



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

An Enterprise Fund of Cook County, Illinois

Financial Report  
November 30, 2018

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RSM US LLP

## Independent Auditor's Report

To the Board of Directors  
Cook County Health and Hospitals System of Illinois

### Report on the Financial Statements

We have audited the accompanying basic financial statements of Cook County Health and Hospitals System of Illinois (CCHHS), an enterprise fund of Cook County, Illinois, as of and for the year ended November 30, 2018, 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 basic financial statements based on our audit. We conducted our audit 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 the 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 basic financial statements referred to above present fairly, in all material respects, the financial position of CCHHS as of November 30, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matters**

As discussed in Note 1 to the financial statements, the basic financial statements referred to above present only those of CCHHS and do not purport to, and do not, present fairly the financial position of Cook County, Illinois, as of November 30, 2018, or the changes in its financial position, and, where applicable, its cash flows for the year 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.

As discussed in Note 19, during the year ended November 30, 2018, CCHHS adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this statement resulted in a restatement of the November 30, 2017, net position, increasing the net deficit by approximately \$647 million. 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 pension and post-retirement benefit data on pages 39-41 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, which 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 audit 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 audit was 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 42-54 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 audit 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.

*RSM US LLP*

Chicago, Illinois  
May 31, 2019

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

### **Introduction**

One of the largest public health systems in the nation, the Cook County Health and Hospitals System (CCHHS) serves as the safety net for health care in Chicago and suburban Cook County. CCHHS is comprised of two Joint Commission-accredited hospitals, Stroger and Provident, more than a dozen community health centers, the Ruth M. Rothstein Core Center, a primary care center for patients with HIV and other infectious diseases, the Cook County Department of Public Health and Cermak Health Services, which provides primary and specialty care to individuals at the Cook County Jail and the Juvenile Temporary Detention Center, and CountyCare, a managed Medicaid health plan with more than 333,000 members in FY2018.

CCHHS cares for more than 300,000 unique patients each year with a commitment to providing comprehensive, compassionate and high quality care. CCHHS's flagship 450-bed John H. Stroger, Jr. Hospital provides nationally-certified stroke, oncology and burn care and has centers of excellence in emergency medicine, infectious disease, endocrinology and others. The nation's first comprehensive trauma unit opened at Cook County Hospital in 1966. CCHHS's emergency department saw over 140,000 visits in FY2018.

CCHHS's history and mission to care for all dates back to 1835. In that time, the system has cared for millions of individuals, trained thousands of doctors and supported important research that has contributed to modern day best practices in hospitals.

CCHHS's Strategic Plan, Impact 2020, aims at transforming the provision of health care in Cook County by promoting community-based primary and preventive care, developing a robust, collaborative health plan and enhancing the patient experience.

The following discussion and analysis provides an overview of CCHHS's financial activities and financial position for the fiscal years ended November 30, 2018 and 2017. This discussion focuses on the significant financial and operational activities and the resulting changes in financial position including comparative data for the prior year and should be read in conjunction with the accompanying financial statements and related note disclosures.

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

The Cook County Board of Commissioners established the Cook County Health and Hospitals System Board (CCHHS Board) in 2008 to provide independent oversight of health care operations. The CCHHS Board is accountable to the Cook County Board of Commissioners. 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.

## Financial Highlights for 2018

The CCHHS Board and Management continue to work to identify new sources of revenues, reduce costs or realign services in order to mitigate operating losses due to declining federal reimbursements, dependency on Illinois Medicaid payments, a large self-pay population, and rising labor and medical costs.

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

A broad measure of CCHHS's financial progress is net position, or assets and deferred outflows, minus liabilities and deferred inflows. CCHHS's net position increased by \$25,044 in fiscal year 2018, an improvement from a net position reduction of \$145,454 in fiscal year 2017.

- At November 30, 2018, CCHHS maintained a total cash and cash equivalents balance of \$370,686 or 48 days in cash.
- The liabilities and deferred inflows of resources of CCHHS exceeded its assets and deferred outflows of resources at the close of fiscal year 2018 by \$4,762,050. Of this amount, \$5,290,548 is unrestricted net deficit. In addition, in 2018, CCHHS's net investment in capital assets increased by \$82,274. It is important to note that nearly all of the unrestricted net deficit is related to the net pension and OPEB liabilities.
- Total addition to net position was \$25,044 in fiscal year 2018. The change in net position for 2018 is the result of loss before capital contributions and transfers of \$262,294 and capital contributions and net transfers in of \$287,338.
- Loss from operations in fiscal year 2018 was \$330,874. The decrease in the loss is primarily the result of the \$103,604 increase in Provident Hospital capitation revenue and the \$156,346 decrease in pension expense.
- During fiscal year 2018, CCHHS payor mix experienced the following changes: Medicare increased to 15.1%, Commercial Insurance increased to 4.6%, Medicaid decreased to 26.1%, the Self-Pay component increased to 40.1%, and CountyCare increased to 14.1%.
- Changes in estimates relating to prior years increased fiscal year 2018 net patient service revenue by approximately \$41,875.
- The provision for bad debt decreased in fiscal year 2018 by \$69,200 or 22% to \$247,389. The decrease is due to increased accuracy in charging and timely billing, enabling better collections thereby reducing the need for higher bad debt provision.

## Financial Highlights for 2017

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

A broad measure of CCHHS's financial progress is net position, or assets and deferred outflows, minus liabilities and deferred inflows. CCHHS's net position reduced by \$145,454 in fiscal year 2017, a 26% improvement from a net position reduction of \$196,436 in fiscal year 2016.

- At November 30, 2017, CCHHS maintained a total cash and cash equivalents balance of \$324,414 or 58 days in cash.
- In 2017, CountyCare submitted a successful bid for the State of Illinois Medicaid Managed Care Request for Proposal (RFP) and through a strategic acquisition, grew membership to over 290,000 while balancing its member populations in various programs including Affordable Care Act (ACA) adults, Family Health Plan (FHP) members, Integrated Care Program (ICP), and Managed Long Term Supports and Services (MLTSS) members.

- The liabilities and deferred inflows of resources of CCHHS exceeded its assets and deferred outflows of resources at the close of fiscal year 2017 by \$4,140,534. Of this amount, \$4,587,612 is unrestricted net deficit. In addition, in 2017, CCHHS's net investment in capital assets increased by \$48,444. It is important to note that nearly all of the unrestricted net deficit is related to the net pension liability.
- Total reduction in net position was \$145,454 in fiscal year 2017. The change in net position for 2017 is the result of loss before capital contributions and transfers of \$403,673 and capital contributions and net transfers in of \$258,219.
- Loss from operations in fiscal year 2017 was \$506,172. The increase in the loss is primarily the result of the reduction in the capitation paid by the State of Illinois to CountyCare.
- During fiscal year 2018, CCHHS payor mix experienced the following changes: Medicare increased to 14.7%, Commercial Insurance decreased to 4.2%, Medicaid decreased to 31.7%, the Self-Pay component increased to 37.6%, and CountyCare decreased to 11.8%.
- Changes in estimates relating to prior years increased fiscal year 2017 net patient service revenue by approximately \$59,097 and increased fiscal year 2017 CountyCare capitation revenue by \$83,000.

### **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 16-38 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 pages 39-41 of this report.

**Operating Statistics**

The utilization statistics for CCHHS for the fiscal years ended November 30, 2018 and 2017, are as follows:

	2018	2017	Percent Change	2016
Patient days	89,387	98,843	(9.6) %	104,117
Average daily census	245	271	(9.6) %	285
Admissions	16,549	19,664	(15.8) %	22,078
Average length of stay (days)	5.40	5.03	7.4 %	4.72

**Fund-Wide Financial Analysis**

Net position may serve over time as a useful indicator of a fund's financial condition. In the case of CCHHS, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$4,762,050 at November 30, 2018, and by \$4,787,093 (as restated) at November 30, 2017.

A portion of CCHHS's net position (deficit) 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****Statement of Net Position  
November 30, 2018  
(In Thousands)**

	<b>2018</b>	2017
Current assets	<b>\$ 644,801</b>	\$ 669,567
Refundable deposits	<b>55,000</b>	25,000
Capital assets, net	<b>528,080</b>	474,900
<b>Total assets</b>	<b>1,227,881</b>	1,169,467
Deferred outflows of resources	<b>372,465</b>	630,938
Current liabilities	<b>807,661</b>	684,792
Other liabilities	<b>4,797,627</b>	4,694,260
<b>Total liabilities</b>	<b>5,605,288</b>	5,379,052
Deferred inflows of resources	<b>757,108</b>	561,886
Net position (deficit)		
Net investment in capital assets	<b>528,080</b>	445,805
Restricted for patient care	<b>419</b>	1,273
Unrestricted	<b>(5,290,548)</b>	(4,587,612)
<b>Total net position (deficit)</b>	<b>\$ (4,762,050)</b>	\$ (4,140,534)

**Table 2**

**Statement of Revenues, Expenses, and Changes in Net Position  
Year Ended November 30, 2018  
(In Thousands)**

	2018	2017
Operating revenues:		
Net patient service revenue - net of bad debt provision of \$247,389	\$ 597,487	\$ 593,240
CountyCare capitation revenue	1,822,415	836,538
Provident capitation revenue	115,407	112,840
Grant revenue	11,148	11,803
Electronic health record incentive program revenue	1,559	3,494
Other revenue	14,155	13,420
Total operating revenues	2,562,171	1,571,335
Nonoperating revenues:		
Property taxes	63,866	82,313
Sweetened beverage taxes	4,319	16,729
Cigarette taxes	-	3,331
Interest income	395	126
Total nonoperating revenues	68,580	102,499
Total revenues	2,630,751	1,673,834
Operating expenses:		
Salaries, wages and benefits	707,828	677,210
Pension	79,403	235,749
OPEB	23,686	-
Supplies	139,968	138,590
Purchased services, rental and other	272,555	242,425
Foreign claims	1,546,012	680,190
Insurance	40,078	34,295
Depreciation	33,991	25,430
Utilities	12,780	13,695
Services contributed by other County offices	36,744	29,923
Total operating expenses	2,893,045	2,077,507
<b>Loss before capital contributions and transfers in</b>	(262,294)	(403,673)
Capital contributions	71,639	68,710
Transfers in	215,699	189,509
<b>Change in net position</b>	25,044	(145,454)
Net deficit:		
Beginning of year (restated)	(4,787,093)	(3,995,080)
End of year	\$ (4,762,049)	\$ (4,140,534)

## **2018 Activity**

In fiscal year 2018, total operating revenues, net of bad debt provision increased to \$2,562,171 from the prior year, which represents a 63% increase in total operating revenues. This increase is primarily due to an increase in CountyCare capitation revenue. CountyCare capitation revenue increased by \$985,877 to \$1,822,415, as a result of the acquisition of members from FHN on November 1, 2017 and from Aetna on January 1, 2018.

Changes in estimates relating to prior years increased fiscal year 2018 net patient service revenue by approximately \$41,875.

In fiscal year 2018, nonoperating revenues decreased by \$33,919 from the prior year to \$68,580. The drop in nonoperating revenues was due to the County allocation of tax revenue, a portion of which was based on the sweetened beverage tax changes.

In fiscal year 2018, salaries, wages and benefits (excluding pension and OPEB expense) increased by \$30,618 to \$707,828 from the prior year. The normal step increases, along with hiring employees with higher salaries during fiscal year 2018 compared to fiscal year 2017, accounted for most of this increase. Pension expense decreased \$156,346 (66.3%) from the prior year primarily due to an increase in the discount rate. The increase in the discount rate was caused by an improvement in the municipal rate since the prior measurement period.

In fiscal year 2018, CCHHS implemented GASB 75, and recognized OPEB expense for the first time of \$23,686.

Supplies expense, including pharmaceuticals, increased to \$139,968. This 1% increase is primarily due to an increase in the volume of patient visits during fiscal year 2018 compared to fiscal year 2017.

Purchased services, rental and other expenses increased \$30,130 (12%) from the prior year to \$272,555 in fiscal year 2018. The increase is primarily due to an increase in the hiring of professional services due to the need for contractors to assist in difficult to fill positions.

Foreign claims expense increased by \$865,821 (127%) from the prior year to \$1,546,011 in fiscal year 2018. The increase is primarily due to the increase in CountyCare membership in fiscal year 2018.

In fiscal year 2018, the operating loss of CCHHS decreased by \$175,330 from the prior year to \$330,874.

## **2017 Activity**

In fiscal year 2017, total operating revenues, net of bad debt provision decreased to \$1,571,335 from the prior year, which represents a 2.7% decrease in total operating revenues. This decrease is primarily due to a decrease in CountyCare capitation which was due to retroactive reductions in rates impacting 2016 and 2017 rates. CountyCare capitation revenue decreased by \$88,292 to \$836,538.

Changes in estimates relating to prior years increased fiscal year 2017 net patient service revenue by approximately \$59,097 and increased fiscal year 2017 CountyCare capitation revenue by \$83,000.

In fiscal year 2017, nonoperating revenues decreased by \$21,032 from the prior year to \$102,499. The drop in nonoperating revenues was due to the County allocation of tax revenue, a portion of which was based on the sweetened beverage tax changes.

In fiscal year 2017, salaries, wages and benefits (excluding pension expense) increased by \$15,538 to \$677,210 from the prior year. The normal step increases, along with the implementation of the new Collective Bargaining Agreements, accounted for most of this increase. Pension expense decreased \$85,844 (26.7%) from the prior year primarily due to an increase in the discount rate. The increase in the discount rate was caused by an improvement in the municipal rate since the prior measurement period.

Supplies expense, including pharmaceuticals, increased to \$138,590. This 7.3% increase is primarily due to the increase in prices for pharmaceuticals and supplies. It was compounded by more high cost drugs related to HIV and Hepatitis C being provided by the health system.

**2017 Activity (continued)**

Purchased services, rental and other expenses increased \$60,379 (33.2%) from the prior year to \$242,425 in fiscal year 2017. The increase is primarily due to a decrease in County capital contributions, requiring more use of lease financing, and an increased investment in the update of clinical equipment and space. Purchased Services is the primary increase in this line due to the need for contractors to assist in difficult to fill positions.

Foreign claims expense decreased by \$37,838 (5.3%) from the prior year to \$680,190 in fiscal year 2017. The decrease is primarily due to a decrease in CountyCare membership in fiscal year 2017. Additional members were added on November 1, 2017, therefore increasing overall membership at year-end.

In fiscal year 2017, the operating loss of CCHHS increased by \$8,485 from the prior year to \$506,172.

**Capital Assets and Debt Administration***Capital Assets*

CCHHS's investment in capital assets amounts to \$528,080, net of depreciation, as of November 30, 2018. This investment includes building, improvements, equipment and intangible assets. The \$53,180 increase in capital assets for fiscal year 2018 is the result of investment in capital assets of \$87,178 outpacing depreciation expense of \$33,991. During fiscal year 2018, CCHHS completed construction of the new \$120,000 Central Campus Health Center, which was placed in service in October 2018. In 2019, CCHHS will continue the progress of increasing the investment in capital to improve their patient experience and efficiency.

Additional information of CCHHS's capital assets can be found in Note 6 on page 25 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.

CCHHS had more insured patients than uninsured in fiscal year 2018 and 2017. While it continues to carry the highest uninsured volume in the state of Illinois, this is a significant improvement. However, the percentage of its revenues tied to individuals insured by the government continues to rise and makes CCHHS subject to risks related to changes in state and federal policies covering these individuals.

**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 Deputy Chief Executive Officer for Finance and Strategy at 1900 West Polk Street, Room 200, Chicago, Illinois 60612, [www.cookcountygov.com](http://www.cookcountygov.com).

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

**Statement of Net Position**

**November 30, 2018**

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**Assets and Deferred Outflows**

Current assets:

Cash and cash equivalents (Note 5):

Cash in banks	\$ 6,345,331
Cash held by Cook County Treasurer	269,193,087
Working cash fund	95,147,154
Total cash and cash equivalents	<u>370,685,572</u>

Property taxes receivable - net of allowance of \$6,926,713

Tax levy - current year	72,704,918
Tax levy - prior year	121,122
Total property taxes receivable	<u>72,826,040</u>

Receivables:

Patient accounts - net of allowances of \$262,197,067	98,122,379
Due from State of Illinois (Note 16)	14,583,540
Capitation receivable (Note 17)	51,114,675
Third-party settlements	15,072,056
Other receivables	10,707,190
Total receivables	<u>189,599,840</u>

Refundable deposit

2,000,000

Inventories

9,689,957

Total current assets

644,801,409

Refundable deposits (Note 16)

55,000,000

Capital assets, net of accumulated depreciation (Note 6)

498,360,962

Capital assets not being depreciated (Note 6)

29,718,660

528,079,622

Total assets

1,227,881,031

**Deferred Outflows of Resources:**

Pension related amounts (Note 10)

343,851,490

OPEB related amounts (Note 11)

28,613,489

372,464,979

(Continued)

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

**Statement of Net Position (Continued)**

**November 30, 2018**

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**Liabilities, Deferred Inflows and Net Deficit**

Current liabilities:

Accounts payable	\$	121,855,361
Accrued salaries, wages and other liabilities		17,423,491
Claims payable (Note 16)		501,560,288
Compensated absences		6,666,764
Pension and OPEB contributions payable (Notes 10 and 11)		66,386,418
Unearned revenue (Note 7)		17,475,357
Due to State of Illinois (Note 16)		33,406,703
Self-insurance claims (Notes 3 and 12)		41,897,500
Due to other County governmental fund		43,455
Trust funds		946,005
Total current liabilities		<u>807,661,342</u>

Compensated absences, less current portion		38,087,925
Self-insurance claims, less current portion (Notes 3 and 12)		137,912,846
Property tax objections (Note 8)		12,341,876
Net pension liability (Note 10)		3,967,522,298
Total OPEB liability (Note 11)		<u>641,761,676</u>

Total liabilities 5,605,287,963

Commitments and contingencies (Note 14)

**Deferred Inflows of Resources:**

Pension related amounts (Note 10)		726,214,933
OPEB related amounts (Note 11)		30,892,720
		<u>757,107,653</u>

**Net Position (Deficit):**

Net investment in capital assets		528,079,622
Restricted for patient care		418,908
Unrestricted		<u>(5,290,548,136)</u>

Total net deficit \$ (4,762,049,606)

See notes to financial statements.

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

**Statement of Revenues, Expenses, and Changes in Net Position  
Year Ended November 30, 2018**

Operating revenues:	
Net patient service revenue - net of bad debt provision of \$247,389,767	\$ 597,487,683
CountyCare capitation (Note 16)	1,822,414,772
Provident Hospital capitation (Note 17)	115,406,928
Grant revenue	11,147,830
Electronic health record incentive program revenue	1,558,760
Other revenue	14,154,878
Total operating revenues	<u>2,562,170,851</u>
Operating expenses:	
Salaries and wages	608,401,290
Employee benefits	99,426,218
Pension (Note 10)	79,403,403
OPEB (Note 11)	23,685,717
Supplies	139,968,256
Purchased services, rental and other	272,555,123
Foreign claims (Note 16)	1,546,011,440
Insurance	40,077,931
Depreciation	33,991,052
Utilities	12,780,426
Services contributed by other County offices (Note 9)	36,744,063
Total operating expenses	<u>2,893,044,919</u>
<b>Operating loss</b>	<u><b>(330,874,068)</b></u>
Nonoperating revenues:	
Property taxes	63,866,237
Sweetened beverage taxes	4,318,754
Interest income	394,997
Total nonoperating revenues	<u>68,579,988</u>
<b>Loss before capital contributions and transfers in</b>	<u><b>(262,294,080)</b></u>
Capital contributions (Note 9)	71,638,543
Transfers in	<u>215,699,243</u>
<b>Change in net position</b>	<u><b>25,043,706</b></u>
Net deficit:	
Beginning of year (as restated) (Note 19)	<u>(4,787,093,312)</u>
End of year	<u><u>\$ (4,762,049,606)</u></u>

See notes to financial statements.

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

**Statement of Cash Flows**  
**Year Ended November 30, 2018**

Cash flows from operating activities:	
Receipts from third-party payors and patients	\$ 2,478,983,237
Payments to employees	(718,824,379)
Contributions to the pension/OPEB plans for employee benefits	(176,065,364)
Payments to contracted health care providers and suppliers	(1,722,331,858)
Other payments	(5,156,728)
<b>Net cash used in operating activities</b>	<b>(143,395,092)</b>
Cash flows from capital financing activities:	
Acquisition of capital assets	(44,626,330)
<b>Net cash used in capital financing activities</b>	<b>(44,626,330)</b>
Cash flows from noncapital financing activities:	
Transfers from other County funds	178,955,180
Refundable deposits	(32,000,000)
Real and personal property taxes received, net	82,623,897
Sweetened beverage taxes received	4,318,754
<b>Net cash provided by noncapital financing activities</b>	<b>233,897,831</b>
Cash flows from investing activities:	
Interest received	394,997
<b>Net cash provided by investing activities</b>	<b>394,997</b>
<b>Change in cash and cash equivalents</b>	<b>46,271,406</b>
Cash and cash equivalents:	
Beginning of year	324,414,166
End of year	\$ 370,685,572
Supplemental disclosure of noncash transactions:	
Transfers - capital assets	\$ 71,638,543

(Continued)



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

**Statement of Cash Flows (Continued)**

**Year Ended November 30, 2018**

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Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	<b>\$ (330,874,068)</b>
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	<b>33,991,052</b>
Provision for bad debts	<b>247,389,767</b>
Services contributed by other County offices	<b>36,744,063</b>
Net change in assets and liabilities:	
Patient accounts receivable	<b>(249,880,817)</b>
Due from State of Illinois	<b>26,294,780</b>
Capitation receivable	<b>(64,079,386)</b>
Third-party settlements	<b>(1,839,080)</b>
Other receivables	<b>(16,492,034)</b>
Inventories	<b>(2,012,639)</b>
Accounts payable	<b>42,971,362</b>
Accrued salaries, wages and other liabilities	<b>(15,927,136)</b>
Pension and OPEB contributions payable	<b>51,098</b>
Self-insurance claims payable	<b>9,132,274</b>
Net pension liability	<b>(536,985,748)</b>
Total OPEB liability	<b>(4,798,052)</b>
Deferred amounts related to pensions	<b>451,415,423</b>
Deferred amounts related to OPEB	<b>17,341,035</b>
Claims payable	<b>241,446,375</b>
Compensated absences	<b>145,612</b>
Unearned revenue	<b>(2,340,004)</b>
Due to State of Illinois	<b>(23,786,232)</b>
Due to others	<b>(706,909)</b>
Trust funds	<b>64,947</b>
Property tax objections	<b>(660,775)</b>
<b>Net cash used in operating activities</b>	<b><u>\$ (143,395,092)</u></b>

See notes to financial statements.

## Cook County Health and Hospitals System of Illinois

### Notes to Financial Statements

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#### 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), CountyCare, Provident Hospital (PH), the Cook County Department of Public Health (DPH), the Bureau of Health Services (BHS), the Ambulatory and Community Health Network (ACHN), the Ruth Rothstein Core Center (CORE) and Cermak Health Services of Cook County (CHS).

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

Collectively, JSH, OFHC, PH, DPH, ACHN, CORE 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.

CountyCare capitation, Medicaid and Medicare revenue account 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 (DHFS) (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, an Illinois not-for-profit corporation, funded the development and construction of the Health Center. CCHHS leases the Health Center from the CORE Foundation 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 \$330,874,068 for the year ended November 30, 2018.

The health care industry is highly dependent upon a number of factors that have a significant effect on operations, such as laws and regulations, and continuing shifts in payor utilization. Additionally, certain salaries in the health care industry have become very competitive as a result of the national shortage of health care professionals.

## Cook County Health and Hospitals System of Illinois

### Notes to Financial Statements

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

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 CCHHS's Medicaid Expansion Program (CountyCare) by creating the Centers for Medicare and Medicaid Services (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 would become eligible for Medicaid in 2014 under the Affordable Care Act.

Once enrolled in CountyCare, members receive covered services at no cost 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.

CountyCare began as an Illinois Medicaid Demonstration program. When the demonstration program period ended on June 30, 2014, CountyCare members were transitioned into a County 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.

CCHHS management expects to reduce operating losses in the future by retaining CountyCare membership, growing specialty and clinical services, improving denials management, bending the cost curve and increasing patient satisfaction and retention. To this end, CCHHS is establishing initiatives to sustain the trend of managing operating losses. CountyCare, and by extension CCHHS, continue to be highly dependent on timely reimbursement from the DHFS for cash flow.

CCHHS management continues to work on strategies to increase revenues through making its services more attractive to patients, managed care organizations, and other providers. It is also working on decreasing costs by reducing overtime hours and bringing high cost services in-house where financially/operationally justifiable. The financial climate for safety net hospitals continues to be challenging and CCHHS must continue to grow its base activity and its ability to accurately capture, bill and collect for the services in the Medicaid managed care environment.

For the year ended November 30, 2018, the CCHHS's payor utilization based on gross patient service revenue was as follows:

	<u>2018</u>
Self-pay	\$ 677,121,748
Medicaid and Medicaid managed care	441,745,803
Medicare	255,172,922
Other	<u>77,811,504</u>
Total	<u>\$ 1,451,851,977</u>

## Cook County Health and Hospitals System of Illinois

### Notes to Financial Statements

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

For the year ended November 30, 2018, estimated gross charges associated with services provided to CountyCare patients totaled approximately \$238,080,000. Charges related to CountyCare patients are excluded from the table above as CCHHS is reimbursed through capitation rather than through patient service revenue, and any gross charges associated with CCHHS services provided to CountyCare patients are eliminated in combination.

CCHHS's revenue associated with CountyCare patients is reported in CountyCare capitation revenue in the statement of revenues, expenses, and changes in net position.

#### 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, CountyCare, 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 resources 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.

**Cash and cash equivalents:** Cash and cash equivalents consist primarily of time deposits and cash invested in other authorized short-term securities (Note 5) with maturities at the date of purchase of three months or less. Net appreciation (depreciation) in fair value attributable to cash equivalents, if any, is included as a component of nonoperating revenue in the statement of revenues, expenses, and changes in net position. Cash and cash equivalents are recorded at either amortized cost or fair value, depending on the nature of investment.

## Cook County Health and Hospitals System of Illinois

### Notes to Financial Statements

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

**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, 2018, represents CCHHS's portion of the tax year 2018 taxes and uncollected tax year 2017 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 year. 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.

**Patient accounts receivable:** Patient accounts receivable represents amounts owed to CCHHS for services provided to patients. The receivable is either due from a third-party payor, such as Medicare, Medicaid or commercial insurance carriers, or directly from the patient. Patient accounts receivable are presented net of allowances for contractual discounts and uncollectible accounts. 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 (excluding Medicaid managed care) represented approximately 25% of patient accounts receivable, net as of November 30, 2018.

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

**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. Construction in progress is transferred to CCHHS from the County throughout construction and recorded in CCHHS's financial statements. No value has been assigned to the land upon which most of CCHHS facilities are located. Capital assets are defined by CCHHS as assets with an initial, individual cost of \$1,000 or more. Donated capital assets from parties outside of the County are recorded at acquisition value at the date of donation. Prior to fiscal year 2016, donated capital assets were recorded at their estimated fair value. 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 costs are incurred.

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

**Notes to Financial Statements**

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

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
Intangible assets	4 years

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:** Claims payable represents amounts payable to providers outside of CCHHS for services provided to CountyCare members. This estimate reflects the estimated ultimate cost of services incurred but not paid, net of expected stop-loss insurance recoveries. Stop-loss coverage limits vary based on the services provided and are reimbursed based on a percentage of charges. Management believes that the claims payable liability is adequate to cover the claims incurred but not paid as of November 30, 2018.

**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 year ended November 30, 2018:

Balance, December 1, 2017	Additions	Reductions	Balance, November 30, 2018	Amount Due Within One Year
\$ 44,609,074	\$ 45,605,965	\$ (45,460,350)	\$ 44,754,689	\$ 6,666,764

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

**Notes to Financial Statements**

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

**Self-insurance claims payable:** Self-insurance claims payable represents CCHHS's allocation of an actuarially-determined estimate of the County's liability for medical malpractice, workers' compensation, general automobile and other self-insured risks. Changes in self-insurance claims payable were as follows for the years ended November 30, 2018 and 2017:

Balance, December 1, 2017	Additions	Reductions	Balance, November 30, 2018	Amount Due Within One Year
\$ 171,596,814	\$ 43,289,732	\$ (35,076,200)	\$ 179,810,346	\$ 41,897,500

  

Balance, December 1, 2016	Additions	Reductions	Balance, November 30, 2017	Amount Due Within One Year
\$ 164,757,591	\$ 35,126,378	\$ (28,287,155)	\$ 171,596,814	\$ 32,765,226

**Net position:** CCHHS classifies its net position into three categories as follows:

Net investment in capital assets – consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, other debt and deferred inflows and outflows of resources that are attributable to the acquisition, construction or improvement of those assets.

Restricted – results when constraints placed on the use of the net position are either externally imposed by creditors, grantors, contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted – consists of the remaining net position that does not meet the previously listed criteria.

**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 CountyCare. The principal operating revenues of DPH are grants. Operating expenses of CCHHS include the cost of patient care services to CCHHS patients, services provided by providers outside of CCHHS to CountyCare members, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**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.

## Cook County Health and Hospitals System of Illinois

### Notes to Financial Statements

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

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 statement of net position.

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 reimbursements based on the results of subsequent reviews and cost report audits. Net patient service revenue increased approximately \$1,585,000 for the year ended November 30, 2018, for third-party settlements and changes in estimates related to services rendered in previous years. Additionally, during the year ended November 30, 2018, CCHHS management reassessed certain allowances provided against patient accounts receivable and concluded that such allowances were no longer necessary. Net patient service revenue for the year ended November 30, 2018, increased approximately \$40,290,000 as a result of this reassessment.

**Sweetened beverage taxes revenue:** The sweetened beverage tax, which went into effect August 2017 and ceased on November 30, 2017, is imposed at the rate of \$0.01 per ounce on the retail sale of all sweetened beverages in Cook County. The tax imposed resulted in approximately \$4,319,000 of revenue for the year ended November 30, 2018.

**New accounting pronouncements:** CCHHS implemented the following GASB Statements during the fiscal year ended November 30, 2018:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- GASB Statement No. 81, *Irrevocable Split Interest Agreements*
- GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*
- GASB Statement No. 85, *Omnibus 2017*



## Cook County Health and Hospitals System of Illinois

### Notes to Financial Statements

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

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, 2018, will have in CCHHS's future financial statements:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, will become effective for CCHHS's fiscal year ending November 30, 2019.
- GASB Statement No. 84, *Fiduciary Activities*, will become effective for CCHHS's fiscal year ending November 30, 2020.
- GASB Statement No. 87, *Leases*, will become effective for CCHHS's fiscal year ending November 30, 2021.

Management has not yet determined the impact these pronouncements will have on the CCHHS 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 are unable to pay for them. All patients are evaluated through CCHHS's 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 who 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. The charity program covers patients with incomes up to 600% of the federal poverty guidelines. CCHHS is committed to identifying patients needing charity care at the point of service.

Patients who 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 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.

## Cook County Health and Hospitals System of Illinois

### Notes to Financial Statements

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#### Note 4. Charity Care (Continued)

For the year ended November 30, 2018, charges foregone for charity care and the related estimated costs were as follows:

	<u>2018</u>
Charges forgone	<u>\$ 557,497,668</u>
Estimated costs incurred	<u>\$ 347,866,711</u>

#### Note 5. Cash Management

The Cook County Treasurer 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. 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. Balances in the disbursement accounts, which represent checks not yet presented, are invested by the County 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. 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.

As of November 30, 2018, CCHHS's cash and cash equivalents consisted of the following:

	<u>2018</u>
Demand deposits held by Cook County Treasurer	\$ 269,193,087
Working cash fund	95,147,154
Demand deposits held in banks	<u>6,345,331</u>
Total	<u>\$ 370,685,572</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, 2018, were fully insured or collateralized.

## Cook County Health and Hospitals System of Illinois

### Notes to Financial Statements

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

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, 2018, \$95,147,154 is reported at CCHHS.

#### Note 6. Capital Assets

A summary of capital assets activity for the year ended November 30, 2018 follows:

	Balance, December 1, 2017	Additions and Transfers	Disposals	Balance, November 30, 2018
Depreciable capital assets:				
Land improvements	\$ 2,717,511	\$ -	\$ (86,119)	\$ 2,631,392
Buildings and building improvements	683,725,622	122,606,568	(2,096,843)	804,235,347
Equipment and furniture	282,171,809	262,199	(51,838,196)	230,595,812
Intangible assets	29,094,000	8,014,875	-	37,108,875
Total depreciable capital assets	997,708,942	130,883,642	(54,021,158)	1,074,571,426
Less accumulated depreciation:				
Land improvements	2,003,903	86,938	(86,119)	2,004,722
Buildings and building improvements	351,752,913	15,873,126	(2,067,956)	365,558,083
Equipment and furniture	242,476,206	8,314,616	(51,859,535)	198,931,287
Intangible assets	-	9,716,372	-	9,716,372
Total accumulated depreciation	596,233,022	33,991,052	(54,013,610)	576,210,464
Total depreciable capital assets at cost, net	401,475,920	96,892,590	(7,548)	498,360,962
Capital assets not being depreciated:				
Land	990,911	-	-	990,911
Construction in process	72,432,970	71,638,543	(115,343,764)	28,727,749
Total capital assets not being depreciated	73,423,881	71,638,543	(115,343,764)	29,718,660
Total capital assets, net	\$ 474,899,801	\$ 168,531,133	\$ (115,351,312)	\$ 528,079,622

## Cook County Health and Hospitals System of Illinois

### Notes to Financial Statements

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#### 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 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 from disproportionate share (DSH) and Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA). Such adjustment amounts include federal matching funds.

Under the terms of the Agreement, CCHHS received \$296,797,148 in additional payments from DHFS during the year ended November 30, 2018. Of the amounts received, \$15,726,042 is unearned as of November 30, 2018, and is included in unearned revenue in the statement of net position. Such unearned revenue is excluded from net patient service revenue and represents amounts to be earned during CCHHS's following fiscal year. Included in net patient service revenue as earned is \$298,571,106 for the year ended November 30, 2018, which takes into consideration the prior-year unearned revenue of \$17,500,000.

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 Agreement. The Agreement 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 Agreement can be terminated by either party upon 15 days' notice. Additionally, the Agreement requires the parties to comply with certain laws, regulations and other terms of operations.

#### Note 8. Other Liabilities

Long-term liability activity for the year ended November 30, 2018, was as follows:

	Balance, December 1, 2017	Increase	Decrease	Balance, November 30, 2018
Property tax objections	\$ 13,002,650	\$ 2,111,160	\$ (2,771,934)	\$ 12,341,876

#### Note 9. Related-Party Transactions

During 2018, 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 year ended November 30, 2018, there were no working cash loans received by CCHHS from the County's Working Cash Fund.

**Cash held by Cook County Treasurer:** The County maintains bank accounts for the cash receipts and disbursements of CCHHS. Cash held by the Cook County Treasurer represents balances maintained for CCHHS activities by the Cook County Treasurer. These balances are reflected as a current asset in the statement of net position.

## Cook County Health and Hospitals System of Illinois

### Notes to Financial Statements

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

**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 \$36,744,063 during the year ended November 30, 2018, respectively, are reflected as both transfers in and operating expenses of CCHHS in the statement of revenue, expenses, and changes in net position. The value of the contributed services is estimated based in part on the salaries and benefits of the employees providing the services.

**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. The County does not expect the payment of the debt related to the capital assets to be repaid from the operating results of CCHHS and, therefore, the debt resides with the County.

During the year ended November 30, 2018, CCHHS has recognized capital assets and capital contributions from the County of \$71,638,543 in the accompanying statement of revenues, expenses, and changes in net position.

#### Note 10. Pension Plan

##### General Information about the 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 A & B Plan), which is the administrator of the single employer defined benefit pension plan established by the State of Illinois on January 1, 1926. The A & B Plan is governed by legislation contained in the Illinois Pension Code particularly Chapter 40 of the Illinois Compiled Statutes (ILCS), Article 9 (Article). The A & B Plan (including employer and employee contribution requirements) can be amended only by the Illinois Legislature. The A & B 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 A & B Plan Board consists of nine members – two members of the Board are ex officio, four are elected by the employee members of the A & B Plan and three are elected by the annuitants of the A & B Plan. The two ex officio members are the Comptroller of Cook County, or someone chosen by the Comptroller, and the Treasurer of Cook County, or someone chosen by the Treasurer. The County Employees' and Officers' Annuity and Benefit Fund of Cook County issues a publicly available financial report that includes financial statements and required supplementary information for the A & B Plan.

To obtain a copy of this report, write:  
Cook County Pension Board  
70 West Madison Street, Suite 1925  
Chicago, Illinois 60602, or at  
[www.cookcountypension.com](http://www.cookcountypension.com)

**Benefits provided:** The A & B Plan provides retirement, disability, and death benefits to plan members and beneficiaries. 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 is 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

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#### Note 10. Pension Plan (Continued)

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are 3.0% compounded annually for Tier 1 participants, and the lesser of 3.0% or one half of the increase in the Consumer Price Index for Tier 2 participants.

If a covered employee leaves employment without qualifying for an annuity, accumulated employee contributions are refundable with interest (3% or 4% depending on when the employee became a participant).

**Contributions and payable to the pension plan:** The A & B Plan is a single employer defined benefit pension plan with a defined contribution minimum. Illinois Compiled Statutes (40 ILCS 5/9-169) establish the contribution requirements of the County and may only be amended by the Illinois legislature. The County is required to levy a tax at a rate not more than an amount equal to the total amount of contributions by the employees to the A & B Plan made in the fiscal year two years prior to the year for which the annual applicable tax is levied, multiplied by a factor of 1.54.

For the year ended November 30, 2018, employees were required to contribute 8.5% of their salary to the A & B Plan, subject to the salary limitations for Tier 2 participants in 40 ILCS 5/1-160. The County's actual pension contributions to the A & B Plan for the year ended November 30, 2018, were \$516.5 million (County and CCHHS totals). Contributions legally due to the A & B Plan for the County's current fiscal year pension contributions are reported as a payable to the A & B Plan. Amounts remitted to the A & B Plan by the County during the current fiscal year represent collections of the prior fiscal year levy, and personal property replacement taxes collected during the current fiscal year.

CCHHS's portion of the contributions to the A & B Plan is determined using an allocation based on the percentage of CCHHS's covered payroll to all covered payroll (County and CCHHS combined). Pension contributions to the A & B Plan made by the County on behalf of CCHHS were \$164,037,287 during the year ended November 30, 2018. These contributions are reflected as transfers in within the statement of revenues, expenses, and changes in net position, and are reflected in the determination of the net pension liability and pension expense. Pension contributions payable by CCHHS to the A & B Plan totaled \$54,358,337 as of November 30, 2018, and is reported within current liabilities in the statement of net position.

**Net pension liability:** The County's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. CCHHS's proportionate share of the County's net pension liability as of December 31, 2017, was \$3,967,522,298 or approximately 31.89% of the total net pension liability (County and CCHHS combined). This percentage was determined based on the percentage of CCHHS's covered payroll to the total covered payroll (County and CCHHS combined).

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

**Notes to Financial Statements**

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**Note 10. Pension Plan (Continued)**

**Pension expense and deferred outflows (inflows) of resources related to pensions:** For the year ended November 30, 2018, CCHHS recognized total pension expense of \$79,403,403. At November 30, 2018, CCHHS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Changes of assumptions	\$ 113,938,116
Net differences between expected and actual experience	51,946,458
Changes in proportion, less amortization	11,721,948
Contributions subsequent to measurement date	166,244,968
	<u>\$ 343,851,490</u>

	Deferred Inflows of Resources
Net differences between expected and actual experience	\$ 46,812,493
Changes of assumptions	533,034,891
Net differences between projected and actual earnings on pension plan investments	81,547,274
Changes in proportion, less amortization	64,820,275
	<u>\$ 726,214,933</u>

Contributions subsequent to the measurement date of \$166,244,968 for 2018 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending November 30

2019	\$ (148,524,674)
2020	(209,807,895)
2021	(144,695,945)
2022	(45,579,897)
Total	<u>\$ (548,608,411)</u>

**Payable to the Pension Plan:** At November 30, 2018, CCHHS reported a payable of \$54,358,337 for the outstanding amount of contributions payable to the A & B Plan.

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

**Notes to Financial Statements**

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**Note 10. Pension Plan (Continued)**

**Actuarial assumptions:** The total pension liability in the December 31, 2017, actuarial valuation was determined using the Entry Age Normal actuarial cost method and using the following actuarial assumptions, applied to all periods included in the measurement:

2017	
Inflation	2.75%
Salary increases	1.50% to 7.5%
Investment rate of return	7.25%, net of investment expense, including inflation
Municipal bond rate	3.16%
Discount rate	4.47%

Mortality rates were based on an experience analysis of the County Employees Annuity and Benefit Fund over the period 2013 through 2016. The RP-2014 Blue Collar Mortality Table, base year 2006, Conduent Modified MP-2017 projection scale was used.

The long-term expected rate of return on the Fund's investments was determined based on the results of an experience review performed by a consultant. The investment return assumption was based on the current asset allocation of the A & B Plan. In the experience review, the consultant developed best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates or geometric real rates of return for each major asset class included in the Fund's target asset allocation are listed in the table below.

	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	33%	10.76%
International equity	21%	9.51%
Fixed income	26%	4.77%
Real estate	9%	8.82%
Private equity	4%	11.43%
Hedge funds	6%	7.31%
Short-term investments	1%	3.98%

**Discount rate:** For the year ended November 30, 2018, the discount rate used to measure the total pension liability was 4.47 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that County contributions will be made at rates required by the Illinois compiled statutes (40 ILCS 5/9-169). Based on this assumption, the A & B Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members in 2043.



## Cook County Health and Hospitals System of Illinois

### Notes to Financial Statements

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#### Note 10. Pension Plan (Continued)

For the year ended November 30, 2018, a municipal bond rate of 3.16 percent was used in the development of the blended discount rate after that point. This rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement dates (December 31, 2017). For the year ended November 30, 2018, based on the long-term rate of return of 7.25 percent and the municipal bond rate of 3.16 percent, the blended discount rate would be 4.47 percent which is a 0.17 percent decrease from the discount rate used in the prior valuation of 4.64 percent.

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of CCHHS, calculated using the discount rate of 4.47 percent as of November 30, 2018, as well as what CCHHS's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Net Pension Liability		
1%	Current	1%
Decrease	Discount Rate	Increase
\$5,181,152,307	\$3,967,522,298	\$2,998,371,199

Additional information on changes in the net pension liability can be found in the County's Comprehensive Annual Financial Report (CAFR) at [www.cookcountyil.gov](http://www.cookcountyil.gov). Additional information about the pension plan's fiduciary net position is available in the separately issued A & B Plan financial report at [www.cookcountypension.com](http://www.cookcountypension.com).

#### Note 11. Other Postemployment Benefits (OPEB)

**Plan description:** The County Employees' and Officers' Annuity and Benefit Fund of Cook County (Fund) 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 HPP's Board of Trustees. HPP provides a health care premium subsidy to annuitants who elect to participate in HPP. HPP 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 is established and may be amended by the State legislature. The required contribution is based on projected "pay-as-you-go" financing requirements. HPP pays all or any portion of the premium for health insurance on behalf of each annuitant who participates in any of the HPP's health care plans. HPP is paying approximately 50% of the total premiums for retiree annuitants, including the cost of any family coverage, and 65% of the premiums for survivor annuitants, including the cost of family coverage. The remaining premium cost is borne by the annuitant.

The County maintains and funds the HPP, which includes CCHHS employees. CCHHS's portion of the contributions to the A & B Plan is determined using an allocation based on the percentage of CCHHS's covered payroll to all covered payroll (County and CCHHS combined). Contributions to the A & B Plan made by the County on behalf of CCHHS were \$12,028,080 during the year ended November 30, 2018. These contributions are reflected as transfers in within the statement of revenues, expenses, and changes in net position, and are reflected in the determination of the total OPEB liability and OPEB expense.

## Cook County Health and Hospitals System of Illinois

### Notes to Financial Statements

#### Note 11. Other Postemployment Benefits (OPEB) (Continued)

OPEB contributions payable by CCHHS to the A & B Plan totaled \$12,028,081 as of November 30, 2018, and is reported within current liabilities in the statement of net position.

**Total OPEB liability:** The County's total OPEB liability was measured as of December 31, 2017, and was determined by an actuarial valuation as of December 31, 2017. CCHHS's proportionate share of the County's total OPEB liability as of December 31, 2017, was \$641,761,676, or approximately 29.87%, of the total OPEB liability (County and CCHHS combined), respectively. This percentage was determined based on the percentage of CCHHS's active employees to the total active employee headcount (County and CCHHS combined).

**OPEB expense and deferred outflows (inflows) of resources related to OPEB:** For the year ended November 30, 2018, CCHHS recognized total OPEB expense of \$23,685,717. At November 30, 2018, CCHHS reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Changes in proportion	\$ 16,585,409
Contributions subsequent to measurement date	12,028,080
	<u>\$ 28,613,489</u>
	Deferred Inflows of Resources
Net differences between expected and actual experience	\$ 14,116,433
Changes of assumptions	16,776,287
	<u>\$ 30,892,720</u>

Contributions subsequent to the measurement date of \$12,028,080 for 2018 will be recognized as a reduction of the total OPEB liability in the subsequent fiscal year. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending November 30

2019	\$ (2,591,904)
2020	(2,591,904)
2021	(2,591,904)
2022	(2,591,904)
2023	(2,591,904)
Thereafter	(1,347,791)
Total	<u>\$ (14,307,311)</u>

## Cook County Health and Hospitals System of Illinois

### Notes to Financial Statements

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#### Note 11. Other Postemployment Benefits (OPEB) (Continued)

**Actuarial assumptions:** The total OPEB liability in the December 31, 2017, actuarial valuation was determined using the Entry Age Normal actuarial cost method and using the following actuarial assumptions, applied to all periods included in the measurement:

	2017
Inflation	2.75%
Salary increases	3.50% to 8.00%
Discount rate	3.16%
Health care cost trend rates	7.25%, in the first year, decreasing by 0.25% per year until an ultimate rate of 4.75% is reached for pre-Medicare 5.75%, in the first year, decreasing by 0.25% per year until an ultimate rate of 4.75% is reached for post-Medicare

Mortality rates were based on an experience analysis by Conduent, Inc., over the period 2013 through 2016. The RP-2014 Blue Collar Mortality Table, base year 2006, based on the Conduent Modified MP-2017 projection scale, was used.

**Discount rate:** For the year ended November 30, 2018, the discount rate used to measure the total pension liability was 3.16 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that County contributions will be made at rates required by the Illinois compiled statutes (40 ILCS 5/9-169). Based on this assumption, the A & B Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members.

For the year ended November 30, 2018, a municipal bond rate of 3.16 percent was used as the discount rate. The rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement dates (December 31, 2017).

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

**Notes to Financial Statements**

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**Note 11. Other Postemployment Benefits (OPEB) (Continued)**

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of CCHHS, calculated using the discount rate of 3.16, as of November 30, 2018, as well as what CCHHS's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Total OPEB Liability		
1% Decrease	Current Discount Rate	1% Increase
\$ 756,658,725	\$ 641,761,676	\$ 550,293,023

*Sensitivity of the total OPEB liability to changes in the health care cost trend rate.* The following presents the total OPEB liability of CCHHS, calculated using the health care cost trend rate, as of November 30, 2018, as well as what CCHHS's total OPEB liability would be if it were calculated using a health care cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Total OPEB Liability		
1% Decrease	Current Trend Rate	1% Increase
\$ 539,226,160	\$ 641,761,676	\$ 774,813,037

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

To obtain a copy of the HPP's financial statements, write:  
 Executive Director,  
 Office of the Cook County and Forest Preserve District Employees' and  
 Officers' Annuity and Benefit Funds,  
 70 West Madison Street, Suite 1925  
 Chicago, Illinois 60602

## Cook County Health and Hospitals System of Illinois

### Notes to Financial Statements

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#### **Note 12. Insurance**

The County self-insures many risks, including medical malpractice, workers' compensation, general automobile, employee health claims and other liabilities. The County purchases excess liability coverage for medical malpractice and other claims that exceed the County's self-insured retentions. The current medical malpractice policy is on a claims-made basis and provides up to \$75 million of limits above the County's self-insured retention of \$25 million per claim. 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. Additional information on the County's self-insurance claims, including those pertaining to CCHHS are available in the County's CAFR.

The County engages an independent actuary to provide an actuarial estimate of its liabilities for self-insured expenses. For the year ended November 30, 2018, the liability recorded reflects a 2.8 percent discount factor. CCHHS's portion of the self-insurance liability included in the self-insurance fund in the County's financial statements was \$179,810,346 at November 30, 2018. 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 \$8,213,532 related to this allocation during the year ended November 30, 2018.

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 and an estimate for claims incurred but not reported; however, the discovery of additional information concerning specific cases could affect estimated costs in the future.

#### **Note 13. General Obligation Bonds Issued by Cook County**

Approximately \$595,113,000 of the County's net outstanding debt as of November 30, 2018, pertains 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.

#### **Note 14. 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 \$19,126,000 during the year ended November 30, 2018.

## Cook County Health and Hospitals System of Illinois

### Notes to Financial Statements

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#### Note 14. Commitments and Contingencies (Continued)

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

Years Ending November 30	
2019	\$ 17,956,020
2020	15,578,226
2021	7,030,910
2022	4,880,987
2023	3,258,331
Thereafter	<u>1,402,931</u>
Total	<u>\$ 50,107,405</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.

**Third-party administrator (TPA) contract:** CCHHS executed a contract on March 31, 2016, with Evolent (Valence), to provide third-party administrative services, managed care and clinical services for CountyCare. This contract is a 3-year contract with options for two 1-year renewals. The administrative portion of the contract is \$72,099,000. The CCHHS Board has also approved claims payments to Evolent to be paid to providers in the amount of \$1,420,510,582. CCHHS has also contracted with additional benefit managers to process claims, including OptumRX (United Healthcare) for pharmacy claims, Dentaquest (Eyequest) for dental and vision claims, and First Transit for transportation claims.

**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.

## Cook County Health and Hospitals System of Illinois

### Notes to Financial Statements

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#### Note 14. Commitments and Contingencies (Continued)

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.

The State of Illinois has restructured the Medicaid managed care organization (MCO) program. During July 2017, CountyCare was awarded one of the MCO insurer contracts.

CCHHS continues to honor the Interagency Transfer Agreement (Agreement) in order to receive enhanced Medicaid reimbursement.

#### Note 15. Functional Expenses

CCHHS provides health care services to patients within its geographic region. Expenses related to providing these services for the year ended November 30, 2018, were as follows:

	<u>2018</u>
Patient care services	\$ 1,969,744,838
General and administrative	<u>923,300,081</u>
Total	<u>\$ 2,893,044,919</u>

#### Note 16. CountyCare

As described in Note 2, in October 2012 the federal government approved CCHHS's Medicaid Expansion Program (CountyCare) by creating the CMS waiver under Section 1115 of the Social Security Act (1115 Waiver) for Cook County. CountyCare began as an Illinois Medicaid demonstration project that ran through June 30, 2014, at which time CountyCare members were transitioned into a County Managed Care Community Network (MCCN). Before the 1115 Waiver, most of the CountyCare members were already patients being treated by CCHHS without compensation.

Under the 1115 Waiver, CCHHS received Per Member Per Month (PMPM) revenue for CountyCare members of \$629, but subject to the Federal Medical Assistance Percentage (FMAP), which CCHHS funded through the Interagency Transfer Agreement. As a result, through December 31, 2013, CCHHS retained only \$314.50 PMPM. Effective January 1, 2014, the PMPM increased to \$632, with no FMAP requirement. Currently PMPM varies by membership type.

At November 30, 2018, estimated amounts due from the State of Illinois relating to the CountyCare program totaled \$13,805,400, which is reported in due from State of Illinois in the statement of net position. At November 30, 2018, estimated amounts due to the State of Illinois relating to the CountyCare program totaled \$26,413,189, which is included in due to State of Illinois in the statement of net position.

## Cook County Health and Hospitals System of Illinois

### Notes to Financial Statements

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#### Note 16. CountyCare (Continued)

All claims for payment of CountyCare are handled by Evolent, a third party administrator (TPA) under contract, whether the claims are generated by CCHHS facilities (domestic claims) or the network of outside providers (foreign claims). Total estimated foreign claims expense for the year ended November 30, 2018, was approximately \$1,546,011,000. Estimated foreign claims incurred but not paid as of November 30, 2018, were \$499,630,532 at November 30, 2018, and are included in claims payable in the statement of net position.

Under the agreement with the current TPA, CountyCare maintains on deposit with the TPA \$50,000,000 at November 30, 2018, which is available for use by the TPA to pay claims. This amount is included in noncurrent refundable deposits in the statement of net position.

#### Note 17. Provident Hospital Capitated Access Payments

In 2014, the CCHHS Board entered into an agreement with the State of Illinois to receive payments from other Medicaid MCOs to continue to make services available at Provident Hospital. CCHHS receives a payment of \$10 per member, per month, but these payments are subject to the Federal Medical Assistance Program (FMAP) which CCHHS funds through the Interagency Transfer Agreement. At November 30, 2018, estimated amounts due from various Medicaid MCOs for these capitated payments totaled approximately \$51,115,000. These are included as capitation receivable in the statement of net position.

#### Note 18. Subsequent Events

Management has evaluated subsequent events and transactions through May 31, 2019, the date that these financial statements were issued.

#### Note 19. Restatement for Implementation of New Accounting Standards

The CCHHS financial statements have been restated as of November 30, 2017. The restatement is a result of the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The restatement is to record the effect of the total OPEB liability and deferred outflows of resources as of the measurement date for the previous year and to report OPEB contributions payable to the OPEB Plan. Because the deferred outflows for contributions subsequent to the measurement date were equally offset by contributions payable to the OPEB Plan, the amounts are not displayed below as they had no impact on total net position:

Net deficit, November 30, 2017, as previously reported	\$ (4,140,533,583)
Implementation of GASB Statement No. 75:	
Beginning total OPEB liability	<u>(646,559,729)</u>
Net deficit, November 30, 2017, as restated	<u><u>\$ (4,787,093,312)</u></u>

Restatement for the December 1, 2017 balances for deferred outflows of resources and deferred inflows of resources related to OPEB was not done because it was not practical to determine all such amounts. Additionally, the impact on the change in net position for fiscal year 2017 was not determined.



## **Required Supplementary Information**

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

**Schedule of CCHHS's Proportionate Share of the Total OPEB Liability  
Last 10 Fiscal Years\***

	2018
CCHHS's proportion of the total OPEB liability	29.87%
CCHHS's proportionate share of the total OPEB liability	\$ 641,761,676
Covered employee payroll	\$ 608,401,290
CCHHS's proportionate share of the total OPEB liability as a percentage of covered employee payroll	105.48%
Plan fiduciary net position as a percentage of total OPEB liability	0.00%

\*Information is only available for the December 31, 2018 measurement date.

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

**Schedule of CCHHS's Proportionate Share of the Net Pension Liability  
Last 10 Fiscal Years\***

	2018	2017	2016	2015
CCHHS's proportion of the net pension liability	31.66%	31.89%	31.74%	32.87%
CCHHS's proportionate share of the net pension liability	\$ 3,967,522,298	\$ 4,504,508,046	\$ 4,862,886,038	\$ 4,232,624,501
CCHHS's covered payroll	\$ 488,548,533	\$ 504,124,427	\$ 498,907,277	\$ 521,919,207
CCHHS's proportionate share of the net pension liability as a percentage of its covered payroll	812.10%	893.53%	974.71%	810.97%
Plan fiduciary net position as a percentage of total pension liability	45.37%	41.32%	36.07%	41.32%

\*Information is only available for the December 31, 2018, 2017, 2016 and 2015 measurement dates.

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

**Schedule of County Contributions  
Last 10 Fiscal Years  
(Information for all County Employees)  
(Dollars in Thousands)**

Fiscal Year Ended November 30:	Statutory Maximum Required Contributions	Actual Contributions in Relation to the Statutory Maximum Contributions	Contribution Deficiency	Covered Payroll	Actual Contributions as a Percentage of Covered Payroll
2018	\$ 214,607,612	\$ 201,341,690	\$ 13,265,922	\$ 1,543,264,262	13%
2017	212,069,887	197,140,648	14,929,239	1,580,754,792	12%
2016	199,160,990	185,912,498	13,248,492	1,571,758,023	12%
2015	196,493,559	191,609,506	4,884,053	1,529,695,523	13%
2014	198,459,042	190,032,872	8,426,170	1,514,550,023	13%
2013	196,469,308	187,817,644	8,651,664	1,484,269,715	13%
2012	199,352,794	190,720,776	8,632,018	1,478,253,368	13%
2011	196,805,657	198,837,424	(2,031,767)	1,456,444,123	14%
2010	190,616,126	184,722,634	5,893,492	1,494,093,569	12%
2009	189,493,175	183,713,870	5,779,305	1,498,161,713	12%

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, 2018**

	Operating Accounts	Restricted Purpose Accounts	Pension, OPEB and Self Insurance	Total
<b>Assets and Deferred Outflows</b>				
Current assets:				
Cash and cash equivalents:				
Cash in banks	\$ 5,399,326	\$ 946,005	\$ -	\$ 6,345,331
Cash held by (due to) Cook County Treasurer	271,686,760	(2,493,673)	-	269,193,087
Working cash fund	95,147,154	-	-	95,147,154
<b>Total cash and cash equivalents</b>	<b>372,233,240</b>	<b>(1,547,668)</b>	<b>-</b>	<b>370,685,572</b>
Property taxes receivable - net:				
Tax levy - current year	72,704,918	-	-	72,704,918
Tax levy - prior year	121,122	-	-	121,122
<b>Total property taxes receivable</b>	<b>72,826,040</b>	<b>-</b>	<b>-</b>	<b>72,826,040</b>
Receivables:				
Patient accounts - net of allowances of \$262,197,067	98,122,379	-	-	98,122,379
Due from State of Illinois	13,805,400	778,140	-	14,583,540
Capitation receivable	51,114,675	-	-	51,114,675
Third-party settlements	15,072,056	-	-	15,072,056
Other receivables	6,369,178	4,338,012	-	10,707,190
<b>Total receivables</b>	<b>184,483,688</b>	<b>5,116,152</b>	<b>-</b>	<b>189,599,840</b>
Refundable deposit	2,000,000	-	-	2,000,000
Inventories	9,689,957	-	-	9,689,957
<b>Total current assets</b>	<b>641,232,925</b>	<b>3,568,484</b>	<b>-</b>	<b>644,801,409</b>
Refundable deposits	55,000,000	-	-	55,000,000
Capital assets, net of accumulated depreciation	498,360,962	-	-	498,360,962
Capital assets not being depreciated	29,718,660	-	-	29,718,660
	528,079,622	-	-	528,079,622
<b>Total assets</b>	<b>1,224,312,547</b>	<b>3,568,484</b>	<b>-</b>	<b>1,227,881,031</b>
<b>Deferred Outflows of Resources:</b>				
Pension related amounts	-	-	343,851,490	343,851,490
OPEB related amounts	-	-	28,613,489	28,613,489
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>-</b>	<b>372,464,979</b>	<b>372,464,979</b>

(Continued)

Cook County Health and Hospitals System of Illinois

Combining Statement of Net Position Information (Continued)

November 30, 2018

	Operating Accounts	Restricted Purpose Accounts	Pension, OPEB and Self Insurance	Total
<b>Liabilities, Deferred Inflows and Net Position (Deficit)</b>				
Current liabilities:				
Accounts payable	\$ 121,732,430	\$ 122,931	\$ -	\$ 121,855,361
Accrued salaries, wages and other liabilities	17,342,576	80,915	-	17,423,491
Claims payable	501,560,288	-	-	501,560,288
Compensated absences	6,675,642	(8,878)	-	6,666,764
Pension and OPEB contributions payable	-	-	66,386,418	66,386,418
Unearned revenue	15,726,042	1,749,315	-	17,475,357
Due to State of Illinois	33,406,703	-	-	33,406,703
Due to other County governmental fund	43,455	-	-	43,455
Self-insurance claims	-	-	41,897,500	41,897,500
Trust funds	-	946,005	-	946,005
<b>Total current liabilities</b>	<b>696,487,136</b>	<b>2,890,288</b>	<b>108,283,918</b>	<b>807,661,342</b>
Compensated absences, less current portion	37,828,637	259,288	-	38,087,925
Self-insurance claims, less current portion	-	-	137,912,846	137,912,846
Property tax objections	12,341,876	-	-	12,341,876
Net pension liability	-	-	3,967,522,298	3,967,522,298
Total OPEB liability	-	-	641,761,676	641,761,676
<b>Total liabilities</b>	<b>746,657,649</b>	<b>3,149,576</b>	<b>4,855,480,738</b>	<b>5,605,287,963</b>
<b>Deferred Inflows of Resources:</b>				
Pension related amounts	-	-	726,214,933	726,214,933
OPEB related amounts	-	-	30,892,720	30,892,720
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>757,107,653</b>	<b>757,107,653</b>
<b>Net Position (Deficit):</b>				
Net investment in capital assets	528,079,622	-	-	528,079,622
Restricted for patient care	-	418,908	-	418,908
Unrestricted	(50,424,724)	-	(5,240,123,412)	(5,290,548,136)
<b>Total net position (deficit)</b>	<b>\$ 477,654,898</b>	<b>\$ 418,908</b>	<b>\$ (5,240,123,412)</b>	<b>\$ (4,762,049,606)</b>

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

**Combining Schedule of Revenues, Expenses, and  
Changes in Net Position Information  
Year Ended November 30, 2018**

	Operating Accounts	Restricted Purpose Accounts	Pension, OPEB and Self Insurance	Total
<b>Operating revenues:</b>				
Net patient service revenue - net of bad debt provision of \$247,389,767	\$ 597,130,941	\$ 356,742	\$ -	\$ 597,487,683
CountyCare capitation	1,822,414,772	-	-	1,822,414,772
Provident Hospital capitation	115,406,928	-	-	115,406,928
Grant revenue	-	11,147,830	-	11,147,830
Electronic health record incentive program revenue	1,558,760	-	-	1,558,760
Other revenue	14,154,878	-	-	14,154,878
<b>Total operating revenues</b>	<b>2,550,666,279</b>	<b>11,504,572</b>	<b>-</b>	<b>2,562,170,851</b>
<b>Operating expenses:</b>				
Salaries and wages	601,616,178	6,785,112	-	608,401,290
Employee benefits	97,777,392	1,648,826	-	99,426,218
Pension	(3,261)	3,261	79,403,403	79,403,403
OPEB	-	-	23,685,717	23,685,717
Supplies	139,500,949	467,307	-	139,968,256
Purchased services, rental and other	269,138,421	3,416,702	-	272,555,123
Foreign claims	1,546,011,440	-	-	1,546,011,440
Insurance	31,864,399	-	8,213,532	40,077,931
Depreciation	33,991,052	-	-	33,991,052
Utilities	12,743,137	37,289	-	12,780,426
Services contributed by other County offices	36,744,063	-	-	36,744,063
<b>Total operating expenses</b>	<b>2,769,383,770</b>	<b>12,358,497</b>	<b>111,302,652</b>	<b>2,893,044,919</b>
<b>Operating loss</b>	<b>(218,717,491)</b>	<b>(853,925)</b>	<b>(111,302,652)</b>	<b>(330,874,068)</b>
<b>Nonoperating revenues:</b>				
Property taxes	63,866,237	-	-	63,866,237
Sw eetedened beverage taxes	4,318,754	-	-	4,318,754
Interest income	394,997	-	-	394,997
<b>Total nonoperating revenues</b>	<b>68,579,988</b>	<b>-</b>	<b>-</b>	<b>68,579,988</b>
<b>Loss before capital contributions and transfers in</b>	<b>(150,137,503)</b>	<b>(853,925)</b>	<b>(111,302,652)</b>	<b>(262,294,080)</b>
Capital contributions	71,638,543	-	-	71,638,543
Transfers in	39,633,879	-	176,065,364	215,699,243
<b>Change in net position</b>	<b>(38,865,081)</b>	<b>(853,925)</b>	<b>64,762,712</b>	<b>25,043,706</b>
<b>Net position (deficit):</b>				
Beginning of year (as restated) (Note 19)	516,519,979	1,272,833	(5,304,886,124)	(4,787,093,312)
End of year	\$ 477,654,898	\$ 418,908	\$ (5,240,123,412)	\$ (4,762,049,606)



Cook County Health and Hospitals System of Illinois

Combining Schedule of Cash Flows Information  
Year Ended November 30, 2018

	Operating Accounts	Restricted Purpose Accounts	Pension, OPEB and Self Insurance	Total
Cash flows from operating activities:				
Receipts from third-party payors and patients	\$ 2,468,401,453	\$ 10,581,784	\$ -	\$ 2,478,983,237
Payments to employees	(710,238,628)	(8,585,751)	-	(718,824,379)
Contributions to the pension plan for employee benefits	-	-	(176,065,364)	(176,065,364)
Payments to contracted health care providers and suppliers	(1,718,525,951)	(3,805,907)	-	(1,722,331,858)
Other (payments) receipts	(5,286,932)	130,204	-	(5,156,728)
<b>Net cash (used in) provided by operating activities</b>	<b>34,349,942</b>	<b>(1,679,670)</b>	<b>(176,065,364)</b>	<b>(143,395,092)</b>
Cash flows from capital financing activities:				
Acquisition of capital assets	(44,626,330)	-	-	(44,626,330)
<b>Net cash used in capital financing activities</b>	<b>(44,626,330)</b>	<b>-</b>	<b>-</b>	<b>(44,626,330)</b>
Cash flows from noncapital financing activities:				
Refundable deposits	(32,000,000)	-	-	(32,000,000)
Real and personal property taxes received, net	82,623,897	-	-	82,623,897
Transfers from other County funds	2,889,816	-	176,065,364	178,955,180
Sw eetedened beverage taxes received	4,318,754	-	-	4,318,754
<b>Net cash provided by noncapital financing activities</b>	<b>57,832,467</b>	<b>-</b>	<b>176,065,364</b>	<b>233,897,831</b>
Cash flows from investing activities:				
Interest received	394,997	-	-	394,997
<b>Net cash provided by investing activities</b>	<b>394,997</b>	<b>-</b>	<b>-</b>	<b>394,997</b>
<b>Change in cash and cash equivalents</b>	<b>47,951,076</b>	<b>(1,679,670)</b>	<b>-</b>	<b>46,271,406</b>
Cash and cash equivalents:				
Beginning of year	324,282,164	132,002	-	324,414,166
End of year	\$ 372,233,240	\$ (1,547,668)	\$ -	\$ 370,685,572
Supplemental disclosure of noncash transactions:				
Transfers - capital assets	\$ 71,638,543	\$ -	\$ -	\$ 71,638,543

(Continued)

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

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

**Year Ended November 30, 2018**

	Operating Accounts	Restricted Purpose Accounts	Pension, OPEB and Self Insurance	Total
Reconciliation of operating loss to net cash (used in) provided by operating activities:				
Operating (loss)	\$ (218,717,491)	\$ (853,925)	\$ (111,302,652)	\$ (330,874,068)
Adjustments to reconcile operating (loss) to net cash (used in) provided by operating activities:				
Depreciation	33,991,052	-	-	33,991,052
Provision for bad debts	247,389,767	-	-	247,389,767
Services contributed by other County offices	36,744,063	-	-	36,744,063
Net change in assets and liabilities:				
Patient accounts receivable	(249,880,817)	-	-	(249,880,817)
Due from State of Illinois	26,245,351	49,429	-	26,294,780
Capitation receivable	(64,079,386)	-	-	(64,079,386)
Third-party settlements	(1,839,080)	-	-	(1,839,080)
Other receivables	(16,216,067)	(275,967)	-	(16,492,034)
Inventories	(2,012,639)	-	-	(2,012,639)
Accounts payable	42,920,767	50,595	-	42,971,362
Accrued salaries, wages and other liabilities	(15,778,855)	(148,281)	-	(15,927,136)
Pension and OPEB contributions payable	-	-	51,098	51,098
Self-insurance claims payable	-	-	9,132,274	9,132,274
Net pension liability	-	-	(536,985,748)	(536,985,748)
Total OPEB liability	-	-	(4,798,052)	(4,798,052)
Deferred amounts related to pensions	-	-	451,415,423	451,415,423
Deferred amounts related to OPEB	-	-	17,341,035	17,341,035
Claims payable	242,365,117	-	(918,742)	241,446,375
Compensated absences	146,034	(422)	-	145,612
Unearned revenue	(1,773,958)	(566,046)	-	(2,340,004)
Due to State of Illinois	(23,786,232)	-	-	(23,786,232)
Due to others	(706,909)	-	-	(706,909)
Trust funds	-	64,947	-	64,947
Property tax objections	(660,775)	-	-	(660,775)
<b>Net cash (used in) provided by operating activities</b>	<b>\$ 34,349,942</b>	<b>\$ (1,679,670)</b>	<b>\$ (176,065,364)</b>	<b>\$ (143,395,092)</b>

Cook County Health and Hospitals System of Illinois

Combining Statement of Net Position of Operating Accounts Information  
November 30, 2018

	Bureau of Health Services	John H. Stroger, Jr. Hospital	Provident Hospital	Department of Public Health	Cermak Health Services	County Care	Intra-Activity Eliminations	Total
<b>Assets</b>								
Current assets:								
Cash and cash equivalents								
Cash in banks	\$ -	\$ 5,276,320	\$ 123,006	\$ -	\$ -	\$ -	\$ -	\$ 5,399,326
Cash held by Cook County Treasurer	-	112,948,849	330,866,918	120,019,335	-	1,376,879,711	(1,669,028,053)	271,686,760
Working cash fund	-	95,147,154	-	-	-	-	-	95,147,154
Total cash and cash equivalents	-	213,372,323	330,989,924	120,019,335	-	1,376,879,711	(1,669,028,053)	372,233,240
Property taxes receivable - net:								
Tax levy - current year	931,203	2,456,039	407,400	477,242	68,433,034	-	-	72,704,918
Tax levy - prior year	280,864	435,233	44,151	57,363	(696,489)	-	-	121,122
Total property taxes receivable	1,212,067	2,891,272	451,551	534,605	67,736,545	-	-	72,826,040
Receivables:								
Patient accounts - net of allowances								
of \$262,197,067 in 2018 and \$348,978,050 in 2017	-	90,954,446	7,167,933	-	-	-	-	98,122,379
Due from State of Illinois	-	-	-	-	-	13,805,400	-	13,805,400
Capitation receivable	-	201,156,848	49,154,447	-	-	30,472	(199,227,092)	51,114,675
Third-party settlements	-	14,389,778	682,278	-	-	-	-	15,072,056
Other receivables	-	2,897,827	2,059,002	54,476	1,357,873	-	-	6,369,178
Total receivables	-	309,398,899	59,063,660	54,476	1,357,873	13,835,872	(199,227,092)	184,483,688
Refundable deposit								
Inventories	-	2,000,000	-	-	-	-	-	2,000,000
	-	8,627,473	976,145	-	86,339	-	-	9,689,957
Total current assets	1,212,067	536,289,967	391,481,280	120,608,416	69,180,757	1,390,715,583	(1,868,255,145)	641,232,925
Refundable deposits								
	-	5,000,000	-	-	-	50,000,000	-	55,000,000
Capital assets, net of accumulated depreciation								
Capital assets not being depreciated	4,506,248	449,232,764	17,073,781	-	155,666	27,392,503	-	498,360,962
	-	27,508,218	1,402,500	-	807,942	-	-	29,718,660
	4,506,248	476,740,982	18,476,281	-	963,608	27,392,503	-	528,079,622
Total assets	5,718,315	1,018,030,949	409,957,561	120,608,416	70,144,365	1,468,108,086	(1,868,255,145)	1,224,312,547

(Continued)

Cook County Health and Hospitals System of Illinois

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

November 30, 2018

	Bureau of Health Services	John H. Stroger, Jr. Hospital	Provident Hospital	Department of Public Health	Cermak Health Services	County Care	Intra-Activity Eliminations	Total
<b>Liabilities and Net Position (Deficit)</b>								
Current liabilities:								
Due to Cook County Treasurer	\$ 1,446,873,412	\$ -	\$ -	\$ -	\$ 222,154,641	\$ -	\$ (1,669,028,053)	\$ -
Accounts payable	15,066,514	81,239,527	2,127,533	180,443	1,731,529	21,386,884	-	121,732,430
Accrued salaries, wages and other liabilities	1,919,983	12,356,136	866,583	244,042	1,608,836	346,996	-	17,342,576
Claims payable	-	-	-	-	-	700,787,380	(199,227,092)	501,560,288
Compensated absences	442,810	5,154,341	409,744	100,566	502,381	65,800	-	6,675,642
Unearned revenue	-	15,726,042	-	-	-	-	-	15,726,042
Due to State of Illinois	-	6,993,514	-	-	-	26,413,189	-	33,406,703
Due to other County governmental fund	-	31,455	5,000	7,000	-	-	-	43,455
Interaccount payable (receivable)	(243,285,944)	(623,735,174)	112,984,767	1,629	3,846,754	750,187,968	-	-
Total current liabilities	1,221,016,775	(502,234,159)	116,393,627	533,680	229,844,141	1,499,188,217	(1,868,255,145)	696,487,136
Compensated absences, less current portion	2,509,255	29,207,937	2,321,881	569,871	2,846,827	372,866	-	37,828,637
Property tax objections	2,249,924	2,884,253	81,456	106,141	7,020,102	-	-	12,341,876
Total liabilities	1,225,775,954	(470,141,969)	118,796,964	1,209,692	239,711,070	1,499,561,083	(1,868,255,145)	746,657,649
<b>Net Position (Deficit):</b>								
Net investment in capital assets	4,506,248	476,740,982	18,476,281	-	963,608	27,392,503	-	528,079,622
Unrestricted	(1,224,563,887)	1,011,431,936	272,684,316	119,398,724	(170,530,313)	(58,845,500)	-	(50,424,724)
Total net position (deficit)	\$ (1,220,057,639)	\$ 1,488,172,918	\$ 291,160,597	\$ 119,398,724	\$ (169,566,705)	\$ (31,452,997)	\$ -	\$ 477,654,898

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, 2018

	Bureau of Health Services	John H. Stroger, Jr. Hospital	Provident Hospital	Department of Public Health	Cermak Health Services	County Care	Intra-Activity Eliminations	Total
Operating revenues:								
Net patient service revenue - net of bad debt provision of \$247,389,767	\$ -	\$ 597,130,941	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 597,130,941
CountyCare capitation	-	199,227,092	-	-	-	1,822,414,772	(199,227,092)	1,822,414,772
Provident Hospital capitation	-	-	115,406,928	-	-	-	-	115,406,928
Electronic health record incentive program revenue	-	1,558,760	-	-	-	-	-	1,558,760
Other revenue	(983)	11,625,261	358,591	1,940,173	231,836	-	-	14,154,878
<b>Total operating revenues</b>	<b>(983)</b>	<b>809,542,054</b>	<b>115,765,519</b>	<b>1,940,173</b>	<b>231,836</b>	<b>1,822,414,772</b>	<b>(199,227,092)</b>	<b>2,550,666,279</b>
Operating expenses:								
Salaries and wages	36,833,747	461,361,587	33,366,637	8,089,415	59,107,562	2,857,230	-	601,616,178
Employee benefits	6,506,275	73,849,157	5,494,195	1,721,907	9,500,010	705,848	-	97,777,392
Pension expense	-	(3,110)	-	(151)	-	-	-	(3,261)
Supplies	512,439	126,219,912	2,578,289	12,873	9,402,764	774,672	-	139,500,949
Purchased services, rental and other	23,358,135	163,743,110	11,025,133	587,876	8,174,520	62,249,647	-	269,138,421
Foreign claims	2,055,553	-	-	-	-	1,743,182,979	(199,227,092)	1,546,011,440
Insurance	-	30,356,568	1,507,831	-	-	-	-	31,864,399
Depreciation	2,472,074	20,975,269	1,345,721	1,168	86,573	9,110,247	-	33,991,052
Utilities	16,807	11,125,509	1,484,601	64,844	19,378	31,998	-	12,743,137
Services contributed by other County offices	-	33,995,599	2,748,464	-	-	-	-	36,744,063
<b>Total operating expenses</b>	<b>71,755,030</b>	<b>921,623,601</b>	<b>59,550,871</b>	<b>10,477,932</b>	<b>86,290,807</b>	<b>1,818,912,621</b>	<b>(199,227,092)</b>	<b>2,769,383,770</b>
<b>Operating (loss) gain</b>	<b>(71,756,013)</b>	<b>(112,081,547)</b>	<b>56,214,648</b>	<b>(8,537,759)</b>	<b>(86,058,971)</b>	<b>3,502,151</b>	<b>-</b>	<b>(218,717,491)</b>
Nonoperating revenues:								
Property taxes	10,648,567	13,528,266	123,028	179,115	39,387,261	-	-	63,866,237
Sw eeted beverage taxes	-	3,455,003	-	-	863,751	-	-	4,318,754
Interest income	-	391,861	3,136	-	-	-	-	394,997
<b>Total nonoperating revenues</b>	<b>10,648,567</b>	<b>17,375,130</b>	<b>126,164</b>	<b>179,115</b>	<b>40,251,012</b>	<b>-</b>	<b>-</b>	<b>68,579,988</b>
<b>(Loss) gain before capital contributions and transfers in</b>	<b>(61,107,446)</b>	<b>(94,706,417)</b>	<b>56,340,812</b>	<b>(8,358,644)</b>	<b>(45,807,959)</b>	<b>3,502,151</b>	<b>-</b>	<b>(150,137,503)</b>
Capital contributions	-	71,204,340	30,233	-	403,970	-	-	71,638,543
Transfers in	-	36,885,415	2,748,464	-	-	-	-	39,633,879
<b>Change in net position</b>	<b>(61,107,446)</b>	<b>13,383,338</b>	<b>59,119,509</b>	<b>(8,358,644)</b>	<b>(45,403,989)</b>	<b>3,502,151</b>	<b>-</b>	<b>(38,865,081)</b>
Net position (deficit):								
Beginning of year	(1,158,950,193)	1,474,789,580	232,041,088	127,757,368	(124,162,716)	(34,955,148)	-	516,519,979
End of year	\$ (1,220,057,639)	\$ 1,488,172,918	\$ 291,160,597	\$ 119,398,724	\$ (169,566,705)	\$ (31,452,997)	\$ -	\$ 477,654,898

Cook County Health and Hospitals System of Illinois

Combining Schedule of Cash Flows of Operating Accounts Information  
Year Ended November 30, 2018

	Bureau of Health Services	John H. Stroger, Jr. Hospital	Provident Hospital	Department of Public Health	Cermak Health Services	County Care	Intra-Activity Eliminations	Total
Cash flows from operating activities:								
Receipts from third-party payors and patients	\$ -	\$ 693,301,257	\$ 156,446,911	\$ -	\$ -	\$ 1,817,880,377	\$ (199,227,092)	\$ 2,468,401,453
Payments to employees	(43,515,172)	(547,649,038)	(39,916,300)	(10,144,159)	(65,760,676)	(3,253,283)	-	(710,238,628)
Payments to contracted health care providers and suppliers	(24,509,832)	(432,097,571)	10,698,566	(761,192)	(21,576,003)	(1,449,507,011)	199,227,092	(1,718,525,951)
Other (payments) receipts	(983)	(6,499,136)	(1,700,412)	1,886,740	1,026,859	-	-	(5,286,932)
<b>Net cash (used in) provided by operating activities</b>	<b>(68,025,987)</b>	<b>(292,944,488)</b>	<b>125,528,765</b>	<b>(9,018,611)</b>	<b>(86,309,820)</b>	<b>365,120,083</b>	<b>-</b>	<b>34,349,942</b>
Cash flows from capital financing activities:								
Acquisition of capital assets	-	(8,123,580)	-	-	-	(36,502,750)	-	(44,626,330)
<b>Net cash used in capital financing activities</b>	<b>-</b>	<b>(8,123,580)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(36,502,750)</b>	<b>-</b>	<b>(44,626,330)</b>
Cash flows from noncapital financing activities:								
Refundable deposits	-	(7,000,000)	-	-	-	(25,000,000)	-	(32,000,000)
Transfers from Cook County Treasurer	53,030,644	(347,117,056)	-	-	38,444,895	-	255,641,517	-
Real and personal property taxes received, net	14,995,343	18,748,610	1,173,808	704,962	47,001,174	-	-	82,623,897
Sweetened beverage taxes received	-	3,455,003	-	-	863,751	-	-	4,318,754
Transfers from Other County Funds	-	2,889,816	-	-	-	-	-	2,889,816
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>68,025,987</b>	<b>(329,023,627)</b>	<b>1,173,808</b>	<b>704,962</b>	<b>86,309,820</b>	<b>(25,000,000)</b>	<b>255,641,517</b>	<b>57,832,467</b>
Cash flows from investing activities:								
Interest received	-	391,861	3,136	-	-	-	-	394,997
<b>Net cash provided by investing activities</b>	<b>-</b>	<b>391,861</b>	<b>3,136</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>394,997</b>
<b>Change in cash and cash equivalents</b>	<b>-</b>	<b>(629,699,834)</b>	<b>126,705,709</b>	<b>(8,313,649)</b>	<b>-</b>	<b>303,617,333</b>	<b>255,641,517</b>	<b>47,951,076</b>
Cash and cash equivalents:								
Beginning of year	-	843,072,157	204,284,215	128,332,984	-	1,073,262,378	(1,924,669,570)	324,282,164
End of year	\$ -	\$ 213,372,323	\$ 330,989,924	\$ 120,019,335	\$ -	\$ 1,376,879,711	\$ (1,669,028,053)	\$ 372,233,240
Supplemental disclosure of noncash transactions:								
Transfers - capital assets	\$ -	\$ 71,204,340	\$ 30,233	\$ -	\$ 403,970	\$ -	\$ -	\$ 71,638,543

(Continued)

Cook County Health and Hospitals System of Illinois

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

Year Ended November 30, 2018

	Bureau of Health Services	John H. Stroger, Jr. Hospital	Provident Hospital	Department of Public Health	Cermak Health Services	County Care	Intra-Activity Eliminations	Total
Reconciliation of operating (loss) gain to net cash (used in) provided by operating activities:								
Operating (loss) gain	\$ (71,756,013)	\$ (112,081,547)	\$ 56,214,648	\$ (8,537,759)	\$ (86,058,971)	\$ 3,502,151	\$ -	\$ (218,717,491)
Adjustments to reconcile operating (loss) gain to net cash (used in) provided by operating activities:								
Depreciation	2,472,074	20,975,269	1,345,721	1,168	86,573	9,110,247	-	33,991,052
Provision for bad debts	-	223,326,967	24,062,800	-	-	-	-	247,389,767
Services contributed by other County offices	-	33,995,599	2,748,464	-	-	-	-	36,744,063
Net change in assets and liabilities:								
Patient accounts receivable	-	(223,867,287)	(26,013,530)	-	-	-	-	(249,880,817)
Due from State of Illinois	-	-	-	-	-	26,245,351	-	26,245,351
Capitation receivable	-	(113,795,584)	49,716,198	-	-	-	-	(64,079,386)
Third-party settlements	-	(890,497)	(948,583)	-	-	-	-	(1,839,080)
Other receivables	-	(19,639,624)	(2,059,002)	(53,584)	5,536,143	-	-	(16,216,067)
Interaccount receivable (payable)	-	(102,711,612)	23,363,230	-	(5,530,768)	84,879,150	-	-
Inventories	-	(1,752,582)	(531,375)	-	271,318	-	-	(2,012,639)
Accounts payable	1,553,561	12,113,544	(1,856,264)	(89,917)	1,711,826	29,488,017	-	42,920,767
Accrued salaries, wages and other liabilities	(441,697)	(12,402,336)	(989,010)	(241,405)	(1,800,890)	96,483	-	(15,778,855)
Claims payable	-	-	-	-	-	242,365,117	-	242,365,117
Compensated absences	266,547	(82,601)	(66,460)	(91,431)	(93,334)	213,313	-	146,034
Unearned revenue	-	(3,027,156)	1,253,198	-	-	-	-	(1,773,958)
Due to State of Illinois	-	6,993,514	-	-	-	(30,779,746)	-	(23,786,232)
Due to others	-	-	(706,909)	-	-	-	-	(706,909)
Property tax objections	(120,459)	(98,555)	(4,361)	(5,683)	(431,717)	-	-	(660,775)
<b>Net cash (used in) provided by operating activities</b>	<b>\$ (68,025,987)</b>	<b>\$ (292,944,488)</b>	<b>\$ 125,528,765</b>	<b>\$ (9,018,611)</b>	<b>\$ (86,309,820)</b>	<b>\$ 365,120,083</b>	<b>\$ -</b>	<b>\$ 34,349,942</b>

Cook County Health and Hospitals System of Illinois

Combining Statement of Net Position of Restricted Purpose Accounts Information  
November 30, 2018

	John H. Stroger, Jr. Hospital	Department of Public Health	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents			
Cash in banks	\$ 946,005	\$ -	\$ 946,005
Cash due to Cook County Treasurer	(1,632,134)	(861,539)	(2,493,673)
Total cash and cash equivalents	<u>(686,129)</u>	<u>(861,539)</u>	<u>(1,547,668)</u>
Other receivables	2,047,455	2,290,557	4,338,012
Due from State of Illinois	1,300	776,840	778,140
Total receivables	<u>2,048,755</u>	<u>3,067,397</u>	<u>5,116,152</u>
Total current assets	<u>1,362,626</u>	<u>2,205,858</u>	<u>3,568,484</u>
Total assets	<u>1,362,626</u>	<u>2,205,858</u>	<u>3,568,484</u>
<b>Liabilities and Net Position (Deficit)</b>			
Current liabilities:			
Accounts payable	122,035	896	122,931
Accrued salaries, wages and other liabilities	42,605	38,310	80,915
Compensated absences	9,243	(18,121)	(8,878)
Unearned revenue	2,014,900	(265,585)	1,749,315
Trust funds	946,005	-	946,005
Total current liabilities	<u>3,134,788</u>	<u>(244,500)</u>	<u>2,890,288</u>
Compensated absences, less current portion	<u>172,554</u>	<u>86,734</u>	<u>259,288</u>
Total liabilities	<u>3,307,342</u>	<u>(157,766)</u>	<u>3,149,576</u>
<b>Net Position (Deficit):</b>			
Restricted for patient care	<u>(1,944,716)</u>	2,363,624	418,908
Total net position (deficit)	<u>\$ (1,944,716)</u>	<u>\$ 2,363,624</u>	<u>\$ 418,908</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, 2018

	John H. Stroger, Jr. Hospital	Department of Public Health	Total
Gross patient service revenue	\$ 356,742	\$ -	\$ 356,742
Grant revenue	3,100,570	8,047,260	11,147,830
Total operating revenues	<u>3,457,312</u>	<u>8,047,260</u>	<u>11,504,572</u>
Operating expenses:			
Salaries and wages	2,312,581	4,472,531	6,785,112
Employee benefits	519,372	1,129,454	1,648,826
Pension expense	3,110	151	3,261
Supplies	357,701	109,606	467,307
Purchased services, rental and other	1,970,100	1,446,602	3,416,702
Utilities	5,812	31,477	37,289
Total operating expenses	<u>5,168,676</u>	<u>7,189,821</u>	<u>12,358,497</u>
<b>Operating (loss) gain</b>	<u>(1,711,364)</u>	<u>857,439</u>	<u>(853,925)</u>
<b>Change in net position</b>	<u>(1,711,364)</u>	<u>857,439</u>	<u>(853,925)</u>
Net position (deficit):			
Beginning of year	<u>(233,352)</u>	<u>1,506,185</u>	<u>1,272,833</u>
End of year	<u>\$ (1,944,716)</u>	<u>\$ 2,363,624</u>	<u>\$ 418,908</u>

Cook County Health and Hospitals System of Illinois

Combining Schedule of Cash Flows of Restricted Purpose  
Accounts Information  
Year Ended November 30, 2018

	John H. Stroger, Jr. Hospital	Department of Public Health	Total
Cash flows from operating activities:			
Receipts from third-party payors and patients	\$ 4,483,675	\$ 6,098,109	\$ 10,581,784
Payments to employees	(2,653,271)	(5,932,480)	(8,585,751)
Payments to contracted health care providers and suppliers	(2,168,375)	(1,637,532)	(3,805,907)
Other payments	(1,067,891)	1,198,095	130,204
<b>Net cash used in operating activities</b>	<b>(1,405,862)</b>	<b>(273,808)</b>	<b>(1,679,670)</b>
<b>Change in cash and cash equivalents</b>	<b>(1,405,862)</b>	<b>(273,808)</b>	<b>(1,679,670)</b>
Cash and cash equivalents:			
Beginning of year	719,733	(587,731)	132,002
End of year	\$ (686,129)	\$ (861,539)	\$ (1,547,668)
Reconciliation of operating (loss) gain to net cash used in operating activities:			
Operating (loss) gain	\$ (1,711,364)	\$ 857,439	\$ (853,925)
Adjustments to reconcile operating (loss) gain to net cash used in operating activities:			
Net changes in assets and liabilities:			
Other receivables	(1,433,054)	1,157,087	(275,967)
Due from State of Illinois	8,421	41,008	49,429
Accounts payable	100,291	(49,696)	50,595
Accrued salaries, wages and other liabilities	24,927	(173,208)	(148,281)
Compensated absences	156,865	(157,287)	(422)
Unearned revenue	1,383,105	(1,949,151)	(566,046)
Trust funds	64,947	-	64,947
<b>Net cash used in operating activities</b>	<b>\$ (1,405,862)</b>	<b>\$ (273,808)</b>	<b>\$ (1,679,670)</b>