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November 1, 2017

**TO: Chairman John P. Daley and Cook County Finance Committee**  
**FROM: Cook County Health & Hospitals System Board of Directors**

**RE: FY2018 Budget**

*SUMMARY*

*CCHHS has been on a remarkable trajectory these past several years. The system has continued to carry out its historic mission to care for all while reducing its reliance on local tax dollars by more than 75% since the independent governance board was created in 2008. This success has been the result of thoughtful, strategic decisions made by the independent board and system leadership to modernize operations, increase revenues through improved billing and collections and focus on keeping patients healthy to avoid costly and unnecessary inpatient stays.*

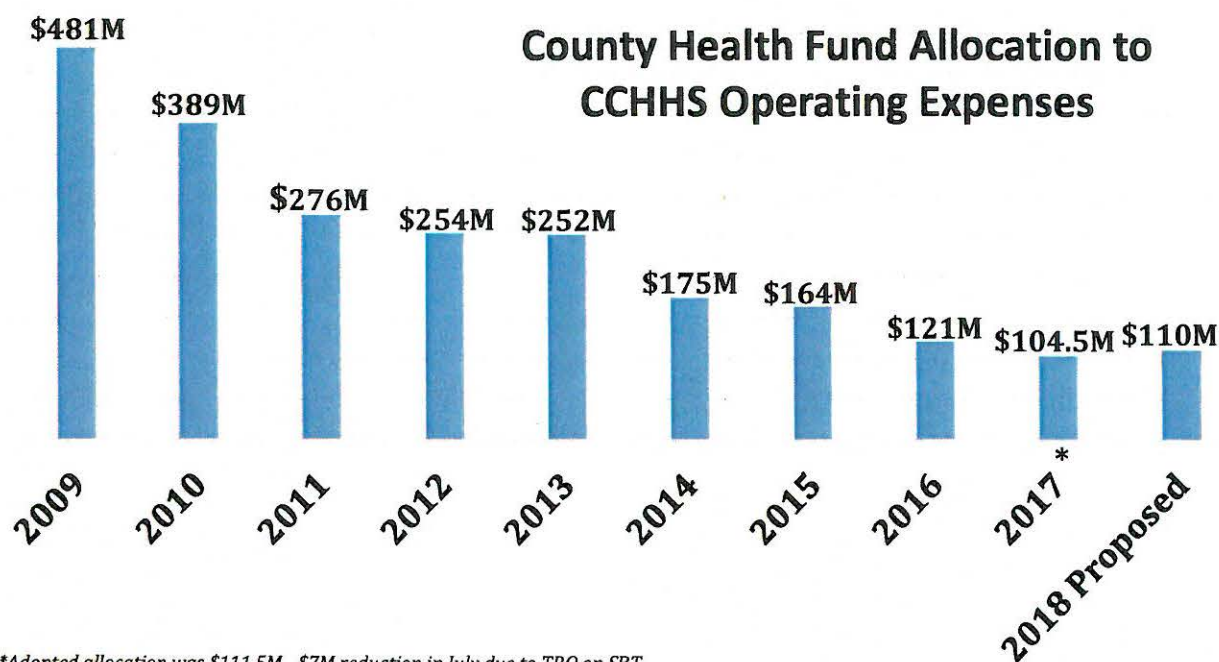
*It is important for Cook County taxpayers to understand that while the health system's budget has increased significantly since the health plan was created, the dollars associated with that growth have not come from local taxpayers. CCHHS generates 95% of its own revenue while relying on Cook County taxpayers for funding to cover costs where revenue is not available – correctional health, public health and a very small portion of the care we provide to those who cannot afford to pay. CCHHS has requested \$110M in FY2018 for these purposes, a testament to the commitment of our independent governing board in making CCHHS more self-sustainable. The compounded impact of the continued decrease in local taxpayer funding has allowed the County to redirect nearly \$2.5 billion to other County purposes and operations over the past ten years.*

*The CCHHS Board of Directors is deeply concerned that any additional cuts to the health system will result in significant service reductions threatening its ability to carry out its mission to care for all.*

**In 2008, the Cook County Board of Commissioners adopted an ordinance to establish the Cook County Health & Hospitals System (CCHHS) and an independent governance board.**

**We are proud of the work that has been done since the independent board came into existence and our commitment to positioning CCHHS to be both more self-sustaining and a good steward of taxpayer funding.**

Nearly ten years later, we are pleased to report that in addition to maintaining the health system's historic mission to care for all, we have done so with significantly fewer local tax dollars. In 2009, the tax allocation supporting CCHHS operations was \$481M; the requested allocation for 2018 is \$110M.



\*Adopted allocation was \$111.5M - \$7M reduction in July due to TRO on SBT

Note: Pension and Debt Service not included. Until 2016, Cook County Government provided capital funding in addition to the allocation.

**This 75% decrease in the allocation has allowed the County to redirect more than \$2 billion dollars to other County agencies over this period.**

Year	CCHHS Allocation	Decrease Year Over Year	Compounded Decrease
2009	481,000,000		
2010	389,000,000	92,000,000	92,000,000
2011	276,000,000	113,000,000	205,000,000
2012	254,000,000	22,000,000	227,000,000
2013	252,000,000	2,000,000	229,000,000
2014	175,000,000	77,000,000	306,000,000
2015	164,000,000	11,000,000	317,000,000
2016	121,000,000	43,000,000	360,000,000
Revised 2017	104,500,000	16,500,000	376,500,000
Proposed 2018	110,000,000	5,500,000	382,000,000
		<b>TOTAL</b>	<b>2,494,500,000</b>



CCHHS has demonstrated its commitment to operating efficiently as a modern, patient-centered provider of care and protector of public health. It now relies on the County subsidy to almost solely support services we are obliged, but not reimbursed, to provide - including our suburban Department of Public Health and healthcare to individuals detained at the Cook County Jail and the Juvenile Temporary Detention Center. Only a small portion of the allocation is left after those expenses to support our core mission - providing care to Cook County residents regardless of their income, insurance or immigration status. Last year, we provided approximately \$230 million in charity care which contributed to our uncompensated care exceeding \$500M.

Prior to independent governance, the health system's deficit was measured in the tens and even hundreds of million dollars. CCHHS has closed its books with a small but real positive balance for the last several years. This is a historic achievement, especially considering the County allocation has gone down by more than 75% since 2009.

Funding public health systems is no easy task. CCHHS has done its best to take on as much of the burden as possible. We believe CCHHS has been successful. As other public jurisdictions have increased their funding to their public health systems (see below), CCHHS has continuously asked for less.

Comparison of Local Tax Dollar Allocation of Public Health Systems							
County	State	2009			2017		
		Non-Patient Revenue Local Tax Allocation	County Population	Tax Dollars Per Capita	Non-Patient Revenue Local Tax Allocation	County Population	Tax Dollars Per Capita
Cook County [i]	Illinois	\$ 630,000,000	5,201,079	\$ 121.13	\$ 403,000,000	5,313,282	\$ 75.85
Parkland Health and Hospital System [ii]	Texas	\$ 425,000,000	2,412,278	\$ 176.18	\$ 500,000,000	2,609,461	\$ 191.61
Harris County Hospital District [iii]	Texas	\$ 529,000,000	4,022,436	\$ 131.51	\$ 765,000,000	4,666,093	\$ 163.95
Marion County [iv]	Indiana	\$ 107,000,000	872,617	\$ 122.62	\$ 125,000,000	952,385	\$ 131.25
Health and Hospitals Corporation [v]	New York	N/A	8,256,457	N/A	\$ 1,300,000,000	8,691,599	\$ 149.57

Sources:

[i] <http://www.cookcountyhhs.org/wp-content/uploads/2017/08/Item-VI-CCHHS-FY2018-Prelim-Budget-and-Financial-Plan-08-25-17.pdf> Inclusive of legacy debt and pension contributions.

[ii] Figure for 2011. Dallas County Hospital District Financial Statements as of and for the Years Ended September 30, 2012 and 2011, Supplemental Schedules as of September 30, 2012, and Report of Independent Certified Public Accountants; <https://www.parklandhospital.com/Uploads/Public/Documents/Financial/Dallas%20County%20Hospital%20District%20Financial%20Report%20FY%202012.pdf>; Parkland Hospital Financial Summary, FY 2016. <https://www.parklandhospital.com/phhs/financial-summary.aspx>.

[iii] For the year ended February 28, 2010. Net tax revenue only (does not include tobacco tax or investment income). Harris County Hospital District and Affiliates Combined Financial Statements, 2009-10.

<https://www.harrishealth.org/SiteCollectionDocuments/financials/combined/financial-statements-2010.pdf> [iv] For 2009. Includes property and other taxes (not Medicaid special revenue or investment income); Harris Health System Facts and Figures, FY 2017. <https://www.harrishealth.org/en/about-us/who-we-are/pages/statistics.aspx>

[iv] Health and Hospitals Corporation of Marion County, Indiana, Comprehensive Annual Financial Report for the Year Ended December 31, 2009. [http://www.hhcorp.org/hhc/images/budget/cafr\\_2009.pdf](http://www.hhcorp.org/hhc/images/budget/cafr_2009.pdf). Figure for 2009. Includes property and other taxes (not Medicaid special revenue or investment income); and Health and Hospital Corporation of Marion County - 2018 budget.

[v] Figure for 2009 not available at this time. <http://www.nychealthandhospitals.org/wp-content/uploads/2016/11/hhc-paris-2009-2014.pdf> and <https://www.osc.state.ny.us/press/releases/dec16/122016.htm>; Report of the Finance Division on the Fiscal 2018 Preliminary Budget and the Fiscal 2017 Preliminary Mayor's Management Report for the New York City Health + Hospitals, March 29, 2017 <https://council.nyc.gov/budget/wp-content/uploads/sites/54/2017/03/819-HHC-2.pdf>

Population figures: 2009: U.S. Census Bureau, 2009 American Community Survey 1-Year Estimates; 2017: Esri, 2017.



CCHHS has accomplished its recent success through careful planning and execution of strategies that contribute to long-term sustainability. For instance, CCHHS has focused intensely on contracting with additional health plans and strengthening our billing and collection operation. We have financial counselors who assist uninsured patients as they identify appropriate marketplace plans, apply for Medicaid or enroll in our CareLink program. These efforts also reduce costs to local taxpayers. And where practical, we have consolidated services in the last several years. For many years, Fantus clinic was home to the Ambulatory Screening Clinic (ASC). In 2016, we transitioned the patients who were receiving sporadic care through the ASC to a medical home where their care is coordinated and managed by their assigned primary care provider. Like other modern healthcare systems, CCHHS has established a central scheduling model instead of requiring patients to make four different calls if they need four different services. These types of service changes provide a better experience for our patients and save money.

We have earned accreditations through The Joint Commission, the American College of Surgeons Commission on Cancer; the Public Health Accreditation Board; the National Committee for Quality Assurance; and more. These third party validations demonstrate our commitment to providing high quality care and are critical as we operate in an increasingly competitive environment.

Over the last several years, the health system's budget has grown because of the strategic decision to start the health plan. As a result, the County's overall budget has grown but as these Medicaid dollars are restricted, they should not be viewed as increasing the County's operational budget. CCHHS needs this body and the taxpayers to understand that the health plan does not rely on any local taxpayer dollars. The decision to enter the Medicaid managed care space was both the right decision for thousands of patients we serve and for the taxpayers of Cook County. The health plan was created following the adoption of the Affordable Care Act (ACA) in 2010 with the approval of the Cook County Board of Commissioners, the Illinois General Assembly and the assistance of our Washington DC delegation led by Senator Richard Durbin and Congresswoman Jan Schakowsky. CountyCare, through the ACA, has extended Medicaid coverage to many individuals who previously were cared for at CCHHS without reimbursement. The health plan has been a major contributor to our ability to reduce our reliance on local tax dollars and assist in stabilizing the regional healthcare community.

As you know, CCHHS receives a capitation rate, a fixed rate per month for every member in the plan whether or not they seek care. Those dollars flow into the health plan and flow out to pay network providers for care rendered to CountyCare members. Hundreds of millions of dollars are paid to Federally Qualified Health Centers (FQHC's), physicians and hospitals throughout Cook County. And importantly, CCHHS, as a network provider, is paid for the care it provides to CountyCare members. This reimbursement allows us to offset other expenses within the system and thus lower our reliance on local taxpayers. Just like any other health insurance plan, the larger the plan is, the more balanced the risk pool. This allows us to better manage costs and create a financially sustainable health plan. The health plan was discussed extensively in the System's three year Strategic Plan, IMPACT 2020 which was approved by the Cook County Board of Commissioners last year. Growth through acquisition was an explicit strategy and we are pleased to be adding the Family Health Network membership to CountyCare on November 1, 2017.

The \$110M that CCHHS does receive from local taxpayers is used to provide correctional health, public health and charity care – services for people in our communities for which we cannot bill. CCHHS continues to innovate in these areas to keep communities healthier and ensure that detainees are provided with healthcare services that reduce costs to both the criminal justice system and the healthcare system both during and after detention. Recent conversations suggesting that we can absorb a \$27 million cut simply because of our size are dangerous. As correctional health and public health are mandated services, the cuts CCHHS is being asked to propose will result in service reductions, threaten our historic mission to care for all and risk pushing the County back into federal oversight for inadequate care to detainees.



We must remember that despite the progress of the Affordable Care Act, CCHHS continues to provide the bulk of the charity care in Cook County. There are 72 hospitals in Cook County. Our two hospitals – Stroger and Provident – provide 45% of the charity care in Cook County. Our total uncompensated care costs have ticked up in the last few years. Absorbing more than \$500 million in uncompensated care cannot be done without revenue. It is the revenue we have received through more efficient billing and collections, financial counseling and our efforts in the Medicaid space coupled with operational efficiencies that has allowed us to operate the health system with less local tax dollars. Make no mistake, a cut of any size has the ability to impact the success CCHHS has had in these past nine years and return the health system back to the days of multi-million deficits. Cuts to service will also result in reduced revenues coming into the system.

The independent governance board spends many hours monthly in public meetings discussing quality, operations and strategy and reviewing financials, clinical volumes and all aspects of the health plan. We want to assure you that we take our role seriously and that CCHHS has the best interest of our patients and the taxpayers at heart. We also believe that with your continued support, we can continue the successes of the past few years to preserve our important mission for years to come.

We appreciate the challenges you face in crafting the FY2018 County budget but please understand that a \$27M cut to our \$110M allocation cannot be absorbed through eliminating vacancies or reducing supply accounts – it can only be done by eliminating services. That being said, we did submit cuts to the Committee on Finance as requested but remain deeply concerned about the service reductions that would occur as a result.

We feel strongly that CCHHS has streamlined and rightsized its operations significantly over the past several years and that any additional cuts will result in service reductions. We should all be proud that the health system has been on a remarkable trajectory these past several years. And whether you define that by CCHHS's financial position or by the care CCHHS provides to its patients, we as the independent governance board, unequivocally believe that the cuts under discussion will threaten this progress and possibly our ability to carry out our 180 year mission.

We thank you for your ongoing support of CCHHS and your consideration. Should you have any questions, please feel to contact me.

Sincerely,

M. Hill Hammock  
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cc: Toni Preckwinkle, President, Cook County Board of Commissioners