in the process of developing our formal response to the OIIG in which we will be providing greater detail; once complete we will share the response with all members of the Cook County Board.

1. Will CCH be following the recommendations made by the Office of the Independent Inspector General?

Yes, to the extent that they are supported by facts, represent sound business practices and are supported by Generally Accepted Accounting Principles (GAAP).

2. If so, please describe how you plan to implement the recommendations?

As noted above, CCH is in the process of developing our formal response to the OIIG in which we will be providing greater detail; once complete we will share the detailed response.

3. Are claims payable growing at a faster rate than revenue?
 - a. If so, has that been affecting patient care or supplies needed for patients in the CCH hospital system?
 - b. How might that be affecting patient care for CountyCare members seeking care with outside providers and hospitals?
 - c. How can we ensure that patient care is not negatively impacted?

No, claims payable are not outpacing revenue. In fact, claims payable have decreased from 2017 to 2018 in proportion to the premium revenue CountyCare earns each year. The timing of CountyCare revenue receipts, as well as overall Cook County cash flows, does impact the timing of claims payments. Overall, CountyCare has resulted in a very significant positive cash flow to Cook County Health, and helps offset Cook County Health's patient care expenses. In the external provider network, the timing of claims payments can be adversely impacted by cash flow timing. CountyCare works closely with its provider communities to resolve issues and ensure our members receive the care they need. CountyCare is not aware of any hospital refusing service to a member due to issues of payment timing. Out of the more than 5 million claims processed per year, individual scenarios arise with providers that are handled on a case by case basis - we have seen such instances with ancillary services such as home health. Despite the challenges we face, CountyCare has the lowest rate of

Toni Preckwinkle
President, Cook County Board of Commissioners
John Jay Shannon, MD
Chief Executive Officer, Cook County Health

provider complaints to the Illinois Department of HealthCare and Family Services of any health plan when adjusted for plan size.

4. What has been the average timeframe between the receipt and payment of a claim/bill by CountyCare?
 - a. Has the timeliness with which bills are paid changed over time?

Timeliness of claims payment has varied over time due to a number of issues, including but not limited to: state payment timeframes, overall County cash flow, available budget appropriation, and claims processing timeframes. Claims payment timeframes were generally better in 2016 (average of 22 days) prior to state cash flow slowdowns that occurred in 2017 and 2018. 2017 and 2018 claims processing timeframes (average of 43 days and 56 days respectively) were impacted as state payment delays became more prevalent. The turnaround time has improved further in the first half of 2019 (average of 38 days in 2019). This is particularly the case with safety net providers who CountyCare prioritizes for payments (92% within 30 days).

**Average claims timelines are based on the number of medical claims paid in a given year from the received date to the paid date of the claim.*

Sincerely,



John Jay Shannon, MD
CEO

July 24, 2019

Honorable Scott Britton
Cook County Commissioner, 14th District
118 N. Clark Street
Chicago, IL 60602

Dear Commissioner Britton:

Below please find responses to your questions regarding the June 21, 2019 Office of the Independent Inspector General (OIIG) Report on CountyCare. Please note, we are still in the process of developing our formal response to the OIIG in which we will be providing greater detail; once complete we will share the response with all members of the Cook County Board.

1. What is the average payment time for a vendor bill to CountyCare from the time it is submitted by the vendor? What is the average payment time for a vendor bill to CountyCare from the time of the bill is approved by CountyCare?

The average payment turnaround time for a medical provider claim during 2018 was 56 days from being received, and during the first half of 2019 has been 38 days. Generally it takes 10-15 days to determine if a claim is a payable claim. CountyCare continues to work on strategies to improve the claims processing timeframes in an environment where it experiences very significant fluctuations in cash flow from the state of Illinois.

2. Regarding the issue outlined in the Office of the Independent inspector General (OIIG) CountyCare's Healthcare Expenses Report, regardless of the specifics, there is a clear erosion of basic trust with not only the patients and CountyCare clients that CCHHS serves, but also the County Commissioners sworn to hold the County organizations fiduciary accountable. How do you plan to rebuild that trust?

Cook County Health agrees that the OIIG report has adversely impacted CCH, and particularly CCH's CountyCare health plan, both in its relationship with Commissioners as well as with the public. That being said, CCH disagrees with several premises underlying the OIIG report, and the subsequent conclusions. We believe that trust can be rebuilt only after CCH has had the opportunity to fully explain why we disagrees with several conclusions of the OIIG report. We believe no greater evidence exist to instill confidence in the operation of the system and healthcare plan than the consistent positive performance of the plan, including the manner by which the plan has contributed to CCH financially and permitted CCH to continue its essential operations, and even expand its care, all while decreasing its reliance upon public funds.

3. What purpose does shifting losses (or profits) between CountyCare and Stroger Hospital achieve, even if the final bottom line is the same?



Toni Preckwinkle
President, Cook County Board of Commissioners
John Jay Shannon, MD
Chief Executive Officer, Cook County Health

The rate was changed in July of 2017. This change was made due to a retro-active revenue reduction CountyCare received from the state of Illinois. The reimbursement rate between CountyCare and Stroger Hospital is documented in a Memorandum of Understanding. While the MOU was updated to reflect the rate change after the fiscal year, the rate was established well before hand. Cook County Health believes it was reasonable to reduce the rate as CountyCare has historically reimbursed Cook County Health at an above market rate, and given the retro reduction to CountyCare revenue, it was reasonable to adjust Cook County Health's reimbursement to rates comparable to what other providers would be paid in the market. If this change had not been made, CountyCare may have been presented as unprofitable while paying Cook County Health an above market rate.

It is important to remember that CountyCare is a budgetary unit within Cook County Health. CountyCare does not have separate revenue or expense accounts. The financial performance of the health plan is reflected in the bottom line of the health system just as the financial performance of Stroger or Provident Hospitals. The reimbursement rate between CountyCare and Stroger Hospital has been documented in the Memorandum of Understanding as a record of how the plan would reimburse the system for services provided to CountyCare members. The MOU was created solely for transparency. The rates in the 2017 MOU were established in July 2017. CountyCare contracts with network providers at negotiated rates that cannot be changed retroactively without agreement by the provider. The rates that CountyCare offers providers are well within the state and federal guidelines. CCH was notified of a retroactive reduction in rates in July of 2017 that would impact 2016 and 2017 rates, which is allowable under the contract with the state. CountyCare needed to book this reduction appropriately. As such, CCH and CountyCare leadership opted to adjust the MOU to document the actions taken regarding the reimbursement rates. Whether the plan absorbed the rate reduction or the system would not have impacted the system's bottom line. The adjusted rate is also within state and federal guidelines.

4. Why does the CCHHS budget not recognize unpaid liabilities but does recognize accrual revenues from CountyCare PMPM? Is that a best or standard practice?

The CCHHS budget, as part of the overall County budget, does not recognize either revenues not yet received or liabilities that are expected to be received in future budget years. This aligns with the accounting methodology used for the modified cash basis in the County Budget, compared to the Cook County Health GAAP financial statements. The County Comprehensive Annual Financial Report (CAFR) also recognizes significant liabilities the County expects to receive in future budget periods but the County budget only reflects expenses expected to be paid in a given year.

5. In a press statement, you said that the OIIG did not understand the complexity of how the health system is structured. Based on your own words, how can you still say we shouldn't be concerned? (Statement: "the OIIG has chosen to oversimplify a complex program guided by state and federal rules and regulations; the OIIG lacks a basic understanding of how the health system is structured.")

We believe the OIIG report has presented the Board, the Administration, and the public with a limited view of the CountyCare and CCH accounts. It is not our position that, based upon what you have seen so far, that you should

Toni Preckwinkle
President, Cook County Board of Commissioners
John Jay Shannon, MD
Chief Executive Officer, Cook County Health

not have concerns. We believe, however, that a more complete presentation of the accounting of CountyCare revenues and liabilities as analyzed by an independent auditor with expertise in this field will go a long way toward alleviating any such concerns.

6. Does CCHHS plan to adopt the OIG recommendations?

Yes, to the extent that they are supported by facts, represent sound business practices and are supported by Generally Accepted Accounting Principles (GAAP).

Sincerely,



John Jay Shannon, MD
CEO

July 24, 2019

Honorable John P. Daley
Cook County Commissioner, 11th District
118 N. Clark Street
Chicago, IL 60602

Dear Chairman Daley:

Below please find responses to your questions regarding the June 21, 2019 Office of the Independent Inspector General (OIIG) Report on CountyCare. Please note, we are still in the process of developing our formal response to the OIIG in which we will be providing greater detail; once complete we will share the response with all members of the Cook County Board.

1. How many members are currently in the CountyCare plan? What is the current per member, per month (PMPM) reimbursement rate from the State of Illinois for these members?

CountyCare currently has approximately 318,000 members. CountyCare is paid for each individual member based on tiers for age and gender, as well as medical complexity. During 2018, the total average per member per month reimbursement rate from the state of Illinois was approximately \$450 per member per month (Revenue of \$1,822,414,772/4,031,610 member months).

2. Why wasn't the rate change in 2017, from 75% to 26%, applied to any of the other healthcare providers in the CountyCare network?

We have legally binding contracts with our providers which prevent us from retrospectively increasing or decreasing their reimbursement without their agreement. This is a managed healthcare industry standard practice.

3. What is the current amount of unpaid healthcare liabilities related to CountyCare? What percentage of these claims are owed to healthcare providers who provided care to CountyCare members?

At the end of FY2018, there were \$277 million in bills received that had not yet been paid. The majority of these bills were paid in December and January, with virtually all paid by February. In addition, CountyCare places reserves for claims that will be received in the future as a liability on its financial statements. This was \$224 million in FY 2018. As of June 1st, the amount of unpaid bills received was \$300 million, and the amount due to CountyCare from the state, as well as cash on hand and deposits was \$287 million. In addition, CountyCare places reserves for claims that will be received in the future as a liability on its financial statements, and as of June 1st, estimates that amount at approximately \$200 million.

Toni Preckwinkle
President, Cook County Board of Commissioners
John Jay Shannon, MD
Chief Executive Officer, Cook County Health

4. The report indicates that only 15% of CountyCare members obtain their healthcare from Cook County Health? Can CCH continue to operate in a financially sustainable manner while only providing care to 15% of CountyCare members at CCH facilities?

To be specific, 15% of the dollars spent on provider care are spent within the Cook County Health System. Reimbursement is set by state of Illinois actuaries with the assumption that members will receive care at facilities throughout Cook County, so the revenue CountyCare is paid is expected to cover expenses. CountyCare can, and has been, financially sustainable with this amount of internal utilization.

5. How is CCH working to retain more patients and encourage CountyCare members to seek healthcare services at CCH?

CCH continuously monitors our systems to ensure patients have timely access their providers. A few of the actions resulting from this ongoing monitoring: CCH has added evening hours in primary care and specialty care clinics. New centers have opened that increased space available to allow physician specialists to increase clinic hours. Community providers have immediate access to CCH specialists using an electronic consultation (e-consult) technology which has led to improved access to CCH specialists avoiding unnecessary and long waits in emergency rooms. CCH's patient support center allow patients to make appointments 24 hours a day Monday through Friday and all day on Saturdays and Sundays. CCH has transportation program that is designed specifically for the population served, increasing compliance with keeping appointments and facilitating patients arriving on time. CCH maintains population health registries or databases for patients with chronic conditions that clinicians use to remind patients to come in for routine testing or services to keep their conditions under control.

6. Will CCH implement the recommendations made by the Inspector General at the end of his report?

Yes, to the extent that they are supported by facts, represent sound business practices and are supported by Generally Accepted Accounting Principles (GAAP).

Sincerely,



John Jay Shannon, MD
CEO

July 24, 2019

Honorable Bridget Gainer
Cook County Commissioner
118 N. Clark Street
Chicago, IL 60602

Dear Commissioner Gainer:

Below please find responses to your questions regarding the June 21, 2019 Office of the Independent Inspector General (OIIG) Report on CountyCare. Please note, we are still in the process of developing our formal response to the OIIG in which we will be providing greater detail; once complete we will share the response with all members of the Cook County Board.

1. Is the disparity in the numbers reported by the CCHHS v. the OIIG one of timing or structure? Reconciliation v. cash for \$701 million v. \$14 million. Why was \$448 million the number for 2018?

It appears the OIIG utilized numbers from Cook County Health's audited financial statements to create the comparisons provided in the report. CCH has provided more detail that breaks down the \$701 million in liabilities between reserves (\$224 million), internal reimbursement (\$199 million), and actual unpaid bills (\$277 million) we had received but not yet paid as of November 30th 2018. The financial statements are a snapshot in time, so the subsequent payments made to pay all received bills is not captured.

2. Please provide a breakdown of the actual amount owed.

As of November 30th, 2018, there were \$277 million of unpaid bills, and \$224 million of reserves for future bills. All of the \$277 million in bills that had been received by November 30th have been paid.

3. The second issue raised was failure to disclose. What is your response? How is this reflected in the CCHHS and County budgets? How do we ensure transparency and clarity via the audit process, County Board budget and hearings in order to give the Commissioners and the public confidence in the numbers?

CCH provides monthly financial reports to the Finance Committee of the CCH Board, to the full CCH Board and monthly reports to the Cook County Board detailing financial, operational, quality regulatory and other issues germane to governance. CCH discussed extensively with the Cook County Health board the retro-active rate reduction to CountyCare from the State of Illinois. In addition, reports include comparisons of budget to actuals and the variances shown reflected the reimbursement rate changes. The external audit process includes a full independent review of CCH financials. At County Board briefings, CCH discloses and discusses budget drivers including State & Federal issues – including impacts of State actions on CCH operations.

Toni Preckwinkle
President, Cook County Board of Commissioners
John Jay Shannon, MD
Chief Executive Officer, Cook County Health

4. Have there been changes to reimbursement rates in addition to 2018? If so, why?

The reimbursement rate for FY 2018 was 70% of charges. It was reflected at 70% of charges throughout the 2018 fiscal year. The Memorandum of Understanding (MOU) documentation of this rate was updated in early 2019. CountyCare returned to reimbursing Cook County Health at an above market rate in 2018 as there was not unanticipated, retro-active state reductions in CountyCare revenues as there was in FY2017.

It is important to remember that CountyCare is a budgetary unit within Cook County Health. CountyCare does not have separate revenue or expense accounts. The financial performance of the health plan is reflected in the bottom line of the health system just as the financial performance of Stroger or Provident Hospitals. The reimbursement rate between CountyCare and Stroger Hospital has been documented in the Memorandum of Understanding as a record of how the plan would reimburse the system for services provided to CountyCare members. The MOU was created solely for transparency. The rates in the 2017 MOU were established in July 2017. CountyCare contracts with network providers at negotiated rates that cannot be changed retroactively without agreement by the provider. The rates that CountyCare offers providers are well within the state and federal guidelines. CCH was notified of a retroactive reduction in rates in July of 2017 that would impact 2016 and 2017 rates, which is allowable under the contract with the state. CountyCare needed to book this reduction appropriately. As such, CCH and CountyCare leadership opted to adjust the MOU to document the actions taken regarding the reimbursement rates. Whether the plan absorbed the rate reduction or the system would not have impacted the system's bottom line. The adjusted rate is also within state and federal guidelines.

5. The larger issue is to explore the overall sustainability of the model. Is the self-insured structure of Obama Care sustainable? Are pressures of the Trump Administration making enrollment difficult? The model of the county paying others to provide care - it expands access to care, but are we **best** positioned to run such a model?

CountyCare has contributed over \$1 billion to Cook County Health over the past 5 years on a county budget/cash basis. The Affordable Care Act (ACA) signed into law under President Obama has allowed this. The current Administration's dialogue around "Public Charge" has had an adverse impact on enrollment. CountyCare is a high performing plan and well positioned in the competitive market.

Sincerely,



John Jay Shannon, MD
CEO

July 24, 2019

Honorable Bill Lowry
Cook County Commissioner, 3rd District
118 N. Clark Street
Chicago, IL 60602

Dear Commissioner Lowry:

Below please find responses to your questions regarding the June 21, 2019 Office of the Independent Inspector General (OIIG) Report on CountyCare. Please note, we are still in the process of developing our formal response to the OIIG in which we will be providing greater detail; once complete we will share the response with all members of the Cook County Board.

1. How much revenue, including but not limited to the PMPM payments from the State of Illinois, did CCH and/or CountyCare receive, which CCH DID NOT reflect in its final account?

The FY2018 Audited Financial Statements reflected all anticipated revenue from the State of Illinois for 2018.

2. How much revenue, including but not limited to the PMPM payments from the State of Illinois, did the OIIG not capture in its investigative report?

The Office of the OIIG report showed the outstanding amount owed to CountyCare at the end of FY2018 ("Due from State") in comparison to "Claims Payable". However, in a number of those comparisons the cash on hand is not shown. The cash on hand includes previous premium revenue received prior to the end of the FY2018, and over \$370 million. The report also did not reflect that CountyCare, on a cash basis, has generated more in revenue than it has paid out in expenses each budget year, resulting in over \$1 billion from the past 5 years available to Cook County Health to offset expenses for care provided to the uninsured and care to CountyCare members.

3. The OIIG report stated the decision to shift the reimbursement percentages, from the outlined percentages found in the MOU between CCH and CountyCare, was managerial. Who at CCH and/or CountyCare made the decision to retroactively shift the reimbursement percentage, from the 2017 MOU, from 75% to 26%?

The rate was changed in July of 2017. This change was made due to a retro-active revenue reduction CountyCare received from the State of Illinois. The reimbursement rate between CountyCare and Stroger Hospital is documented in the Memorandum of Understanding (MOU). While the MOU was updated to reflect the rate change after the fiscal year, the rate was established well before hand. Cook County Health believes it was reasonable to reduce the rate as CountyCare has historically reimbursed Cook County Health at an above market rate, and given the retro reduction to CountyCare revenue, it was reasonable to adjust Cook County Health's



Toni Preckwinkle
President, Cook County Board of Commissioners
John Jay Shannon, MD
Chief Executive Officer, Cook County Health

reimbursement to rates comparable to what other providers would be paid in the market. If this change had not been made, CountyCare may have been presented as unprofitable while paying Cook County Health an above market rate.

It is important to remember that CountyCare is a budgetary unit within Cook County Health. CountyCare does not have separate revenue or expense accounts. The financial performance of the health plan is reflected in the bottom line of the health system just as the financial performance of Stroger or Provident Hospitals. The reimbursement rate between CountyCare and Stroger Hospital has been documented in the Memorandum of Understanding as a record of how the plan would reimburse the system for services provided to CountyCare members. The MOU was created solely for transparency. The rates in the 2017 MOU were established in July 2017. CountyCare contracts with network providers at negotiated rates that cannot be changed retroactively without agreement by the provider. The rates that CountyCare offers providers are well within the state and federal guidelines. CCH was notified of a retroactive reduction in rates in July of 2017 that would impact 2016 and 2017 rates, which is allowable under the contract with the state. CountyCare needed to book this reduction appropriately. As such, CCH and CountyCare leadership opted to adjust the MOU to document the actions taken regarding the reimbursement rates. Whether the plan absorbed the rate reduction or the system would not have impacted the system's bottom line. The adjusted rate is also within state and federal guidelines.

4. Follow up to the aforementioned question 3, what was the rationale for the decision to shift the reimbursement percentages and this shift give the appearance CountyCare generated more revenue than it actually generated?

This change had no impact on the amount of revenue generated by CountyCare. This change did impact the amount of reimbursement CountyCare provides to Cook County Health. On a budget or cash basis, this change also had no impact on the amount of cash available to Cook County Health to pay its expenses.

5. What is the likelihood another report, like the OIIG report, could occur again given the current practices of repaying prior debt in subsequent fiscal years?

As is standard and best practice, the County, and CCH, budgets reflect amounts that are expected to be paid in a given year. CountyCare will always have bills that it has not yet received, and that may be billed for up to 6 months after the end of a budget year, that it will be required to pay from the following budget year. The County budget for a given year must be closed in a timely manner, in order to stay within Government Finance Officers Association (GFOA) best practices and to avoid audit findings. As a result, under current policies, there is no mechanism that would allow Cook County Health to pay a claim received long after a given budget year to that prior period budget.

6. Does CCH and/or CountyCare keep an aging report to track unpaid claims? If so, please explain why CCH and/or CountyCare did not provide such a report to the OIIG?

Cook County Health complied with all requests from the Office of the OIIG. CountyCare's standard mechanism for tracking aging of claims is the percent of claims paid within a given timeframe, such as 30 days. This

Toni Preckwinkle
President, Cook County Board of Commissioners
John Jay Shannon, MD
Chief Executive Officer, Cook County Health

information, which is also provided to the Cook County Health Board each month, was provided to the OIIG. CountyCare is in the process of developing a more detailed aging report that accurately reflects expected reimbursements of unpaid claims.

7. Please provide any reports or studies CCH and/or CountyCare, used to respond to or rebut the allegations listed in the OIIG Report; including, but not limited to the aging report for unpaid claims, the MOUs (2017 and 2018) between CCH and CountyCare, and any other relevant documentation.

Cook County Health was not provided an opportunity to respond to the OIIG report prior to its public release. Cook County Health expects to provide its formal response to the OIIG report in the coming weeks. The attached link provides the Comprehensive Annual Financial Report (CAFR) listed in the OIIG report:
<https://www.cookcountyil.gov/service/financial-reports> . *The MOU, as amended, is attached to this letter.*

Sincerely,



John Jay Shannon, MD
CEO

July 24, 2019

Honorable Donna Miller
Cook County Commissioner, 6th District
118 N. Clark Street
Chicago, IL 60602

Dear Commissioner Miller:

Below please find responses to your questions regarding the June 21, 2019 Office of the Independent Inspector General (OIIG) Report on CountyCare. Please note, we are still in the process of developing our formal response to the OIIG in which we will be providing greater detail; once complete we will share the response with all members of the Cook County Board.

1. Did CCH provide the OIIG documents explaining the breakdown of the \$701 million in liabilities or follow up with the OIIG in February when the claims were paid?

The Office of the OIIG released the report without previously providing the report to Cook County Health. Cook County Health was not aware of the focus of the OIIG review or what the OIIG would state in the report.

2. Is it accurate that CCH routinely changes revenue and expense figures between operating units and if so, was the CCH Board of Directors aware of this practice? Was the County Board made aware of this?

As part of routine financial reviews and reporting, Cook County Health may correct, reclassify expenses or revenue to improve accuracy of the accrual based financials in line with Generally Accepted Accounting Principles (GAAP).

3. Should the CountyCare provider network be trimmed? Is it too expansive? If so why or why not?

The provider network exceeds federal access and availability standards. Cook County Health is always examining the network to determine the proper size and scope, and to maintain the quality of services being provided to our members.

4. Did CountyCare owe the State \$26 million at the end of FY18 and if so why?

The state periodically updates the rates paid to health plans. Depending on the timing of the rate change and when the state adjust the rates to the plans, plans may have been owed additional revenue from the state or owe funds back to the state at any given point in time.

Toni Preckwinkle
President, Cook County Board of Commissioners
John Jay Shannon, MD
Chief Executive Officer, Cook County Health

5. Is it accurate that some contractors have placed CCH's accounts on hold for the lack of payment resulting in a shortage of pacemakers and anesthesia for surgeries, and if so, how has it affected service provision?

Cook County Health leadership is not aware of the specific incident referenced in the report. For context, in FY2018 CCH processed over 42,000 invoices for nearly 900 vendors totaling nearly \$1.9 billion. Given the size and scale of CCH, it is possible that in some circumstances, payments may not be made to vendors for legitimate disputes as to billed amounts, where the using departments appropriately requests further information to ensure accuracy. In other instances, invoices may have been sent to departments or accounts payable and not processed timely. In these instances, CCH attempts a service recovery by reaching out to the vendor to mitigate concerns and prioritize the payments. Going forward CCH is working with County to implement a new technology tool that will allow online submission of invoices by vendors. This will hopefully ensure that invoices are time stamped, with auditable trails for improved efficiency and accountability.

6. How will the 7% decline in MCO enrollment and subsequent 20,000 fewer CountyCare enrollees for FY19 affect CountyCare's ability to pay claims?

While CountyCare will receive less revenue as a result of lower enrollment, CountyCare will also have a proportionally lower amount of expenses as CountyCare is not responsible for claims payments associated with those members.

7. Will CCH implement the 5 recommendations from the OIIG outlined in the report?

Yes, to the extent that they are supported by facts, represent sound business practices and are supported by Generally Accepted Accounting Principles (GAAP).

Sincerely,



John Jay Shannon, MD
CEO

July 24, 2019

Honorable Sean Morrison
Cook County Commissioner, 17th District
118 N. Clark Street
Chicago, IL 60602

Dear Commissioner Morrison:

Below please find responses to your questions regarding the June 21, 2019 Office of the Independent Inspector General (OIIG) Report on CountyCare. Please note, we are still in the process of developing our formal response to the OIIG in which we will be providing greater detail; once complete we will share the response with all members of the Cook County Board.

1. Is it accurate that 85% of CountyCare Members obtain their healthcare from external providers? If so, please explain how CountyCare can generate enough revenue to pay all the outstanding healthcare expenses each year?

85% of the dollars spent on provider care are spent outside the Cook County Health System. Reimbursement is set by independent actuaries hired by the state of Illinois with the assumption that members will receive care at facilities throughout Cook County. As a result, revenues are generally expected to cover expenses regardless of where members receive their care. However, Cook County Health maximizes the financial benefit to the health system when CountyCare members receive their care at CCH rather than externally in the network.

2. What is the exact amount of unpaid liabilities?

At the end of FY2018, there was \$277 million of bills received that had not yet been paid. The majority of these bills were paid during December and January 2019 and virtually all were paid by February. In addition, CountyCare places reserves for claims that will be received in the future as a liability on its financial statements. This was \$224 million as of November 30th, 2018. As of June 1st, the amount of unpaid bills received was \$300 million, and the amount due to CountyCare from the state, as well as cash on hand and deposits was \$287 million. In addition, CountyCare places reserves for claims that will be received in the future as a liability on its financial statements, and as of June 1st, estimates that amount at approximately \$200 million.

3. Is it true that some providers have refused to provide healthcare to CountyCare members due to the lack of payments?

In the external provider network, the timing of claims payments can be adversely impacted by cash flow timing. CountyCare works closely with its provider communities to resolve provider issues and ensure our members receive the care they need. CountyCare is not aware of any hospital refusing service to a member due to issues



Toni Preckwinkle
President, Cook County Board of Commissioners
John Jay Shannon, MD
Chief Executive Officer, Cook County Health

of payment timing. Out of the more than 5 million claims processed per year, individual scenarios arise with providers that are handled on a case by case basis - we have seen such instances with ancillary services such as home health. Despite the challenges we face, CountyCare has the lowest rate of provider complaints to the Illinois Department of HealthCare and Family Services of any health plan when adjusted for plan size.

4. Is it true that some contractors have placed CCH's account on hold for lack of payment resulting in the lack of certain supplies for the hospital?

Cook County Health leadership is not aware of the specific incident referenced in the report. For context, in FY2018 CCH processed over 42,000 invoices for nearly 900 vendors totaling nearly \$1.9 billion. Given the size and scale of CCH, it is possible that in some circumstances, payments may not be made to vendors for legitimate disputes as to billed amounts, where the using departments appropriately requests further information to ensure accuracy. In other instances, invoices may have been sent to departments or accounts payable and not processed timely. In these instances, CCH attempts a service recovery by reaching out to the vendor to mitigate concerns and prioritize the payments. Going forward CCH is working with County to implement a new technology tool that will allow online submission of invoices by vendors. This will hopefully ensure that invoices are time stamped, with auditable trails for improved efficiency and accountability.

5. What is the length of time invoices are held prior to payment?

CCH prioritizes invoice payments and will routinely prioritize payments based on aging of invoices or reprioritization based upon operational imperatives.

6. With regard to the Memorandum of Understanding between CountyCare and CCH, what was the reason for amending it in 2018? Is it accurate that this retroactively reduced the reimbursement rate to Stroger Hospital from 75% to 26% for the 2017 fiscal period? Who made the decision to make this amendment?

The rate was changed in July of 2017. This change was made due to a retro-active revenue reduction CountyCare received from the State of Illinois. The reimbursement rate between CountyCare and Stroger Hospital is documented in the Memorandum of Understanding. While the MOU was updated to reflect the rate change after the fiscal year, the rate was established well before hand. Cook County Health believes it was reasonable to reduce the rate as CountyCare has historically reimbursed Cook County Health at an above market rate, and given the retro reduction to CountyCare revenue, it was reasonable to adjust Cook County Health's reimbursement to rates comparable to what other providers would be paid in the market. If this change had not been made, CountyCare may have been presented as unprofitable while paying Cook County Health an above market rate.

It is important to remember that CountyCare is a budgetary unit within Cook County Health. CountyCare does not have separate revenue or expense accounts. The financial performance of the health plan is reflected in the bottom line of the health system just as the financial performance of Stroger or Provident Hospitals. The reimbursement rate between CountyCare and Stroger Hospital has been documented in the Memorandum of

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President, Cook County Board of Commissioners
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Chief Executive Officer, Cook County Health

Understanding as a record of how the plan would reimburse the system for services provided to CountyCare members. The MOU was created solely for transparency. The rates in the 2017 MOU were established in July 2017. CountyCare contracts with network providers at negotiated rates that cannot be changed retroactively without agreement by the provider. The rates that CountyCare offers providers are well within the state and federal guidelines. CCH was notified of a retroactive reduction in rates in July of 2017 that would impact 2016 and 2017 rates, which is allowable under the contract with the state. CountyCare needed to book this reduction appropriately. As such, CCH and CountyCare leadership opted to adjust the MOU to document the actions taken regarding the reimbursement rates. Whether the plan absorbed the rate reduction or the system would not have impacted the system's bottom line. The adjusted rate is also within state and federal guidelines.

7. Regarding any and all changes/amendments made which produced a fiscal impact on the hospital system, where these actions present to, and approved by, the Independent Hospital Board prior to activation?

The retroactive rate reduction to CountyCare revenue was discussed extensively with the Cook County Health Board. The rate change documented in the MOU was not an item presented for approval to the Cook County Health Board. However, this MOU has no impact to the overall profit or loss of the Cook County Health System as a whole. In addition, the financial information presented to the Cook County Health Board includes variances from budget to actuals, and reflected the changed reimbursement rate in those variances.

8. Please detail your position on each of the five (5) recommendations made by the OIG in his report of June 21, 2019 and the plan you have to follow said recommendations.

CCH will implement the recommendations of the OIG to the extent that they are supported by facts, represent sound business practices and are supported by Generally Accepted Accounting Principles (GAAP). As noted above, CCH is in the process of developing our formal response to the OIG in which we will be providing greater detail; once complete we will share the detailed response.

Sincerely,



John Jay Shannon, MD
CEO