

**Report to the Cook County Commissioners
March 17, 2009**

Good Afternoon. Thanks for the opportunity to report on the activities of the Health & Hospitals System board and the progress being made throughout the System.

First, on behalf of the System Board members and the employees working to deliver quality health care to our patients let me say how much we appreciate your approval of our budget and our capital expenditure plan for Fiscal Year 2009.

The System's budget request set forth five main goals for Fiscal Year 2009. Today, I am happy to report that we are on target to achieve these goals.

Our first goal was to recruit a permanent CEO. As you know, Bill Foley, an experienced CEO with a proven track record in health care operations, will start as our new CEO on May 4th. We are very pleased to have Mr. Foley as the leader of our management team. We anticipate that he will bring the leadership, expertise and inclusive style necessary to enable the System Board to accomplish the mission you established for it.

As for the recruitment of the rest of the C-Level management positions, the Human Resources Committee, chaired by Andrea Zopp, has approved job descriptions for several of the key positions such as the CFO, HR Director, and CMO for the System. Now under the guidance from the Board, Bill Foley, with assistance from David Small, will engage an external Executive Search Firm to start those searches ASAP.

One of the major findings of the Blue Ribbon Committee and every other group that has studied the System -- and pointed out again by Commissioner Sims during my confirmation hearing --is that today management does not have timely and accurate information so that it can react quickly when something is off course and make sound economic decisions on a continual basis.

Therefore, our second goal is to have a fully functional information system in place by the end of this Fiscal Year. ACS, our IT consulting and management firm, along with our staff, is making steady progress. For example, numerous projects have been completed in support of enhanced billing and collection functions. Currently a large project is underway to upgrade our main clinical applications system across the entire healthcare System and is expected to be completed by June. This project will go a long

way toward ensuring up-to-date and uniform usage of these systems by all of our clinical staff.

We have determined that we need a significant number of experienced IT people, with very specific knowledge of our healthcare IT systems, along with several million dollars of continuing investment in related computer equipment. In the approved 2009 budget is a substantial down payment on these resource needs; however it should be noted that even in this tough economy of increased layoffs, these specialized IT staff are very hard to come by. We will be attempting to employ targeted recruitment efforts to satisfy this staffing need.

We recognize that we have a very significant deficit in terms of in-house training capacity, therefore, we have also approved the use of some additional outside expertise to carry out the training of our staff on these upgraded IT applications. With a well-trained staff and clear standard procedures we should achieve full and uniform use of these technologies, in order for our employees to operate more efficiently and effectively -- as well as begin to maximize the returns on the very large investment in IT made in prior years.

Our board has approved a revised set of general accounting policies and procedures that are now being implemented by all of our accounting staff.

But we still have a very long way to go. For example, this week the County will provide us with a final accounting of our December, 2008 revenues (or cash receipts) and expenses. We also expect that the reporting from the final close-out of fiscal year 2008 will take place this week and we will be provided with those figures.

I am sure the County's accounting department is working as rapidly as it can to produce information for us as well as the County's other operating units. The time lag however does not permit us to operate in the "real-time" fashion that is standard operating procedure for healthcare organizations today.

Meanwhile, Pitt Calkin, our Interim CFO and our financial staff are estimating our results as best they can. The solution for us (as recognized by the various reviews of the System in the recent past) is to install a healthcare-oriented enterprise resource planning or ERP set of systems.

Pulling together financial, payroll, inventory, and purchasing expense information, ERP will allow us to close our books quickly after each accounting period and know where we stand

against the operating plan at the overall System level, as well as the at the various department levels.

Funds to acquire ERP are contained within our 2009 budget, and we have begun to investigate the quickest way to implement this critical improvement.

You may recall that when Deloitte conducted our audit last year, they did not rely on our financial control system. To correct this situation, we have engaged RSM McGladrey to assist us in the development of a fully functional internal auditing service. They will also manage and conduct some of these internal audits over the next two years, particularly in those areas assessed to be of “high risk.” We want experienced professionals to audit specific areas of operations, in order to identify any control weaknesses and advise management in getting them fixed.

In keeping with industry practice, we are utilizing “dashboards” which are tools that help us measure and improve our performance in various areas. These “dashboards” will help us realign our resources to be more efficient and responsive to our patients’ needs.

Meanwhile our "dashboard" of medical services is being refined so that we know quickly what services we are providing at each unit.

One thing that stands out already is that we need to ensure that all of the patient services that our System provides are properly coded so that maximum reimbursement and productivity recognition are achieved. This is one of our top priorities.

Our third goal is to reduce our costs of supplies by approximately \$20 million in 2009 (and even more in future years) by making better use of the current Group Purchasing Organization, or "GPO" contract, and future GPO contracts. These GPO contracts will allow us to take advantage of best pricing for a wide variety of necessary supplies we purchase. This helps to ensure cost containment and best use of our limited funds.

We are aware that certain vendors have expressed concerns with regard to the participation of minorities and women in purchases made through a GPO.

Our challenge of course is to be good stewards of the public's money by making good purchasing decisions and balancing this with the County's commitment to its Minority and Women's Business enterprise participation goals.

The adoption of the System's procurement policy and procedures will reflect our awareness of these provisions within the County's Procurement Ordinance and how these provisions apply to the System.

As pointed out earlier, we appear as a System to be considerably higher in overall staffing levels in comparison with similar public healthcare systems. Therefore, our fourth goal is to reduce our FTE per adjusted occupied bed by one, or approximately 900 positions over this fiscal year, for a savings of \$10 Million in 2009 and even more in future years. We have already eliminated about 200 vacant positions. We are still trying to recruit about 450 nurses, doctors and other specialized people but expect to achieve a net reduction of about 450 positions

In this regard, we have obtained access to an extensive national data base through University Health Consortium (UHC) that will allow us to compare our staffing with similar healthcare organizations and situations on an apple-to-apple basis. This will enable us to pinpoint the areas where changes in staffing are required to bring us more in line with other well run healthcare systems and hospitals.

Our fifth goal is to continue to examine our costs and the current alignment of patient care services

we provide, in order to fulfill our mission of delivering quality healthcare, within the limits of available funding, to all residents of Cook County, especially those who are uninsured.

For example, our Medical Staff is transitioning from an “affiliate-based” operation to a System-wide operation, one specialty at a time, in order to utilize fully the talent we have. This will not always result in lower costs per se but will allow us to deliver more service with the funds at our disposal. A project aimed at reallocating our surgery resources will allow us to open five dark operating rooms at Stroger to see more patients at that hospital while adding more outpatient surgery related services at both Provident and Oak Forest Hospitals.

Finally, we are close to completing our purchasing and contract policies and procedures, as well as those for human resources. As the County Ordinance establishing the System contemplated, we will soon be staffing those two essential functions with our own people.

We are grateful to the staff members within the Office of the President who continue to assist us in our purchasing and human resource activities.

However I must mention that we had hoped to see significant transitioning of resources from the

County's HR and Purchasing Departments as we move to take on these activities fully within the System.

Unfortunately, based upon discussions to date, beyond the HR staff currently paid for out of our budget who will be relocated to us, and possibly two staff members to assist with contract compliance, it has been reported to us that additional resources cannot be reassigned. Further discussions will take place but unless we are able to realize a transfer of positions from Purchasing proportionate to the work we are taking on, we obviously will have to look internally at how we rebalance our resources between patient care services and these necessary infrastructure elements that support those patient services.

In closing, I appreciate the opportunity to present this periodic report to you. I hope that you are content in the knowledge that the System is on its way to accomplishing its goals for 2009, as well as the overall mission of the System. In other words, we are making significant progress but we all know that much more needs to be accomplished. Thank you.

**Warren Batts, Chairman
Cook County Health and Hospitals System**