

# **Cook County Health and Hospitals System of Illinois**

An Enterprise Fund of Cook County, Illinois

Financial Report  
November 30, 2013

## Contents

Independent Auditor's Report	1 – 2
Management's Discussion and Analysis	3 – 10
Financial Statements	
Statements of net position	11 – 12
Statements of revenues, expenses, and changes in net position	13
Statements of cash flows	14 – 15
Notes to financial statements	16 – 34
Required supplementary information	
Schedule of funding progress	35
Supplementary Information	
Combining statement of net position information - 2013	36 – 37
Combining schedule of revenues, expenses, and changes in net position information - 2013	38
Combining schedule of cash flows information - 2013	39 – 40
Combining statement of net position of operating accounts information - 2013	41 – 42
Combining schedule of revenues, expenses, and changes in net position of operating accounts information - 2013	43
Combining schedule of cash flows of operating accounts information - 2013	44 – 45
Combining statement of net position of restricted purpose accounts information - 2013	46
Combining schedule of revenues, expenses, and changes in net position of restricted purpose accounts information - 2013	47
Combining schedule of cash flows of operating of restricted purpose accounts information - 2013	48
Combining statement of net position of restricted purpose accounts information - 2013	49 – 50
Combining schedule of revenues, expenses, and changes in net position information - 2013	51
Combining schedule of cash flows information - 2012	52 – 53
Combining statement of net position of operating accounts information - 2012	54 – 55
Combining schedule of revenues, expenses, and changes in net position of operating accounts information - 2012	56
Combining schedule of cash flows of operating accounts information - 2012	57 – 58
Combining statement of net position of restricted purpose accounts information - 2012	59
Combining schedule of revenues, expenses, and changes in net position of restricted purpose accounts information - 2012	60
Combining schedule of cash flows of restricted purpose accounts information - 2012	61



## **Independent Auditor's Report**

To the Board of Directors  
Cook County Health and Hospitals System

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Cook County Health and Hospitals System of Illinois (CCHHS), an enterprise fund of Cook County, Illinois, as of and for the years ended November 30, 2013 and 2012, and the related notes to the financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to CCHHS's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CCHHS as of November 30, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements referred to above present only CCHHS and do not purport to, and do not, present fairly the financial position of Cook County, Illinois, as of November 30, 2013 and 2012, the changes in financial position, or where applicable its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information:*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 – 10 and the schedule of funding progress on page 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information:*

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise CCHHS's basic financial statements. The accompanying supplementary information as listed in the table of contents on pages 36 – 61 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the basic financial statements as a whole.



Chicago, Illinois  
May 30, 2014

## **Management's Discussion and Analysis**

### **Introduction**

This discussion and analysis provides the readers of the financial statements of Cook County Health and Hospitals System of Illinois (CCHHS) with an overview of the financial activities and financial position for the fiscal years ended November 30, 2013 and 2012. This discussion focuses on the significant financial issues and major financial activities and the resulting changes in financial position and includes comparative data for the prior year. It should be read in conjunction with the accompanying financial statements of CCHHS.

The mission of CCHHS is to deliver integrated health services with dignity and respect regardless of a patient's ability to pay; and, foster partnerships with other health providers and communities to enhance the health of the public; and, advocate for policies, which promote and protect the physical, mental and social well being of the people of Cook County.

CCHHS includes the following entities: John H. Stroger, Jr. Hospital of Cook County (JSH), Oak Forest Health Center (OFHC), Provident Hospital (PH); the Cook County Department of Public Health (DPH); the Ambulatory and Community Health Network (ACHN); the Bureau of Health Services (BHS), and Cermak Health Services of Cook County (CHS). Collectively, these entities provide primary, intermediate, acute, and tertiary medical care to patients, without regard to their ability to pay. The BHS oversees the operational, planning, and policy activities of CCHHS.

CCHHS is one of the largest public hospital systems in the United States operated by a unit of local government and is the largest provider of medical care to the uninsured, underinsured, and Medicaid populations in the State of Illinois. The emergency department at JSH is the busiest in the metropolitan Chicago area with a 2013 census of more than 121,000 patient encounters. PH's emergency department is the one of the busiest in the area with almost 32,000 encounters in 2013.

CCHHS is included in the reporting entity of Cook County, Illinois (County), as an enterprise fund. As an enterprise fund, CCHHS's financial statements are prepared using proprietary fund accounting that focuses on the determination of changes in net position, financial position, and cash flows in a manner similar to private sector businesses. The financial statements are prepared on an accrual basis of accounting, which recognizes revenue when earned and expenses when incurred.

### **Summary of Operating and Financial Highlights**

On May 20, 2008, the Cook County Board of Commissioners created the Cook County Health and Hospitals System Board of Directors to provide independent oversight of health care operations. The Cook County Health and Hospitals System Board of Directors is accountable to the Cook County Board of Commissioners. In May 2010, the Board of Commissioners voted to make the Cook County Health and Hospitals System Board of Directors permanent to undertake significant restructuring with a focus on operational efficiency so that CCHHS can better fulfill its mission of serving the health care needs of the region. Additionally, management continues to recruit and hire permanent key leadership positions.

Due to limited resources, BHS undertook a significant restructuring which included, as part of the fiscal year 2007 budget, streamlining of organizational structures, consolidation or outsourcing of certain services, and reducing services, such as long-term care and layoffs of personnel. In fiscal years 2013 and 2012, management has continued its focus on operational efficiency and cost cutting due to budgetary constraints. In the short term, these actions are meant to stabilize CCHHS's operations so that the BHS can continue to fulfill its mission of serving the health care needs of the region.

As more fully described in Note 2 in the notes to financial statements, CCHHS continues to incur significant operating losses due to declining federal reimbursements, dependency on Illinois Medicaid payments, a large self-pay patient population, and rising labor and medical costs. These factors will require the Cook County Board of Commissioners and CCHHS's management to identify new sources of revenues, reduce costs, or realign services to remain financially viable in the long term. The Cook County Board of Commissioners remains committed to the continued mission of CCHHS and through the adopted budget process in fiscal year 2013, approved 26% of revenue from other resources in order for CCHHS to complete funding of the adopted budget.

In June 2010, the CCHHS Board of Directors and the Cook County Board of Commissioners approved the Visions 2015 Strategic Plan. This plan seeks to better allocate resources of CCHHS. The Vision 2015 Strategic Plan was implemented in 2011. On September 1, 2011, Oak Forest Hospital became Oak Forest Specialty Health Center, moving forward from ineffective, costly inpatient services, to expanded ambulatory services, targeted to increase volume of services overall by placing emphasis on primary care and prevention. Additionally, PH went through reconfiguration by scaling back inpatient services by eliminating the ICU and OB/GYN units. Outpatient services were relocated to vacant inpatient units resulting in an expansion of ambulatory services.

In 2011, CCHHS implemented a system-wide charity program known as CareLink. CareLink is a program designed to assist those patients with income at or below 600% of the federal poverty guidelines as published annually in the Federal Register, patients that are residents of Cook County, and patients that are either uninsured or underinsured (have public or private coverage that does not cover the cost of medically necessary care). All patients receiving assistance under CareLink must pay a \$10 co-payment per day at the time of service to contribute to their cost of care. CareLink is available at all CCHHS facilities. CareLink replaces the former Limit on Liability charity program.

In 2012, CCHHS was approved to receive both the Medicaid and Medicare Electronic Health Record (EHR) Incentive Payments for Eligible Professionals. The EHR Incentive programs provide incentive payments to eligible professionals, eligible hospitals and critical access hospitals as they adopt, implement, upgrade or demonstrate meaningful use of certified EHR technology in their first year of participation and demonstrate meaningful use for up to five remaining participation years. The goal of the Medicaid and Medicare Health IT provisions in the American Recovery and Reinvestment Act of 2009 is to promote and provide incentives for the adoption of certified electronic health records. In 2012, CCHHS received the initial first year Medicaid EHR Incentive Payment. CCHHS continues to receive both the Medicaid and Medicare EHR Incentive Payments in 2013.

In 2012, CCHHS and the Cook County Board Officials collaborated to cut costs, help county taxpayers, and transform Cook County's hospital system by jump-starting national health care reform in Cook County. In October 2012, the federal government approved the Medicaid Expansion Program (CountyCare) through creating the CMS waiver under Section 1115 of the Social Security Act (1115 Waiver) for Cook County, allowing CCHHS to early enroll more than 115,000 uninsured individuals who will be eligible for Medicaid in 2014 under the Affordable Care Act with no cost to the State of Illinois. Many of these patients were already being treated by our system without compensation. The 1115 Waiver is funded entirely by the federal government.

CountyCare is an Illinois Medicaid Demonstration program. CMS has granted an additional 180 days for the 1115 Waiver which now is scheduled to terminate on July 1, 2014. Once enrolled in CountyCare, members receive covered services at no cost to members including but not limited to primary and specialty visits within a broad network of doctors and hospitals. The CountyCare network consists of 138 primary care access points including CCHHS facilities, all Federally Qualified Health Centers (FQHCs) in Cook County, over 35 community hospitals, and five major academic medical centers. The reason for this vast network accomplishes the goals of the Affordable Care Act which are to expand coverage for Medicaid, improve quality of care, and reduce cost growth of health care by reducing the number of uninsured. As of November 30, 2013 there were 27,455 applications pending approval for CountyCare.

In 2013 over 135,000 applications for CountyCare were initiated resulting in approximately 61,000 members joining the program, and membership continues to grow. Once the waiver period ends, during 2014, CountyCare members will be transitioned into a Managed Care Community Network (MCCN) which is an Illinois designated Medicaid managed care structure to ensure members can remain with their medical home and network of care. CountyCare enrollment continues to grow during the current fiscal year, to date over 95,000 members are enrolled in CountyCare, and new applications continue to be processed.

### **Financial Highlights for 2013**

All amounts within this Management's Discussion and Analysis are expressed in thousands of dollars.

- The assets of CCHHS exceeded its liabilities at the close of fiscal year 2013 by \$468,842. Of this amount, \$36,299 is unrestricted net position. In addition, in 2013, CCHHS's net investment in capital assets decreased by \$14,268, primarily due to annual depreciation.
- Total net position decreased by \$67,643 in fiscal year 2013. The change in net position for 2013 is the result of loss before capital contributions and transfers of \$93,061 and capital contributions and transfers of \$25,418.
- Loss from operations in fiscal year 2013 was \$394,408. The decrease in the loss is due to an increase in operating revenue from the new Medicaid expansion program, with an offsetting increase in operating expenses as a result of caring for the patient activity in this new program, with an overall result of a decrease in the loss.
- During fiscal year 2013, Medicaid Expansion revenue (CountyCare) totaled \$117,543 which represents 17% of overall operating revenue. This is the first year of collection for this revenue which caused a drop in the self-pay component of CCHHS's payor mix and an increase in the Medicaid component. CountyCare (1115 Waiver) is a new initiative started in 2013 and accounted for approximately 10% of CCHHS's patient volume in fiscal year 2013 measured by gross charges.
- The provision for bad debt and charity increased in fiscal year 2013 by \$9,060 or 3% to \$351,923. This increase is due to an increase in the related patient service revenue.

### **Financial Highlights for 2012**

- The assets of CCHHS exceeded its liabilities at the close of fiscal year 2012 by \$536,485. Of this amount, \$95,131 is unrestricted net position. In addition, in 2012, CCHHS's net investment in capital assets decreased by \$15,538, primarily due to annual depreciation.
- Total net position decreased by \$88,883 in fiscal year 2012. The change in net position for 2012 is the result of loss before capital contributions and transfers of \$109,104 and capital contributions and transfers of \$20,221.
- Loss from operations in fiscal year 2012 was \$417,831. The decrease in the loss is primarily the result of decrease in operational expenses.
- During fiscal year 2012, the self-pay component of CCHHS's payor mix decreased to 56%, while Medicaid payor mix increased to 31% over the same period.
- The provision for bad debt and charity decreased in fiscal year 2012 by \$81,647 or 19% to \$342,863. This decrease is due to a decrease in the overall volume of patients being treated at CCHHS facilities.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to CCHHS's financial statements. CCHHS's basic financial statements are comprised of two components: (1) fund financial statements and (2) notes to financial statements. This report also contains required supplementary information and other supplementary information in addition to the financial statements themselves.

### *Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. CCHHS, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### *Proprietary Funds*

CCHHS maintains one type of proprietary fund. CCHHS uses one enterprise fund to account for its health care operations.

The proprietary fund financial statements can be found on pages 11 – 15 of this report.

### *Notes to Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 16 – 34 of this report.

### *Other Information*

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension and post employment health benefits to its employees. Required supplementary information can be found on page 35 of this report.

The combining statements are presented immediately following the required supplementary information on pensions. Combining statements and schedules can be found on pages 36 – 61 of this report.

## Operating Statistics

The utilization statistics for CCHHS for the fiscal years ended November 30, 2013, 2012 and 2011, are as follows:

	2013	2012	Percent Change	2011
Patient days	114,210	118,934	(4.0) %	136,472
Average daily census	313	326	(4.0) %	374
Admissions	24,429	25,334	(3.6) %	27,144
Average length of stay	4.68	4.69	(0.2) %	5.03

## Fund-Wide Financial Analysis

Net position may serve over time as a useful indicator of a fund's financial position. In the case of CCHHS, assets exceeded liabilities by \$468,842, \$536,485, \$625,368 at November 30, 2013, 2012 and 2011, respectively.

The largest portion of CCHHS's net position (91%, 82% and 73% for 2013, 2012 and 2011, respectively) reflects its investments in capital assets. CCHHS uses these capital assets to provide services; consequently, these assets are not available for future spending.



**Table 1**

**Statements of Net Position**  
**November 30, 2013, 2012 and 2011**  
**(In Thousands)**

	2013	2012	2011
Current assets	\$ 362,396	\$ 304,054	\$ 379,868
Capital assets	426,355	440,623	456,161
Total assets	<u>\$ 788,751</u>	<u>\$ 744,677</u>	<u>\$ 836,029</u>
Current liabilities	\$ 271,592	\$ 158,842	\$ 164,372
Other liabilities	48,317	49,350	46,289
Total liabilities	<u>319,909</u>	<u>208,192</u>	<u>210,661</u>
Net position			
Net investment in capital assets	426,355	440,623	456,161
Restricted for patient care	6,188	731	1,059
Unrestricted	36,299	95,131	168,148
Total net position	<u>468,842</u>	<u>536,485</u>	<u>625,368</u>
Total liabilities and net position	<u>\$ 788,751</u>	<u>\$ 744,677</u>	<u>\$ 836,029</u>

Fiscal year 2013 ended with a decrease in net position for CCHHS by \$67,643 to \$468,842 from fiscal year 2012. Current assets increased by \$58,342 during fiscal year 2013 to \$362,396. Cash and cash equivalents increased by \$2,728 to \$138,827 in fiscal year 2013. The current ratio for fiscal year 2013 was 1.33.

Capital assets for CCHHS decreased \$14,268 during fiscal year 2013 to \$426,355 from fiscal year 2012. Additions for fiscal year 2013 were \$21,859, while depreciation expense was \$34,265. As a result, the average age of plant of CCHHS's facilities increased to 14.1 years in fiscal year 2013 from the prior year.

Fiscal year 2012 ended with a decrease in net position for CCHHS by \$88,883 to \$536,485 from fiscal year 2011. Current assets decreased by \$75,814 during fiscal year 2012 to \$304,054. Cash and cash equivalents increased by \$14,556 to \$136,099 in fiscal year 2012. The current ratio for fiscal year 2012 was 1.91.

Capital assets for CCHHS decreased \$15,538 during fiscal year 2012 to \$440,623 from fiscal year 2011. Additions for fiscal year 2012 were \$16,978, while depreciation expense was \$32,512. As a result, the average age of plant of CCHHS's facilities increased 13.8 years in fiscal year 2012 from the prior year.

Table 2

**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended November 30, 2013, 2012 and 2011**  
**(In Thousands)**

	2013	2012	2011
Operating revenues:			
Net patient service revenue - net of bad debt and charity provision of \$351,923 and \$342,863, \$424,510, respectively	\$ 546,068	\$ 536,177	\$ 534,605
Medicaid expansion revenue (1115 Waiver)	117,543	-	-
Grant revenue	24,998	11,741	12,326
Electronic health record incentive program revenue	8,278	9,864	-
Other revenue	12,573	7,848	10,480
Total operating revenues	709,460	565,630	557,411
Nonoperating revenues (expenses):			
Property taxes	73,129	79,630	114,245
Sales tax	22,944	57,524	122,176
Cigarette taxes	144,338	106,004	20,575
Other tobacco products taxes	5,933	6,543	-
Interest income	25	42	23
Retirement plan contribution	56,841	58,985	58,677
Capital assets transferred to governmental activities	(1,863)	-	-
Total nonoperating revenues	301,347	308,728	315,696
Total revenues	1,010,807	874,358	873,107
Operating expenses:			
Salaries, wages and benefits	652,342	638,583	654,610
Supplies	116,554	106,774	114,961
Purchased services, rental, and other	260,726	156,336	174,018
Insurance	24,495	32,739	34,880
Depreciation	34,265	32,512	33,894
Utilities	11,927	13,271	13,797
Services contributed by other County offices	3,559	3,247	3,744
Total operating expenses	1,103,868	983,462	1,029,904
Loss before capital contributions and transfers	(93,061)	(109,104)	(156,797)
Capital contributions	21,859	16,974	16,659
Transfers	3,559	3,247	38,386
Change in net position	(67,643)	(88,883)	(101,752)
Net position:			
Beginning of year	536,485	625,368	727,120
End of year	\$ 468,842	\$ 536,485	\$ 625,368

## **2013 Activity**

In fiscal year 2013, operating revenues, net of bad debt and charity provision, increased to \$709,460 from the prior year. This increase is primarily due to Medicaid expansion revenue (1115 Waiver) of \$117,543, which represents 17% of overall operating revenue. This is the first year of collection for this revenue.

In fiscal year 2013, nonoperating revenues decreased nominally by \$7,381 to \$301,347 from the prior year. The marginal drop in nonoperating revenues was due to the County allocation of tax revenue based on the Fiscal Year 2013 budget projection that CCHHS would receive additional revenue from the Medicaid Expansion program, and therefore be less reliant upon the home rule tax subsidy.

In fiscal year 2013, salaries, wages, and benefits increased nominally by \$13,759 to \$652,342 from the prior year. This increase is primarily due to hiring additional professional staff related to the Medicaid expansion program (1115 Waiver).

Supplies expense, including pharmaceuticals, increased to \$116,554 in fiscal year 2013 from the prior year. This increase is primarily due to an increase in activity for the Medicaid expansion program (1115 Waiver).

Purchased services, rental, and other expenses increased by 67% to \$260,726 in fiscal year 2013 from the prior year. The increase is primarily due to an increase in foreign claims expense related to the Medicaid expansion program (1115 Waiver).

In fiscal year 2013, the operating loss of CCHHS decreased by \$23,423 to \$394,408 from the prior year. The decrease in the operating loss is due to an increase in operating revenue from the new Medicaid expansion program, with an offsetting increase in operating expenses as a result of caring for the patient activity in this new program, with an overall result of a decrease in the operating loss. CCHHS recognizes that the continued trend in losses is unsustainable and in June 2010, the Health and Hospitals System Board of Directors approved the Vision 2015 Strategic Plan, a five-year plan of restructuring the health system to deliver the best possible care within the constraints of dollar resources by better allocating resources.

## **2012 Activity**

In fiscal year 2012, operating revenues, net of bad debt and charity provision, increased to \$565,630 from the prior year. This increase is primarily attributable to \$9,864 of electronic health record incentive program revenue which was received for the first time in 2012.

In fiscal year 2012, nonoperating revenues decreased nominally by \$6,968 to \$308,728 from the prior year. The marginal drop in nonoperating revenue was the combination of many factors. The County reallocated the sales and tobacco taxes to compensate for the drop in sales taxes due to the roll back and the drop in property taxes due to the continued decline in the real estate market resulting in increased foreclosures and decline in property sales. The new tax for other tobacco products also increased revenues, but ultimately home rule taxes could not make up the difference in the decline in the statute property tax.

In fiscal year 2012, salaries, wages, and benefits decreased nominally by \$16,027 to \$638,583 from the prior year. This decrease occurred because CCHHS was not able to fill all of the open positions as planned for within the budget year. Human Resources had several open positions which occurred therefore slowing down the recruitment and hiring process.

Supplies expense, including pharmaceuticals, decreased to \$106,774 in fiscal year 2012 from the prior year. This decreased because CCHHS did a better job in managing pharmacy purchases, ordering more efficiently based upon operational needs.

Purchased services, rental, and other expenses decreased by 10% to \$156,336, in fiscal year 2012 from the prior year. The 2012 decrease is primarily due to decrease in reliance upon consultant services, and completion of various CCHHS projects.

In fiscal year 2012, the operating loss of CCHHS decreased by \$54,662 to \$417,831 from the prior year. The decrease is due to a decrease in operational expenses, less reliance upon consulting services, and completion of various CCHHS projects. CCHHS recognizes that the continued trend in losses is unsustainable and in June 2010, the CCHHS Board of Directors approved the Vision 2015 Strategic Plan, a five-year plan of restructuring the health system to deliver the best possible care within the constraints of dollar resources by better allocating resources.

## **Capital Assets and Debt Administration**

### *Capital Assets*

CCHHS's investment in capital assets amounts to \$426,355, net of depreciation, as of November 30, 2013. This investment includes buildings, improvements, and equipment. The \$14,268 decrease in capital assets for fiscal year 2013 is the result of depreciation expense of \$34,265 outpacing the investment in capital assets of \$21,859.

CCHHS's investment in capital assets amounts to \$440,623, net of depreciation, as of November 30, 2012. This investment includes buildings, improvements, and equipment. The \$15,538 decrease in capital assets for fiscal year 2012 is the result of depreciation expense of \$32,512 outpacing the investment in capital assets of \$16,978.

Additional information of CCHHS's capital assets can be found in Note 6 on pages 25 – 26 of this report.

### *Debt Administration*

It should be noted that all debts associated with the capital assets of CCHHS are the general obligations of the County. These debts are expected to be paid by the County and, therefore, are not reflected in the financial statements of CCHHS.

## **Economic Factors**

The health care industry is highly dependent upon a number of factors that have a significant effect on the future operations and financial condition of CCHHS. These factors include federal and state regulatory authorities, Medicare and Medicaid laws and regulations, health care reform initiatives, and managed care contract terms and conditions.

Impacting the future net position of CCHHS, is the continuing shift in payor utilization with increases in uninsured patients and decreasing utilization in insured payors (Medicaid, Medicare and Commercial). Additionally, salaries in the health care industry have become very competitive as a result of the national shortage of health care professionals. CCHHS has provided for increases in salaries and benefits in the budget to assist in the hiring and retention of high-quality employees.

In March 2010, President Obama signed into law the Patient Protection and Affordable Care Act (the Act), a comprehensive health care reform bill. The Act includes measures that change the dynamics of the health care industry, and is subject to change, including through the adoption of related regulations, the way in which its provisions are interpreted and the manner in which it is enforced. CCHHS remains uncertain as to the ultimate impact these changes will have on its operations because of the numerous steps required to implement the Act.

## **Contacting CCHHS's Financial Management**

This financial report is intended to provide our patients, elected officials, citizens, creditors, and vendors with a general overview of CCHHS's finances and to demonstrate accountability for the tax funding that it receives. If you have any questions regarding this report or need additional information, please contact CCHHS's Chief Financial Officer at 1900 West Polk Street, Room 154, Chicago, IL 60612, [www.cookcountygov.com](http://www.cookcountygov.com).

**Cook County Health and Hospitals System of Illinois**

**Statements of Net Position  
November 30, 2013 and 2012**

	2013	2012
<b>Assets</b>		
Current Assets		
Cash and cash equivalents (Note 5):		
Cash in banks	\$ 1,688,833	\$ 1,649,955
Cash held by Cook County Treasurer	41,990,889	39,301,869
Working cash fund	95,147,154	95,147,154
Total cash and cash equivalents	138,826,876	136,098,978
Property taxes receivable - net of allowance of \$6,051,905 in 2013 and \$3,556,800 in 2012:		
Tax levy - current year	80,675,059	82,237,608
Tax levy - prior year	3,908,917	7,798,098
Total property taxes receivable	84,583,976	90,035,706
Receivables:		
Patient accounts - net of allowance for uncollectible accounts of \$289,127,798 in 2013 and \$298,256,873 in 2012	71,950,316	52,888,950
Due from State of Illinois - Medicaid expansion (Note 17)	49,612,218	-
Third-party settlements	4,982,443	1,442,694
Other receivables	1,450,969	2,722,082
Due from State of Illinois - sales tax	7,448,857	17,220,028
Due from other County governmental fund	-	339,274
Total receivables	135,444,803	74,613,028
Inventories	3,540,434	3,305,913
Total current assets	362,396,089	304,053,625
Capital Assets, net of accumulated depreciation (Note 6)	426,355,232	440,623,431
Total assets	\$ 788,751,321	\$ 744,677,056

See Notes to Financial Statements.

**Cook County Health and Hospitals System of Illinois**

**Statements of Net Position  
November 30, 2013 and 2012**

	2013	2012
<b>Liabilities and Net Position</b>		
Current Liabilities		
Accounts payable	\$ 50,432,599	\$ 47,683,219
Accrued salaries, wages, and other liabilities	19,052,922	18,146,768
Claims payable - Medicaid expansion (Note 17)	48,156,132	-
Compensated absences	6,494,691	6,492,483
Deferred revenue (Note 7)	79,200,380	85,041,376
Advance from State of Illinois - Medicaid expansion (Note 17)	30,051,000	-
Third-party settlements	38,085,926	1,431,444
Due to other County governmental fund	43,455	-
Due to (from) others	27,734	(1,793)
Trust funds	47,325	48,630
	<hr/>	<hr/>
Total current liabilities	271,592,164	158,842,127
Compensated Absences, less current portion	36,652,259	36,790,727
Property Tax Objections (Note 8)	11,664,708	12,558,840
	<hr/>	<hr/>
Total liabilities	319,909,131	208,191,694
	<hr/>	<hr/>
Commitments and Contingencies (Note 15)		
Net Position		
Net investment in capital assets	426,355,232	440,623,431
Restricted for patient care	6,187,511	730,566
Unrestricted	36,299,447	95,131,365
	<hr/>	<hr/>
Total net position	468,842,190	536,485,362
	<hr/>	<hr/>
Total liabilities and net position	\$ 788,751,321	\$ 744,677,056
	<hr/>	<hr/>

See Notes to Financial Statements.

**Cook County Health and Hospitals System of Illinois**

**Statements of Revenues, Expenses, and Changes in Net Position  
Years Ended November 30, 2013 and 2012**

	2013	2012
Operating revenues:		
Net patient service revenue - net of bad debt and charity provision of \$351,922,531 in 2013 and \$342,863,068 in 2012	\$ 546,067,828	\$ 536,177,313
Medicaid expansion revenue (1115 Waiver) (Note 17)	117,542,922	-
Grant revenue	24,997,904	11,741,312
Electronic health record incentive program revenue	8,278,487	9,863,709
Other revenue	12,573,220	7,847,569
Total operating revenues	<u>709,460,361</u>	<u>565,629,903</u>
Operating expenses:		
Salaries and wages	518,000,286	504,126,231
Employee benefits	134,342,008	134,456,510
Supplies	116,554,239	106,773,975
Purchased services, rental, and other	260,726,227	156,335,523
Insurance	24,495,338	32,739,345
Depreciation	34,264,802	32,512,226
Utilities	11,926,973	13,270,268
Services contributed by other County offices (Note 9)	3,558,667	3,247,019
Total operating expenses	<u>1,103,868,540</u>	<u>983,461,097</u>
<b>Operating loss</b>	<b>(394,408,179)</b>	<b>(417,831,194)</b>
Nonoperating revenues (expenses):		
Property taxes	73,128,663	79,629,731
Sales tax	22,944,367	57,524,338
Cigarette taxes	144,337,574	106,003,772
Other tobacco products taxes	5,933,437	6,542,547
Interest income	24,983	41,774
Retirement plan contribution (Note 11)	56,840,708	58,984,999
Capital assets transferred to governmental activities	(1,862,622)	-
Total nonoperating revenues	<u>301,347,110</u>	<u>308,727,161</u>
<b>Loss before capital contributions and transfers</b>	<b>(93,061,069)</b>	<b>(109,104,033)</b>
Capital contributions (Note 9)	21,859,230	16,974,126
Transfers	<u>3,558,667</u>	<u>3,247,019</u>
<b>Change in net position</b>	<b>(67,643,172)</b>	<b>(88,882,888)</b>
Net position:		
Beginning of year	<u>536,485,362</u>	<u>625,368,250</u>
End of year	<u><u>\$ 468,842,190</u></u>	<u><u>\$ 536,485,362</u></u>

See Notes to Financial Statements.

**Cook County Health and Hospitals System of Illinois**

**Statements of Cash Flows**

**Years Ended November 30, 2013 and 2012**

	2013	2012
Cash Flows from Operating Activities		
Receipts from third-party payors and patients	\$ 660,282,490	\$ 570,711,425
Payments to employees	(594,276,098)	(575,330,449)
Payments to suppliers	(364,013,542)	(311,170,642)
Other receipts	39,143,122	29,195,536
<b>Net cash used in operating activities</b>	<b>(258,864,028)</b>	<b>(286,594,130)</b>
Cash Flows from Noncapital Financing Activities		
Real and personal property taxes received - net	78,580,392	114,664,504
Sales taxes received	32,715,539	73,897,585
Cigarette taxes received	144,337,573	106,003,771
Other tobacco products taxes	5,933,437	6,542,547
<b>Net cash provided by noncapital financing activities</b>	<b>261,566,941</b>	<b>301,108,407</b>
Cash Flows from Investing Activities		
Interest received	24,983	41,774
<b>Net cash provided by investing activities</b>	<b>24,983</b>	<b>41,774</b>
<b>Change in cash and cash equivalents</b>	<b>2,727,896</b>	<b>14,556,051</b>
Cash and cash equivalents:		
Beginning of year	136,098,980	121,542,927
End of year	<u>\$ 138,826,876</u>	<u>\$ 136,098,978</u>
Supplemental Disclosure of Noncash Transactions		
Transfers - capital	<u>\$ 21,859,230</u>	<u>\$ 16,974,126</u>

See Notes to Financial Statements.



**Cook County Health and Hospitals System of Illinois**

**Statements of Cash Flows (Continued)**  
**Years Ended November 30, 2013 and 2012**

	2013	2012
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (394,408,179)	\$ (417,831,194)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	34,264,802	32,512,226
Provision for bad debts	351,922,531	342,863,068
Retirement plan contribution	56,840,708	58,984,999
Services contributed by other County offices	3,558,667	3,247,019
Net change in assets and liabilities:		
Patient accounts receivable	(370,983,898)	(308,412,047)
Due from State of Illinois - Medicaid expansion	(49,612,218)	-
Third-party settlements	33,114,732	7,719,677
Other receivables	1,271,206	(1,692,595)
Due from other funds	339,275	(339,281)
Inventories	(234,521)	254,300
Accounts payable	2,749,376	(9,521,162)
Accrued salaries, wages, and other liabilities	906,154	(1,976,881)
Claims payable	48,156,132	-
Compensated absences	(136,260)	1,115,302
Deferred revenue	(5,840,995)	4,794,644
Advance from State of Illinois - Medicaid expansion	30,051,000	-
Due to other County governmental fund	43,455	(349,813)
Due to others	29,527	(73,401)
Trust funds	(1,390)	(2,259)
Property tax objection	(894,132)	2,113,268
<b>Net cash used in operating activities</b>	<b>\$ (258,864,028)</b>	<b>\$ (286,594,130)</b>

See Notes to Financial Statements.

## **Cook County Health and Hospitals System of Illinois**

### **Notes to Financial Statements**

---

#### **Note 1. Reporting Entity**

Cook County Health and Hospitals System of Illinois (CCHHS) is included in the reporting entity of Cook County, Illinois (County), as an enterprise fund. Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered through revenue from user fees. CCHHS also receives various tax and County subsidies to support its operations. The Board of Commissioners is responsible for the operation of CCHHS. CCHHS is presented as a business-type activity in the basic financial statements of the County.

CCHHS includes the following entities: John H. Stroger, Jr. Hospital of Cook County (JSH), Oak Forest Health Center (OFHC), Provident Hospital (PH), the Cook County Department of Public Health (DPH), the Bureau of Health Services (BHS), the Ambulatory and Community Health Network (ACHN), and Cermak Health Services of Cook County (CHS).

BHS oversees the operational, planning, and policy activities of CCHHS.

Collectively, JSH, OFHC, PH, DPH, ACHN, and CHS provide primary, intermediate, acute, and tertiary medical care to patients, without regard to their ability to pay. These entities also provide disease prevention and health promotion services.

Medicaid and Medicare revenue accounts for a significant portion of CCHHS's total revenues. CCHHS receives Medicaid reimbursement under an interagency agreement between the Board of Commissioners and the Illinois Department of Healthcare and Family Services (see Note 7). Property and other taxes also represent an important source of financing for CCHHS. The receipt of future revenues by CCHHS is subject to, among other factors, federal and state policies affecting CCHHS and the health care industry.

In October 1998, Cook County/Rush Health Center (Health Center) was opened to combat HIV/AIDS and other related communicable diseases. The CORE Foundation (CORE), an Illinois not-for-profit corporation, funded the development and construction of the Health Center. CCHHS leases the Health Center from CORE for \$1 per year. CCHHS staffs and operates the Health Center. CCHHS accounts for the Health Center as part of ACHN.

On May 20, 2008, the Board of Commissioners created the Cook County Health and Hospitals System Board of Directors to provide independent oversight of health care operations. The Cook County Health and Hospitals System Board of Directors is accountable to the Board of Commissioners. In May 2010, the Board of Commissioners voted to make the Cook County Health and Hospitals System Board of Directors permanent.

#### **Note 2. Financial Condition**

Losses from operations for CCHHS totaled \$394,408,179 and \$417,831,194 for the years ended November 30, 2013 and 2012, respectively.

CCHHS continues to experience rising costs attributable to labor, insurance, pharmaceuticals, and new technology. Moreover, CCHHS continues to be highly dependent on reimbursement from the State of Illinois Department of Healthcare and Family Services (DHFS). Management of CCHHS believes CCHHS will continue as a going concern. Management's combination of its ongoing initiatives is to improve operations, such as monitoring payment levels from DHFS and other payors, and on July 1, 2008, the Board of Commissioners passed a resolution to continue to fund BHS, currently known as Cook County Health and Hospitals System. However, future declines in DHFS reimbursement or continued significant cost increases may require management and the Board of Commissioners to further realign or reduce services to the community.

## Cook County Health and Hospitals System of Illinois

### Notes to Financial Statements

---

#### Note 2. Financial Condition (Continued)

The Vision 2015 Strategic Plan was implemented in 2011. On September 1, 2011, Oak Forest Hospital became Oak Forest Specialty Health Center, moving forward from ineffective, costly inpatient services, to expanded ambulatory services, targeted to increase volume of services overall by placing emphasis on services by eliminating the ICU and OB/GYN units. Outpatient services were relocated to vacant inpatient units.

In 2011, CCHHS implemented a system-wide charity program, known as CareLink. CareLink is a program designed to assist those patients with income at or below 600% of the federal poverty guidelines as published annually in the Federal Register, patients that are residents of Cook County, and patients that are either uninsured or underinsured (have public or private coverage that does not cover the cost of medically necessary care). All patients receiving assistance under CareLink must pay a \$10 co-payment per day at the time of service to contribute to their cost of care. CareLink is available at all CCHHS facilities. CareLink replaces the former Limit on Liability charity program.

In 2012, CCHHS was approved to receive both the Medicaid and Medicare Electronic Health Record (EHR) Incentive Payments for Eligible Professionals. The EHR Incentive programs provide incentive payments to eligible professionals, eligible hospitals and critical access hospitals as they adopt, implement, upgrade or demonstrate meaningful use of certified EHR technology in their first year of participation and demonstrate meaningful use for up to five remaining participation years. The goal of the Medicaid and Medicare Health IT provisions in the American Recovery and Reinvestment Act of 2009 is to promote and provide incentives for the adoption of certified electronic health records. In 2012, CCHHS received the initial first year Medicaid EHR Incentive Payment. CCHHS continues to receive both the Medicaid and Medicare EHR Incentive Payments in 2013.

In 2012, CCHHS and the Cook County Board Officials collaborated to cut Medicaid costs, help county taxpayers, and transform Cook County's hospital system by jump-starting national health care reform in Cook County. In October 2012, the federal government approved the Medicaid Expansion Program (CountyCare) through creating the CMS waiver under Section 1115 of the Social Security Act (1115 Waiver) for Cook County, allowing CCHHS to enroll more than 115,000 individuals who will be eligible for Medicaid in 2014 with no cost to the State of Illinois.

CountyCare is an Illinois Medicaid Demonstration program. CMS has granted an additional 180 days for the 1115 Waiver which now terminates on June 30, 2014. Once enrolled in CountyCare, members receive covered services at no cost to members including but not limited to primary and specialty visits within a broad network of doctors and hospitals. The CountyCare network consists of 138 primary care access points including CCHHS facilities, all Federally Qualified Health Centers (FQHCs) in Cook County, over 35 community hospitals, and five major academic medical centers.

In 2013, over 135,000 applications for CountyCare were initiated resulting in approximately 61,000 approved members joining the program as of November 30, 2013, with 27,455 pending applications awaiting approval as of November 30, 2013. Once the demonstration program period ends on June 30, 2014, CountyCare members will be transitioned into a Managed Care Community Network (MCCN) which is an Illinois designated Medicaid managed care structure to ensure members can remain with their medical home and network of care.

## Cook County Health and Hospitals System of Illinois

### Notes to Financial Statements

---

#### Note 2. Financial Condition (Continued)

For the years ended November 30, 2013 and 2012, the CCHHS's payor utilization based on gross patient service revenue was as follows:

	2013	2012
Self-Pay	\$ 670,670,034	\$ 576,458,180
Medicaid	275,749,313	304,658,311
Medicare	134,453,147	100,795,292
Other	31,888,066	26,599,727
Total	<u>\$ 1,112,760,560</u>	<u>\$ 1,008,511,510</u>

For the year ended November 30, 2013, estimated gross charges associated with services provided to CountyCare patients totaled approximately \$131,503,000.

The impact of CountyCare has moved clients from the self-pay payor mix into the Medicaid Expansion payor mix, thereby increasing Medicaid revenue.

#### Note 3. Summary of Significant Accounting Policies

**Basis of presentation:** The financial statements have been presented in conformity with accounting principles generally accepted in the United States of America and in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB). Accounting records are maintained on the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. Actual results could differ from those estimates.

**Combination:** These financial statements include the accounts of JSH, OFHC, PH, DPH, BHS, CORE, ACHN, and CHS. The accounts of ACHN, CORE and OFHC are presented with those of JSH. All material intra-account transactions have been eliminated.

**Operating and restricted accounts:** Operating accounts are used for unrestricted funds, which arise from normal operations. Restricted accounts are resources whose use has been limited by donors or grantors. Restricted accounts are accounted for in specific purpose accounts until expended for their identified purpose, at which time they are reported as operating revenues and expenses.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, it is CCHHS's policy to first apply restricted resources and then unrestricted resources to the expense.

Substantially all restricted net position is restricted for patient care services.

## Cook County Health and Hospitals System of Illinois

### Notes to Financial Statements

---

#### Note 3. Summary of Significant Accounting Policies (Continued)

**Cash and cash equivalents:** Cash and cash equivalents consist primarily of secured time deposits and cash invested in other authorized short-term securities (Note 5) with maturities at the date of purchase of 90 days or less. Realized gains and losses and changes in unrealized gains and losses attributable to cash equivalents are included as a component of nonoperating revenue in the statements of revenues, expenses, and changes in net position. Cash and cash equivalents are recorded at their approximate fair value.

**Inventories:** Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

**Patient accounts receivable:** CCHHS evaluates the collectability of its patient accounts receivable based on the length of time the receivable is outstanding, payor class, and historical experience. Accounts receivable are charged against the allowance for uncollectible accounts when they are deemed uncollectible. Medicaid patient accounts receivable represented approximately 67% and 55% of patient accounts receivable, net, as of November 30, 2013 and 2012, respectively.

**Property taxes receivable:** Property taxes are levied each calendar year on all taxable real property. The owner of the property on January 1 in any year is liable for taxes of that year. Property taxes attach as an enforceable lien on property as of January 1 of the levy year. The taxes are collected by the Cook County Collector, who remits to CCHHS its respective portion. The County's taxes levied in one year become payable during the following year in two installments, one on March 1 and the second on August 1, or 30 days after the tax bills are mailed, whichever is later. The first installment is an estimated bill and is one-half of the prior year's tax bills. The second installment is based on the current levy, assessment, and equalization and reflects any changes from the prior year in those factors. Any changes from the prior year will be reflected in the second installment bill. Property taxes receivable at November 30, 2013, represent CCHHS's portion of the fiscal year 2013 taxes levied on March 15, 2013, and uncollected fiscal year 2012 taxes.

CCHHS records property taxes as revenue in the year in which they are levied. Property taxes receivable are recognized for the current and prior fiscal years. Uncollected taxes are written off at the end of the fiscal year immediately following the year in which the taxes become due. The County's annual appropriation ordinance includes a provision for uncollectible property taxes. CCHHS records its portion of this provision and a corresponding allowance for loss against property taxes receivable.

**Capital assets:** The County contributes to the acquisition of capital assets for the operation of CCHHS. The assets, which include land improvements, buildings, building improvements, and equipment and furniture, are recorded at cost at the time of receipt and in the case of construction in progress are transferred from the County at the time of completion. No value has been assigned to the land upon which CCHHS is located. Capital assets are defined by CCHHS as assets with an initial, individual cost of \$1,000 or more. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as construction projects are substantially completed.

Depreciation is provided over the estimated useful life of each class of assets. Estimated useful lives are as follows:

Land improvements	5–25 years
Buildings	20–40 years
Building improvements	5–40 years
Equipment and furniture	3–20 years

## Cook County Health and Hospitals System of Illinois

### Notes to Financial Statements

---

#### Note 3. Summary of Significant Accounting Policies (Continued)

Depreciation is calculated on a straight-line method for all institutions, except JSH, which used the 150% declining balance on assets acquired prior to 2008. Beginning in 2008, new acquisitions at JSH are depreciated using the straight-line method for better cost allocation. One-half year's depreciation is taken in the year of acquisition.

**Claims payable – Medicaid expansion:** Claims payable – Medicaid expansion represent amounts payable to providers outside of CCHHS for services provided to CountyCare members (see Note 17). This estimate reflects the estimated ultimate cost of services incurred but not paid, net of expected stop-loss insurance recoveries. Management believes that the claims payable liability is adequate to cover the claims incurred but not paid as of November 30, 2013. However, because of the many variables that can affect the amount of claims that are incurred and the timing of when those claims are reported, and because CountyCare is a new program for which CCHHS has limited claims experience, it is possible that actual claims incurred but not paid could be more or less than the estimated liability included in the financial statements.

**Compensated absences:** Employees can earn from 10 to 25 vacation days per year, depending on their length of employment with the County. An employee can accumulate no more than the equivalent of two years' vacation. Accumulated vacation leave is due to the employee, or employee's beneficiary, at the time of termination or death. Salaried employees can accumulate sick leave at the rate of one day for each month worked, up to a maximum of 175 days. Accumulated sick leave is forfeited at the termination of employment; therefore, sick leave pay is not accrued and is charged to employee benefits expense when paid. Sick leave does not vest, but any unused sick and vacation leave, up to six months in duration, accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Changes in compensated absences were as follows for the years ended November 30, 2013 and 2012:

Balance, December 1, 2012	Additions	Reductions	Balance, November 30, 2013	Amount Due Within One Year
\$ 43,283,210	\$ 40,557,956	\$ 40,694,216	\$ 43,146,950	\$ 6,494,691

  

Balance, December 1, 2011	Additions	Reductions	Balance, November 30, 2012	Amount Due Within One Year
\$ 42,167,909	\$ 41,877,115	\$ 40,761,814	\$ 43,283,210	\$ 6,492,483

**Net patient service revenue:** A significant amount of CCHHS's net patient service revenue is derived from the Medicaid and Medicare programs. Payments under these programs are based on a specific amount per case or on a contracted price or cost, as defined, of rendering services to program beneficiaries.

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. Estimated amounts due from or to third-party payors are reported as third-party settlements in the statements of net position.

## Cook County Health and Hospitals System of Illinois

### Notes to Financial Statements

---

#### Note 3. Summary of Significant Accounting Policies (Continued)

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change. Estimates for cost report settlements and contractual allowances can differ from actual reimbursement based on the results of subsequent reviews and cost report audits. Net patient service revenue was increased by approximately \$3,718,800 and reduced by approximately \$328,300 for the years ended November 30, 2013 and 2012, respectively, for third-party settlements and changes in estimates related to services rendered in previous years.

**Operating and nonoperating revenues and expenses:** The principal operating revenues of the CCHHS enterprise fund, with the exception of DPH, are charges to patients for services performed and payments received under the Medicaid Expansion Program. The principal operating revenues of DPH, are grants. Operating expenses of CCHHS include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Sales tax revenue:** Annually, the Board of Commissioners determines the allocation of sales tax revenues to the various County funds. Sales tax revenues are recognized by CCHHS when earned; this occurs when the underlying sales transactions occur. The amount recorded as *Due from State of Illinois - Sales Tax* represents the amounts earned by CCHHS as of fiscal year-end; however, the cash is not yet received from the State of Illinois. There is a three-month lag from the time of the underlying sales transaction to the receipt of funds by CCHHS.

**Cigarette tax revenue:** Annually, the Board of Commissioners determines the allocation of cigarette tax revenues to the various County funds. The cigarette tax is imposed at a rate of 150 mils, or \$0.15 per cigarette, and is imposed upon all cigarettes possessed for sale and upon the use of all cigarettes in Cook County. The tax imposed is paid by the purchase of tax stamps sold by the Department of Revenue to cigarette distributors licensed with the State of Illinois. Tax sales are remitted monthly by the Department of Revenue.

**Medicare and Medicaid Electronic Health Record (EHR) incentive programs:** The American Recovery and Reinvestment Act of 2009 (ARRA) provides for Medicare and Medicaid incentive programs beginning in federal fiscal year 2011 for eligible acute care hospitals that are meaningful users of certified EHR technology, as defined by the Federal Register. CCHHS has implemented certified EHR technology that has enabled it to qualify for the incentive programs. The initial incentive payments received for both the Medicare and Medicaid EHR incentive programs are estimates based upon data from prior year's cost reports. The final settlements will be determined after the submission of the current annual cost reports and subsequent audits by the fiscal intermediary. The EHR incentive programs are expected to continue through September 30, 2016, and the payments will be calculated annually. Beginning in 2015, hospitals that are not meaningful users of certified EHR technology will be subject to a potential decrease in their Medicare and Medicaid payments. CCHHS accounts for EHR incentive funds using the grant accounting model. Under this model, CCHHS records EHR incentive revenue when it is reasonably assured that it will meet the meaningful use criteria for the required reporting period and that the grant will be received.

CCHHS successfully registered for the Illinois Medicaid EHR Incentive Program and first completed the attestation process in January 2012. During the years ended November 30, 2013 and 2012, CCHHS received Medicaid hospital EHR incentive payments of \$7,065,564 and \$8,246,479, respectively, which are reported as operating revenue in the accompanying statements of revenues, expenses, and changes in net position.

## Cook County Health and Hospitals System of Illinois

### Notes to Financial Statements

---

#### **Note 3. Summary of Significant Accounting Policies (Continued)**

CCHHS successfully registered for the Medicare EHR Incentive Program in 2012. CCHHS first completed the attestation process in November 2012 after demonstrating the 90 days of continuous use as a meaningful user. During the years ended November 30, 2013 and 2012, CCHHS recorded Medicare hospital EHR revenue of \$1,212,922 and \$1,617,230, respectively, which is reported as operating revenue in the accompanying statements of revenues, expenses, and changes in net position. CCHHS recorded related receivables of \$1,212,922 and \$1,617,230 at November 30, 2013 and 2012, respectively, which are reported in other receivables in the accompanying statements of net position.

ARRA also provides for Medicare and Medicaid EHR incentives for eligible professionals that are meaningful users of certified EHR technology. Certain of CCHHS's physicians implemented certified EHR technology that enabled them to demonstrate their meaningful use and to qualify for the incentive. During the year ended November 30, 2013, CCHHS recognized \$488,750 of Medicaid physician EHR incentive revenue, which is reported as operating revenue in the accompanying statements of revenues, expenses, and changes in net position.

**Reclassifications:** Certain reclassifications of 2012 amounts have been made to conform to the 2013 presentation with no effect on previously reported total assets or net position.

**New accounting pronouncements:** CCHHS implemented the following GASB Statements in the 2013 fiscal year:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, became effective for CCHHS's fiscal year ended November 30, 2013.
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Contained in Pre-November 31, 1989 FASB and AICPA Pronouncements*, became effective for CCHHS's fiscal year ended November 30, 2013.

Management is currently assessing the impact that the adoption of the following GASB Statements, which are not implemented and not required for the fiscal year ended November 30, 2013, will have on CCHHS's future financial statements:

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, will become effective for CCHHS's fiscal year ending November 30, 2014.
- GASB Statement No. 66, *Technical Corrections - 2012*, will become effective for CCHHS's fiscal year ending November 30, 2014.
- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, will become effective for CCHHS's fiscal year ending November 30, 2015. Historically, the pension liability has been recorded in the County's financial statements (see Note 11). Should this practice change, GASB Statement No. 68 could have a significant effect on CCHHS's financial statements.
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, will become effective for CCHHS's fiscal year ending November 30, 2015.
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, will become effective for CCHHS's fiscal year ending November 30, 2014.
- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.



## Cook County Health and Hospitals System of Illinois

### Notes to Financial Statements

---

#### Note 4. Charity Care

CCHHS's mission is to treat all patients in need of medical services without regard to their ability to pay. Medical services are available at all CCHHS's locations for those patients that unable to pay for them. All patients are evaluated through the CCHHS financial counseling services. If a patient qualifies for Medicaid or other Federal programs, CCHHS will assist the patient in completing the applications for those programs.

For those patients that do not qualify for Medicaid or any other Federal programs, CCHHS has a charity care program for Cook County residents that evaluates the patient's need based on family size and income. The guidelines to qualify for charity care are adjusted each year based on changes in the Federal Government's poverty guidelines. In 2011, CCHHS revised its charity program to cover patients with incomes up to 600% of the Federal Poverty guidelines. The CareLink program replaced the existing Limit of Liability program. CCHHS is committed to identifying patients needing charity care at the point of service.

Patients that are not residents of Cook County that need financial assistance in paying for their medical services are also offered a discount under the Illinois Uninsured Patient Discount program if their income is less than 600% of the Federal Poverty guidelines.

Charity care is measured based on the CCHHS's estimated direct and indirect costs of providing charity care services. That estimate is made by calculating a ratio of cost to gross charges, applied to the uncompensated charges associated with providing charity care to patients.

	2013	2012
Charges forgone	\$ 311,399,757	\$ 306,509,847
Estimated costs incurred	\$ 251,524,764	\$ 256,553,002

#### Note 5. Cash Management

The Cook County Treasurer, the County, and the County Comptroller each maintains cash records for the County funds, including CCHHS. The County Comptroller maintains cash records for each individual fund, whereas the Cook County Treasurer maintains records for the County Comptroller's cash on a pooled basis. The Cook County Treasurer deposits cash into various bank accounts, which are treated as a single aggregate bank account for County cash resources. The County Comptroller issues checks for authorized County expenditures, which represent a claim for payment when presented to the County's operating disbursement bank. Funding for County checks is made at the time of issue into the appropriate disbursement checking account. Funding is accomplished via book transfers and wire transfers from the appropriate fund into the disbursement account. Balances in the disbursement accounts, which represent checks not yet presented, are invested by the treasurer.

The Cook County Treasurer invests on an aggregate basis, consistent with a written investment policy. The current policy is primarily concerned with the safety of invested principal and then with liquidity and rates of return. Funds are deposited in banks that are required to collateralize uninsured deposits with approved securities equal to 102% of market value. Securities approved for investment include U.S. government securities, certificates of deposit, or time deposits issued by certain banks and limited other investments permitted by State of Illinois law. The Cook County Treasurer does not invest in derivatives, structured notes, or other leveraged investments.

## Cook County Health and Hospitals System of Illinois

### Notes to Financial Statements

---

#### Note 5. Cash Management (Continued)

As of November 30, 2013 and 2012, CCHHS's cash and cash equivalents consisted of the following:

	2013	2012
Demand deposits held by Cook County Treasurer	\$ 41,990,889	\$ 39,301,869
Working cash fund	95,147,154	95,147,154
Demand deposits held by CCHHS	1,688,833	1,649,955
Total	<u>\$ 138,826,876</u>	<u>\$ 136,098,978</u>

**Custodial credit risk - cash and certificates of deposit:** In the case of deposits, there is the risk that in the event of a bank failure, the County's or CCHHS's deposits may not be returned. The County's Investment Policy states that in order to protect the County's public fund deposits, depository institutions are to maintain collateral pledges on County certificates of deposit during the term of the deposit of at least 102% of marketable U.S. government or approved securities or surety bonds issued by top-rated issuers. Collateral is required as security whenever deposits exceed the insured limits of the Federal Deposit Insurance Corporation (FDIC). CCHHS's total bank deposits as of November 30, 2013 and 2012, were fully insured or collateralized.

Working cash funds are maintained by the County. The money to establish and increase these working cash funds was obtained from the issuance of long-term bonds and from legally available County resources. Monies on deposit in the working cash funds are invested with the interest earnings being credited to the working cash funds. Of the total working cash funds maintained by the County, as of November 30, 2013 and 2012, \$95,147,154 is reported at CCHHS.

# Cook County Health and Hospitals System of Illinois

## Notes to Financial Statements

### Note 6. Capital Assets

A summary of capital assets activity for the years ended November 30, 2013 and 2012, follows:

	Balance, December 1, 2012	Additions and Transfers	Disposals	Balance, November 30, 2013
Depreciable capital assets:				
Land improvements	\$ 2,717,511	\$ -	\$ -	\$ 2,717,511
Buildings and building improvements	657,629,550	9,854,440	2,352,786	665,131,204
Equipment and furniture	229,925,677	12,004,791	-	241,930,468
Total depreciable capital assets	890,272,738	21,859,231	2,352,786	909,779,183
Less accumulated depreciation:				
Land improvements	1,539,284	107,199	-	1,646,483
Buildings and building improvements	269,171,088	18,979,584	490,158	287,660,514
Equipment and furniture	178,938,935	15,178,019	-	194,116,954
Total accumulated depreciation	449,649,307	34,264,802	490,158	483,423,951
Total capital assets at cost, net	\$ 440,623,431	\$ (12,405,571)	\$ 1,862,628	\$ 426,355,232

# Cook County Health and Hospitals System of Illinois

## Notes to Financial Statements

### Note 6. Capital Assets (Continued)

	Balance, December 1, 2011	Additions and Transfers	Disposals	Balance, November 30, 2012
Depreciable capital assets:				
Land improvements	\$ 2,717,511	\$ -	\$ -	\$ 2,717,511
Buildings and building improvements	653,376,581	4,252,969	-	657,629,550
Equipment and furniture	217,212,073	12,725,204	11,600	229,925,677
Total depreciable capital assets	873,306,165	16,978,173	11,600	890,272,738
Less accumulated depreciation:				
Land improvements	1,427,260	112,024	-	1,539,284
Buildings and building improvements	251,266,977	17,904,111	-	269,171,088
Equipment and furniture	164,450,404	14,496,092	7,561	178,938,935
Total accumulated depreciation	417,144,641	32,512,227	7,561	449,649,307
Total capital assets at cost, net	\$ 456,161,524	\$ (15,534,054)	\$ 4,039	\$ 440,623,431

### Note 7. Interagency Transfer Agreements

CCHHS receives enhanced Medicaid reimbursement by means of an Interagency Transfer Agreement (Agreement) between the Board of Commissioners and DHFS. Under terms of the Agreement, DHFS will direct additional funding to CCHHS for inpatient and outpatient services based on per-diem and per-visit cost reimbursement methodologies. In addition, the Agreement requires DHFS to provide CCHHS additional funding to assist CCHHS in offsetting the cost of its uncompensated care. Such adjustment amounts include federal matching funds.

Under the terms of the Secondary Interagency Transfer Agreement, CCHHS received \$291,815,478 and \$282,057,708 in additional payments from DHFS during the years ended November 30, 2013 and 2012, respectively. Of the amounts received, \$76,561,917 and \$74,498,173 are unearned as of November 30, 2013 and 2012, respectively, and are included in deferred revenue on the statements of net position. Such deferred revenue is excluded from net patient service revenue and represents amounts to be earned during December through June, the last seven months of the State of Illinois' fiscal year. Included in net patient service revenue as earned is \$289,751,734 and \$284,516,604 for the years ended November 30, 2013 and 2012, respectively, which takes into consideration the prior year deferrals of \$74,498,173 and \$76,957,069, respectively.

## Cook County Health and Hospitals System of Illinois

### Notes to Financial Statements

---

#### Note 7. Interagency Transfer Agreements (Continued)

Reimbursement under the Agreement will automatically terminate if federal funds under Title XIX are no longer available to match 50% of the amounts collected and disbursed according to the terms of the Interagency Agreements. The Interagency Agreements will also automatically terminate in any year in which the General Assembly of the State of Illinois fails to appropriate or re-appropriate funds to pay DHFS's obligations under these arrangements or any time that such funds are not available. The Interagency Agreements can be terminated by either party upon 15 days' notice. Additionally, the Interagency Agreements require the parties to comply with certain laws, regulations, and other terms of operations.

#### Note 8. Other Liabilities

Long-term liability activity for the years ended November 30, 2013 and 2012, was as follows:

	Balance, December 1, 2012	Increase	Decrease	Balance, November 30, 2013	Amount Due Within One Year
Property tax objections	\$ 12,558,840	\$ -	\$ 894,132	\$ 11,664,708	\$ -

	Balance, December 1, 2011	Increase	Decrease	Balance, November 30, 2012	Amount Due Within One Year
Property tax objections	\$ 10,445,572	\$ 2,113,268	\$ -	\$ 12,558,840	\$ -

#### Note 9. Related-Party Transactions

During 2013 and 2012, significant related-party transactions between the County and CCHHS included the provision of various services and the contribution of capital assets.

**Working cash loan:** In order to finance operations pending the collection of taxes and to provide for month-to-month cash flow needs, the County maintains a Working Cash Fund. The County's Working Cash Fund and the outstanding bonds that were issued to create it are reported in the County's long-term obligations and, therefore, are not reflected in the accompanying financial statements. Amounts advanced from the County's Working Cash Fund may be designated as either loans or operating contributions. During the years ended November 30, 2013 and 2012, the County's Working Cash Fund made loans of \$93,000,000 and \$80,000,000 to CCHHS. These loans were repaid in full by the end of each fiscal year.

**Cash held by Cook County Treasurer:** The County maintains bank accounts for the cash receipts and disbursements of CCHHS. Cash Held by (asset) or Due to (liability) the Cook County Treasurer represent balances maintained for CCHHS activities by the Cook County Treasurer. These balances are reflected as either a current asset or current liability in the statements of net position.

**Provision of services:** The County contributes certain services, such as purchasing, data, and payroll processing, to the operations of CCHHS. Accordingly, these services, which totaled \$3,558,667 and \$3,247,019 during the years ended November 30, 2013 and 2012, respectively, are reflected as both transfers and operating expenses of CCHHS.

## Cook County Health and Hospitals System of Illinois

### Notes to Financial Statements

---

#### **Note 9. Related-Party Transactions (Continued)**

**Contribution of capital assets:** The County has contributed the construction and acquisition of significant capital assets to the operations of CCHHS. The general obligation bonds issued to finance such contributed assets are reported in the County's long-term obligations and, therefore, are not reflected in the accompanying financial statements.

In the years ended November 30, 2013 and 2012, CCHHS has recorded capital contributions from the County of \$21,859,230 and \$16,974,126, respectively, in the accompanying statements of revenues, expenses, and changes in net assets.

#### **Note 10. Interfund Receivables, Payables, and Transfers**

As of November 30, 2013 and 2012, CCHHS reported due to the County of \$43,455 and due from the County of \$339,274, respectively. Balances between CCHHS and the County result from the time lag between the dates that services are provided between the two entities, versus when cash payment is made.

#### **Note 11. Pension Plan**

**Plan description:** Substantially all of CCHHS's full-time employees participate in the County Employees' and Officers' Annuity and Benefit Fund of Cook County (the Plan) which was established on January 1, 1926, and is governed by legislation contained in the Illinois Compiled Statutes (Statutes), particularly Chapter 40, Article 5/9 (the Article). The Plan can be amended only by the Illinois Legislature. The Plan is a single employer defined benefit pension plan with a defined contribution minimum. The Plan was created for the purpose of providing retirement, death (spouse or children), and disability benefits for full-time employees of the County and the dependents of such employees. The Plan is included in the County's financial statements as a pension trust fund. The financial statements of the Plan are audited by an independent public accountant and are the subject of a separate report.

**Funding policy:** Covered employees are required to contribute 8.5% of their salary to the Plan, subject to the salary limitations for Tier 2 participants in 5/1-160. If an employee leaves covered employment without qualifying for an annuity, accumulated contributions are refunded with interest (3% or 4% depending on when the employee became a participant). The County's total contribution is the amount of contributions made by the employees to the Plan in the calendar year two years prior to the year for which annual applicable tax is levied, multiplied by 1.54. The source of funds for the County's contributions has been designated by State Statute as the County's annual property tax levy.

The County Employees' and Officers' Annuity and Benefit Fund provides retirement as well as death and disability benefits. Tier 1 employees age 50 or over and Tier 2 employees age 62 or over with at least 10 years of service are entitled to receive a minimum formula annuity of 2.4% for each year of credited service to a maximum benefit of 80% of the final average monthly salary. For Tier 1 employees under age 60 and Tier 2 employees under age 67, the monthly retirement benefit is reduced ½ percent for each month the participant below the age. This reduction is waived for Tier 1 participants having 30 or more years of credited service.

## Cook County Health and Hospitals System of Illinois

### Notes to Financial Statements

---

#### **Note 11. Pension Plan (Continued)**

Employer contributions to the Plan made by the County on behalf of CCHHS were \$56,840,708 and \$58,984,999 during the years ended November 30, 2013 and 2012, respectively. These contributions are reflected as both nonoperating revenue and employee benefits expense in the statements of revenues, expenses, and changes in net position.

Cook County maintains and funds the plan, which includes CCHHS employees. The pension liability is included in the County's Comprehensive Annual Financial Report (CAFR), separate information for CCHHS employees is not available. Information related to the Plan as a whole is included in the County's CAFR which can be obtained at the address noted below.

To obtain a copy of Cook County's CAFR, write:  
Controller, Cook County, 118 North Clark, Chicago, Illinois 60602

To obtain a copy of the Plan's financial statements, write:  
Executive Director, Office of the Cook County and Forest Preserve District Employees' and Officers' Annuity and Benefit Funds, 33 North Dearborn, Chicago, Illinois 60603.

The schedule of funding progress for the County plan, presented in the Required Supplementary Information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the Plan's assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

#### **Note 12. Other Postemployment Benefits (OPEB)**

**Plan description:** The County Employees' and Officers' Annuity and Benefit Fund of Cook County administers the Health Care Premium Plan (HPP), a single-employer defined benefit postemployment health care plan. HPP is administered in accordance with Chapter 40, Article 5/9 of the Illinois Compiled Statutes, which assigns the authority to establish and amend benefit provisions to the Plan's Board of Trustees. HPP provides a health care premium subsidy to annuitants who elect to participate in HPP. The Plan is currently allowed, in accordance with State Statutes, to pay all or a portion of medical insurance premiums for the annuitants. The HPP is included in the County's financial statements as a pension trust fund. The financial statements of the HPP are audited by an independent public accountant and are the subject of a separate report.

**Funding policy:** The contribution requirement of plan members and the County are established and may be amended by the State legislature. The required contribution is based on projected "pay-as-you-go" financing requirements. The Plan pays all or any portion of the premium for health insurance on behalf of each annuitant who participates in any of the Plan's health care plans. The Plan is paying 55% of the total premiums for retiree annuitants, including the cost of any family coverage, and 70% of the premiums for survivor annuitants, including the cost of family coverage. The remaining premium cost is borne by the annuitant.

Cook County maintains and funds the Plan, which includes CCHHS employees. The OPEB liability is included in the County CAFR, separate information for CCHHS employees is not available. Information related to the Plan as a whole is included in the County's Comprehensive Annual Financial Report which can be obtained at the address noted below.

To obtain a copy of Cook County's CAFR, write:  
Controller, Cook County, 118 North Clark, Chicago, Illinois 60602

To obtain a copy of the Plan's financial statements, write:  
Executive Director, Office of the Cook County and Forest Preserve District Employees' and Officers' Annuity and Benefit Funds, 33 North Dearborn, Chicago, Illinois 60603.

**Note 12. Other Postemployment Benefits (OPEB) (Continued)**

The schedule of funding progress, presented in the Required Supplementary Information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the County OPEB Trust Fund assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Note 13. Insurance Coverage**

The County self-insures all risks, including medical malpractice, workers' compensation, general automobile and other liabilities. The County is a defendant in lawsuits alleging work-related injuries, malpractice, and other claims in which it is involved. Cases related to these areas are in various stages in the legal process.

The County engages an external actuary to provide an actuarial estimate of its liabilities for self-insured expenses. The liability recorded reflects a 3.6% discount factor (3.5% in 2012). CCHHS's portion of the self-insurance liability included in the self-insurance fund in the County's financial statements was \$129,550,892 and \$144,500,305 at November 30, 2013 and 2012, respectively. Beginning in fiscal year 2009, the County began to allocate a portion of self-insurance costs to other County funds; CCHHS has recorded insurance expense of \$24,495,338 and \$32,739,345 related to this allocation in the years ended November 30, 2013 and 2012, respectively.

The County funds its self-insurance liabilities, including those of CCHHS, on a current basis and has the authority to finance such liabilities through the levy of property taxes. While it is difficult to estimate the timing or amount of expenditures, management of the County believes that the self-insurance liabilities recorded are adequate to provide for potential losses resulting from medical malpractice, workers' compensation, and general liability claims, including incurred but not reported claims. The self-insurance liabilities recorded are based on facts known at the current time; however, the discovery of additional information concerning specific cases could affect estimated costs in the future.

**Note 14. General Obligation Bonds Issued by Cook County**

Approximately \$397,439,000 and \$995,750,000 of the County's outstanding debt for November 30, 2013 and 2012, respectively, pertained to CCHHS capital projects. These outstanding bonds are expected to be paid by the County and, therefore, are not reflected in the financial statements of CCHHS. Due to the number of refundings of refunding debt issuances, in 2013 the County changed its method for allocating debt to CCHHS to more accurately reflect the share of outstanding debt remaining that pertains to CCHHS capital assets.



## Cook County Health and Hospitals System of Illinois

### Notes to Financial Statements

---

#### Note 15. Commitments and Contingencies

**Leases:** CCHHS leases data processing and other equipment. Lease agreements frequently include renewal options and usually require CCHHS to pay for maintenance costs. Rental payments for operating leases are charged to operating expense in the period incurred. Rental expense for operating leases was approximately \$5,979,000 and \$5,977,000 in the years ended November 30, 2013 and 2012, respectively.

Approximate minimum future payments under noncancelable lease obligations are as follows:

Years Ending November 30	
2014	\$ 6,009,595
2015	5,203,295
2016	4,023,606
2017	1,422,235
2018	1,143,725
Thereafter	<u>1,526,376</u>
Total	<u>\$ 19,328,832</u>

**Asset use and disposal:** During 1990, the County purchased property known as the Provident Hospital facility from the U.S. Department of Housing and Urban Development for \$1. The purchase agreement restricts the use of the property to a general public hospital or other public health care facility for a period of 50 years, or the remaining useful life of the property. Additional restrictions exist related to the distribution of proceeds from any sale of the property.

**Health care regulation:** The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Recently, governmental activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations create a possibility of significant repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Congress passed the Medicare Modernization Act in 2003, which among other things established a three-year demonstration of the Medicare Recovery Audit Contractor (RAC) program. The program, which uses RACs to search for potentially improper Medicare payments that may have been made to health care providers, identified and corrected a significant amount of improper overpayments to providers. In 2006, Congress passed the Tax Relief and Health Care Act of 2006 which authorized the expansion of the RAC program to all 50 states by 2010. CMS implemented the RAC program in Illinois in 2010. CCHHS deducts from revenue amounts that are assessed under the RAC audits when sufficient information is available to make a reasonable estimate of amounts due.

Management believes that CCHHS is in compliance, in all material respects, with applicable government laws and regulations. While no regulatory inquiries have been made that are expected to have a material effect on the financial statements, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

In March 2010, President Obama signed into law the Patient Protection and Affordable Care Act (the Act), a comprehensive health care reform bill. The Act includes measures that change the dynamics of the health care industry, and is subject to change, including through the adoption of related regulations, the way in which its provisions are interpreted and the manner in which it is enforced. CCHHS remains uncertain as to the ultimate impact these changes will have on its operations because of the numerous steps required to implement the Act.

## Cook County Health and Hospitals System of Illinois

### Notes to Financial Statements

---

#### Note 15. Commitments and Contingencies (Continued)

The Governor of the State of Illinois is proposing significant reductions in the Illinois Medicaid program to help balance the State's budget. CCHHS's management is concerned about any changes in the rules that govern Medicaid eligibility in Illinois. If the State eliminates Medicaid eligibility for groups of patients in Illinois, it may increase the numbers of patients who are unable to pay for their medical services that come to CCHHS facilities. In addition to changing the eligibility rules, if the State is forced to reduce its work force, it may extend the time it takes to get a patient qualified for Medicaid. There continue to be significant delays in application processing in 2013.

Medicaid payments to CCHHS facilities are different than most of the providers in the State of Illinois. The Medicaid payments to CCHHS are paid from Federal dollars rather than State revenues. CCHHS should not be affected by the delays that other health care providers have experienced in 2012 and 2013 because of the State's backlog of unpaid bills.

In May 2014, CCHHS received a request for recoupment relating to certain discounts taken under the 340B prescription drug discount program related to the Oak Forest facility. After review of the available information and discussion with legal counsel, management has determined that liability, if any, is undeterminable at this time. However, this exposure is not expected to be material to the financial statements.

#### Note 16. Functional Expenses

CCHHS provides health care services to patients within its geographic region. Expenses related to providing these services for the years ended November 30, 2013 and 2012, were as follows:

	2013	2012
Patient care services	\$ 813,193,074	\$ 667,725,405
General and administrative	290,675,466	315,735,692
Total	<u>\$ 1,103,868,540</u>	<u>\$ 983,461,097</u>

#### Note 17. Medicaid Expansion

In 2012, CCHHS and the Cook County Board Officials collaborated to transform CCHHS by jump-starting national health care reform in Cook County. As a result, in October 2012, the federal government approved the Medicaid Expansion Program (CountyCare) by creating the CMS waiver under Section 1115 of the Social Security Act (1115 Waiver) for Cook County, allowing CCHHS to early enroll uninsured individuals who will be eligible for Medicaid in 2014 under the Affordable Care Act with no cost to the State of Illinois. CountyCare is an Illinois Medicaid Demonstration program for which CMS has granted an additional period for the 1115 Waiver which is currently scheduled to terminate July 1, 2014. In 2013, over 135,000 applications for CountyCare were initiated resulting in approximately 61,000 members joining the program and 27,455 applications awaiting approval as of November 30, 2013. CountyCare membership continues to grow and applications are continually processed with membership growing in the current period to over 95,000 members. For the year ended November 30, 2013, CountyCare revenue totaled \$117,542,922 representing 17% of CCHHS total operating revenue. Before the 1115 Waiver was granted, most of our CountyCare members were already our patients being treated by our system without compensation.

## Cook County Health and Hospitals System of Illinois

### Notes to Financial Statements

---

#### **Note 17. Medicaid Expansion (Continued)**

Once members are approved for CountyCare, CCHHS receives Per Member Per Month (PMPM) revenue as the insurer of these clients. Through December 31, 2013, PMPM revenue was \$629, but subject to the Federal Medical Assistance Percentage (FMAP), which CCHHS funds through the Interagency Transfer Agreement. Therefore, in 2013, CCHHS net revenue PMPM was \$314.50. Effective January 1, 2014, PMPM has increased to \$632, with no FMAP requirement; therefore, net revenue to CCHHS will be the full PMPM.

Estimated PMPM revenue for the year ended November 30, 2013 is \$104,768,681. In addition to the PMPM revenue, CCHHS is entitled to reimbursement for certain administrative costs under the CountyCare contract. Such reimbursement totaled \$12,774,241 for the year ended November 30, 2013. The PMPM and administrative revenue are included in Medicaid expansion revenue in the statement of revenues, expenses, and changes in net position.

Estimated amounts due from the State of Illinois relating to the CountyCare program totaled \$49,612,218 at November 30, 2013, which are reported as due from State of Illinois – Medicaid expansion in the statement of net position. In connection with the implementation of the CountyCare program, DHFS approved a modification of the Interagency Transfer Agreement (see Note 7) that resulted in a one-time deferral of required payments of approximately \$30,000,000 until 2014. Such amount is reported advance from State of Illinois – Medicaid expansion in the statement of net position.

Once enrolled in CountyCare, members receive covered services at no cost to members, including but not limited to primary and specialty visits within a broad network of doctors and hospitals. The 1115 Waiver period is currently scheduled to terminate July 1, 2014, and CountyCare members will be transitioned into a Managed Care Community Network (MCCN) which is an Illinois designated Medicaid managed care structure to ensure members can remain with their medical home and network of care. CountyCare continues to serve these members under the waiver, and is moving forward with the goal of CountyCare becoming an MCCN, therefore retaining all of its members within CountyCare. Once the waiver period ends, if CountyCare has not been approved as an MCCN, there is the risk that other care alternatives would have to be considered for the membership and future CCHHS PMPM revenue could be jeopardized.

All claims for payment of CountyCare services are handled by a Third Party Administrator (TPA), whether the claims are generated by CCHHS facilities (Domestic) or the network of outside providers (Foreign). The claims expense is primarily foreign, accounting for approximately 68%, whereas domestic claims account for approximately 32%. The disproportionate percentage of foreign to domestic claims represents a risk that costs for the program could be greater than expected, resulting in losses for the program, because expenses exceed PMPM revenues. Total estimated foreign claims for the year ended November 30, 2013 are \$80,581,718 and are included in purchased services, rental and other expenses in the statement of revenues, expenses, and changes in net position. Estimated foreign claims incurred but not paid as of November 30, 2013 are \$48,156,132 and are reported as Claims payable – Medicaid Expansion in the statement of net position.

As an Illinois Medicaid Demonstration program, CountyCare has to demonstrate that its costs are justified for the PMPM rate negotiated for the period which, in 2013, was \$629. If CountyCare cannot demonstrate the cost at the PMPM rate (if costs are lower than the PMPM rate), CCHHS must reserve a liability to cover the overpayment of PMPM received. At the end of 2013, CCHHS did not have enough data to demonstrate costs of \$629 PMPM and, therefore, has reserved an estimate for an overpayment of \$33,500,000, included in the third-party settlements liability in the November 30, 2013 statement of net position. However, during 2014 after the 1115 Waiver is terminated, CCHHS will prepare a cost report on waiver activity, and expects that all of the necessary data will be available to demonstrate the full cost of the negotiated PMPM rate. The 1115 Waiver cost report will be prepared separate from CCHHS facilities cost report.

## **Cook County Health and Hospitals System of Illinois**

### **Notes to Financial Statements**

---

#### **Note 17. Medicaid Expansion (Continued)**

On March 28, 2014, the Cook County Health System Board of Directors approved a five-year contract with IlliniCare Health Plan, Inc. to provide third party administrative services, managed care and clinical services for the Medicaid managed care initiative CountyCare. This contract will take effect once the 1115 Waiver Demonstration Program has ended in 2014. Costs of this contract are not to exceed \$1,796,000,000.

## **Required Supplementary Information**

# Cook County Health and Hospitals System of Illinois

## Schedule of Funding Progress

Years Ended November 30, 2013 and 2012

(Information for all County Employees)

Actuarial Valuation Date Year Ended December 31	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
Pension benefits:						
2011	\$ 7,897,102,116	\$ 12,628,274,561	\$ 4,731,172,445	62.54 %	\$ 1,456,444,123	324.84 %
2012	7,833,882,926	13,418,486,943	5,584,604,017	58.38	1,478,253,368	377.78
2013	8,381,444,287	13,636,576,177	5,255,131,890	61.46	1,484,269,715	354.06
Postemployment group health benefit plan:						
2011	-	1,678,571,388	1,678,571,388	-	1,456,444,123	115.25
2012	-	1,845,609,132	1,845,609,132	-	1,478,253,368	124.85
2013	-	1,978,767,490	1,978,767,490	-	1,484,269,715	133.32

Source: The information above was taken from the actuarial statements for each of the respective plans and reflects County-wide data.

Separate information for CCHHS is not available.

## **Supplementary Information**

**Cook County Health and Hospitals System of Illinois**

**Combining Statement of Net Position Information  
November 30, 2013**

	Operating Accounts	Restricted Purpose Accounts	Total
<b>Assets</b>			
Current Assets			
Cash and cash equivalents:			
Cash in banks	\$ 1,645,118	\$ 43,715	\$ 1,688,833
Cash held by Cook County Treasurer	29,303,801	12,687,088	41,990,889
Working cash fund	95,147,154	-	95,147,154
Total cash and cash equivalents	126,096,073	12,730,803	138,826,876
Property taxes receivable - net:			
Tax levy - current year	80,675,059	-	80,675,059
Tax levy - prior year	3,908,917	-	3,908,917
Total property taxes receivable	84,583,976	-	84,583,976
Receivables:			
Patient accounts - net of allowance for uncollectible accounts of \$289,127,798	71,950,316	-	71,950,316
Due from State of Illinois - Medicaid Expansion	49,612,218	-	49,612,218
Third-party settlements	4,982,443	-	4,982,443
Other receivables	1,333,228	117,741	1,450,969
Due from State of Illinois - sales tax	7,448,857	-	7,448,857
Total receivables	135,327,062	117,741	135,444,803
Inventories	3,540,434	-	3,540,434
Total current assets	349,547,545	12,848,544	362,396,089
Capital Assets, net of accumulated depreciation	426,328,917	26,315	426,355,232
Total assets	\$ 775,876,462	\$ 12,874,859	\$ 788,751,321



**Cook County Health and Hospitals System of Illinois**

**Combining Statement of Net Position Information (Continued)**  
**November 30, 2013**

	Operating Accounts	Restricted Purpose Accounts	Total
<b>Liabilities and Net Position</b>			
Current Liabilities			
Accounts payable	\$ 50,419,852	\$ 12,747	\$ 50,432,599
Accrued salaries, wages, and other liabilities	18,885,868	167,054	19,052,922
Claims payable - Medicaid expansion	48,156,132	-	48,156,132
Compensated absences	6,411,906	82,785	6,494,691
Deferred revenue	76,561,917	2,638,463	79,200,380
Advance from State of Illinois - Medicaid expansion	30,051,000	-	30,051,000
Third-party settlements	38,085,926	-	38,085,926
Due to other County governmental fund	43,455	-	43,455
Due to others	27,734	-	27,734
Interaccount payable (receivable)	(3,394,536)	3,394,536	-
Trust funds	-	47,325	47,325
Total current liabilities	265,249,254	6,342,910	271,592,164
Compensated Absences, less current portion	36,334,136	318,123	36,652,259
Property Tax Objections	11,664,708	-	11,664,708
Total liabilities	313,248,098	6,661,033	319,909,131
Net Position			
Net investment in capital assets	426,328,917	26,315	426,355,232
Restricted for patient care	-	6,187,511	6,187,511
Unrestricted	36,299,447	-	36,299,447
Total net position	462,628,364	6,213,826	468,842,190
Total liabilities and net position	\$ 775,876,462	\$ 12,874,859	\$ 788,751,321

# Cook County Health and Hospitals System of Illinois

## Combining Schedule of Revenues, Expenses, and Changes in Net Position Information Year Ended November 30, 2013

	Operating Accounts	Restricted Purpose Accounts	Total
Operating revenues:			
Net patient service revenue - net of bad debt and charity provision of \$351,922,531	\$ 546,067,828	\$ -	\$ 546,067,828
Medicaid expansion revenue (1115 Waiver)	117,542,922	-	117,542,922
Grant revenue	1,427,522	23,570,382	24,997,904
Electronic health record incentive program revenue	8,278,487	-	8,278,487
Other revenue	12,573,220	-	12,573,220
Total operating revenues	685,889,979	23,570,382	709,460,361
Operating expenses:			
Salaries and wages	508,937,984	9,062,302	518,000,286
Employee benefits	132,253,692	2,088,316	134,342,008
Supplies	116,470,839	83,400	116,554,239
Purchased services, rental, and other	253,846,808	6,879,419	260,726,227
Insurance	24,495,338	-	24,495,338
Depreciation	34,250,567	14,235	34,264,802
Utilities	11,926,973	-	11,926,973
Services contributed by other County offices	3,558,667	-	3,558,667
Total operating expenses	1,085,740,868	18,127,672	1,103,868,540
<b>Operating (loss) income</b>	<b>(399,850,889)</b>	<b>5,442,710</b>	<b>(394,408,179)</b>
Nonoperating revenues (expenses):			
Property taxes	73,128,663	-	73,128,663
Sales tax	22,944,367	-	22,944,367
Cigarette taxes	144,337,574	-	144,337,574
Other tobacco products taxes	5,933,437	-	5,933,437
Interest income	24,983	-	24,983
Retirement plan contribution	56,840,708	-	56,840,708
Capital assets transferred to governmental activities	(1,862,622)	-	(1,862,622)
Total nonoperating revenues	301,347,110	-	301,347,110
<b>(Loss) income before capital contributions and transfers</b>	<b>(98,503,779)</b>	<b>5,442,710</b>	<b>(93,061,069)</b>
Capital contributions	21,859,230	-	21,859,230
Transfers	3,558,667	-	3,558,667
<b>Change in net position</b>	<b>(73,085,882)</b>	<b>5,442,710</b>	<b>(67,643,172)</b>
Net position:			
Beginning of year	535,714,246	771,116	536,485,362
End of year	\$ 462,628,364	\$ 6,213,826	\$ 468,842,190

**Cook County Health and Hospitals System of Illinois**

**Combining Schedule of Cash Flows Information  
Year Ended November 30, 2013**

	Operating Accounts	Restricted Purpose Accounts	Total
Cash Flows from Operating Activities			
Receipts from third-party payors and patients	\$ 660,282,490	\$ -	\$ 660,282,490
Payments to employees	(582,679,014)	(11,597,084)	(594,276,098)
Payments to suppliers	(360,509,668)	(3,503,874)	(364,013,542)
Other receipts	23,089,984	16,053,138	39,143,122
<b>Net cash provided by (used in) operating activities</b>	<b>(259,816,208)</b>	<b>952,180</b>	<b>(258,864,028)</b>
Cash Flows from Noncapital Financing Activities			
Real and personal property taxes received - net	78,580,392	-	78,580,392
Sales taxes received	32,715,539	-	32,715,539
Cigarette taxes received	144,337,573	-	144,337,573
Other tobacco products taxes	5,933,437	-	5,933,437
<b>Net cash provided by noncapital financing activities</b>	<b>261,566,941</b>	<b>-</b>	<b>261,566,941</b>
Cash Flows from Investing Activities			
Interest received	24,983	-	24,983
<b>Net cash provided by investing activities</b>	<b>24,983</b>	<b>-</b>	<b>24,983</b>
<b>Change in cash and cash equivalents</b>	<b>1,775,716</b>	<b>952,180</b>	<b>2,727,896</b>
Cash and cash equivalents:			
Beginning of year	124,320,357	11,778,623	136,098,980
End of year	<u>\$ 126,096,073</u>	<u>\$ 12,730,803</u>	<u>\$ 138,826,876</u>
Supplemental Disclosure of Noncash Transactions			
Transfers - capital	<u>\$ 21,859,230</u>	<u>\$ -</u>	<u>\$ 21,859,230</u>

**Cook County Health and Hospitals System of Illinois**

**Combining Schedule of Cash Flows Information (Continued)**  
**Year Ended November 30, 2013**

	Operating Accounts	Restricted Purpose Accounts	Total
Reconciliation of Operating Loss to Net Cash			
Provided by (Used in) Operating Activities			
Operating loss	\$ (399,850,889)	\$ 5,442,710	\$ (394,408,179)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation	34,250,567	14,235	34,264,802
Provision for bad debts	351,922,531	-	351,922,531
Retirement plan contribution	56,840,708	-	56,840,708
Services contributed by other County offices	3,558,667	-	3,558,667
Net change in assets and liabilities:			
Patient accounts receivable	(370,983,898)	-	(370,983,898)
Due from State of Illinois - Medicaid expansion	(49,612,218)	-	(49,612,218)
Third-party settlements	33,114,732	-	33,114,732
Other receivables	883,626	387,580	1,271,206
Due from other funds	339,275	-	339,275
Interaccount receivable (payable)	(3,462,066)	3,462,066	-
Inventories	(234,521)	-	(234,521)
Accounts payable	2,751,193	(1,817)	2,749,376
Accrued salaries, wages, and other liabilities	1,352,544	(446,390)	906,154
Claims payable	48,156,132	-	48,156,132
Compensated absences	(136,185)	(75)	(136,260)
Deferred revenue	2,063,744	(7,904,739)	(5,840,995)
Advance from State of Illinois - Medicaid expansion	30,051,000	-	30,051,000
Due to other County governmental fund	43,455	-	43,455
Due to others	29,527	-	29,527
Trust funds	-	(1,390)	(1,390)
Property tax objections	(894,132)	-	(894,132)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (259,816,208)</b>	<b>\$ 952,180</b>	<b>\$ (258,864,028)</b>

**Cook County Health and Hospitals System of Illinois**

**Combining Statement of Net Position of Operating Accounts Information  
November 30, 2013**

	Bureau of Health Services	John H. Stroger Jr. Hospital	Provident Hospital	Department of Public Health	Cermak Health Services	Intra-Activity Eliminations	Total
<b>Assets</b>							
Current Assets							
Cash and cash equivalents							
Cash in banks	\$ -	\$ 1,434,754	\$ 210,364	\$ -	\$ -	\$ -	\$ 1,645,118
Cash held by Cook County Treasurer	-	768,382,116	138,434,197	135,584,534	-	(1,013,097,046)	29,303,801
Working cash fund	-	95,147,154	-	-	-	-	95,147,154
Total cash and cash equivalents	-	864,964,024	138,644,561	135,584,534	-	(1,013,097,046)	126,096,073
Property taxes receivable - net:							
Tax levy - current year	2,831,506	64,772,673	5,002,752	8,068,128	-	-	80,675,059
Tax levy - prior year	137,001	3,147,465	240,368	384,083	-	-	3,908,917
Total property taxes receivable	2,968,507	67,920,138	5,243,120	8,452,211	-	-	84,583,976
Receivables:							
Patient accounts - net of allowance for uncollectible accounts of \$289,127,798	-	69,867,917	2,082,399	-	-	-	71,950,316
Due from State of Illinois - Medicaid expansion	-	49,612,218	-	-	-	-	49,612,218
Third-party settlements	-	4,982,443	-	-	-	-	4,982,443
Other receivables	8,565	781,641	542,560	1	461	-	1,333,228
Due from State of Illinois - sales tax	169,446	4,241,562	853,432	716,635	1,467,782	-	7,448,857
Total receivables	178,011	129,485,781	3,478,391	716,636	1,468,243	-	135,327,062
Inventories	-	2,626,473	338,566	-	575,395	-	3,540,434
Total current assets	3,146,518	1,064,996,416	147,704,638	144,753,381	2,043,638	(1,013,097,046)	349,547,545
Capital Assets, net of accumulated depreciation	15,553,202	386,264,305	23,825,295	38,174	647,941	-	426,328,917
Total assets	\$ 18,699,720	\$ 1,451,260,721	\$ 171,529,933	\$ 144,791,555	\$ 2,691,579	\$ (1,013,097,046)	\$ 775,876,462

Cook County Health and Hospitals System of Illinois

Combining Statement of Net Position of Operating Accounts Information (Continued)  
November 30, 2013

	Bureau of Health Services	John H. Stroger Jr. Hospital	Provident Hospital	Department of Public Health	Cermak Health Services	Intra-Activity Eliminations	Total
<b>Liabilities and Net Position</b>							
<b>Current Liabilities</b>							
Due to Cook County Treasurer	\$ 919,482,338	\$ -	\$ -	\$ -	\$ 93,614,708	\$ (1,013,097,046)	\$ -
Accounts payable	19,665,756	27,775,065	2,358,187	404,106	216,738	-	50,419,852
Accrued salaries, wages, and other liabilities	1,791,804	13,917,792	1,210,937	370,209	1,595,126	-	18,885,868
Claims payable - Medicaid expansion	-	48,156,132	-	-	-	-	48,156,132
Compensated absences	583,790	4,795,523	469,070	159,861	403,662	-	6,411,906
Deferred revenue	-	73,949,441	2,612,476	-	-	-	76,561,917
Advance from State of Illinois - Medicaid expansion	-	30,051,000	-	-	-	-	30,051,000
Third-party settlements	-	37,904,522	181,404	-	-	-	38,085,926
Due to other County governmental fund	-	31,455	5,000	7,000	-	-	43,455
Due to others	-	27,734	-	-	-	-	27,734
Interaccount payable (receivable)	(223,120,066)	173,590,577	41,290,554	(3,460,438)	8,304,837	-	(3,394,536)
Total current liabilities	718,403,622	410,199,241	48,127,628	(2,519,262)	104,135,071	(1,013,097,046)	265,249,254
Compensated Absences, less current portion	3,308,144	27,174,630	2,658,064	905,879	2,287,419	-	36,334,136
Property Tax Objections	401,266	9,409,920	709,214	1,144,308	-	-	11,664,708
Total liabilities	722,113,032	446,783,791	51,494,906	(469,075)	106,422,490	(1,013,097,046)	313,248,098
<b>Net Position</b>							
Net investment in capital assets	15,553,202	386,264,305	23,825,295	38,174	647,941	-	426,328,917
Unrestricted	(718,966,514)	618,212,625	96,209,732	145,222,456	(104,378,852)	-	36,299,447
Total net position	(703,413,312)	1,004,476,930	120,035,027	145,260,630	(103,730,911)	-	462,628,364
Total liabilities and net position	\$ 18,699,720	\$ 1,451,260,721	\$ 171,529,933	\$ 144,791,555	\$ 2,691,579	\$ (1,013,097,046)	\$ 775,876,462

**Cook County Health and Hospitals System of Illinois**

**Combining Schedule of Revenues, Expenses, and  
Changes in Net Position of Operating Accounts Information  
Year Ended November 30, 2013**

	Bureau of Health Services	John H. Stroger Jr. Hospital	Provident Hospital	Department of Public Health	Cermak Health Services	Total
Operating revenues:						
Net patient service revenue - net of bad debt and charity provision of \$351,922,531	\$ -	\$ 520,841,989	\$ 25,225,839	\$ -	\$ -	\$ 546,067,828
Medicaid expansion revenue (1115 Waiver)	-	117,542,922	-	-	-	117,542,922
Grant revenue	-	-	-	1,427,522	-	1,427,522
Electronic health record incentive program revenue	-	6,653,988	1,624,499	-	-	8,278,487
Other revenue	34,220	5,426,077	379,924	6,727,236	5,763	12,573,220
Total operating revenues	34,220	650,464,976	27,230,262	8,154,758	5,763	685,889,979
Operating expenses:						
Salaries and wages	48,122,421	376,193,295	32,615,634	10,697,701	41,308,933	508,937,984
Employee benefits	12,139,554	96,836,541	8,393,490	3,943,284	10,940,823	132,253,692
Supplies	10,358,860	99,390,706	3,618,004	388,979	2,714,290	116,470,839
Purchased services, rental, and other	69,584,679	173,669,136	7,895,339	1,013,627	1,684,027	253,846,808
Insurance	2,364,705	18,112,353	1,527,921	342,943	2,147,416	24,495,338
Depreciation	6,343,287	25,539,903	1,910,939	215,441	240,997	34,250,567
Utilities	1,482,416	9,018,193	1,313,810	45,579	66,975	11,926,973
Services contributed by other County offices	-	3,107,257	451,410	-	-	3,558,667
Total operating expenses	150,395,922	801,867,384	57,726,547	16,647,554	59,103,461	1,085,740,868
<b>Operating loss</b>	<b>(150,361,702)</b>	<b>(151,402,408)</b>	<b>(30,496,285)</b>	<b>(8,492,796)</b>	<b>(59,097,698)</b>	<b>(399,850,889)</b>
Nonoperating revenues (expenses):						
Property taxes	2,566,333	58,685,481	4,549,445	7,327,404	-	73,128,663
Sales tax	521,938	13,065,086	2,628,786	2,207,416	4,521,141	22,944,367
Cigarette taxes	4,809,673	115,551,356	9,734,879	14,241,666	-	144,337,574
Other tobacco products taxes	188,671	4,794,000	389,006	561,760	-	5,933,437
Interest income	6	24,577	320	26	54	24,983
Retirement plan contribution	4,916,808	41,552,353	3,731,591	2,254,512	4,385,444	56,840,708
Capital assets transferred to governmental activities	-	-	-	(1,862,622)	-	(1,862,622)
Total nonoperating revenues	13,003,429	233,672,853	21,034,027	24,730,162	8,906,639	301,347,110
<b>(Loss) income before capital contributions and transfers</b>	<b>(137,358,273)</b>	<b>82,270,445</b>	<b>(9,462,258)</b>	<b>16,237,366</b>	<b>(50,191,059)</b>	<b>(98,503,779)</b>
Capital contributions	6,250,896	11,772,515	3,701,364	3,706	130,749	21,859,230
Transfers	-	3,107,257	451,410	-	-	3,558,667
<b>Change in net position</b>	<b>(131,107,377)</b>	<b>97,150,217</b>	<b>(5,309,484)</b>	<b>16,241,072</b>	<b>(50,060,310)</b>	<b>(73,085,882)</b>
Net position:						
Beginning of year	(572,305,935)	907,326,713	125,344,511	129,019,558	(53,670,601)	535,714,246
End of year	\$ (703,413,312)	\$ 1,004,476,930	\$ 120,035,027	\$ 145,260,630	\$ (103,730,911)	\$ 462,628,364

Cook County Health and Hospitals System of Illinois

Combining Schedule of Cash Flows of Operating Accounts Information  
Year Ended November 30, 2013

	Bureau of Health Services	John H. Stroger Jr. Hospital	Provident Hospital	Department of Public Health	Cermak Health Services	Intra-Activity Eliminations	Total
Cash Flows from Operating Activities							
Receipts from third-party payors and patients	\$ -	\$ 645,539,801	\$ 14,742,689	\$ -	\$ -	\$ -	\$ 660,282,490
Payments to employees	(54,914,459)	(430,325,254)	(37,366,591)	(12,457,701)	(47,615,009)		(582,679,014)
Payments to suppliers	(126,441,940)	(218,275,951)	(5,225,782)	(5,706,690)	(4,859,305)		(360,509,668)
Other receipts	34,770	12,589,574	2,264,716	8,194,394	6,530	-	23,089,984
<b>Net cash provided by (used in) operating activities</b>	<b>(181,321,629)</b>	<b>9,528,170</b>	<b>(25,584,968)</b>	<b>(9,969,997)</b>	<b>(52,467,784)</b>	<b>-</b>	<b>(259,816,208)</b>
Cash Flows from Noncapital Financing Activities							
Due to Cook County Treasurer	172,877,530				46,021,200	(218,898,730)	-
Real and personal property taxes received - net	2,701,538	63,385,148	4,785,133	7,708,573	-	-	78,580,392
Sales taxes received	744,211	18,629,031	3,748,292	3,147,475	6,446,530	-	32,715,539
Cigarette taxes received	4,809,673	115,551,355	9,734,879	14,241,666	-	-	144,337,573
Other tobacco products taxes	188,671	4,794,000	389,006	561,760	-	-	5,933,437
<b>Net cash provided by noncapital financing activities</b>	<b>181,321,623</b>	<b>202,359,534</b>	<b>18,657,310</b>	<b>25,659,474</b>	<b>52,467,730</b>	<b>(218,898,730)</b>	<b>261,566,941</b>
Cash Flows from Investing Activities							
Interest received							
<b>Net cash provided by investing activities</b>	<b>6</b>	<b>24,577</b>	<b>320</b>	<b>26</b>	<b>54</b>	<b>-</b>	<b>24,983</b>
<b>Change in cash and cash equivalents</b>	<b>-</b>	<b>211,912,281</b>	<b>(6,927,338)</b>	<b>15,689,503</b>	<b>-</b>	<b>(218,898,730)</b>	<b>1,775,716</b>
Cash and cash equivalents:							
Beginning of year	-	653,051,743	145,571,899	119,895,031	-	(794,198,316)	124,320,357
End of year	\$ -	\$ 864,964,024	\$ 138,644,561	\$ 135,584,534	\$ -	\$ (1,013,097,046)	\$ 126,096,073
Supplemental Disclosure of Noncash Transactions							
Transfers - capital	\$ 6,250,896	\$ 11,772,515	\$ 3,701,364	\$ 3,706	\$ 130,749	\$ -	\$ 21,859,230



Cook County Health and Hospitals System of Illinois

Combining Schedule of Cash Flows of Operating Accounts Information (Continued)  
Year Ended November 30, 2013

	Bureau of Health Services	John H. Stroger Jr. Hospital	Provident Hospital	Department of Public Health	Cermak Health Services	Intra-Activity Eliminations	Total
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities							
Operating loss	\$ (150,361,702)	\$ (151,402,408)	\$ (30,496,285)	\$ (8,492,796)	\$ (59,097,698)	\$ -	\$ (399,850,889)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:							
Depreciation	6,343,287	25,539,903	1,910,939	215,441	240,997	-	34,250,567
Provision for bad debts	-	326,831,133	25,091,398	-	-	-	351,922,531
Retirement plan contribution	4,916,808	41,552,353	3,731,591	2,254,512	4,385,444	-	56,840,708
Services contributed by other County offices	-	3,107,257	451,410	-	-	-	3,558,667
Net change in assets and liabilities:							
Patient accounts receivable	-	(345,339,553)	(25,644,345)	-	-	-	(370,983,898)
Due from State of Illinois - Medicaid expansion							
Medicaid Expansion	-	(49,612,218)	-	-	-	-	(49,612,218)
Third-party settlements	-	33,033,322	81,410	-	-	-	33,114,732
Other receivables	(8,488)	677,257	214,083	5	769	-	883,626
Due from other funds	9,037	254,700	42,905	32,633	-	-	339,275
Interaccount receivable (payable)	(36,860,816)	25,063,029	9,933,103	(3,462,067)	1,864,685	-	(3,462,066)
Inventories	-	(127,781)	(59,809)	-	(46,931)	-	(234,521)
Accounts payable	(5,895,340)	8,888,342	120,510	(297,964)	(64,355)	-	2,751,193
Accrued salaries, compensated absences, wages, and other liabilities	319,201	812,771	38,163	(23,679)	206,088	-	1,352,544
Claims payable	-	48,156,132	-	-	-	-	48,156,132
Compensated absences	111,507	(114,443)	(128,916)	(47,550)	43,217	-	(136,185)
Deferred revenue	-	12,077,972	(10,014,228)	-	-	-	2,063,744
Advance from State of Illinois - Medicaid expansion							
Medicaid Expansion	-	30,051,000	-	-	-	-	30,051,000
Due to other County governmental fund	-	31,455	5,000	7,000	-	-	43,455
Due to others	-	29,527	-	-	-	-	29,527
Property tax objections	104,877	18,420	(861,897)	(155,532)	-	-	(894,132)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (181,321,629)</b>	<b>\$ 9,528,170</b>	<b>\$ (25,584,968)</b>	<b>\$ (9,969,997)</b>	<b>\$ (52,467,784)</b>	<b>\$ -</b>	<b>\$ (259,816,208)</b>

**Cook County Health and Hospitals System of Illinois**

**Combining Statement of Net Position of Restricted Purpose Accounts Information  
November 30, 2013**

	John H. Stroger Jr. Hospital	Department of Public Health	Total
<b>Assets</b>			
Current Assets			
Cash and cash equivalents			
Cash in banks	\$ 43,715	\$ -	\$ 43,715
Cash held by Cook County Treasurer	997,595	11,689,493	12,687,088
Total cash and cash equivalents	<u>1,041,310</u>	<u>11,689,493</u>	<u>12,730,803</u>
Other receivables	3,610	114,131	117,741
Total receivables	<u>3,610</u>	<u>114,131</u>	<u>117,741</u>
Total current assets	1,044,920	11,803,624	12,848,544
Capital Assets			
Net of accumulated depreciation	<u>26,315</u>	-	<u>26,315</u>
Total assets	<u>\$ 1,071,235</u>	<u>\$ 11,803,624</u>	<u>\$ 12,874,859</u>
<b>Liabilities and Net Position</b>			
Current Liabilities			
Accounts payable	\$ -	\$ 12,747	\$ 12,747
Accrued salaries, wages, and other liabilities	8,723	158,331	167,054
Compensated absences	30,702	52,083	82,785
Trust funds	47,325	-	47,325
Deferred revenue	670,132	1,968,331	2,638,463
Interaccount payable	<u>210,524</u>	<u>3,184,012</u>	<u>3,394,536</u>
Total current liabilities	967,406	5,375,504	6,342,910
Compensated Absences, less current portion	<u>22,988</u>	<u>295,135</u>	<u>318,123</u>
Total liabilities	<u>990,394</u>	<u>5,670,639</u>	<u>6,661,033</u>
Net Position			
Net investment in capital assets	26,315	-	26,315
Restricted for patient care	<u>54,526</u>	<u>6,132,985</u>	<u>6,187,511</u>
Total net position	<u>80,841</u>	<u>6,132,985</u>	<u>6,213,826</u>
Total liabilities and net position	<u>\$ 1,071,235</u>	<u>\$ 11,803,624</u>	<u>\$ 12,874,859</u>

**Cook County Health and Hospitals System of Illinois**

**Combining Schedule of Revenues, Expenses, and Changes in Net Position of  
Restricted Purpose Accounts Information  
Year Ended November 30, 2013**

	John H. Stroger Jr. Hospital	Department of Public Health	Total
Grant revenue	\$ 996,549	\$ 22,573,833	\$ 23,570,382
Total operating revenues	996,549	22,573,833	23,570,382
Operating expenses:			
Salaries and wages	876,894	8,185,408	9,062,302
Employee benefits	157,448	1,930,868	2,088,316
Supplies	-	83,400	83,400
Purchased services, rental, and other	71,053	6,808,366	6,879,419
Depreciation	14,235	-	14,235
Total operating expenses	1,119,630	17,008,042	18,127,672
<b>Change in net position</b>	(123,081)	5,565,791	5,442,710
Net position:			
Beginning of year	203,922	567,194	771,116
End of year	\$ 80,841	\$ 6,132,985	\$ 6,213,826

**Cook County Health and Hospitals System of Illinois**

**Combining Schedule of Cash Flows of Restricted Purpose  
Accounts Information  
Year Ended November 30, 2013**

	John H. Stroger Jr. Hospital	Department of Public Health	Total
Cash Flows from Operating Activities			
Payments to employees	\$ (1,471,179)	\$ (10,125,905)	\$ (11,597,084)
Payments from (to) suppliers	205,698	(3,709,572)	(3,503,874)
Other receipts (expense)	1,196,994	14,856,144	16,053,138
<b>Net cash provided by (used in) operating activities</b>	<b>(68,487)</b>	<b>1,020,667</b>	<b>952,180</b>
<b>Change in cash and cash equivalents</b>	<b>(68,487)</b>	<b>1,020,667</b>	<b>952,180</b>
Cash and cash equivalents:			
Beginning of year	1,109,797	10,668,826	11,778,623
End of year	<u>\$ 1,041,310</u>	<u>\$ 11,689,493</u>	<u>\$ 12,730,803</u>
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities			
Operating loss	\$ (123,081)	\$ 5,565,791	\$ 5,442,710
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation	14,235	-	14,235
Net changes in assets and liabilities:			
Other receivables	80,962	306,618	387,580
Interaccount receivable (payable)	278,055	3,184,011	3,462,066
Accounts payable	-	(1,817)	(1,817)
Accrued salaries, wages and other liabilities	(448,945)	2,555	(446,390)
Compensated absences	12,109	(12,184)	(75)
Deferred revenue	119,568	(8,024,307)	(7,904,739)
Trust funds	(1,390)	-	(1,390)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (68,487)</b>	<b>\$ 1,020,667</b>	<b>\$ 952,180</b>

**Cook County Health and Hospitals System of Illinois**

**Combining Statement of Net Position Information  
November 30, 2012**

	Operating Accounts	Restricted Purpose Accounts	Total
<b>Assets</b>			
Current Assets			
Cash and cash equivalents:			
Cash in banks	\$ 1,604,850	\$ 45,105	\$ 1,649,955
Cash held by Cook County Treasurer	27,568,351	11,733,518	39,301,869
Working cash fund	95,147,154	-	95,147,154
Total cash and cash equivalents	124,320,355	11,778,623	136,098,978
Property taxes receivable - net:			
Tax levy - current year	82,237,608	-	82,237,608
Tax levy - prior year	7,798,098	-	7,798,098
Total property taxes receivable	90,035,706	-	90,035,706
Receivables:			
Patient accounts - net of allowance for uncollectible accounts of \$298,256,873	52,888,950	-	52,888,950
Third-party settlements	1,442,694	-	1,442,694
Other receivables	2,149,316	572,766	2,722,082
Due from State of Illinois - sales tax	17,220,028	-	17,220,028
Due from other County governmental fund	339,274	-	339,274
Total receivables	74,040,262	572,766	74,613,028
Inventories	3,305,913	-	3,305,913
Total current assets	291,702,236	12,351,389	304,053,625
Capital Assets, net of accumulated depreciation	440,582,881	40,550	440,623,431
Total assets	\$ 732,285,117	\$ 12,391,939	\$ 744,677,056

**Cook County Health and Hospitals System of Illinois**

**Combining Statement of Net Position Information (Continued)**  
**November 30, 2012**

	Operating Accounts	Restricted Purpose Accounts	Total
<b>Liabilities and Net Position</b>			
Current Liabilities			
Accounts payable	\$ 47,668,656	\$ 14,563	\$ 47,683,219
Accrued salaries, wages, and other liabilities	17,533,324	613,444	18,146,768
Compensated absences	6,432,336	60,147	6,492,483
Deferred revenue	74,498,173	10,543,203	85,041,376
Third-party settlements	1,431,444	-	1,431,444
Due to other County governmental fund	-	-	-
Due to (from) others	(1,793)	-	(1,793)
Trust funds	-	48,630	48,630
Total current liabilities	147,562,140	11,279,987	158,842,127
Compensated Absences, less current portion	36,449,891	340,836	36,790,727
Property Tax Objections	12,558,840	-	12,558,840
Total liabilities	196,570,871	11,620,823	208,191,694
Net Position			
Net investment in capital assets	440,582,881	40,550	440,623,431
Restricted for patient care	-	730,566	730,566
Unrestricted	95,131,365	-	95,131,365
Total net position	535,714,246	771,116	536,485,362
Total liabilities and net position	\$ 732,285,117	\$ 12,391,939	\$ 744,677,056

# Cook County Health and Hospitals System of Illinois

## Combining Schedule of Revenues, Expenses, and Changes in Net Position Information Year Ended November 30, 2012

	Operating Accounts	Restricted Purpose Accounts	Total
Operating revenues:			
Net patient service revenue - net of bad debt and charity provision of \$342,863,068	\$ 536,177,313	\$ -	\$ 536,177,313
Grant revenue	986,470	10,754,842	11,741,312
Electronic health record incentive program revenue	9,863,709	-	9,863,709
Other revenue	7,847,569	-	7,847,569
Total operating revenues	554,875,061	10,754,842	565,629,903
Operating expenses:			
Salaries and wages	498,877,948	5,248,283	504,126,231
Employee benefits	132,169,341	2,287,169	134,456,510
Supplies	106,629,278	144,697	106,773,975
Purchased services, rental, and other	152,932,803	3,402,720	156,335,523
Insurance	32,739,345	-	32,739,345
Depreciation	32,497,991	14,235	32,512,226
Utilities	13,270,268	-	13,270,268
Services contributed by other County offices	3,247,019	-	3,247,019
Total operating expenses	972,363,993	11,097,104	983,461,097
<b>Operating loss</b>	<b>(417,488,932)</b>	<b>(342,262)</b>	<b>(417,831,194)</b>
Nonoperating revenues:			
Property taxes	79,629,731	-	79,629,731
Sales tax	57,524,338	-	57,524,338
Cigarette taxes	106,003,772	-	106,003,772
Other tobacco products taxes	6,542,547	-	6,542,547
Interest income	41,774	-	41,774
Retirement plan contribution	58,984,999	-	58,984,999
Total nonoperating revenues	308,727,161	-	308,727,161
<b>Loss before capital contributions and transfers</b>	<b>(108,761,771)</b>	<b>(342,262)</b>	<b>(109,104,033)</b>
Capital contributions	16,974,126	-	16,974,126
Transfers	3,247,019	-	3,247,019
<b>Change in net position</b>	<b>(88,540,626)</b>	<b>(342,262)</b>	<b>(88,882,888)</b>
Net position:			
Beginning of year	624,254,872	1,113,378	625,368,250
End of year	\$ 535,714,246	\$ 771,116	\$ 536,485,362

**Cook County Health and Hospitals System of Illinois**

**Combining Schedule of Cash Flows Information  
Year Ended November 30, 2012**

	Operating Accounts	Restricted Purpose Accounts	Total
Cash Flows from Operating Activities			
Receipts from third-party payors and patients	\$ 570,711,425	\$ -	\$ 570,711,425
Payments to employees	(567,712,132)	(7,618,317)	(575,330,449)
Payments to suppliers	(307,460,838)	(3,709,804)	(311,170,642)
Other receipts	16,630,493	12,565,043	29,195,536
<b>Net cash provided by (used in) operating activities</b>	<b>(287,831,052)</b>	<b>1,236,922</b>	<b>(286,594,130)</b>
Cash Flows from Noncapital Financing Activities			
Real and personal property taxes received - net	114,664,504	-	114,664,504
Sales taxes received	73,897,585	-	73,897,585
Cigarette taxes received	106,003,771	-	106,003,771
Other tobacco products taxes	6,542,547	-	6,542,547
<b>Net cash provided by noncapital financing activities</b>	<b>301,108,407</b>	<b>-</b>	<b>301,108,407</b>
Cash Flows from Investing Activities			
Interest received	41,774	-	41,774
<b>Net cash provided by investing activities</b>	<b>41,774</b>	<b>-</b>	<b>41,774</b>
<b>Change in cash and cash equivalents</b>	<b>13,319,129</b>	<b>1,236,922</b>	<b>14,556,051</b>
Cash and cash equivalents:			
Beginning of year	111,001,226	10,541,701	121,542,927
End of year	\$ 124,320,355	\$ 11,778,623	\$ 136,098,978
Supplemental Disclosure of Noncash Transactions			
Transfers - capital	\$ 16,974,126	\$ -	\$ 16,974,126



**Cook County Health and Hospitals System of Illinois**

**Combining Schedule of Cash Flows Information (Continued)**  
**Year Ended November 30, 2012**

	Operating Accounts	Restricted Purpose Accounts	Total
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities			
Operating loss	\$ (417,488,932)	\$ (342,262)	\$ (417,831,194)
Adjustments to reconcile operating loss to net cash provided operating activities:			
Depreciation	32,497,991	14,235	32,512,226
Provision for bad debts	342,863,068	-	342,863,068
Retirement plan contribution	58,984,999	-	58,984,999
Services contributed by other County offices	3,247,019	-	3,247,019
Net change in assets and liabilities:			
Patient accounts receivable	(308,412,047)	-	(308,412,047)
Third-party settlements	7,719,677	-	7,719,677
Other receivables	(1,127,029)	(565,566)	(1,692,595)
Due from other funds	(339,281)	-	(339,281)
Inventories	254,300	-	254,300
Accounts payable	(9,361,002)	(160,160)	(9,521,162)
Accrued salaries, wages, and other liabilities	2,968,919	(4,945,800)	(1,976,881)
Compensated absences	1,130,108	(14,806)	1,115,302
Deferred revenue	(2,458,896)	7,253,540	4,794,644
Due to other County governmental fund	(349,813)	-	(349,813)
Due to others	(73,401)	-	(73,401)
Trust funds	-	(2,259)	(2,259)
Property tax objections	2,113,268	-	2,113,268
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (287,831,052)</b>	<b>\$ 1,236,922</b>	<b>\$ (286,594,130)</b>

**Cook County Health and Hospitals System of Illinois**

**Combining Statement of Net Position of Operating Accounts Information  
November 30, 2012**

	Bureau of Health Services	John H. Stroger Jr. Hospital	Provident Hospital	Department of Public Health	Cermak Health Services	Intra-Activity Eliminations	Total
<b>Assets</b>							
Current Assets							
Cash and cash equivalents							
Cash in banks	\$ -	\$ 1,412,895	\$ 191,955	\$ -	\$ -	\$ -	\$ 1,604,850
Cash held by Cook County Treasurer	-	556,491,693	145,379,945	119,895,031	-	(794,198,318)	27,568,351
Working cash fund	-	95,147,154	-	-	-	-	95,147,154
Total cash and cash equivalents	-	653,051,742	145,571,900	119,895,031	-	(794,198,318)	124,320,355
Property taxes receivable - net:							
Tax levy - current year	2,831,508	66,335,220	5,002,752	8,068,128	-	-	82,237,608
Tax levy - prior year	272,205	6,284,585	476,056	765,252	-	-	7,798,098
Total property taxes receivable	3,103,713	72,619,805	5,478,808	8,833,380	-	-	90,035,706
Receivables:							
Patient accounts - net of allowance for uncollectible accounts of \$298,256,873	-	51,359,497	1,529,453	-	-	-	52,888,950
Third-party settlements	-	1,442,694	-	-	-	-	1,442,694
Other receivables	76	1,391,366	756,642	4	1,228	-	2,149,316
Due from State of Illinois - sales tax	391,722	9,805,506	1,972,936	1,656,693	3,393,171	-	17,220,028
Due from other County governmental fund	9,036	254,700	42,905	32,633	-	-	339,274
Interaccount receivable (payable)	186,259,249	(148,460,019)	(31,357,451)	(1,629)	(6,440,150)	-	-
Total receivables	186,660,083	(84,206,256)	(27,055,515)	1,687,701	(3,045,751)	-	74,040,262
Inventories	-	2,498,692	278,757	-	528,464	-	3,305,913
Total current assets	189,763,796	643,963,983	124,273,950	130,416,112	(2,517,287)	(794,198,318)	291,702,236
Capital Assets, net of accumulated depreciation	15,645,593	400,031,696	22,034,871	2,112,531	758,190	-	440,582,881
Total assets	\$ 205,409,389	\$ 1,043,995,679	\$ 146,308,821	\$ 132,528,643	\$ (1,759,097)	\$ (794,198,318)	\$ 732,285,117

Cook County Health and Hospitals System of Illinois

Combining Statement of Net Position of Operating Accounts Information (Continued)

November 30, 2012

	Bureau of Health Services	John H. Stroger Jr. Hospital	Provident Hospital	Department of Public Health	Cermak Health Services	Intra-Activity Eliminations	Total
<b>Liabilities and Net Position</b>							
Current Liabilities							
Due to Cook County Treasurer	\$ 746,604,809	\$ -	\$ -	\$ -	\$ 47,593,509	\$ (794,198,318)	\$ -
Accounts payable	25,561,096	18,886,723	2,237,677	702,067	281,093	-	47,668,656
Accrued salaries, wages, and other liabilities	1,472,603	13,105,021	1,172,774	393,888	1,389,038	-	17,533,324
Compensated absences	567,064	4,812,690	488,408	166,994	397,180	-	6,432,336
Deferred revenue	-	61,871,469	12,626,704	-	-	-	74,498,173
Third-party settlements	-	1,331,450	99,994	-	-	-	1,431,444
Due to other County governmental fund	-	-	-	-	-	-	-
Due from others	-	(1,793)	-	-	-	-	(1,793)
Total current liabilities	774,205,572	100,005,560	16,625,557	1,262,949	49,660,820	(794,198,318)	147,562,140
Compensated Absences, less current portion	3,213,363	27,271,906	2,767,642	946,296	2,250,684	-	36,449,891
Property Tax Objections	296,389	9,391,500	1,571,111	1,299,840	-	-	12,558,840
Total liabilities	777,715,324	136,668,966	20,964,310	3,509,085	51,911,504	(794,198,318)	196,570,871
Net Position							
Net investment in capital assets	15,645,593	400,031,696	22,034,871	2,112,531	758,190	-	440,582,881
Unrestricted	(587,951,528)	507,295,017	103,309,640	126,907,027	(54,428,791)	-	95,131,365
Total net position	(572,305,935)	907,326,713	125,344,511	129,019,558	(53,670,601)	-	535,714,246
Total liabilities and net position	\$ 205,409,389	\$ 1,043,995,679	\$ 146,308,821	\$ 132,528,643	\$ (1,759,097)	\$ (794,198,318)	\$ 732,285,117

**Cook County Health and Hospitals System of Illinois**

**Combining Schedule of Revenues, Expenses, and  
Changes in Net Position of Operating Accounts Information  
Year Ended November 30, 2012**

	Bureau of Health Services	John H. Stroger Jr. Hospital	Provident Hospital	Department of Public Health	Cermak Health Services	Total
Operating revenues:						
Net patient service revenue - net of bad debt and charity provision of \$342,863,068	\$ -	\$ 496,914,005	\$ 39,263,108	\$ 200	\$ -	\$ 536,177,313
Grant revenue	-	-	-	986,470	-	986,470
Electronic health record incentive program revenue	-	7,789,223	2,074,486	-	-	9,863,709
Other revenue	-	6,299,682	399,228	1,141,782	6,877	7,847,569
Total operating revenues	-	511,002,910	41,736,822	2,128,452	6,877	554,875,061
Operating expenses:						
Salaries and wages	41,979,748	371,898,783	34,059,043	12,017,146	38,923,228	498,877,948
Employee benefits	10,231,368	99,484,711	9,234,274	3,329,922	9,889,066	132,169,341
Supplies	14,265,401	81,978,376	4,517,028	428,105	5,440,368	106,629,278
Purchased services, rental, and other	70,976,175	67,028,676	10,098,433	2,932,807	1,896,712	152,932,803
Insurance	1,034,021	29,617,178	870,676	289,210	928,260	32,739,345
Depreciation	5,212,738	26,459,674	397,544	216,923	211,112	32,497,991
Utilities	1,507,483	10,029,574	1,553,361	86,389	93,461	13,270,268
Services contributed by other County offices	-	2,827,414	419,605	-	-	3,247,019
Total operating expenses	145,206,934	689,324,386	61,149,964	19,300,502	57,382,207	972,363,993
<b>Operating loss</b>	<b>(145,206,934)</b>	<b>(178,321,476)</b>	<b>(19,413,142)</b>	<b>(17,172,050)</b>	<b>(57,375,330)</b>	<b>(417,488,932)</b>
Nonoperating revenues:						
Property taxes	2,789,037	64,502,299	4,548,652	7,789,743	-	79,629,731
Sales tax	1,308,562	32,755,771	6,590,688	5,534,263	11,335,054	57,524,338
Cigarette taxes	2,503,909	79,275,838	13,255,984	10,968,041	-	106,003,772
Other tobacco products taxes	154,541	4,892,900	818,159	676,947	-	6,542,547
Interest income	54	39,306	1,722	227	465	41,774
Retirement plan contribution	5,166,799	43,500,956	4,174,473	1,647,871	4,494,900	58,984,999
Total nonoperating revenues	11,922,902	224,967,070	29,389,678	26,617,092	15,830,419	308,727,161
<b>(Loss) income before capital contributions and transfers</b>	<b>(133,284,032)</b>	<b>46,645,594</b>	<b>9,976,536</b>	<b>9,445,042</b>	<b>(41,544,911)</b>	<b>(108,761,771)</b>
Capital contributions	5,920,269	10,123,413	687,024	3,353	240,067	16,974,126
Transfers	-	2,827,414	419,605	-	-	3,247,019
<b>Change in net position</b>	<b>(127,363,763)</b>	<b>59,596,421</b>	<b>11,083,165</b>	<b>9,448,395</b>	<b>(41,304,844)</b>	<b>(88,540,626)</b>
Net position:						
Beginning of year	(444,942,172)	847,730,292	114,261,346	119,571,163	(12,365,757)	624,254,872
End of year	<u>\$ (572,305,935)</u>	<u>\$ 907,326,713</u>	<u>\$ 125,344,511</u>	<u>\$ 129,019,558</u>	<u>\$ (53,670,601)</u>	<u>\$ 535,714,246</u>

**Cook County Health and Hospitals System of Illinois**

**Combining Schedule of Cash Flows of Operating Accounts Information**  
**Year Ended November 30, 2012**

	Bureau of Health Services	John H. Stroger Jr. Hospital	Provident Hospital	Department of Public Health	Cermak Health Services	Intra-Activity Eliminations	Total
Cash Flows from Operating Activities							
Receipts from third-party payors and patients	\$ -	\$ 526,694,320	\$ 44,016,905	\$ 200	\$ -	\$ -	\$ 570,711,425
Payments to employees	(46,467,575)	(424,069,540)	(39,514,443)	(13,698,012)	(43,962,562)	-	(567,712,132)
Payments to suppliers	(113,283,684)	(177,744,866)	(9,138,995)	(3,621,534)	(3,671,759)	-	(307,460,838)
Other receipts	101,854	12,586,147	1,682,910	2,252,644	6,938	-	16,630,493
<b>Net cash used in operating activities</b>	<b>(159,649,405)</b>	<b>(62,533,939)</b>	<b>(2,953,623)</b>	<b>(15,066,702)</b>	<b>(47,627,383)</b>	<b>-</b>	<b>(287,831,052)</b>
Cash Flows from Noncapital Financing Activities							
Due to Cook County Treasurer	151,414,565	-	-	-	33,065,550	(184,480,115)	-
Real and personal property taxes received - net	3,895,317	92,115,116	7,345,220	11,308,851	-	-	114,664,504
Sales taxes received	1,681,020	42,079,101	8,466,608	7,109,488	14,561,368	-	73,897,585
Cigarette taxes received	2,503,908	79,275,838	13,255,984	10,968,041	-	-	106,003,771
Transfers from other County funds	154,541	4,892,900	818,159	676,947	-	-	6,542,547
<b>Net cash provided by noncapital financing activities</b>	<b>159,649,351</b>	<b>218,362,955</b>	<b>29,885,971</b>	<b>30,063,327</b>	<b>47,626,918</b>	<b>(184,480,115)</b>	<b>301,108,407</b>
Cash Flows from Investing Activities							
Interest received	54	39,306	1,722	227	465	-	41,774
<b>Change in cash and cash equivalents</b>	<b>-</b>	<b>155,868,322</b>	<b>26,934,070</b>	<b>14,996,852</b>	<b>-</b>	<b>(184,480,115)</b>	<b>13,319,129</b>
Cash and cash equivalents:							
Beginning of year	-	497,183,420	118,637,830	104,898,179	-	(609,718,203)	111,001,226
End of year	\$ -	\$ 653,051,742	\$ 145,571,900	\$ 119,895,031	\$ -	\$ (794,198,318)	\$ 124,320,355
Supplemental Disclosure of Noncash Transactions							
Capital contributions	\$ 5,920,269	\$ 10,123,413	\$ 687,024	\$ 3,353	\$ 240,067	\$ -	\$ 16,974,126

**Cook County Health and Hospitals System of Illinois**

**Combining Schedule of Cash Flows of Operating Accounts Information (Continued)**

**Year Ended November 30, 2012**

	Bureau of Health Services	John H. Stroger Jr. Hospital	Provident Hospital	Department of Public Health	Cermak Health Services	Intra-Activity Eliminations	Total
Reconciliation of Operating Loss to Net Cash Used in Operating Activities							
Operating loss	\$ (145,206,934)	\$ (178,321,476)	\$ (19,413,142)	\$ (17,172,050)	\$ (57,375,330)	\$ -	\$ (417,488,932)
Adjustments to reconcile operating loss to net cash used in operating activities:							
Depreciation	5,212,738	26,459,674	397,544	216,923	211,112	-	32,497,991
Provision for bad debts	-	310,284,208	32,578,860	-	-	-	342,863,068
Retirement plan contribution	5,166,799	43,500,956	4,174,473	1,647,871	4,494,900	-	58,984,999
Services contributed by other County offices	-	2,827,414	419,605	-	-	-	3,247,019
Net change in assets and liabilities:							
Patient accounts receivable	-	(277,031,957)	(31,380,090)	-	-	-	(308,412,047)
Third-party settlements	-	7,146,151	573,526	-	-	-	7,719,677
Other receivables	110,891	(659,705)	(742,302)	164,026	61	-	(1,127,029)
Due from other funds	(9,037)	(254,700)	(42,911)	(32,633)	-	-	(339,281)
Interaccount receivable (payable)	(31,749,437)	18,636,066	8,205,289	-	4,908,082	-	-
Inventories	-	297,774	224,754	-	(268,228)	-	254,300
Accounts payable	6,198,959	(14,535,933)	(967,467)	(103,749)	47,188	-	(9,361,002)
Accrued salaries, compensated absences, wages, and other liabilities	340,118	2,219,734	64,272	62,526	282,269	-	2,968,919
Compensated absences	236,624	1,342,726	(460,466)	(61,339)	72,563	-	1,130,108
Deferred revenue	-	(5,613,958)	3,155,062	-	-	-	(2,458,896)
Due to other County governmental fund	-	(337,813)	(5,000)	(7,000)	-	-	(349,813)
Due to others	-	(73,401)	-	-	-	-	(73,401)
Property tax objections	49,874	1,580,301	264,370	218,723	-	-	2,113,268
<b>Net cash used in operating activities</b>	<b>\$ (159,649,405)</b>	<b>\$ (62,533,939)</b>	<b>\$ (2,953,623)</b>	<b>\$ (15,066,702)</b>	<b>\$ (47,627,383)</b>	<b>\$ -</b>	<b>\$ (287,831,052)</b>

**Cook County Health and Hospitals System of Illinois**

**Combining Statement of Net Position of Restricted Purpose Accounts Information  
November 30, 2012**

	John H. Stroger Jr. Hospital	Department of Public Health	Total
<b>Assets</b>			
Current Assets			
Cash and cash equivalents			
Cash in banks	\$ 45,105	\$ -	\$ 45,105
Cash held by Cook County Treasurer	1,064,692	10,668,826	11,733,518
Total cash and cash equivalents	1,109,797	10,668,826	11,778,623
Other receivables	152,019	420,747	572,766
Interaccount receivable (payable)	-	-	-
Total receivables	152,019	420,747	572,766
Total current assets	1,261,816	11,089,573	12,351,389
Capital Assets			
Net of accumulated depreciation	40,550	-	40,550
Total assets	\$ 1,302,366	\$ 11,089,573	\$ 12,391,939
<b>Liabilities and Net Position</b>			
Current Liabilities			
Accounts payable	\$ -	\$ 14,563	\$ 14,563
Accrued salaries, wages, and other liabilities	457,668	155,776	613,444
Compensated absences	6,237	53,910	60,147
Trust funds	48,630	-	48,630
Deferred revenue	550,564	9,992,639	10,543,203
Total current liabilities	1,063,099	10,216,888	11,279,987
Compensated Absences, less current portion	35,345	305,491	340,836
Total liabilities	1,098,444	10,522,379	11,620,823
Net Position			
Net investment in capital assets	40,550	-	40,550
Restricted for patient care	163,372	567,194	730,566
Total net position	203,922	567,194	771,116
Total liabilities and net position	\$ 1,302,366	\$ 11,089,573	\$ 12,391,939

**Cook County Health and Hospitals System of Illinois**

**Combining Schedule of Revenues, Expenses, and Changes in Net Position of  
Restricted Purpose Accounts Information  
Year Ended November 30, 2012**

	John H. Stroger Jr. Hospital	Department of Public Health	Total
Grant revenue	\$ 868,359	\$ 9,886,483	\$ 10,754,842
Total operating revenues	868,359	9,886,483	10,754,842
Operating expenses:			
Salaries and wages	538,006	4,710,277	5,248,283
Employee benefits	142,511	2,144,658	2,287,169
Supplies	1,834	142,863	144,697
Purchased services, rental, and other	86,746	3,315,974	3,402,720
Depreciation	14,235	-	14,235
Total operating expenses	783,332	10,313,772	11,097,104
<b>Operating income (loss) and change in net position</b>	85,027	(427,289)	(342,262)
Net position:			
Beginning of year	118,895	994,483	1,113,378
End of year	\$ 203,922	\$ 567,194	\$ 771,116



**Cook County Health and Hospitals System of Illinois**

**Combining Schedule of Cash Flows of Restricted Purpose  
Accounts Information  
Year Ended November 30, 2012**

	John H. Stroger Jr. Hospital	Department of Public Health	Total
Cash Flows from Operating Activities			
Payments to employees	\$ (693,574)	\$ (6,924,743)	\$ (7,618,317)
Payments from (to) suppliers	176,403	(3,886,207)	(3,709,804)
Other receipts	1,187,457	11,377,586	12,565,043
<b>Net cash provided by operating activities</b>	<b>670,286</b>	<b>566,636</b>	<b>1,236,922</b>
<b>Change in cash and cash equivalents</b>	<b>670,286</b>	<b>566,636</b>	<b>1,236,922</b>
Cash and cash equivalents:			
Beginning of year	439,511	10,102,190	10,541,701
End of year	<u>\$ 1,109,797</u>	<u>\$ 10,668,826</u>	<u>\$ 11,778,623</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ 85,027	\$ (427,289)	\$ (342,262)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	14,235	-	14,235
Net changes in assets and liabilities:			
Other receivables	(80,962)	(484,604)	(565,566)
Interaccount receivable (payable)	267,209	(267,209)	-
Accounts payable	-	(160,160)	(160,160)
Accrued salaries, wages, and other liabilities	(10,529)	(4,935,271)	(4,945,800)
Compensated absences	(2,524)	(12,282)	(14,806)
Deferred revenue	400,089	6,853,451	7,253,540
Trust funds	(2,259)	-	(2,259)
<b>Net cash provided by operating activities</b>	<b>\$ 670,286</b>	<b>\$ 566,636</b>	<b>\$ 1,236,922</b>