

Cook County Health & Hospitals System

Todd H. Stroger • President
Cook County Board of Commissioners

Warren L. Batts • Chairman
Cook County Health & Hospital System

Jorge Ramirez • Co-Chair
Cook County Health & Hospitals System

1900 W. Polk Street, Suite 123
Chicago, IL 60612



Health System Board Members
Dr. David A. Ansell
Commissioner Jerry Butler
David N. Carvalho
Quin R. Golden
Benn Greenspan
Sr. Sheila Lyne
Dr. Luis R. Munoz
Heather E. O'Donnell
Andrea L. Zopp

September 3, 2008

TO: President Todd Stroger and Cook County Board of Commissioners

FROM: Warren L. Batts
Chair, Cook County Health and Hospitals System Board

RE: Status Report

Dear President Stroger and Commissioners:

I am pleased to report that the **Cook County Health and Hospitals System (CCHHS)** Board of Directors is fully engaged and understands the importance of the work before it, as the Directors spend the time and effort required to meet its charge. The Board has largely completed its initial organizational activities and is now deeply involved in fully establishing appropriate policy and procedures to carry out our work. Additionally the Board is providing direction to the leadership across the System, as we seek to both stabilize and correct some of the priority deficiencies identified while working to develop a longer-termed plan of strategic vision and financial viability for this System. You will find below, an outline of the work of that the CCHHS Board of Directors has focused on during its initial weeks of operations.

First six weeks:

System Board organization has taken place including:

- Election of Board leadership
- Adoption of Rules of the Board
- Creation of standing committees (Finance, Audit & Compliance, Quality & Patient Safety, Human Resources) and appointment of chairs and members for each

- Establishment of meeting schedules and associated logistics
- Review of documents and materials furnished including prior year audit reports, Blue Ribbon and other panel reports, 2008 adopted budget, etc.
- Creation of working committee for strategic planning process

Initial System Board Actions:

- Developed process for the recruitment of a permanent System Chief Executive Officer including interview and selection of Executive Recruitment Firm (Quick, Leonard, Keifer of Chicago), with contract execution expected to be completed within the next ten days; this search is expected to take approximately six months to conclude.
- Named an Interim Chief Executive Officer (David Small) and Interim Chief Financial Officer (Pitt Calkin).
- The process of selecting an Interim Chief Medical Officer is underway and is expected be completed within the next two weeks.
- Authorized the recruitment of a Chief Corporate Compliance Officer, which the Interim Chief Executive Officer has begun.
- The process of developing an initial set of contract and procurement rules is underway and is expected to be completed within the next thirty days, followed by reviewed of the Finance Committee and recommendation to the System Board shortly thereafter.
- The Human Resources Committee has begun the process of reviewing current County HR policy and procedures, revising where appropriate for System Board adoption, as well as determining the appropriate organization of HR related functions. Hiring of Staff is the first of these policies that is under review and revision.
- The Human Resources Committee has reviewed summary information of currently negotiated physician collective bargaining agreements and is preparing itself for the upcoming collective bargaining negotiations with all of the unions.
- The System Board has carried out the approval of physician and staff position reclassifications (with necessary salary changes) deemed most urgent at this time, as part of a staff recruitment and retention process, so as to address the most critical of needs within the System.

- System Board members have begun the process of on-site visits of the operating affiliates of the System including the Cermak Health Facilities, Stroger Hospital, Provident Hospital, and Oak Forest Hospital.
- The Finance Committee is working with management on the review of current reporting deficiencies and the creation of a plan to address the most urgent of these deficiencies, such as the development of appropriate monthly financial reports and benchmark comparisons, the installation of a healthcare general ledger system, etc.
- Met with medical staff at an informal reception to hear and discuss issues key to that group of system staff.
- Created a working group of the System Board to develop a strategic plan and the initial data-gathering phase underway.
- The Quality and Patient Safety Committee is working with management on a plan to correct deficiencies at Cermak and position that facility for attainment of re-accreditation.
- The Quality and Patient Safety Committee in concert with the organized Medical Staffs, management, and the States Attorney's Office has completed the process of establishing Policy and Procedures for Joint Conference Committee meetings and reporting, privileging of the medical staff, and similar related activities necessary to meet JCAHO and State requirements.
- Identified procurement and compliance issues at Provident Hospital that are under review for corrective action as necessary and appropriate.

Next areas of focus for the short-term:

- Review and adoption of FY 2009 Capital and Operating Budget with an expected time frame of mid-September followed by discussion with President Stroger for inclusion in the recommended 2009 Budget for the consideration by the Board of Commissioners.
- Work with management on key areas of revenue and expense review including progress on the revenue cycle project under MedAssets, Supply Chain and procurement improvements including adoption of a primary Group Purchasing Organization, review of current operating performance against appropriate benchmarks with development of plans for adjustments.
- Continue work to streamline procurement and hiring processes, as well as the transitioning of systems from current County operating structures to the System.

- Review, and assist where necessary, management's efforts to identify and install appropriate financial management systems.
- Identify key investments needed for stabilization and operating improvement across the system including review of service capacity within the available/projected funding level and the development of any needed adjustments.

These are some of the most important areas of focus for CCHHS Board (although not meant to be an all-inclusive list) and as always welcome comments or suggestions as we carry out our work. Thank you.

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To:

September 2, 2008

Mr. David Small
Interim Chief Executive Officer
Cook County Health and Hospitals System

Mr. David Carvalho
Finance Committee Chairman
Cook County Health and Hospitals System

From:

Pitt R. Calkin
Interim Chief Financial Officer
Cook County Health and Hospitals System

Subject:

Patient Service Revenue Forecast vs. Budget for Fiscal Year 2008

Attached is the latest reforecast for the Health System Patient Service Revenue vs. Budget for Fiscal Year 2008. A few points that I would like to emphasize within the document

- 1) You might recall that the Estimated Annual May YTD (Year-to-date) Shortfall of \$40, 836,028 was due to the payor mix shift from Medicaid to Self-Pay as well as the 1,000 births budgeted at Provident that did not happen
- 2) Please note that the Estimated Annual July YTD shortfall has improved by some \$6M+ due to a more favorable payor mix shifting from Self-Pay to Medicaid
- 3) Unfortunately, we were informed recently that the October Inter Governmental Transfer (IGT) will be short by \$15M+ due to the final phase out of the Upper Payment Limit

What are we doing to mitigate the \$15M shortfall in the IGT payment in October?

Last week Mr. Small, Mr. Mark and myself had a phone conference with State Officials that was set up by Matt Powers with Health Management Associates (HMA). In that conference discussion the State Officials were willing to accelerate some reconciliations that would have normally taken place in April and May 2009 to October 2008. We estimate those two reconciliations to be worth \$11.6M

Bottom Line:

• Ambulatory & Community Health Network • Cermak Health Services • Department of Public Health •
• John H. Stroger, Jr. Hospital of Cook County • Oak Forest Hospital • Provident Hospital • Ruth M. Rothstein CORE Center •

We Bring Health CARE to Your Community

Adjusted Annual Budget Shortfall per attachment	\$ 51,070,300
Pick-up from October 2008 Reconciliations	\$ 11,600,000
Net Shortfall	\$ 39,470,300

Conclusion:

The Estimated Annual July YTD Shortfall with the October Reconciliations will put us right back to the Estimated Annual May YTD Shortfall that was shared with the Finance Committee and the full Board recently.

**Cook County
Health and Hospitals System
Forecast of Revenue vs Budget**

	<u>J. H. Stroger Hospital</u>	<u>Oak Forest Hospital</u>	<u>Provident Hospital</u>	<u>System Total</u>
2008 Original Budget	\$ 232,252,866.80	\$ 35,505,976.35	\$ 43,141,165.11	\$ 310,900,008.26
May 2008 YTD Annual Forecast	\$ 202,138,481.83	\$ 34,663,283.53	\$ 33,262,214.83	\$ 270,063,980.19
Estimated Annual May YTD Shortfall	\$ (30,114,384.97)	\$ (842,692.82)	\$ (9,878,950.28)	\$ (40,836,028.07)
July 2008 YTD Annual Forecast	\$ 206,409,882.00	\$ 35,988,757.00	\$ 34,035,194.03	\$ 276,433,833.03
<u>Change since May</u>				
Medicare	\$ (62,146.00)	\$ 467,549.00	\$ (311,956.00)	\$ 93,447.00
Medicaid	\$ 3,841,813.17	\$ 798,232.47	\$ 1,244,760.20	\$ 5,884,805.84
Other	\$ 491,733.00	\$ 59,692.00	\$ (159,825.00)	\$ 391,600.00
Estimated Annual July YTD Shortfall	\$ (25,842,984.80)	\$ 482,780.65	\$ (9,105,971.08)	\$ (34,466,175.23)
<u>Other Factors Affecting Revenue</u>				
Increase in Grant Revenue	\$ -	\$ 2,000,000.00	\$ -	\$ 2,000,000.00
Estimated Eligibility and Billing Fees	\$ (2,200,000.00)	\$ (1,100,000.00)	\$ (300,000.00)	\$ (3,600,000.00)
Loss of IGT Revenue - Oct Payment	\$ (9,694,057.00)	\$ (3,456,932.50)	\$ (1,853,135.50)	\$ (15,004,125.00)
Adjusted Annual Budget Shortfall	\$ (37,737,041.80)	\$ (2,074,151.85)	\$ (11,259,106.58)	\$ (51,070,300.23)