

Cook County Health and Hospitals System of Illinois d/b/a Cook County Health

An Enterprise Fund of Cook County, Illinois

Report to the Audit and Compliance Committee
May 31, 2024





May 31, 2024

Audit and Compliance Committee
Cook County Health and Hospitals System of Illinois d/b/a Cook County Health
Cook County, Illinois

RSM US LLP

30 South Wacker Dr., Ste. 3300
Chicago, IL 60606-7481

O +1 312 634 3400
F +1 312 634 3410

www.rsmus.com

Attention: Mr. Joseph M. Harrington, Chair

We are pleased to present this report related to our audit of the financial statements of Cook County Health and Hospitals System of Illinois d/b/a Cook County Health (CCH), an enterprise fund of Cook County, Illinois (the County), as of and for the year ended November 30, 2023. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for CCH's financial reporting process.

This report is intended solely for the information and use of the Audit and Compliance Committee and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to CCH.

RSM US LLP

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REQUIRED COMMUNICATIONS

Auditing standards generally accepted in the United States of America (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial and related compliance reporting process.

Our Responsibilities With Regard to the Financial Statement and Compliance Audit

Our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States have been described to you in our engagement letter dated January 31, 2024. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication dated April 1, 2024, regarding the planned scope and timing of our audit and identified significant risks.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices

Under accounting principles generally accepted in the United States of America, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by CCH. The following is a description of significant accounting policies or their application that were either initially selected or changed during the year:

- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, requires CCH to record subscription liabilities and right-of-use subscription assets based on the present value of payments (as lessee), over the non-cancellable terms of the respective leases. Renewal and termination options are not included in the lease terms unless they are reasonably certain of exercise. Variable payments that are not fixed in nature are not included in the SBITA liability. As a result of implementing this standard, the December 1, 2022, balance for right-of-use capital assets and subscription obligations, were restated each from \$0, as previously reported, to \$26,187,670. The implementation of this standard had no impact on December 1, 2022, net position balance.

Significant Accounting Policies

We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Unusual Transactions

We did not identify any significant unusual transactions.

Management's Judgments and Accounting Estimates

Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates section.

Audit Adjustments and Uncorrected Misstatements

Audit adjustments, other than those that are clearly trivial, proposed by us and recorded by CCH are shown in the attached list of Recorded Audit Adjustments.

Uncorrected misstatements are summarized in the attached list of Uncorrected Misstatements. Uncorrected misstatements or matters underlying these uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if we have concluded that the uncorrected misstatements are immaterial to the financial statements under audit.

Departure From the Auditor's Standard Report

Expected Emphasis-of-Matter Paragraph

CCH implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, in fiscal year 2023. This statement had a significant impact on the 2023 financial statements. In light of this matter, we will include an emphasis-of-matter paragraph in the auditor's report. Below is a draft of the paragraph to be included in the auditor's report:

Emphasis of Matter

As discussed in Note 3, the financial statements have been restated for the implementation of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. As a result of the implementation, right-of-use capital assets and subscription obligations were restated as of December 1, 2022. Our opinion is not modified with respect to this matter.

Observations About the Audit Process

Disagreements With Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

Consultations With Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed With Management

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

Significant Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in dealing with management during the audit.

Difficult or Contentious Matters That Required Consultation

We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

Shared Responsibilities for Independence

Independence is a **joint responsibility** and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with American Institute of Certified Public Accountants (AICPA) and *Government Accountability Office* (GAO) independence rules. For RSM to fulfill its professional responsibility to maintain and monitor independence, management, the Audit and Compliance Committee, and RSM each play an important role.

Our Responsibilities

- AICPA and GAO rules require independence both of mind and in appearance when providing audit and other attestation services. RSM is to ensure that the AICPA and GAO's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality management over compliance with independence rules and firm policies.

CCH's Responsibilities

- Timely inform RSM, before the effective date of transactions or other business changes, of the following:
 - New affiliates, directors, officers or persons in financial reporting oversight roles.
 - Changes in the organizational structure or the reporting entity impacting affiliates such as subsidiaries, partnerships, related entities, investments, joint ventures, component units, jointly governed organizations.
- Provide necessary affiliate information such as new or updated structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to CCH and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with RSM.
- Not entering into arrangements of nonaudit services resulting in RSM being involved in making management decisions on behalf of CCH.
- Not entering into relationships resulting in close family members of RSM covered persons, temporarily or permanently acting as an officer, director, or person in an accounting, financial reporting or compliance oversight role at CCH.

Significant Written Communication Between Management and Our Firm

The representation letter provided to us by management is attached as Exhibit A.

SIGNIFICANT ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following summarizes the significant accounting estimates reflected in CCH's November 30, 2023 financial statements.

Significant Accounting Estimates	
Allowance for uncollectible patient accounts (\$48,820,308)	
Accounting policy	Patient accounts receivable are recorded at their estimated net realizable value.
Management's estimation process	<p>The allowance for uncollectible patient accounts receivable is based on management's estimate of the collectability of identified receivables, based on the payor classification, as well as the aging of patient accounts receivable.</p> <p>Management determines the allowance for uncollectible patient accounts receivable using allowance percentages based on historical collection experience and management's judgment, applied to an aging of accounts by payor classification. Allowance percentages are developed based on actual collection experience and management's understanding of changes in reimbursement.</p>
Basis for our conclusion on the reasonableness of the estimate	<p>We tested the underlying information supporting this allowance, including the year-end aging reports and collection experience.</p> <p>We also performed hindsight test of the November 30, 2022 allowance for uncollectible accounts using subsequent collection experience, which indicated that the November 30, 2022 allowance was reasonable.</p> <p>Furthermore, we reviewed the subsequent cash collections of patient accounts receivable at November 30, 2023, through March 31, 2024, to assess the reasonableness of the November 30, 2023, valuation.</p> <p>Based on the testing performed, the allowance for uncollectible patient accounts receivable appears reasonable.</p>
Third-party settlements payable (\$4,102,273)	
Accounting policy	Net patient service revenue is reported at estimated realizable amounts from patients, third-party payors and others for services rendered. Retroactive adjustments under reimbursement agreements with third-party payors are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and are adjusted in future periods as final settlements are determined.

Significant Accounting Estimates

Management's estimation process

The settlements due to/from third-party payors (primarily Medicare) are based on management's estimate of amounts due to/from Medicare and Blue Cross relating to cost report filings and the Blue Cross HMO and PPO agreements, as well as exposure to repayments associated with Recovery Audit Contractor (RAC) and other third-party payor audits.

Management calculates third-party settlements receivable and payable based on estimated, filed and settled Medicare and Blue Cross cost reports. Management also relies on experience reporting data received from the Medicare fiscal intermediary and Blue Cross. The settlement accounts include provisions for audit adjustments and unforeseen issues that may arise from future audits.

Basis for our conclusion on the reasonableness of the estimate

With the assistance of an RSM reimbursement specialist, we tested management's third-party account roll-forward analysis and supporting schedules by performing analytical and substantive tests of these schedules and third-party account balances on a sample basis. In addition, we read correspondence received during the year from the Medicare fiscal intermediary. We also reviewed the Blue Cross managed care settlement and Uniform Payment Program (UPP) accounts.

Based on the testing performed, we concluded the third-party settlement payable was reasonable.

Claims payable (\$585,599,500)

Accounting policy

CCH records an estimate of amounts payable to providers outside of CCH for services provided to CountyCare members. This estimate reflects the projected ultimate cost of services incurred but not paid, net of the expected stop-loss insurance recoveries.

Management's estimation process

Milliman, an independent actuarial firm, was engaged to assist management in estimating the CountyCare claims payable. Milliman used historical claims data, as well as claims paid data through February 28, 2024, to estimate the liability as of November 30, 2023.

Basis for our conclusion on the reasonableness of the estimate

We obtained the report prepared by the independent actuary and performed analytical and substantive tests of the underlying data used by the actuary in its valuation. With the assistance of an RSM actuarial specialist, we assessed the reasonableness of actuarial assumptions and methods used.

Based on the testing performed, the claims payable liability appears reasonable.

Net pension liability (\$4,186,806,540) and total OPEB liability (\$492,938,008)

Accounting policy

CCH accounts for its portion of the net pension liability, total OPEB liability, deferred outflows of resources, deferred inflows of resources and pension/OPEB expense in accordance with GASB 68 (pensions) and GASB 75 (OPEB) based on the proportionate share of each (based on covered payroll for pension and headcount for OPEB).

Significant Accounting Estimates

Management's estimation process	The County works with the plan and the actuary to develop reasonable assumptions such as the long-term rate of return on investments, mortality tables, healthcare cost trend rates and assumptions about future cash flows that impact the discount rate projection. County management obtains Schedules of Pension amounts and OPEB amounts from each plan's auditor, which is based on the actuary's calculations, to determine the total amounts related to the County.
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Basis for our conclusion on the reasonableness of the estimate	We obtained the actuary's pension and OPEB reports and Schedule of Pension/OPEB amounts directly from the actuary and plan auditor, together with confirmation of their independence and objectivity. We also obtained a copy of the employee census data provided to the actuary. On a sample basis, we tested that the census data provided was accurate. An RSM actuary reviewed the methods and assumptions used by the County's actuary. We tested the covered payroll and employee headcount data. We concluded the estimates were reasonable.
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Self-insured liabilities (\$179,805,088)

Accounting policy	CCH records an allocation of the County's estimate of the probable loss for workers' compensation, medical malpractice and other self-insured claims. The accrued liability represents an estimate of the eventual loss on claims, including claims incurred but not yet reported (IBNR).
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Management's estimation process	The County's risk management and legal departments provide details of open cases, loss estimates, claims payment activity and other information to the actuary. This data is used by the actuary to estimate the probable liabilities and related expense based on historical trends and other loss factor data. Employee health claim liabilities are estimated based on lag report data. Management reviews and approves the actuarial results.
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Basis for our conclusion on the reasonableness of the estimate	We obtained the actuary's report directly from the actuary. We tested certain source data (information on claims and claims payments) provided to the actuary. An RSM actuary reviewed the methods and assumptions used by the County's actuary for reasonableness. We concluded all adjusted estimates were reasonable.
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Incremental borrowing rate for leases (Lease receivable \$27,381,363) (Lease liability \$37,727,695)

Accounting policy	Management records leases receivable and lease obligations based on the present value of lease receipts (as lessor) or lease payments (as lessee), using an estimated incremental borrowing rate.
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Management's estimation process	Management developed an incremental borrowing rate based on other recent debt issuances of the County.
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Basis for our conclusion on the reasonableness of the estimate	We reviewed the support for the incremental borrowing rate used by CCH and determined it was reasonable.
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Significant Accounting Estimates

Incremental borrowing rate for Subscription-Based Information Technology Arrangements (SBITAs) (Right-of-use asset \$36,898,509) (Liability \$37,448,984)

Accounting policy	Management records the SBITA right-of-use asset and liability based on the present value of payments (as lessee), using an estimated incremental borrowing rate.
Management's estimation process	Management developed an incremental borrowing rate based on other recent debt issuances of the County.
Basis for our conclusion on the reasonableness of the estimate	<p>We reviewed the support for the incremental borrowing rate used by CCH and determined it was reasonable.</p> <p>During our testing of management's SBITA calculations, we identified an error in the calculation for one of the SBITA contracts that resulted in an overstatement of the SBITA right-of-use asset and liability of approximately \$1.8 million. We proposed an adjustment to correct this misstatement, which is included in the Summary of Uncorrected Misstatements.</p> <p>When implementing GASB Statement No. 96, CCH management adopted a convention used by the County to not recognize assets and liabilities for individual SBITA contracts with total payments less than \$750,000, assuming such amounts would be insignificant. Management quantified the effect of excluding such contracts, which was approximately \$8.0 million as of December 1, 2022 (date of implementation) and \$3.5 million as of November 30, 2023. We proposed an adjustment to correct this misstatement, which is included in the Summary of Uncorrected Misstatements.</p>

RECORDED AUDIT ADJUSTMENTS

Management corrected the following misstatements that were identified as a result of our audit procedures.

Description	Increase (Decrease)				
	Assets	Liabilities	Net Position	Revenue	Expenses
Adjust property taxes for improper allocation between funds	\$ (2,131,430)	\$ -	\$ -	\$ (2,131,430)	\$ -
Reclassify net position from unrestricted to net investment in capital assets:					
Net investment in capital assets	-	-	14,532,005	-	-
Unrestricted net deficit	-	-	(14,532,005)	-	-
Reclassify self-insurance claims liability from noncurrent to current liabilities:					
Self-insurance liability - current	-	5,746,287	-	-	-
Self-insurance liability - noncurrent	-	(5,746,287)	-	-	-
	<u>\$ (2,131,430)</u>	<u>\$ -</u>		<u>\$ (2,131,430)</u>	<u>\$ -</u>
Effect on change in net position			(2,131,430)		
Effect on ending net position			<u>\$ (2,131,430)</u>		

UNCORRECTED MISSTATEMENTS

We identified the following uncorrected misstatements that management has concluded are not, individually or in the aggregate, material to the financial statements. We agree with management's conclusion in that regard.

Description	Increase (Decrease)				
	Assets	Liabilities	Net Position	Revenue	Expense
Reversed opening net position misstatements	\$ -	\$ -	\$ (8,066,859)	\$ 363,475	\$ (7,703,384)
To record asset retirement obligation in accordance with GASB 83	-	3,161,790	-	-	3,161,790
To adjust SBITA balances at 11/30/23:					
Capital assets	(1,815,209)	-	-	-	-
SBITA liability	-	(1,850,382)	-	-	-
Maintenance expense	-	-	-	-	933,383
Amortization expense	-	-	-	-	(871,300)
Interest expense	-	-	-	-	(97,256)
To record SBITA balances < \$750,000 at 11/30/23 (Note 1)					
Capital assets	3,534,899	-	-	-	-
SBITA liability	-	3,534,899	-	-	-
	<u>\$ 1,719,690</u>	<u>\$ 4,846,307</u>		<u>\$ 363,475</u>	<u>\$ (4,576,767)</u>
Effect on change in net position			4,940,242		
Effect on ending net position			<u>\$ (3,126,617)</u>		

Note 1: Unrecognized SBITA balances < \$750,000 at 12/1/22 totaled \$8,026,778.

In addition to the misstatements included above, we identified the following misstatement (i.e., omitted, incomplete and (or) inaccurate disclosure) that management has concluded is immaterial to the financial statements taken as a whole:

- a. Within Note 8 to the financial statements, the increase and decrease amounts in the roll-forward of the property tax objections liability are each understated by \$2,111,037.

EXHIBIT A

Significant Written Communication Between Management and Our Firm



COOK COUNTY HEALTH

Leadership

Toni Preckwinkle
President
Cook County Board of Commissioners

Erik Mikaitis, MD, MBA
Interim Chief Executive Officer
Cook County Health

Board of Directors

Lyndon Taylor
Chair of the Board

Hon. Dr. Dennis Deer, LCPC, CCFC
Vice Chair of the Board

Jay Bhatt, DO, MPH, MPA
Robert Currie
Raul Garza
Joseph M. Harrington

Robert G. Reiter, Jr.
Sam A Robinson, III, PhD
Tanya R. Sorrell, PhD, PMHNP-BC
Mia Webster Cross, MSN, RN

May 31, 2024

RSM US LLP
30 S. Wacker Drive, Suite 3300
Chicago, Illinois 60606

This representation letter is provided in connection with your audit of the basic financial statements of Cook County Health and Hospital System of Illinois d/b/a Cook County Health (CCH), an enterprise fund of Cook County, Illinois (the County), as of and for the year ended November 30, 2023 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves, that as of May 31, 2024:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 31, 2024, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation and maintenance of controls to prevent and detect fraud.

4. The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in the context of U.S. GAAP, and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.

5. The methods, assumptions and data used to estimate pension and other post-employment benefits liabilities (OPEB) and related amounts, and self-insured liabilities are as follows, and result in an estimate that is appropriate for financial statement measurement and disclosure purposes and have been consistently selected and applied in making the estimate: County management (self-insured liabilities) and Plan management (pension and OPEB liabilities) engage actuaries to project future liabilities and discount the liabilities to their present value using a discount rate. In addition to the discount rate used, other significant assumptions include mortality rates, healthcare cost trend rates, and ultimate loss estimates. The actuaries use census and other data provided by the County or Plan management. Significant judgments made in making the estimate have taken into account all relevant information of which we are aware. Appropriate specialized skills or expertise has been applied in making the estimate. The assumptions listed above properly reflect our intent and ability to carry out the specific courses of actions previously communicated to you on behalf of CCH. We have also appropriately considered alternative assumptions or outcomes through evaluating Sensitivity Analysis. All disclosures related to the estimates, including disclosures describing estimation uncertainty, are complete and reasonable in the context of U.S. GAAP. No subsequent events have occurred that would require adjustment to the estimates and related disclosures included in the financial statements.

6. The methods, assumptions and data used to estimate other balances are as follows, and result in estimates that are appropriate for financial statement measurement and disclosure purposes and have been consistently selected and applied in making the estimates:
 - a. Allowances against patient accounts receivable – Management establishes allowances for contractual discounts and uncollectible accounts based on the payor and contracted rates, the length of time the receivable is outstanding, and historical experience.
 - b. Depreciation of capital assets - Management establishes estimated useful lives of individual assets based on their expected life and use. Management uses all relevant facts available to them to make the best judgment about useful lives of assets.
 - c. Property tax objection liability - The County assesses historical refund activity by refund type and levy year to estimate the life cycle of refunds for

- any given levy year. The term of the life cycle is then used to estimate future refunds for levy years in which refunds are still anticipated.
- d. Property tax allowance - The County estimates the uncollectible percentage of each tax levy each year based on historical tax collection data. Once the provision is determined, it is included for approval in the Annual Appropriation Bill.
 - e. Lease and subscription-based information technology arrangement (SBITA) discount rates - For any leases or SBITAs without a stated rate, CCH calculates the implicit rate within each agreement, or used the estimated borrowing rate of a similar term security.
7. Related-party transactions have been recorded in accordance with the economic substance of the transactions and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Types of related party transactions engaged in by CCH include:
- a. Those with the County having accountability for CCH.
 - b. Those with other organizations for which the nature and significance of their relationship with CCH are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.
 - c. Interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees.
8. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.
9. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
10. The following have been properly recorded and/or disclosed in the financial statements:
- a. Net positions classifications.
 - b. All leases required to be accounted for in accordance with GASB Statement No. 87.
 - c. All Subscription-Based Information Technology Arrangements required to be accounted for in accordance with GASB Statement No. 96.

- d. All significant estimates and material concentrations known to management which are required to be disclosed.
- e. Risk financing activities.
- f. The effect, if known, on the financial statements of Governmental Accounting Standards Board (GASB) Statements No. 94, 99, 100, 101 and 102 which have been issued, but which we have not yet adopted.
- g. Liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability, or which were subordinated in any way.
- h. Pension obligations, post-retirement obligations other than pensions and union contract retroactive pay agreements attributable to employee services rendered through November 30, 2023.
- i. Interfund, internal, and intra-entity activity and balances.
- j. Disclosures related to third-party payor agreements and settlements.
- k. Disclosures related to professional liability insurance coverage.
- l. Disclosures related to self-insured risks.
- m. Amounts of patient charity care and costs of services rendered to the community for a reduced or no fee based upon community need or the inability to pay for the services.
- n. The nature of and amounts related to the Illinois Medicaid Provider Assessment and Illinois Medicaid Interagency Agreement programs.
- o. The nature of and amounts related to the CountyCare program.
- p. The nature of and amounts related to the directed payment program.
- q. Any general obligation bonds issued to finance capital assets contributed by the County to CCH are reported in the County's long-term obligations and, therefore, are not reflected in CCH's financial statements. The County does not expect the payment of the debt related to the capital assets to be repaid from the operating results of CCH and, therefore, the debt resides with the County.

The following representations relate to cost report filing requirements:

11. All required Medicare, Medicaid and similar reports have been properly filed.
12. Management is responsible for the accuracy and propriety of all filed cost reports.
13. All costs reflected on such reports are appropriate and allowable under applicable reimbursement rules and regulations, and are patient-related and properly allocated to applicable payors.
14. The employed reimbursement methodologies and principles are in accordance with applicable rules and regulations.
15. Adequate consideration has been given to, and appropriate provision made for, audit adjustments by intermediaries, third-party payors or other regulatory agencies.
16. All items required to be disclosed, including disputed costs that are being claimed to establish a basis for a subsequent appeal, have been fully disclosed in the cost report.
17. Recorded third-party settlements include differences between filed (and to-be-filed) cost reports and calculated settlements, which are necessary based on historical experience or new or ambiguous regulations that may be subject to differing interpretations. Although management believes that the entity is entitled to all amounts claimed on the cost reports, management also believes the amounts of these differences are appropriate.

The following representations relate to contingencies:

18. There are no instances of noncompliance with Medicare and Medicaid antifraud and abuse statutes, in any jurisdiction, whose effects are considered for disclosure in the financial statements or as a basis for recording a loss contingency other than those disclosed or accrued in the financial statements. This is including, but not limited to, the anti-kickback statute of the Medicare and Medicaid Patient and Program Protection Act of 1987, limitations on certain physician referrals (the Stark law) and the False Claims Act.

19. Billings to third-party payors comply in all material respects with applicable coding guidelines (e.g., ICD-10 and CPT-4) and laws and regulations, including those dealing with Medicare and Medicaid antifraud and abuse, and billings reflect only charges for goods and services that were medically necessary; properly approved by regulatory bodies (e.g., the Food and Drug Administration), if required; and properly rendered.
20. There have been no internal or external investigations relating to compliance with applicable laws and regulations, including investigations in progress that would have an effect on the amounts reported in the financial statements or on the disclosure in the notes to the financial statements.
21. There have been no oral or written communications from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations in any jurisdiction, including those related to Medicare and Medicaid antifraud and abuse statutes; deficiencies in financial reporting practices; or other matters that could have a material adverse effect on the financial statements.
22. We continue to maintain commercial insurance for cyber security and business interruption risk that provides adequate coverage for the risks commensurate with the health care entity's business. Management periodically reviews such insurance coverages and intends to maintain appropriate levels of insurance coverage to address such risks.
23. CCH reported to its risk management department all known asserted and unasserted claims and incidents. Adequate and reasonable provision has been made for losses related to asserted and unasserted malpractice, health insurance, worker's compensation and any other claims.

The following representations relate to matters that are unique to or pervasive in the health care industry:

24. Provision has been made, when material, for estimated retroactive adjustments by third-party payors under reimbursement agreements.
25. Management has followed applicable laws and regulations in adopting, approving and amending budgets.

26. Risk disclosures associated with deposits are presented in accordance with GASB requirements.
27. Provisions for uncollectible receivables have been properly identified and recorded.
28. Capital assets, including infrastructure, intangible assets, and right of use assets are properly capitalized, reported and, if applicable, depreciated.
29. Components of net position (net investment in capital assets, restricted, and unrestricted) are properly classified and, if applicable, approved.
30. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
31. CCH's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available are appropriately disclosed and the net position is properly recognized under the policy.
32. There are no fiduciary activities required by GASB Statement No. 84, *Fiduciary Activities*, as amended to be reported in the financial statements.
33. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with U.S. GAAP.
34. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private, that is not disclosed in the financial statements.
35. Related to CountyCare claims payable, management believes that the claims payable liability is adequate to cover the claims incurred but not paid as of November 30, 2023.
36. We have complied with all aspects of laws, regulations and provisions of contracts and agreements that would have a material effect on the financial statements in the event of noncompliance. In that regard, during the year ended November 30, 2023, Health Resources and Services Administration (HRSA)

audited whether CCH qualified and met the conditions necessary for the \$154,920,000 of COVID-19 Provider Relief Fund distributions that CCH received during its fiscal years 2020-2022. As a result of the audit, HRSA required corrective action plans associated with the audit findings. CCH has submitted corrective action plans and to date there has been no further recommended action. No repayment has been requested or accrued as of November 30, 2023.

37. We have reviewed the GASB Statements effective for the fiscal year ended November 30, 2023 and concluded the implementation of the following Statement did not have a material impact on the financial statements:
 - a. GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Agreements*

38. We believe the implementation of the GASB Statement listed below is appropriate:
 - a. GASB Statement No. 96, *Subscription-Based Information Technology Agreements*. The adoption of this Statement resulted in the restatement of the December 1, 2022 balance for right-of-use subscription assets and subscription liabilities from \$0, as previously reported, to \$26,187,160.

39. We have informed you of all uncorrected misstatements.

As of and for the year ended November 30, 2023, we believe that the effects of the uncorrected misstatements aggregated by you and summarized below are immaterial, both individually and in the aggregate, to the financial statements. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Description	Increase (Decrease)				
	Assets	Liabilities	Net Position	Revenue	Expense
Reversed opening net position misstatements	\$ -	\$ -	\$ (8,066,859)	\$ 363,475	\$ (7,703,384)
To record asset retirement obligation in accordance with GASB 83	-	3,161,790	-	-	3,161,790
To adjust SBITA balances at 11/30/23:					
Capital assets	(1,815,209)	-	-	-	-
SBITA liability	-	(1,850,382)	-	-	-
Maintenance expense	-	-	-	-	933,383
Amortization expense	-	-	-	-	(871,300)
Interest expense	-	-	-	-	(97,256)
To record SBITA balances < \$750,000 at 11/30/23 (Note 1)					
Capital assets	3,534,899	-	-	-	-
SBITA liability	-	3,534,899	-	-	-
	<u>\$ 1,719,690</u>	<u>\$ 4,846,307</u>		<u>\$ 363,475</u>	<u>\$ (4,576,767)</u>
Effect on change in net position			4,940,242		
Effect on ending net position			<u>\$ (3,126,617)</u>		

Note 1: Unrecognized SBITA balances < \$750,000 at 12/1/22 totaled \$8,026,778.

In addition to the misstatements included above, we believe that the following misstatement (i.e., omitted, incomplete and (or) inaccurate disclosure) is immaterial to the financial statements taken as a whole:

- a. Within Note 8 to the financial statements, the increase and decrease amounts in the roll-forward of the property tax objections liability are each understated by \$2,111,037.

Information Provided

40. We have provided you with:

- a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the basic financial statements such as records, documentation, and other matters.
- b. Additional information that you have requested from us for the purpose of the audit.
- c. Unrestricted access to persons within CCH from whom you determined it necessary to obtain audit evidence.
- d. Minutes of the meetings of CCH Board of Directors and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.

41. All transactions have been recorded in the accounting records and are reflected in the basic financial statements.

42. We have disclosed to you the results of our assessment of risk that the basic financial statements may be materially misstated as a result of fraud.

43. It is our responsibility to establish and maintain internal control over financial reporting. One of the components of an entity's system of internal control is risk assessment. We hereby represent that our risk assessment process includes identification and assessment of risks of material misstatement due to fraud. We have shared with you our fraud risk assessment, including a description of the risks, our assessment of the magnitude and likelihood of misstatements arising from those risks, and the controls that we have designed and implemented in response to those risks.
44. We have no knowledge of allegations of fraud or suspected fraud affecting CCH's financial statements involving:
 - a. Management.
 - b. Employees who have significant roles in internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
45. We have no knowledge of any allegations of fraud or suspected fraud affecting CCH's financial statements received in communications from employees, former employees, analysts, regulators, or others.
46. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations.
47. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
48. We have disclosed to you all known actual or possible claims whose effects should be considered when preparing the financial statements.
49. We have disclosed to you the identity of all of CCH's related parties and all the related-party relationships and transactions of which we are aware.

50. We are aware of no deficiencies in internal control over financial reporting, including significant deficiencies or material weaknesses, in the design or operation of internal controls that could adversely affect CCH's ability to record, process, summarize and report financial data.

51. We believe that the information obtained from the audited financial statements of and other participant information provided by County Employees' and Officers' Annuity and Benefit Fund of Cook County (the Plan) is appropriate in the circumstances. We did not give instructions, or cause any instructions to be given, to the Plan or its auditor in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the Plan or its auditor.

52. CCH maintains a refundable deposit with CCH's third-party administrator, Evolent, for claims payments related to the CountyCare program. Although we have the ability to request repayment of the deposit within one year based on the current agreement with Evolent, it is our intent and expectation to maintain those funds on deposit through at least December 1, 2024, and long-term classification in the November 30, 2023 statement of net position is appropriate.

53. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:
 - a. To reduce receivables to their estimated net collectible amounts.
 - b. For estimated adjustments to revenue, such as denied claims, changes to diagnosis-related group (DRG) and ambulatory payment classification assignments, or other estimated retroactive adjustments by third-party payors.
 - c. To reduce obsolete, damaged, or excess inventories to their estimated net realizable values.
 - d. For risk retention, including uninsured losses or loss retentions (deductibles) attributable to events occurring through November 30, 2023, and/or for expected retroactive insurance premium adjustments applicable to periods through November 30, 2023.
 - e. For pension obligations and deferred compensation agreements attributable to employee services rendered through November 30, 2023.
 - f. For obligations related to third-party payor contracts, including risk sharing and contractual settlements.

- g. For audit and other adjustments by intermediaries, third-party payors, or other regulatory agencies.
- h. For estimates regarding revenue, accounts receivable, claims expense, claims liability and reserve for possible return of funds related to CountyCare program.
- i. For medical malpractice obligations expected to be incurred with respect to services provided through November 30, 2023.

54. There are no:

- a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.
- b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Federal Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination.
- c. Instances of noncompliance with laws or regulations, such as those related to the Medicare and Medicaid antifraud and abuse statutes, in any jurisdiction, whose effects are considered for disclosure in the financial statements or as a basis for recording a loss contingency other than those disclosed or accrued in the financial statements. This is including, but not limited to, the anti-kickback statute of the Medicare and Medicaid Patient and Program Protection Act of 1987, limitations on certain physician referrals (the Stark law), and the False Claims Act.
- d. Oral or written communications from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations in any jurisdiction, including those related to the Medicare and Medicaid antifraud and abuse statutes; deficiencies in financial reporting practices; or other matters that could have a material adverse effect on the financial statements.
- e. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by U.S. GAAP.
- f. Lines of credit or similar arrangements.
- g. Agreements to repurchase assets previously sold.

- h. Security agreements in effect under the Uniform Commercial Code.
 - i. Liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
 - j. Contractual obligations for construction and purchase of real property or equipment not included in the liabilities or encumbrances recorded on the books.
 - k. Liabilities which are subordinated in any way to any other actual or possible liabilities.
 - l. Environmental clean-up obligations.
 - m. Material losses to be sustained in the fulfillment of, or from the inability to fulfill, any service commitments.
 - n. Guarantees, whether written or oral, under which CCH is contingently liable.
 - o. Long-lived assets, including intangibles, which are impaired or to be disposed of.
 - p. Derivative financial instruments.
 - q. Special or extraordinary items.
 - r. Materially impaired capital assets.
55. It is our responsibility to inform you of all current and potential affiliates of CCH as defined by the "State and Local Government Client Affiliates" interpretation (ET sec. 1.224.020). Financial interests in, and other relationships with, affiliates of CCH may create threats to independence. We have:
- a. Provided you with all information we are aware of with respect to current and potential affiliates, including degree of influence assessments and materiality assessments.
 - b. Notified you of all changes to relevant considerations that may impact our determination of the existence of current or potential affiliates involving (i) changes in the determination of the materiality of an entity to CCH's financial statements as a whole, (ii) the level of influence CCH has over an entity's financial reporting process or (iii) the level of control or influence CCH or a potential or current affiliate has over an investee that is not trivial or clearly inconsequential, sufficiently in advance of their effective dates to enable CCH and

RSM US LLP to identify and eliminate potential impermissible services and relationships between RSM US LLP or its associated entities and those potential affiliates, prior to the effective dates.

- c. Made you aware, to the best of our knowledge and belief, of any non-audit services that CCH or any of our affiliates has engaged RSM US LLP or any of its associated entities to perform.

56. We agree with the findings of the specialists in evaluating self-insured liabilities, the net pension liability and the OPEB liability and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give instructions, or cause any instructions to be given, to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

57. We believe that the actuarial assumptions and methods used by the actuary for funding purposes and for determining accumulated plan benefits are appropriate in the circumstances. We did not give instructions, or cause any instructions to be given, to the actuary with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the plan's actuary.

58. We believe that the information obtained from the audited financial statements of and other participant information provided by County Employees' and Officers' Annuity and Benefit of Cook County (Plan) is appropriate in the circumstances. We did not give instructions, or cause any instructions to be given, to the plan or its auditor in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the plan or its auditor.

59. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

60. We have disclosed to you all information that we are aware of regarding the cybersecurity incident (the “Change Healthcare Incident”) that occurred in connection with CCH’s third-party service provider, Change Healthcare, which CCH uses as a clearinghouse for electronic billings to third-party payors. Specifically:

- a. We have informed and provided you with all relevant facts and documents to date that might bear on the CCH’s accounting and financial reporting, internal controls over financial reporting, and compliance with laws or regulations.
- b. To date, CCH is not aware of:
 - Unauthorized access to CCH’s IT environment,
 - Impact to CCH’s financial data or financial reporting, or
 - Legal claims asserted against CCH.
- c. To date, CCH does not know what, if any, CCH data, including personally identifiable information (PII) and/or protected health information (PHI), has been compromised as a result of the Change Healthcare Incident.
- d. We have evaluated the disclosure requirements related to this matter and believe the appropriate disclosure has been included in Note 20 to CCH’s financial statements as follows:

On February 21, 2024, Change Healthcare, a third-party service provider to CCH, became aware of a cybersecurity incident (the “Incident”) causing a disruption across the health care industry. CCH uses Change Healthcare as a clearinghouse for electronic billings to third-party payors. As a result of the Incident, CCH does not know what, if any, CCH data, including personally identifiable information (PII) and/or protected health information (PHI), has been compromised as a result of the Incident. At this time, CCH is not aware of any legal claims asserted against CCH and is not able to predict if the Incident will have a material adverse effect on CCH’s financial condition or results of operations.

Supplementary Information

61. With respect to Required Supplementary Information (Management’s Discussion and Analysis, the Schedule of CCH’s Proportionate Share of Total OPEB Liability, the Schedule of CCH’s Proportionate Share of Net Pension Liability, and the Schedule of County Contributions) presented as required by the Governmental Accounting Standards Board to supplement the financial statements:

- a. We acknowledge our responsibility for the presentation of such required supplementary information.
- b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
- c. The methods of measurement or presentation have not changed from those used in the prior period.

Compliance Considerations

In connection with your audit conducted in accordance with *Government Auditing Standards*, we confirm that management:

- 62. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
- 63. Is responsible for compliance with the laws, regulations and provisions of contracts and grant agreements applicable to the auditee.
- 64. Is not aware of any instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that have a material effect on the financial statements.
- 65. Is responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 66. Acknowledges its responsibility for the design, implementation and maintenance of controls to prevent and detect fraud.
- 67. Has taken timely and appropriate steps to remedy identified or suspected fraud or noncompliance with provisions of laws, regulations, contracts, and grant agreements that the auditor reports.
- 68. Has a process to track the status of audit findings and recommendations.
- 69. Has identified for the auditor previous audits, attestation engagements and other studies related to the objectives of the audit and whether related recommendations have been implemented.

70. Has identified for the auditor any investigations or legal proceedings that have been initiated with respect to the period under audit.
71. Has provided views on the auditor's reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report.
72. Acknowledges its responsibilities as it relates to non-audit services performed by the auditor, including that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

Cook County Health

Erik Mikaitis

Dr. Erik Mikaitis,
Interim Chief Executive Officer

Pamela Cassara

Pamela Cassara,
Chief Financial Officer